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September 19, 2022

VIA ELECTRONIC FILING

Electronically Filed in TPUC Docket Room
on September 19, 2022 at 4:42 p.m.

Hon. Herb Hilliard, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *In Re: Joint Petition of Tennessee-American Water Company and Walker County Water and Sewerage Authority for Expedited Approval of a Special Contract, Docket No. 22-00049*

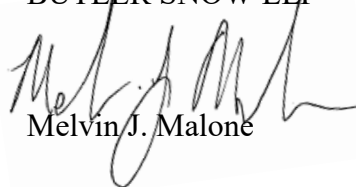
Dear Chairman Hilliard:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimony of Grady Stout* in the above-captioned matter.

As required, the original plus four (4) hard copies will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Bob Lane, TAWC
Grady Stout, TAWC
Shannon Whitfield, WCWSA
Karen H. Stachowski, Consumer Advocate Division
Vance Broemel, Consumer Advocate Division

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TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 22-00049

REBUTTAL TESTIMONY

OF

GRADY STOUT

ON

**JOINT PETITION OF TENNESSEE-AMERICAN WATER COMPANY AND WALKER
COUNTY WATER AND SEWERAGE AUTHORITY FOR THE
APPROVAL OF A SPECIAL CONTRACT**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Grady Stout. My business address is 1500 Riverside Drive, Chattanooga,
3 Tennessee 37406.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the Director, Engineering for Tennessee-American Water Company (“Tennessee
7 American,” “TAWC” or “Company”).

8
9 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
10 **BEHALF OF TAWC?**

11 A. Yes. I have submitted Pre-filed Direct Testimony in this proceeding.

12
13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of William H.
15 Novak on behalf of the Consumer Advocate Division of the Office of the Tennessee
16 Attorney General (the “Consumer Advocate” or the “CA”).

17
18 **Q. DOES TAWC OBJECT TO THE CONSUMER ADVOCATE’S PROPOSAL TO**
19 **EXCLUDE THE TCJA TAX CREDIT AS A SURCHARGE COMPONENT IN THE**
20 **SPECIAL CONTRACT BILLING RATE?¹**

21 A. No, TAWC does not oppose the Consumer Advocate’s recommendation to not include the
22 2017 Tax Cuts and Jobs Act (“TCJA”) tax credit to the proposed Special Contract between

¹ *Direct Testimony of Consumer Advocate Witness William H. Novak*, TPUC Docket No. 22-00049, p. 6 (Aug. 31, 2022).

23 TAWC and Walker County Water and Sewerage Authority (“Walker County” or
24 “WCWSA”). Emanating from TPUC Docket No. 18-00039, *In Re: Tennessee-American*
25 *Water Company’s Response to Commission’s Investigation of Impacts of Federal Tax*
26 *Reform on the Public Utility Revenue Requirements*, the TCJA tax credit gives customers
27 sur-credits for reductions in the company’s revenue requirement to reflect the lower federal
28 income tax from passage and implementation of the TCJA. Pursuant to the *Order*
29 *Approving Stipulation and Settlement Resolving Phase One of the Docket* in Docket No.
30 18-00039, TAWC has offset its annual Capital Recovery Riders surcharge mechanism with
31 the TCJA sur-credits. Under Mr. Novak’s recommendation, the rate in the Special Contract
32 will remain \$1.75 per 1000 gallons.²

33
34 **Q. IS THE COMPANY’S RATIONALE FOR ACCEPTING THE CA’S PROPOSAL**
35 **THE SAME AS THE CA’S RATIONALE AS EXPRESSED BY CA WITNESS**
36 **MR. NOVAK?**

37 A. Not exactly. As the rates proposed in the Special Contract is a negotiated rate, TAWC does
38 not believe it is appropriate to apply this sur-credit to Walker County. Further, TAWC
39 disagrees with a portion of Mr. Novak’s reasoning to the extent that the sur-charge credits
40 to customers not only the impact from deferred taxes at higher rates, but also includes the
41 impact of the tax reductions on an ongoing basis until such time as TAWC’s base rates are
42 adjusted to reflect the tax rates in effect at that time. However, TAWC accepts Mr. Novak
43 recommendation to exclude the sur-charge credits from Walker County sales and that the
44 Special Contract rate remain unchanged at \$1.75 per 1000 gallons.

² Direct Testimony of Consumer Advocate Witness William H. Novak, TPUC Docket No. 22-00049, p. 6, fn 8.

45

46 **Q. WITH THE COMPANY'S ACCEPTANCE OF CA WITNESS MR. NOVAK'S**
47 **PROPOSAL, ARE THERE ANY REMAINING CONTESTED ISSUES IN THIS**
48 **MATTER?**

49 A. No.

50

51 **Q. PLEASE SUMMARIZE TAWC'S POSITION ON THE PENDING APPLICATION**
52 **IN THIS DOCKET.**

53 A. TAWC recommends approval of the proposed Special Contract between TAWC and
54 Walker County, adjusted to exclude the TCJA tax credit as a surcharge component in the
55 rates under this contract.

56


57 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

58 A. Yes. I reserve the ability to submit further testimony as is appropriate.

STATE OF Tennessee)
)
COUNTY OF Washington)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Grady Stout, being by me first duly sworn depose and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, his testimony would be as set forth in his pre-filed testimony in this matter.



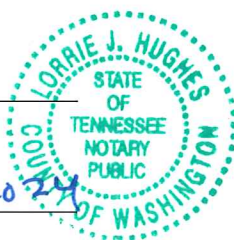
Grady Stout

Sworn to and subscribed before me
this 19th day of September, 2022.



Notary Public

My Commission Expires: 8-5-2024



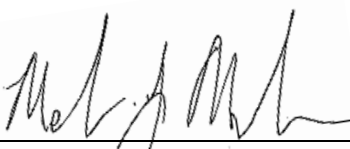
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
Senior Assistant Attorney General
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Consumer Advocate Division
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This the 19th day of September 2022.



Melvin J. Malone