

July 21, 2023

Electronically Filed in TPUC Docket  
Room on July 21, 2023 at 10:05 a.m.

**VIA ELECTRONIC FILING**

Hon. Herbert H. Hilliard, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

**RE: *Petition of Tennessee-American Water Company in Support of the Calculation  
of the 2023 Capital Recovery Riders Reconciliation***  
**TPUC Docket No. 23-00018**

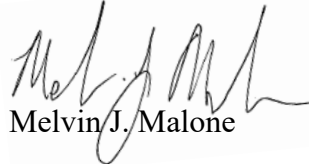
Dear Chairman Hilliard:

Attached for filing please find the *Supplemental Testimony of Robert C. Lane* 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

Karen H. Stachowski, Consumer Advocate Division

Victoria B. Glover, Consumer Advocate Division

**TENNESSEE-AMERICAN WATER COMPANY, INC.**

**DOCKET NO. 23-00018**

**SUPPLEMENTAL TESTIMONY**

**OF**

**ROBERT C. LANE**

**ON**

**PETITION OF TENNESSEE-AMERICAN WATER COMPANY REGARDING  
CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM  
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE  
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER AND IN SUPPORT OF  
THE CALCULATION OF THE 2023 CAPITAL RECOVERY RIDERS  
RECONCILIATION**

**SPONSORING PETITIONER'S EXHIBITS:**

**PETITIONER'S SUPPLEMENTAL EXHIBIT - REVISED PROPOSED TARIFF --RCL  
PETITIONER'S SUPPLEMENTAL EXHIBIT – CAPITAL RIDERS RECONCILIATION – RCL**

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

2   A.     My name is Robert (Bob) C. Lane, and my business address is 109 Wiehl Street,  
3           Chattanooga, Tennessee 37403.

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

5   A.     I am employed by American Water Works Service Company (“Service Company”).  
6           Service Company is a wholly owned subsidiary of American Water Works Company, Inc.  
7           (“American Water”) that provides services to American Water’s subsidiaries, including  
8           Tennessee-American Water Company (“TAWC” or “Company”). My current role is Sr.  
9           Manager, Rates and Regulatory for TAWC.

10  **Q.     HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**  
11  **TENNESSEE PUBLIC UTILITY COMMISSION?**

12  A.     Yes, I have submitted testimony in several TPUC Dockets, including Docket Nos. 22-  
13           00021 (2022 CRRs Recon), 22-00072 (2022 Annual CRRs), 23-00007 (2023 PCOP), and  
14           23-00018 (2023 CRRs Recon).

15  **Q.     CAN YOU PROVIDE AN OVERVIEW OF THIS CASE AS IT STANDS NOW**  
16  **BEFORE THE COMMISSION?**

17  A.     On March 1, 2023, TAWC submitted the Pre-filed Direct Testimony of Robert Lane,  
18           proposing a reconciliation amount of negative \$9,694. After the discovery phase of this  
19           case, the Consumer Advocate Division of the Tennessee Attorney General’s Office  
20           (“Consumer Advocate” or “CAD”) submitted the Pre-filed Testimony of David Dittmore  
21           on May 26, 2023, in which it recommended a reconciliation amount of negative \$624,061.  
22           On June 13, 2023, TAWC submitted the Pre-filed Rebuttal Testimony of Robert Lane  
23           recommending a reconciliation amount of \$138,626.

1   **Q.    WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

2    A.    After the submission of the Pre-filed Testimony CAD and the filing of TAWC's Pre-filed  
3       Rebuttal Testimony, the parties engaged in good faith, cooperative discussions to  
4       determine if there was any opportunity to address or even resolve the remaining contested  
5       issues in a manner mutually satisfactory to the parties and consistent with the public  
6       interest. After much work between the parties, the Consumer Advocate and TAWC have  
7       reached a negotiated settlement to resolve the remaining contested issues in this case. The  
8       purpose of my Supplemental Testimony is to memorialize this negotiated settlement for  
9       the Commission.

10   **Q.    ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL**  
11       **TESTIMONY?**

12   A.    Yes, I am. I am sponsoring Petitioner's Supplemental Exhibit – Capital Riders  
13       Reconciliation – RCL and Petitioner's Supplemental Exhibit, Revised Proposed Tariff  
14       Sheet – RCL.

15   **Q.    WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**  
16       **OR UNDER YOUR DIRECTION AND SUPERVISION?**

17   A.    Yes.

18   **Q.    WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**  
19       **PETITIONER'S EXHIBITS LISTED ABOVE?**

20   A.    The data used to prepare the exhibits was acquired from the books of account and business  
21       records of Tennessee-American, and other internal sources, which I examined in the course  
22       of my investigation of the matters addressed in this testimony.

1 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**  
2 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**  
3 **PURPOSES?**

4 A. Yes.

5 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**  
6 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**  
7 **DATA?**

8 A. Yes, they do.

9 **Q. PLEASE IDENTIFY AND SUMMARIZE THE ADJUSTMENTS AGREED TO BY**  
10 **THE PARTIES?**

11 A. TAWC and CAD agreed on a reconciliation amount of negative \$500,000. In order to  
12 memorialize and implement this negative \$500,000 reconciliation amount, a settlement  
13 adjustment was made in the Petitioner's Supplemental Exhibit – Capital Riders  
14 Reconciliation – RCL. To reach a mutually satisfactory arrangement under the  
15 circumstances presented, the parties did not settle on individual adjustments, but rather  
16 settled on an overall reconciliation amount of negative \$500,000.

17 **Q. WAS AN ADJUSTMENT MADE TO THE CALCULATION OF THE**  
18 **RECONCILIATION PERCENTAGE TO ACCOUNT FOR THE**  
19 **IMPLEMENTATION OF THE RECONCILIATION IN AUGUST?**

20 A. Yes, the base revenues used to calculate the reconciliation that is used to derive the  
21 reconciliation percentages was reduced from seven-twelfths of the base revenues and thus  
22 based on 139 out of 365 days. This adjustment seeks to flow through to customers the  
23 \$500,000 during the 139 remaining days of the year (starting August 14<sup>th</sup>). This adjustment

1 results in an increase in the reconciliation percentages to ensure a more efficient and  
2 timelier flowthrough of the reconciliation amount of negative \$500,000 to TAWC's  
3 customers.

4 **Q. CAN YOU PLEASE SUMMARIZE THE CHANGES TO THE QIIP, SEC AND EDI**  
5 **RIDERS CONSISTENT WITH THE POSITIONS TAKEN IN THIS**  
6 **SUPPLEMENTAL TESTIMONY?**

7 A. Yes. The proposed adjustments in TAWC's Rebuttal Testimony would have resulted in a  
8 QIIP Rider is +0.60 %, an SEC Rider of -1.52% and an EDI Rider of +0.53, with the  
9 composite rate of -0.39%). As a result of the settlement presented in this supplemental  
10 Testimony, the propose QIIP Rider is -0.16 %, the SEC Rider is -3.52% and the EDI Rider  
11 is +0.90%, with the composite rate of -2.78%).

12 **Q. WHAT IS THE IMPACT ON CONSUMERS' BILLS FROM THESE CHANGES**  
13 **TO THE COMPANY'S PROPOSAL?**

14 A. Initially and as set forth in the Company's March 1, 2023, Petition, the typical residential  
15 customer living in the City of Chattanooga and using an average of 4,156 gallons per month  
16 would have seen a decrease in their bill of one cent (\$0.01) per month, or 0.02% in 2023.  
17 Pursuant to TAWC's June 13, 2023, Pre-filed Rebuttal Testimony, the result of the  
18 modified proposed changes would have been that an average consumer using 4,156 gallons  
19 per month would see a reduction of 8 cent reduction in their monthly bill, representing a  
20 0.27% decrease in the customer's monthly bill. As modified in this Supplemental  
21 Testimony, and as agreed to by TAWC and the Consumer Advocate, an average consumer  
22 using 4,156 gallons per month would see a reduction of 38 cents reduction in their monthly  
23 bill, representing a 1.32% decrease in the customer's monthly bill.

1   **Q.     WHAT DO YOU RECOMMEND IN REGARD TO THE PETITION?**

2   A.     I recommend that the Petition be approved for the adjustments in the 2023 Capital  
3           Recovery Riders as initially proposed by the Company, consistent with and as modified by  
4           the Company's Pre-filed Rebuttal and Supplemental Testimony.

5   **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

6   A.     Yes, it does.

**CLASSIFICATION OF SERVICE****SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider ("SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

**2. The Percentage of Riders and Reconciliations**

For the Riders defined in the tariffs:

QIIP	24.22%
EDI	1.91%
<u>SEC</u>	<u>9.97%</u>
Subtotal of all Capital Recovery Rider	36.10%
QIIP Annual Reconciliation Percentage	- 0.16% (D)
EDI Annual Reconciliation Percentage	0.90% (I)
<u>SEC Annual Reconciliation Percentage</u>	<u>- 3.52% (D)</u>
Subtotal of all Capital Recovery Riders	- 2.78% (D)
Total of Capital Recovery Riders and Reconciliation Percentages	36.07%
Offset to Capital Recovery Riders for TCJA savings	-4.32%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-0.23%
PCOP	2.13%

(I) Indicates Increase

(D) Indicates Decrease

ISSUED: July 21, 2023 EFFECTIVE: August 14, 2023

BY:



Grant A. Evitts  
PRESIDENT

109 Wiehl Street  
Chattanooga, Tennessee 37403



Tennessee American Water Company  
Qualified Infrastructure Improvement Program Rider (QIIP)  
Economic Development Investment Rider (EDI)  
Safety and Environmental Compliance Rider (SEC)  
Reconciliation of the Calculation of Revenue Requirement  
As of 12/31/2022

Line Number	Description	Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2022			Economic Development Investment EDI Average YTD 12/31/2022			Safety and Environmental Compliance SEC Average YTD 12/31/2022			Total Average YTD 12/31/2022		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$91,148,832	\$91,349,637	(\$200,805)	\$8,824,903	\$8,827,277	(\$2,374)	\$40,089,619	\$40,196,378	(\$106,759)	\$140,063,354	\$140,373,292	(\$309,938)
2	Plus: Cost of Removal less Salvage	18,626,758	18,054,675	572,083	2,021	2,159	(138)	4,322,504	4,339,593	(17,089)	22,951,282	22,396,427	554,855
3	Less: Contributions in Aid to Construction (CIAC)	2,314,600	2,313,483	1,117	273,854	243,483	30,371	0	0	0	2,588,454	2,556,966	31,488
4	Less: Deferred Income Taxes	9,972,679	9,897,666	75,013	740,433	837,834	(97,401)	5,024,195	5,048,961	(24,766)	15,737,307	15,784,461	(47,154)
5	Less: Accumulated Depreciation	7,827,555	7,829,695	(2,140)	289,656	290,580	(924)	5,304,689	5,268,757	35,932	13,421,900	13,389,032	32,868
6	Net Investment Supplied Additions:	\$89,660,756	\$89,363,468	\$297,288	\$7,522,981	\$7,457,539	\$65,441	\$34,083,239	\$34,218,253	(\$135,014)	\$131,266,975	\$131,039,260	\$227,715
7													
8	Pre-Tax Authorized Rate of Return:	8.45%	8.45%		8.45%	8.45%		8.45%	8.45%		8.45%	8.45%	
9	Pre-Tax Return on Additions:	\$7,577,636	\$7,552,511	\$25,125	\$635,801	\$630,270	\$5,531	\$2,880,529	\$2,891,939	(\$11,411)	\$11,093,966	\$11,074,721	\$19,245
10													
11	Depreciation Expense on Additions:	2,369,867	2,374,148	(4,281)	126,510	127,617	(1,107)	1,227,139	1,159,003	68,136	3,723,517	3,660,769	62,748
12													
13	Property and Franchise Taxes Associated:	1,142,581	1,134,479	8,101	119,274	118,717	557	507,395	507,916	(521)	1,769,250	1,761,112	8,138
14													
15	Revenues:	11,090,084	11,061,139	28,945	881,585	876,604	4,981	4,615,063	4,558,858	56,205	16,586,732	16,496,601	90,131
16													
17	Revenue Taxes	3.19%	3.19%		3.19%	3.19%		3.19%	3.19%		3.19%	3.19%	
18	Capital Riders Revenues with Revenue Taxes	11,455,633	11,425,734	29,899	910,644	905,498	5,146	4,767,184	4,709,127	58,057	17,133,461	17,040,359	93,102
19													
20	APP Revenue Reduction	(28,436)	(28,436)		(2,106)	(2,106)		(15,454)	(15,454)		(45,996)	(45,996)	
21													
22	Total Capital Riders Revenues with Revenue Taxes & APP	\$11,427,198	\$11,397,298	\$29,899	\$908,538	\$903,392	\$5,146	\$4,751,730	\$4,693,672	\$58,057	\$17,087,465	\$16,994,363	\$93,102
23													
24													
25	Actual Capital Riders Revenues Billed		\$10,000,076			\$962,192			\$4,078,323			\$15,040,591	
26													
27	(Over)/Under Capital Riders Revenue Billings		1,397,222			(58,799)			615,349			1,953,772	
28	Budget to Actual Adjustment		29,899			5,146			58,057			93,102	
29	2021 Reconciliation Amount		(366,744)			315,516			(840,771)			(892,000)	
30	Earnings Test Adjustment		(856,574)			(82,418)			(349,336)			(1,288,328)	
31	2022 Settlement Adjustment		(240,268)			(23,118)			(97,988)			(361,374)	
32	Interest (Prime - 7.75%)		7,897			6,953			(20,022)			(5,172)	
33													
34	Reconciliation Amount		(\$28,568)			\$163,278			(\$634,711)			(\$500,000)	
35													
36	Authorized Capital Riders Revenues (140/365th)		\$18,055,675			\$18,055,675			\$18,055,675			\$18,055,675	
37													
38	Current Reconciliation Factor Percentage		-0.16%			0.90%			-3.52%			-2.78%	
39													

Explanation:

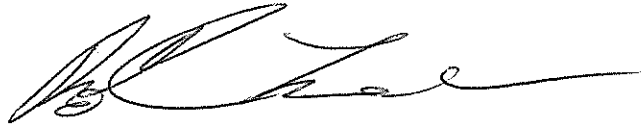
Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total rate base is calculated by the Tennessee Public Utility Commission in a rate case. This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

\*Taxes - From Docket #22-00072 which was approved on 1/31/2023.

STATE OF Texas )  
COUNTY OF Travis )

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Robert C. Lane, being by me first duly sworn deposed and said that:

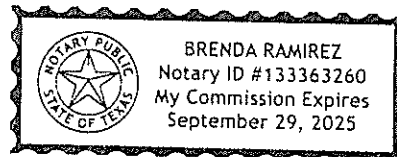
He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, his testimony would be as set forth in his pre-filed testimony in this matter.



Robert C. Lane

Sworn to and subscribed before me  
this 21<sup>st</sup> day of July, 2023.

Brenda Ramirez  
Notary Public



My Commission Expires: Sept. 29, 2025

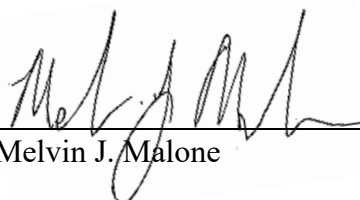
CERTIFICATE OF SERVICE

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

Karen H. Stachowski, Esq.  
Senior Assistant Attorney General  
Office of the Tennessee Attorney General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Karen.Stachowski@ag.tn.gov](mailto:Karen.Stachowski@ag.tn.gov)

Victoria B. Glover, Esq.  
Assistant Attorney General  
Office of the Tennessee Attorney General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Victoria.Glover@ag.tn.gov](mailto:Victoria.Glover@ag.tn.gov)

This the 21<sup>st</sup> day of July 2023.

  
\_\_\_\_\_  
Melvin J. Malone