

Electronically Filed in TPUC Docket  
Room on October 3, 2023 at 3:17 p.m.

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

**DOCKET NO. 23-00066**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**GRADY STOUT**

**ON**

**JOINT PETITION OF TENNESSEE-AMERICAN WATER COMPANY AND  
CATOOSA UTILITY DISTRICT AUTHORITY FOR THE  
APPROVAL OF A SPECIAL CONTRACT**

1    **Q.     PLEASE STATE YOUR NAME AND PLACE OF EMPLOYMENT.**

2    A.     My name is Grady Stout. I am the Director, Engineering and Business Development for  
3           Tennessee-American Water Company (“TAWC”).

4    **Q.     HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY**  
5           **OTHER UTILITY COMMISSION?**

6    A.     Yes. I have submitted testimony in several Tennessee Public Utility Commission (“TPUC”  
7           or “Commission”) matters, including Docket Nos. 20-00011, 20-00128, 21-00030,  
8           22-00021 and 22-00049.

9    **Q.     DID YOU SUBMIT PRE-FILED DIRECT TESTIMONY IN THIS CASE, DOCKET**  
10          **NO. 23-00066?**

11   A.     Yes.

12   **Q.     WHAT IS THE PURPOSE OF YOUR PRE-FILED SUPPLEMENTAL DIRECT**  
13          **TESTIMONY TODAY?**

14   A.     In support of the Joint Application and the Clarification of Joint Application, the purpose  
15          of my supplemental direct testimony is to clarify that the most recent water purchase  
16          agreement between the Company and Catoosa Utility District Authority (“CUDA” or  
17          “Catoosa”) is the 2013 water purchase agreement, which is attached to the Clarification of  
18          Joint Petition filed by TAWC and CUDA as **Supplemental Exhibit C**. The 2013 water  
19          purchase agreement between TAWC and Catoosa expired earlier this year. The proposed  
20          Agreement that is the subject of the Joint Application is intended to continue the  
21          arrangement between TAWC and CUDA set forth in the 2013 water purchase agreement.

22 **Q. WHAT WATER PURCHASE AGREEMENTS HAVE TAWC AND CUDA**  
23 **PREVIOUSLY OPERATED UNDER?**

24 A. The parties have operated under two (2) water purchase agreements, the 1998 water  
25 purchase agreement and the 2013 water purchase agreement.

26 **Q. WERE YOU INVOLVED IN THE DISCUSSIONS AND SUBSEQUENT**  
27 **NEGOTIATIONS BETWEEN TAWC AND CUDA FOR THE SPECIAL**  
28 **CONTRACT PROPOSED IN THIS CASE?**

29 A. Yes. With the existing agreement (i.e., the 2013 agreement) between TAWC and Catoosa  
30 approaching the expiration of its term, in or about June of 2023, TAWC contacted CUDA  
31 and inquired about renewing or continuing the 2013 arrangement. In my Pre-filed Direct  
32 Testimony in this case, p. 4, l 84, I inadvertently referred to the 2013 arrangement as the  
33 1998 arrangement.

34 **Q. ARE THERE OTHER AREAS IN YOUR PRE-FILED DIRECT TESTMONY**  
35 **WHERE YOU INADVERTENTLY REFERRED TO THE 2013 ARRANGEMENT**  
36 **OR 2013 WATER PURCHASE AGREEMENT AS THE 1998 ARRANGEMENT OR**  
37 **1998 WATER PURCHASE AGREEMENT?**

38 A. Yes. On pages 7-9 of my Pre-filed Direct Testimony, when I refer to the terms of the  
39 existing agreement or to the existing agreement, I intended to refer, and am referring, to  
40 the 2013 water purchase agreement and not to the 1998 water purchase agreement.  
41 Consistent with the terms of the existing agreement (i.e., the 2013 water purchase  
42 agreement) coupled with the Parties' conduct under the existing agreement between

TAWC and Catoosa<sup>1</sup> and TPUC Docket No. 22-00049 (TAWC/Walker County Special Contract),<sup>2</sup> the proposed Agreement's rates continue to also include adding TAWC's then-existing Capital Recovery and PCOP Riders (and/or other applicable mechanism approved by the Commission) on top of Catoosa's base rate.

**Q. CAN YOU RE-CONFIRM HOW THE PARTIES CALCULATE THE RATES UNDER THE EXISTING/EXPIRING AGREEMENT (i.e., THE 2013 AGREEMENT) AND RE-AFFIRM HOW THE PARTIES INTEND ON CALCULATING THE RATES UNDER THE PROPOSED AGREEMENT?**

A. Certainly. Presently under the existing agreement between Catoosa and TAWC, the rate applied is Catoosa's Commission-approved base rate of \$1.624598 *plus* the Company's then-applicable Capital Recovery and PCOP Riders minus the Tax Sur-credit. Applying the exact same terms and conditions in the Agreement that appear in the existing agreement, the parties propose to calculate the rates the same as before, starting with Catoosa's Commission-approved base rate of \$1.624598.

**Q. IS THE COMPANY'S BASE RATE FOR CATOOSA THE SAME AS SET FORTH IN YOUR PRE-FILED DIRECT TESTIMONY?**

A. Yes. The base rate of \$1.624598 per 1,000 gallons is expressed or delineated as \$1.2152 per CCF in the Company's tariff.

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<sup>1</sup> TAWC's Responses to Second Discovery Requests of the CAD, DR 2-2 TPUC Docket No. 22-00049 (Aug. 29, 2022) (Catoosa's Base Rate (\$1.624598) *plus* the then-Capital Recovery Rider Surcharge (\$0.540341), the then-PCOP Surcharge (\$0.008772) and *minus* the then-Tax Sur-credit (\$0.181305) for a then-total of \$1.992406)).

<sup>2</sup> Order Initially Denying Special Contract and, Upon Verbal Request for Reconsideration by the Parties, Granting Approval of an Amended Special Contract, Contingent Upon Filing that Conforms to Panel Decision, TPUC Docket No. 22-00049 (Dec. 2, 2022) (Commission directing TAWC to apply the CRR and PCOP riders to its proposed Walker County special contract in the same manner as such CRRs are applied to TAWC's existing special contracts, including the existing Catoosa special contract.).

61   **Q.    IS THE REQUEST SET FORTH IN THE JOINT APPLICATION OR THE RELIEF**  
62       **REQUESTED IN THE JOINT APPLICATION MODIFIED BY YOUR**  
63       **SUPPLEMENTAL DIRECT TESTIMONY?**

64   A.    No.

65   **Q.    WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**

66   A.    Consistent with the public interest, I recommend that the Joint Petition be approved.


67   **Q.    DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

68   A.    Yes.

STATE OF TN )  
 )  
COUNTY OF Hamilton )

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 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.

  
\_\_\_\_\_  
Grady Stout

Sworn to and subscribed before me  
this 6<sup>th</sup> day of September, 2023.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 9/16/2026

