

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)
)
PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY TO MODIFY TARIFF,)
CHANGE AND INCREASE CHARGES, FEES,)
AND RATES, AND FOR APPROVAL OF A)
GENERAL RATE INCREASE)

DOCKET NO. 24-00032

DIRECT TESTIMONY OF

ALEX BRADLEY

September 17, 2024

1 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION FOR**
2 **THE RECORD.**

3 **A1.** My name is Alex Bradley. My business address is the Office of the Tennessee Attorney
4 General, John Sevier State Office Building, 500 Dr. Martin L. King Jr. Blvd, Nashville,
5 Tennessee 37243. I am a Financial Analyst employed by the Consumer Advocate Division
6 of the Tennessee Attorney General’s Office (“Consumer Advocate”).

7 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 **A2.** I received a Bachelor of Science in Business Administration with a major in Accountancy
10 along with a Bachelor of Arts with a major in Political Science from Auburn University in
11 2012. I have been employed by the Consumer Advocate since 2013. My duties include
12 reviewing utility regulatory filings, preparing analysis used to support Consumer Advocate
13 testimony and exhibits, and preparing my own testimony and supporting exhibits. I have
14 completed multiple regulatory trainings, including those sponsored by the National
15 Association of Regulatory Utility Commissions held by Michigan State University.

16 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
17 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**
18 **“COMMISSION”)?**

19 **A3.** Yes. I have previously testified in TPUC dockets. A listing of my prior testimonies is
20 attached as AB-Vitae to this Testimony.

21 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

1 **A4.** I am testifying on behalf of the Consumer Advocate Division of the Tennessee Office of
2 the Attorney General (“Consumer Advocate”).

3 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A5.** My testimony will support and address the Consumer Advocate’s positions and concerns
5 with Tennessee American Water Company’s (“TAWC” or the “Company”) Petition.

6 Specifically, I will address the following:

7 I. Consumer Advocate’s proposed Attrition Period Operating & Maintenance
8 Expenses;

9 II. Consumer Advocate’s comments and proposal regarding the Company’s
10 proposal regarding credit card processing fees; and

11 III. Consumer Advocate’s comments and proposal regarding the Company’s
12 proposed Lead Service Line Replacement Program.

13 Additionally, Mr. Hal Novak will testify the Consumer Advocate’s calculation of rate base,
14 revenues, and rate design. Mr. David Dittmore will sponsor adjustment to the Operation
15 & Maintenance Expenses and Taxes other than Income Taxes, and Income Taxes. Mr.
16 Clark Kaml will testify to the Company’s proposed Universal Affordability Tariff. Mr.
17 Aaron Rothschild will testify the Consumer Advocate’s proposed cost of capital.

18 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARTION OF YOUR**
19 **TESTIMONY?**

20 **A6.** I have reviewed the Company’s Rate Case Petition filed on May 1, 2024, along with the
21 testimony and exhibits filed in support of the Company’s Petition. Additionally, I have
22 reviewed the Company’s workpapers supporting its attrition period Operating &
23 Maintenance (“O&M”) Expenses. I have also reviewed the Company’s responses to the
24 discovery requests of the Consumer Advocate in the areas relevant to my areas of
25 responsibilities in this matter.

1 **Q7. CAN YOU SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS IN**
2 **THIS CASE?**

3 **A7.** Yes, a summary of my findings and recommendations are as follows:

- 4 • The Attrition Period Operations and Maintenance Expense should be
5 \$27,095,910.
- 6 • The Commission should reject the Company's proposal to recover fees
7 regarding accepting credit card payments within base rates.
- 8 • The Commission should reject the Company's proposal to replace customer-
9 owned lead service lines.

10 **Q8. WHAT HAS THE CONSUMER ADVOCATE USED FOR THE TEST PERIOD**
11 **AND ATTRITION PERIOD IN THIS CASE?**

12 **A8.** The Company has proposed a twelve-month historic Test Period ended December 31,
13 2023, with adjustments to arrive at the Attrition Period ending December 31, 2025. It is
14 my opinion that these period proposals are acceptable and recommend that they be adopted
15 by the Commission.

16 **Q9. HAVE YOU SPONSORED A MULTI-PAGE EXHIBIT REFLECTING THE**
17 **CONSUMER ADVOCATE'S PROPOSED REVENUE DEFICIENCY/**
18 **(SUFFICIENCY)?**

19 **A9.** Yes. As shown on Consumer Advocate Exhibit, Schedule 1, our proposed revenue
20 deficiency calculation required to produce the 6.45% overall return recommended by Mr.
21 Rothschild results in a decrease to revenues of approximately \$4,848,207 million. This is
22 \$18,979,209 less than the Company's proposed increase \$14.13 million in order to produce
23 an overall return of 7.94%.

24 **I. Attrition Period Operating & Maintenance Expenses**

Q10. CAN YOU SUMMARIZE YOUR CALCULATION OF ATTRITION PERIOD O&M EXPENSE?

A10. Yes, please see the table below:¹

Line	Item	TAWC Proposed Attrition Period	A/	Consumer Advocate Proposed Attrition Period
1	Maintenance	\$ 1,691,431		\$ 1,562,901
2	Chemicals	2,307,000		2,116,184
3	Contract Services	966,015		797,178
4	Labor	6,961,854		5,739,414
5	Group Insurance	481,683		333,536
6	Other Benefits	643,491		562,861
7	Pension	619,489		619,489
8	Other Insurance	1,205,504		1,205,504
9	Purchased Power	3,062,540		2,809,231
10	Purchased Water	194,199		194,199
11	Rents	29,985		26,727
12	Support Services	8,636,676		7,631,522
13	Customer Accounting	577,105		85,237
14	Telecom	352,451		313,619
15	Transportation	428,594		428,594
16	Waste Disposal	749,830		749,830
17	Uncollectible	585,203		491,153
18	Miscellaneous	1,699,078		1,428,729
19	Regulatory Expense	518,000		-
		\$ 31,710,128		\$ 27,095,910

Q11. CAN YOU PROVIDE A SUMMARY OF THE ITEMS CONTAINED WITHIN YOUR ATTRITION PERIOD O&M EXPENSE AND YOUR PROPOSED ATTRITION PERIOD ADJUSTMENT?

A11. Yes.

¹ AB-1 Attrition Adjustments.xlsx.

1 **Maintenance Expense \$1,562,901.** This expense item contains Company
2 charges to Account 620 – Materials and Supplies and Account 631 –
3 Contractual Services Engineering. First, I began with the Test Period amounts
4 for the accounts making up this expense item and then adjusted the expense the
5 Attrition Year Maintenance Expense using my proposed non-production yearly
6 growth factor of 0.02%, as discussed later in my testimony, to determine the
7 appropriate adjustments to project to an Attrition Year ending December 31,
8 2025.

9 **Chemicals Expense \$2,116,184.** This expense item contains Company charges
10 to Account 518 – Chemicals. The Attrition Period amount for this expense item
11 is supported by Consumer Advocate Witness Dittmore.

12 **Contract Services \$797,178.** This expense item contains Company charges to
13 Account 531. First, I began with the Consumer Advocate Adjusted Test Period
14 amount of \$796,882 as sponsored by Mr. Dittmore for the accounts making up
15 this expense item and then adjusted the expense the Attrition Year Maintenance
16 Expense using my proposed non-production yearly growth factor of 0.02%, as
17 discussed later in my testimony, to determine the appropriate adjustments to
18 project to an Attrition Year ending December 31, 2025.

19 **Labor of \$5,739,414.** This expense item contains Company charges to
20 Account 501, which contains the Company's expenses related to labor,
21 overtime, and compensation plans. The Consumer Advocate's Attrition Period
22 Adjustment for this item is sponsored by Mr. Dittmore.

23 **Group Insurance of \$333,536.** This expense item contains Company charges
24 to Account 505, which contains the Company's expenses related to Group
25 Insurance, Health Saving Accounts, and Other Post Employment Benefits. The
26 Consumer Advocate's Attrition Period Adjustment for this item is sponsored
27 by Mr. Dittmore.

28 **Other Benefits of \$562,861.** This expense item contains Company charges to
29 Account 504 which contains the Company's expenses related to 401k
30 contributions, defined contribution plan, retiree medical, other welfare,
31 employee awards, bonuses, tuition aid, trainings, and employee physicals. The
32 Consumer Advocate's Attrition Period Adjustment for this item is sponsored
33 by Mr. Dittmore.

34 **Pension of \$619,489.** This expense item contains the Company charges to
35 Account 506-Pension. The Consumer Advocate accepted the Company's
36 proposal regarding Attrition Period Pension Expenses as the Company's
37 proposal is based on known and measurable changes.

38 **Other Insurance of \$1,205,504.** This expense item contains the Company
39 charges to Account 557, which contains Insurance expenses other than Group
40 Insurance. In this instance, it contains the costs for vehicle, general liability,
41 workers' compensation, property, and other Insurances. The Consumer
42 Advocate accepted the Company's proposal regarding Attrition Period Other

Insurance Expenses as the Company's proposal is based on known and measurable changes.

Purchased Power \$2,809,231. This expense item contains the Company charges to Account 515 – Fuel and Purchased Power. The Consumer Advocate's Attrition Period Adjustment for this item is sponsored by Mr. Dittmore.

Purchased Water \$194,199. This expense item contains the Company charges to Account 510- Purchased Water. As discussed by Mr. Dittmore the Consumer Advocate accepted the Company's proposal regarding Attrition Period Purchased Water Expenses as the Company's proposal is based on known and measurable changes.

Rents \$26,727. This expense item contains the Company charges to Account 541 – Rents, which contains the expenses relating to property and equipment rentals. First, I began with the Company Adjusted Test Period amount of \$26,717 as sponsored by Company Witness Prendergast for the accounts making up this expense item and then adjusted the expense the Attrition Year Maintenance Expense using my proposed non-production costs yearly growth factor of 0.02%, as discussed later in my testimony, to determine the appropriate adjustments to project to an Attrition Year ending December 31, 2025.

Support Services \$7,631,522. This expense item contains the charges allocated to TAWC from American Water Works Service Company ('Service Company'). The makeup of the of expenses allocated to TAWC from the Service Company is shown in the table below: ²

Description	2023 Total	Company Adjusted Test Period Total	CA Proposed Test Period Adjustments	CA Proposed Test Period	Difference	Company Proposed Attrition Period	CA Proposed Attrition Period	Difference
Maintenance	\$ 362,361	\$ 362,361	\$ -	\$ 362,361	\$ -	\$ 380,987	\$ 386,386	\$ 5,400
Contract Services	741,244	739,816	(5,919)	733,897	(5,919)	777,842	782,556	4,714
Labor	3,720,853	3,687,851	(872,283)	2,815,568	(872,283)	4,036,767	3,017,088	(1,019,678)
Benefits	593,479	599,695	(8,179)	591,516	(8,179)	641,045	630,734	(10,311)
Other Benefits	67,639	67,066	(664)	66,402	(664)	71,044	70,805	(240)
Other Insurance	439,196	441,479	(5,995)	435,484	(5,995)	469,153	464,357	(4,796)
Rents	125,485	125,485	(19)	125,467	(19)	136,781	133,785	(2,995)
Transportation	4,408	4,408	(94)	4,314	(94)	4,635	4,600	(35)
Uncollectible	(731)	(731)	-	(731)	-	(769)	(780)	(11)
Miscellaneous	1,660,910	1,659,905	(11,567)	1,648,338	(11,567)	1,715,947	1,757,625	41,677
Non O&M	360,466	360,466	-	360,466	-	403,268	384,366	(18,903)
Total	\$ 8,075,310	\$ 8,047,802	\$ (904,719)	\$ 7,143,082	\$ (904,719)	\$ 8,636,699	\$ 7,631,522	\$ (1,005,177)

² AB-2 Support Services.xlsx (CONFID).

1 **Q12. CAN YOU PROVIDE A SUMMARY OF YOUR PROPOSED ATTRITION**
2 **PERIOD ADJUSTMENTS TO THE ALLOCATED CHARGES FROM THE**
3 **SERVICE COMPANY TO TAWC?**

4 **A12.** Yes.

5 **Support Services Maintenance \$386,386.** This allocated expense item relates
6 to Service Company charges to Account 625- Miscellaneous Maintenance. For
7 my analysis, I started with the Company's Proposed Adjusted Test Period total
8 of \$362,361 and then applied the Support Services Annual Growth Factor of
9 3.26%, as discussed later in this Testimony, to arrive at the Consumer
10 Advocate's proposed \$386,386 in the Attrition Year ending 2025.

11 **Contract Services \$782,556.** This allocated expense item relates to Service
12 Company charges to Account 531- Contract Services. For my analysis, I started
13 with the Consumer Advocate's proposed Test Period Adjustments for Business
14 Development and External Affairs & Public Policy, as recommended by Mr.
15 Dittemore, to arrive at an Adjusted Test Period total of \$733,897. To adjust
16 these expenses for the Attrition Year I applied the Support Services Annual
17 Growth Factor of 3.26%, as discussed later in this Testimony, to arrive at the
18 Consumer Advocate's proposed \$782,556 in the Attrition Year ending 2025.

19 **Labor \$3,017,088.** This allocated expense item relates to Service Company
20 charges Account 501, containing the Service Company's charges for labor,
21 incentive compensation, and severances. For my analysis, I started with the
22 Consumer Advocate's proposed Test Period Adjustments for Business
23 Development and External Affairs & Public Policy, as recommended by Mr.
24 Dittemore, to arrive at an Adjusted Test Period of \$2,968,947. I then accepted
25 the Company's proposed adjustments; I adjusted those by removing the
26 vacancies, departmental charges relating to Business Development and
27 External Affairs (20%), long term incentive plans, and annual performance
28 plans (55%), as recommended in the Test Period by Mr. Dittemore, to arrive at
29 an adjusted Attrition Period total of \$3,017,088.

30 **Benefits \$630,734.** This allocated expense item relates to Service Company
31 charges associated with 401k, defined contribution plans, pensions, other post-
32 retirement benefits other than pensions, supplemental executive retirement,
33 group insurance, and health savings accounts. For my analysis, I started with
34 the Consumer Advocate's proposed Test Period Adjustments for Business
35 Development and External Affairs & Public Policy, as recommended by Mr.
36 Dittemore, to arrive at an Adjusted Test Period of \$560,657. To adjust these
37 expenses for the Attrition Year, I applied the Support Services Annual Growth
38 Factor of 3.26%, as discussed later in this testimony, to arrive at the Consumer
39 Advocate's proposed \$630,734 in the Attrition Year ending 2025.

40 **Other Benefits \$70,805.** This allocated expense item relates to Service
41 Company charges associated with employee stock purchase plan, retiree

1 medical, other welfare, employee awards, employee physicals, tuition aid,
2 training, and bonuses for referrals. For my analysis, I started with the Consumer
3 Advocate's proposed Test Period Adjustments for Business Development and
4 External Affairs & Public Policy, as recommended by Mr. Dittemore, to arrive
5 at an Adjusted Test Period of \$66,402. To adjust these expenses for the
6 Attrition Year, I applied the Support Services Annual Growth Factor of 3.26%,
7 as discussed later in this Testimony, to arrive at the Consumer Advocate's
8 proposed \$70,805 in the Attrition Year ending 2025.

9 **Other Insurance \$464,357.** This allocated expense item relates to Service
10 Company charges associated with vehicle, general liability, casualty, workers
11 compensation, property, payroll, intercompany, and other insurances. For my
12 analysis, I started with the Consumer Advocate's proposed Test Period
13 Adjustments for Business Development and External Affairs & Public Policy,
14 as recommended by Mr. Dittemore, to arrive at an Adjusted Test Period total of
15 \$437,046. To adjust these expenses for the Attrition Year I applied the Support
16 Services Annual Growth Factor of 3.26%, as discussed later in this Testimony,
17 to arrive at the Consumer Advocate's proposed \$464,357 in the Attrition Year
18 ending 2025.

19 **Rents \$133,785.** This allocated expense item relates to Service Company
20 charges associated with property rentals, intercompany property rentals, and
21 equipment rentals. For my analysis, I started with the Consumer Advocate's
22 proposed Test Period Adjustments for External Affairs & Public Policy, as
23 recommended by Mr. Dittemore, to arrive at an Adjusted Test Period total of
24 \$125,485. To adjust these expenses for the Attrition Year I applied the Support
25 Services Annual Growth Factor of 3.26%, as discussed later in this Testimony,
26 to arrive at the Consumer Advocate's proposed \$133,785 in the Attrition Year
27 ending 2025.

28 **Transportation \$4,600.** This allocated expense item relates to Service
29 Company charges for employee reimbursement for use of personal vehicles
30 along with charges relating to fuel, maintenance, and leasing for vehicles. For
31 my analysis, I started with the Consumer Advocate's proposed Test Period
32 Adjustments for External Affairs & Public Policy, as recommended by Mr.
33 Dittemore, to arrive at an Adjusted Test Period total of \$4,314. To adjust these
34 expenses for the Attrition Year I applied the Support Services Annual Growth
35 Factor of 3.26%, as discussed later in this Testimony, to arrive at the Consumer
36 Advocate's proposed \$4,635 in the Attrition Year ending 2025.

37 **Uncollectible \$(780).** This allocated expense item relates to Service Company
38 charges associated with uncollectible accounts. For, my analysis I stated with
39 the per books Test Period total of \$(731) and applied the Support Services
40 Annual Growth Factor of 3.26%, as discussed later in this Testimony, to arrive
41 at the Advocate's proposed \$(780) in the Attrition Year ending 2025.

42 **Miscellaneous \$1,757,625.** This allocated expense item relates to Service
43 Company charges associated with building maintenance/services, postage,
44 office supplies, employee travel, and other miscellaneous expenses. For, my

analysis I stated with the Company's Proposed Adjusted Test Period total and then applied the Advocate's proposed Test Period Adjustments for External Affairs & Public Policy, as recommended by Mr. Dittemore, to arrive at an Adjusted Test Period total of \$1,648,338. To adjust these expenses for the Attrition Year I applied the Support Services Annual Growth Factor of 3.26%, as discussed later in this Testimony, to arrive at the Consumer Advocate's proposed \$1,757,625 in the Attrition Year ending 2025.

Non O&M \$384,366. This allocated expense item relates to Service Company charges for multiple non operations & maintenance expenses. For, my analysis I stated with the per books Test Period total of \$360,466 and applied the Support Services Annual Growth Factor of 3.26%, as discussed later in this Testimony, to arrive at the Consumer Advocate's proposed \$384,366 in the Attrition Year ending 2025.

Q13. CAN YOU PROVIDE THE DETAILS BEHIND YOUR 3.26% COMPOUND ANNUAL GROWTH RATE?

A13. Yes. I developed my Support Services compound annual growth factor of 3.26% by comparing total Support Services allocations in 2019 to the Company's Proposed Adjusted Test Period for these allocations, the results of which are shown in the table below. Later in my Testimony, I discuss my reasoning for using Compound Annual Growth to determine the appropriate future value for the Attrition Period.

Description	2019 Total	2020 Total	2021 Total	2022 Total	2023 Total	Company Proposed Test Period Adjustments	Company Adjusted Test Period Total
Maintenance	117,383	128,384	309,435	331,838	\$ 362,361	\$ -	\$ 362,361
Contract Services	740,357	880,899	886,826	778,508	741,244	(1,428)	739,816
Labor	3,555,499	3,456,361	3,741,664	3,439,780	3,720,853	(33,002)	3,687,851
Benefits	848,754	681,827	532,000	361,699	593,479	6,216	599,695
Other Benefits	79,667	102,369	97,199	77,476	67,639	(573)	67,066
Other Insurance	344,571	331,128	359,247	391,073	439,196	2,283	441,479
Rents	272,160	210,412	197,034	270,173	125,485	-	125,485
Transportation	5,529	4,669	402	3,112	4,408	-	4,408
Uncollectible	837	(2,822)	(1,519)	58	(731)	-	(731)
Miscellaneous	501,292	1,197,736	1,378,006	1,470,290	1,660,910	(1,005)	1,659,905
Non O&M	612,062	694,532	536,259	511,223	360,466	-	360,466
Total	\$ 7,078,111	\$ 7,685,494	\$ 8,036,553	\$ 7,635,230	\$ 8,075,310	\$ (27,508)	\$ 8,047,802
Compound Annual Growth Rate (2019-2023)	3.26%						

1 **Q14. CAN YOU CONTINUE YOUR SUMMARY OF THE ITEMS CONTAINED**
2 **WITHIN YOUR ATTRITION PERIOD O&M EXPENSE AND YOUR PROPOSED**
3 **ATTRITION PERIOD ADJUSTMENT?**

4 **A14.** Yes.

5 **Customer Accounting \$85,237.** This expense item contains the Company
6 charges to Account 525 relating to bank service charges and collection
7 agencies. First, I began with the Company's adjusted Test Period amounts for
8 the accounts making up this expense item and then adjusted the expense to the
9 Attrition Year Maintenance Expense using my proposed non-production yearly
10 growth factor of 0.02%, as discussed later in my testimony, to determine the
11 appropriate adjustments to project to an Attrition Year ending December 31,
12 2025. As discussed later in my testimony, I rejected the Company's proposal of
13 adding \$487,514 relating to Electronic Payment Fees³ to Customer Accounting
14 expense.

15 **Telecom \$313,619.** This expense item contains the Company charges to
16 Account 525 relating to telephone, cellphone/wireless, and data lines. First, I
17 began with the Company's adjusted Test Period amounts for the accounts
18 making up this expense item and then adjusted the expense the Attrition Year
19 Maintenance Expense using my proposed non-production yearly growth factor
20 of 0.02%, as discussed later in my testimony, to determine the appropriate
21 adjustments to project to an Attrition Year ending December 31, 2025.

22 **Transportation \$428,594.** This expense item contains the Company charges
23 to Account 550 relating to vehicle costs, leases, maintenance, fuel, and
24 reimbursements for employee use of private vehicles. The Consumer Advocate
25 has accepted the Company's proposal regarding Attrition Period Transportation
26 Expenses as the Company's proposal is based on known and measurable
27 changes.

28 **Waste Disposal \$749,830.** This expense item contains the Company charges
29 to Account 510- Purchased Water. As discussed by Mr. Dittemore, the
30 Consumer Advocate has accepted the Company's proposal regarding Attrition
31 Period Purchased Water Expenses as the Company's proposal is based on
32 known and measurable changes.

33 **Uncollectible \$491,153.** This expense item contains the Company charges to
34 Account 570 relating to uncollectible utility revenues. To determine the
35 Attrition Period amount for Uncollectible expense I compared the Company's
36 revenues year over year to the Company's booked uncollectible expense to
37 determine the amount of revenues written off on a yearly basis. I then took the
38 average of the last three (3) years to determine an average write off percentage
39 for the Attrition Period. Finally, I took Mr. Novak's projected revenues at the

³ Direct Testimony of Robert Lane, Page 15, line 18.

1 **Q15. CAN YOU PROVIDE THE DETAILS BEHIND YOUR 0.02% NON-**
2 **PRODUCTION ANNUAL GROWTH FACTOR?**

3 **A15.** Yes. I developed my annual growth factor of 0.02% by comparing the per books amounts
4 of the accounts making up the following expenditures:

5 **Line 1: Miscellaneous Expense - Employee Related** is comprised of the
6 Company's miscellaneous expense accounts relating to conferences,
7 reimbursements, covered meals, and relocations.

8 **Line 2: Miscellaneous Expense – Building Maintenance** is comprised of the
9 Company's miscellaneous expense accounts comprising costs related to
10 groundskeeping, janitorial, security services, trash removal, and other
11 purchases from utility services.

12 **Line 3: Miscellaneous Expense – Office Supplies** is comprised of the
13 Company's miscellaneous expense accounts comprising costs related to bank
14 service charges, published media, intercompany credit line fees, office supplies,
15 software licenses, and uniforms.

16 **Line 4: Miscellaneous Expense – Miscellaneous** is comprised of the
17 Company's miscellaneous expense accounts comprising costs related to
18 community partnerships, educational communications, community relations,
19 membership dues, lab supplies, inventory rights offs and other miscellaneous
20 activities.

21 **Line 5: Miscellaneous Expense – Postage** is comprised of the Company's
22 miscellaneous expense accounts comprising costs related to postage, shipping,
23 and printing.

24 **Line 5: Telecommunications Expense** is comprised of the Company's
25 expense accounts related to telephone, cell phone, and wireless services.

26 **Line 6: Maintenance Expense** is comprised of the Company's expense
27 accounts for Materials and Supplies, miscellaneous maintenance, and Contract
28 Services-Engineering.

29 **Line 7: Contract Services** is comprised of the Company's expense accounts
30 for other Contract Services not contained within Maintenance Expense.

31 **Line 8: Customer Accounting** is comprised of the Company's expense
32 accounts for bank service charges and collection agencies expenses.

33 For my analysis, I based my calculation of Compound Annual Growth Rate ("CAGR") on
34 per books expenses in 2019 compared to the per books Company's Adjusted Test Period

Amount for these costs, resulting in a CAGR of 0.02%. The results of which are shown in the table below:

Line	O&M Expense Category	Detail	4 Year Compound Annual Growth Rate	2019	2020	2021	2022	2023	Co. Proposed Test Period
1	Miscellaneous Expense	Employee Related	0.02%	\$ 232,494	\$ 183,014	\$ 43,408	\$ 172,178	\$ 196,355	188,701
2	Miscellaneous Expense	Building Maintenance	0.02%	\$ 200,508	261,192	274,157	338,059	307,330	306,514
3	Miscellaneous Expense	Office Supplies	0.02%	\$ 230,681	248,712	215,546	187,941	159,833	187,772
4	Miscellaneous Expense	Miscellaneous	0.02%	\$ 617,142	482,211	851,250	780,397	553,486	837,198
5	Miscellaneous Expense	Postage	0.02%	\$ 14,523	8,913	18,240	19,056	13,211	16,835
6	Telecommunications Expense		0.02%	\$ 195,715	226,375	224,258	269,244	313,503	313,503
7	Maintenance Supplies, Services, Building Maintenance and Services		0.02%	\$ 1,541,144	1,847,023	2,098,957	1,980,575	1,526,981	1,562,322
8	Rents		0.02%	\$ 7,821	44,291	58,833	12,888	8,429	26,717
9	Contract Services		0.02%	\$ 942,493	1,123,629	878,925	972,334	990,301	918,751
10	Customer Accounting		0.02%	\$ 457,704	133,360	99,860	89,132	84,683	85,206
11	Totals:			\$ 4,440,225	\$ 4,558,720	\$ 4,763,435	\$ 4,821,803	\$ 4,154,112	\$ 4,443,519
12	Compound Annual Growth Factor		0.02%						

Q16. CAN YOU PROVIDE YOU RATIONALE FOR USING COMPOUND ANNUAL GROWTH RATE TO DETERMINE THE APPROPRIATE VALUES FOR THE ATTRITION PERIOD?

A16. Yes. The use of a CAGR is widely accepted formula for forecasting future values. Using CAGR for forecasting future costs provides a way that can account for fluctuations in values over time and provide a smoothed growth rate given the period of elapsed time. Additionally, the use of a CAGR, to determine a growth factor, uses the results of the Company's own operations unlike the Company's proposal to use a variety of CPI indices. In this instance, I have used CAGR to determine the growth rate of these Non-Production Costs as they tended to be volatile year over year and were independent from production related expenses with known and measurable changes.

II. Credit Card Processing Fee Proposal

Q17. CAN YOU PROVIDE A SUMMARY OF THE COMPANY'S PROPOSAL REGARDING CREDIT CARD PROCESSING FEES?

1 **A17.** Yes. As discussed by Company Witness Bob Lane the Company proposes that electronic
2 payment fees assessed to TAWC for customers payments via credit card and electronic
3 check be included within the Attrition Year and for customers to no longer pay those fees
4 relating to processing customer electronic payments.⁴

5 **Q18. CAN YOU PROVIDE THE CONSUMER ADVOCATE'S RECOMMENDATION**
6 **REGARDING THE COMPANY'S PROPOSAL TO INCORPRATE CREDIT**
7 **CARD PROCESSING FEES WITHIN BASE RATES?**

8 **A18.** The Consumer Advocate recommends that the Commission deny the Company's request
9 to place credit card processing fees within base rates.

10 **Q19. WHY DOES THE CONSUMER ADVOCATE OPPOSE THIS PROPOSAL?**

11 **A19.** The Consumer Advocate's recommendation is based on the following:

- 12 1. It creates a customer cross-subsidy; and
13 2. It sends inappropriate price signals to consumers.

14 **Q20. WHY DOES THE COMPANY'S PROPOSAL CREATE A CUSTOMER CROSS-**
15 **SUBSIDY?**

16 **A20.** If approved, the Company's proposal would have those ratepayers who pay by check or
17 cash pay for the costs of other ratepayers who choose the convenience of paying by credit
18 or debit card for their monthly water bill. The socialization of these fees to the bills of all
19 ratepayers for the sake of convenience to some is not in the public interest as it removes a
20 ratepayer's ability to avoid those fees.

⁴ *Petition*, Direct Testimony of Robert Lane at 15:11-19.

1 **Q21. HOW DOES THE COMPANY'S PROPOSAL SEND INAPPROPRIATE PRICE**
2 **SIGNALS TO CUSTOMERS?**

3 **A21.** Currently, customers who pay their bill by credit or debit card are assessed the processing
4 fees relating to their transaction in addition to their bill for water service. By removing this
5 processing fee from the transaction, customers may mistakenly believe that their payment
6 method is not causing the Company to incur a cost to take this form of payment when, in
7 fact, it does. The costs to take this form of payment will still be incurred; however, under
8 the Company's proposal the Company will be responsible for them instead of the ratepayer,
9 who previously was responsible. By placing these charges within base rates, customers
10 will be unaware that their chosen form of payment may possibly increase the costs of their
11 water bill.

12 By keeping with the current practice of charging the processing fees to the customers who
13 choose to pay by credit or debit card, it continues to provide those customers who choose
14 that convenience the opportunity to do so, while also allowing customers who want to avoid
15 those costs to pay by other forms of acceptable payment.

16 **III. Lead Service Line Replacement Proposal**

17 **Q22. CAN YOU PROVIDE AN OVERVIEW OF THE COMPANY'S REQUESTED**
18 **PROPOSAL REGARDING LEAD SERVICE LINES?**

19 **A22.** Yes. Through its expert, Grady Stout, the Company is seeking approval to replace
20 customer-owned service lead lines and recovering the costs through the Company's current

1 Qualified Infrastructure Investment Program Rider (“QIIP”), which is a component of the
2 Company’s Incremental Capital Recovery Riders.⁵

3 **Q23. CAN YOU PROVIDE AN OVERVIEW OF THE DIFFERENCE IN SERVICE LINE**
4 **OWNERSHIP BETWEEN CUSTOMERS AND THE COMPANY?**

5 **A23.** Yes. In this case, the Company owns and is responsible for the service line on a customer’s
6 property up to the water meter. The portion of the service line that is after the water meter
7 and connects to the customer’s plumbing within the residence or building is the
8 responsibility of the owner.

9 **Q24. CAN YOU ELABORATE ON THE COMPANY’S PROPOSAL?**

10 **A24.** Yes. The company is proposing to replace both the Company’s owned and customer-
11 owned lead service lines (including lead goosenecks and galvanized lines that are or may
12 be downstream from lead).⁶ The Company estimates that the cost to replace the customer-
13 owned lead service line at \$7,500 per service line.⁷ Additionally, the Company estimates
14 that there are approximately 3,000 lead service lines within their service territory.⁸ Using
15 the Company’s estimates this would equate to \$22,500,000 in capital spend on property
16 they do not, and would not, own. For context, this proposed \$22.5 million in capital spend
17 is 4.37% of the Company’s current total Utility Plant in Service. The Company is
18 proposing to recover the costs of replacing customer-owned lead service lines by including
19 them in Account 333 – Services.⁹

⁵ *Petition*, Direct Testimony of Grady Stout at 18:11 – 19:16.

⁶ *Id.* at 19:1-13.

⁷ *Id.* at 26:3-7.

⁸ *Id.* at 24:13-14.

⁹ *Petition*, Direct Testimony of Robert Lane at 26:10-17.

1 **Q25. CAN YOU ELABORATE ON THE COMPANY'S PROSOSAL FOR**
2 **RECOVERING THESE COSTS?**

3 **A25.** The Company's proposal is to recover these costs through the QIIP Rider. The QIIP
4 consists of the costs to replace service lines, meters, hydrants, treatment structures, pumps,
5 and equipment.¹⁰ By including these costs within the QIIP, the Company will earn a return
6 on, based on the Commission's rate of return decision for this proceeding, and of costs for
7 replacing property not owned by the Company.¹¹

8 **Q26. WOULD THE COMPANY'S PROPOSAL REMOVE THE RISK OF LEAD**
9 **EXPOSURE FOR IT'S CUSTOMERS COMPLETELY?**

10 **A26.** No. While the Company may be successful in identifying and replacing customer-owned
11 lead service lines the risk of exposure will remain for some. Lead pipes, faucets and
12 fixtures within the home will still be present; additionally, those homes without lead still
13 risk exposure from brass or chrome-plated brass faucets and plumbing with lead solder.¹²
14 According to the EPA lead pipes, faucets, and fixtures and more likely to be found in older
15 cities and homes built before 1986.¹³

16 **Q27. DOES THE CONSUMER ADVOCATE AGREE WITH THE COMPANY'S**
17 **PROPOSAL?**

¹⁰ *Order Approving Amended Petition*, p. 4, TPUC Docket No. 13-00130 (January 27, 2016).

¹¹ *Id.* Page 9.

¹² United States Environmental Protection Agency, *Basic Information about Lead in Drinking Water* (Last viewed September 15, 2024) at <https://www.epa.gov/ground-water-and-drinking-water/basic-information-about-lead-drinking-water#getinto>.

¹³ *Id.*

1 **A27.** No. The Consumer Advocate agrees that this a country-wide problem that needs to be
2 addressed. However, unlike other jurisdictions,¹⁴ the Tennessee Legislature has not
3 authorized the Commission to approve the replacement of customer-owned lead service
4 lines and the recovery of these costs from ratepayers.

5 The cost for replacing customer-owned lead service lines is unknown since the Company
6 has not provided an estimate of number of customers affected.¹⁵ More specifically, Mr.
7 Stout states:

8 Based on a comprehensive review of tap records and sampling, the Company
9 estimates that the Company has 3,000 Company-owned lead service lines.
10 The Company's tap records do not consistently identify the material of the
11 customer-owned service line. Consequently, the Company does not have
12 an exact count of customer-owned LSLs that would be replaced under
13 the Company's proposal. The expectation is there is likely to be lead on the
14 customer side where lead is found on the Company side.¹⁶

15
16 Additionally, the Company's proposal creates a customer cross-subsidy that will make
17 their customers in newer dwellings subsidize customers of older dwellings, which are likely
18 to have customer-owned lead service lines. If adopted, the Company's proposal would
19 impose a percentage rider on all Company customers' bills to replace non-company assets
20 owned by select subset of customers. The Consumer Advocate believes while the proposal
21 is well-intended it is not in the overall public interest.

22 **Q28. HOW DOES THE CONSUMER ADVOCATE RECOMMEND THE**
23 **COMMISSION ACT REGARDING THE COMPANY'S CUSTOMER OWNED**
24 **LEAD-SERVICE LINE REPLACEMENT PROGRAM?**

¹⁴ Jurisdictions that have statutory authority to replace customer-owned lead service lines and recovery of the costs include: (a) Illinois (415 ILL. COMP. STAT. ANN. § 5/17.12); (b) Indiana (IND. CODE ANN. § 8-1-31.6); (c) New Jersey (N.J. STAT. ANN. § 58:12A-40); and Pennsylvania (66 PA. CONS. STAT. ANN. § 1311).

¹⁵ Direct Testimony of Grady Sout at 24:13-17.

¹⁶ *Id.*

1 **A28.** The Consumer Advocate recommends the Commission not adopt the Company's proposal
2 for the reasons outlined above.

3 **Q29. DOES THIS COMPLETE YOUR TESTIMONY?**

4 **A29.** Yes. However, I reserve the right to incorporate any new data that may subsequently
5 become available.

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF TENNESSEE-
AMERICAN WATER COMPANY TO
MODIFY TARIFF, CHANGE AND
INCREASE CHARGES, FEES, AND
RATES, AND FOR APPROVAL OF A
GENERAL RATE INCREASE**

DOCKET NO. 24-00032

AFFIDAVIT

I, Alex Bradley, on behalf of the Consumer Advocate Division of the Attorney General's Office hereby certify that the attached Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.



ALEX BRADLEY

Sworn to and subscribed before me

This 10th day of September, 2024.



NOTARY PUBLIC



My Commission Expires: 1/31/2027

Docket	Company	Matter
17-00108	Tennessee Water Service, Inc.	Emergency Interim Relief Rider
18-00009	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
18-00107	Tennessee Wastewater Systems, Inc.	Certificate of Convenience and Neccessity- Warrioto Hills
19-00010	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
19-00034	Cartwright Creek, LLC.	Increase Tap Fees
19-00042	Cartwright Creek, LLC.	Amend Service Territory for Troubadour Development
19-00057	Navitas TN NG, LLC.	General Rate Case
19-00062	Aqua Utilities Company, Inc. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN
20-00028	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
20-00049	Chattanooga Gas Company	Annual Rate Review Mechanism
20-00086	Piedmont Natural Gas Company, Inc.	General Rate Case
21-00006	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
21-00055	Shiloh Falls Utilities, Inc. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN
21-00059	Candlewood Lakes & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN
21-00060	Chapel Woods & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN
21-00107	Kingsport Power Company D/B/A AEP Appalachian Power Company	General Rate Case
22-00005	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
22-00032	Chattanooga Gas Company	Annual Rate Review Mechanism
23-00007	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
23-00008	Atmos Energy Corporation	Annual Rate Review Mechanism
23-00016	DSH & Associates, LLC. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN (Lakeside Estates Development)
23-00029	Chattanooga Gas Company	Annual Rate Review Mechanism
23-00037	Integrated Resource Management, Inc. & Limestone Water Utility Operating Company, LI	Sale and Transfer of Assets and CCN
24-00002	Tennessee American Water Company	Production Costs and Other Pass-Through Rider
24-00024	Chattanooga Gas Company	Annual Rate Review Mechanism
24-00034	Newport Resort Water System & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN

TENNESSEE-AMERICAN WATER COMPANY

Results of Operations

For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate	Company E/	Difference
1	Rate Base	\$ 297,805,860 A/	\$ 305,126,373	\$ -7,320,512
2	Operating Income At Current Rates	22,778,886 B/	14,173,524	8,605,362
3	Earned Rate Of Return	7.65%	4.65%	3.00%
4	Fair Rate Of Return	6.45% C/	7.94%	-1.49%
5	Required Operating Income	19,203,117	24,227,034	-5,023,916
6	Operating Income Deficiency	-3,575,768	10,053,510	-13,629,278
7	Gross Revenue Conversion Factor	<u>1.355850 D/</u>	<u>1.414331</u>	<u>-0.058481</u>
8	Revenue Deficiency	\$ <u>-4,848,207</u>	\$ <u>14,131,001</u>	\$ <u>-18,979,208</u>

A/ CAPD Exhibit, Schedule 2.

B/ CAPD Exhibit, Schedule 7.

C/ CAPD Exhibit, Schedule 14.

D/ CAPD Exhibit, Schedule 15.

E/ TAWC 2024 Rate Case - Revenue Requirement

TENNESSEE-AMERICAN WATER COMPANY
INDEX TO SCHEDULES
For the 12 Months Ending December 31, 2025

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TENNESSEE-AMERICAN WATER COMPANY
Average Rate Base
For the 12 Months Ending December 31, 2025

<u>Line No.</u>		<u>Test Period</u> A/	<u>Adjustments</u>	<u>Attrition Period</u> B/
	Additions:			
1	Utility Plant in Service	\$ 472,080,671	\$ 43,058,035	\$ 515,138,706
2	Construction Work in Progress	0	0	0
3	Materials & Supplies	1,366,374	532,977	1,899,351
4	Lead/Lag Study	4,881,000	-5,247,485	-366,485
5	Working Capital	<u>1,206,999</u>	<u>-282,679</u>	<u>924,320</u>
6	Total Additions	\$ <u>479,535,044</u>	\$ <u>38,060,848</u>	\$ <u>517,595,892</u>
	Deductions:			
7	Accumulated Depreciation	\$ 112,114,198	\$ 14,705,575	\$ 126,819,773
8	Accumulated Deferred FIT	55,861,409	590,006	56,451,415
9	Customer Advances for Construction	7,500,963	3,135,945	10,636,908
10	Contributions in Aid of Construction	19,183,109	2,353,839	21,536,948
11	Unamortized Investment Tax Credit	12,156	-7,146	5,010
12	Jasper Highlands Reg Liability	682,200	-91,800	590,400
13	Utility Plant Acquisition Adjustment	<u>3,749,579</u>	<u>0</u>	<u>3,749,579</u>
14	Total Deductions	\$ <u>199,103,614</u>	\$ <u>20,686,418</u>	\$ <u>219,790,032</u>
15	Rate Base	\$ <u>280,431,430</u>	\$ <u>17,374,430</u>	\$ <u>297,805,860</u>

A/ Petitioner's Exhibit RB-1-Summary-DD
B/ WHN Rate Base Workpaper RB-2.00.

TENNESSEE-AMERICAN WATER COMPANY
Comparative Rate Base
For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate	A/	Company	B/	Difference
	Additions:					
1	Utility Plant in Service	\$ 515,138,706		\$ 515,138,706		\$ 0
2	Construction Work in Progress	0		0		0
3	Materials and Supplies	1,899,351		1,899,351		0
4	Lead/Lag Study	-366,485		4,503,000		-4,869,485
5	Working Capital	<u>924,320</u>		<u>2,549,849</u>		<u>-1,625,529</u>
6	Total Additions	\$ <u>517,595,892</u>		\$ <u>524,090,907</u>		\$ <u>-6,495,014</u>
	Deductions:					
7	Accumulated Depreciation	\$ 126,819,773		\$ 126,819,773		\$ 0
8	Accumulated Deferred FIT	56,451,415		60,093,004		-3,641,589
9	Customer Advances for Construction	10,636,908		8,250,965		2,385,943
10	Contributions in Aid of Construction	21,536,948		19,455,803		2,081,145
11	Unamortized Investment Tax Credit	5,010		5,010		0
12	Jasper Highlands Reg Liability	590,400		590,400		0
13	Utility Plant Acquisition Adjustment	<u>3,749,579</u>		<u>3,749,579</u>		<u>0</u>
14	Total Deductions	\$ <u>219,790,032</u>		\$ <u>218,964,534</u>		\$ <u>825,498</u>
15	Rate Base	\$ <u>297,805,860</u>		\$ <u>305,126,373</u>		\$ <u>-7,320,512</u>

A/ WHN Rate Base Workpaper RB-2.00.
B/ Petitioner's Exhibit RB-1-Summary-DD

TENNESSEE-AMERICAN WATER COMPANY

Comparative Working Capital

For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate	A/	Company	B/	Difference
1	Deferred Regulatory Expenses	0		1,295,000		-1,295,000
2	Unamortized Debt Expense	1,258,618		1,400,710		-142,092
3	Incidental Collections	-334,298		-145,861		-188,437
4	Working Capital Requirement	\$ 924,320		\$ 2,549,849		\$ -1,625,529

A/ WHN Rate Base Workpaper RB-40-1.00

B/ Petitioner's Exhibit RB-5-Other Working Capital-DD

TENNESSEE-AMERICAN WATER COMPANY
Lead Lag Results
For the 12 Months Ending December 31, 2025

Line No.		CA
1	Revenue Lag	44.46 A/
2	Expense Lag	47.79 B/
3	Net Lag	-3.33
4	Daily Cost of Service	\$ 109,997 B/
5	Lead Lag Study	\$ -366,485

A/ TAWC Response to CA DR1-51
B/ CA Exhibit, Schedule 6

TENNESSEE-AMERICAN WATER COMPANY
Working Capital Expense Lag
For the 12 Months Ending December 31, 2025

Line No.		Amount A/	Lag B/	Dollar Days
	Operating & Maintenance Expenses:			
1	Maintenance	\$ 1,562,901	12.10	\$ 18,911,107
2	Chemicals	2,116,184	48.30	102,211,673
3	Contract Services	797,178	48.50	38,663,121
4	Labor	5,739,414	10.50	60,263,850
5	Group Insurance	333,536	10.50	3,502,128
6	Other Benefits	562,861	9.00	5,065,748
7	Pension	619,489	-1.20	-743,387
8	Other Insurance	1,205,504	10.50	12,657,792
9	Purchased Power	2,809,231	28.00	78,658,480
10	Purchased Water	194,199	37.90	7,360,142
11	Rents	26,727	-234.90	-6,278,115
12	Support Services	7,631,522	10.50	80,130,984
13	Customer Accounting	85,237	61.80	5,267,656
14	Telecom	313,619	21.50	6,742,818
15	Transportation	428,594	49.10	21,043,965
16	Waste Disposal	749,830	65.70	49,263,831
17	Miscellaneous	1,428,729	45.90	65,578,679
18	Regulatory Expense	0	0.00	0
19	Total O&M Expenses	\$ 26,604,757	20.61	\$ 548,300,474
	Administrative & General Expenses:			
20	Federal Income Tax	558,734	36.50	20,393,798
21	Property Taxes	3,576,571	218.10	780,050,135
22	Gross Receipts Tax	1,014,093	-157.50	-159,719,691
23	Franchise Tax	915,278	44.30	40,546,802
24	Utility Tax	289,493	269.00	77,873,616
25	Taxes Other Than Income	446,591	12.00	5,359,087
26	Interest Expense - Long-Term Debt	6,490,083	92.80	602,279,713
27	Interest Expense - Short-Term Debt	253,135	14.60	3,695,771
28	Total Administrative & General Expenses	\$ 13,543,978	101.19	\$ 1,370,479,231
29	Total Lead/Lag Expenses	\$ 40,148,734	47.79	\$ 1,918,779,705
	Other Expenses:			
30	Depreciation Expense	\$ 15,763,872		
31	Amortization Expense	1,116		
32	Net Earnings	16,035,668		
33	Total Other Expenses	\$ 31,800,656		
34	Total Cost of Service	\$ 71,949,390		
35	Daily Cost Of Service-Based on Lead/Lag Expenses	\$ 109,997		

Total Working Capital Attrition Year

A/ CA Exhibit, Schedule 7

B/

TENNESSEE-AMERICAN WATER COMPANY
Income Statement at Current Rates
For the 12 Months Ending December 31, 2025

Line No.		Test Period	A/	Adjustments	Attrition Amount	A/
	Operating Revenues:					
1	Water Sales Revenues	\$ 68,124,042		\$ 3,095,812	\$ 71,219,854	B/
2	Other Revenues	1,180,170		0	1,180,170	B/
3	Total Water Revenue	\$ 69,304,212		\$ 3,095,812	\$ 72,400,024	
	Operating & Maintenance Expenses:					
4	Maintenance	\$ 1,562,322		\$ 579	\$ 1,562,901	
5	Chemicals	2,518,430		-402,247	2,116,184	
6	Contract Services	918,751		-121,573	797,178	
7	Labor	5,719,662		19,753	5,739,414	
8	Group Insurance	1,378,584		-1,045,048	333,536	
9	Other Benefits	494,871		67,990	562,861	
10	Pension	(179,665)		799,154	619,489	
11	Other Insurance	1,150,221		55,283	1,205,504	
12	Purchased Power	2,764,927		44,304	2,809,231	
13	Purchased Water	175,295		18,904	194,199	
14	Rents	26,717		10	26,727	
15	Support Services	8,452,669		-821,147	7,631,522	
16	Customer Accounting	85,206		32	85,237	
17	Telecom	313,502		117	313,619	
18	Transportation	449,680		-21,086	428,594	
19	Waste Disposal	675,128		74,702	749,830	
20	Uncollectible	382,661		108,493	491,153	
21	Miscellaneous	1,428,200		530	1,428,729	
22	Regulatory Expense	0		0	0	
23	Total Operating & Maintenance Expenses	\$ 28,317,161		\$ -1,221,251	\$ 27,095,910	
24	Depreciation Expense	\$ 11,635,460		\$ 4,128,412	\$ 15,763,872	C/
25	Amortization Expense	1,116		0	1,116	
26	General Taxes	5,359,014		883,012	6,242,026	D/
27	State Excise Taxes	670,658		-711,177	-40,519	E/
28	Federal Income Taxes	1,752,717		-1,193,983	558,734	E/
29	Total Operating Expenses	\$ 47,736,125		\$ 1,885,014	\$ 49,621,138	
30	Utility Operating Income	\$ 21,568,087		\$ 1,210,799	\$ 22,778,886	

A/ AB-1 Attrition Adj.
B/ CA Exhibit, Schedule 9
C/ WHN Rate Base Workpapers, 2.00 Rate Base Summary
D/ CA Exhibit, Schedule 10
E/ CA Exhibit, Schedule 11

TENNESSEE-AMERICAN WATER COMPANY
Comparative Income Statement at Current Rates
For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate A/	Company B/	Difference
	Operating Revenues:			
1	Water Sales Revenues	\$ 71,219,854	\$ 70,507,132	\$ 712,722
2	Other Revenues	1,180,170	1,217,791	-37,621
3	Total Water Revenue	\$ 72,400,024	\$ 71,724,923	\$ 675,101
	Operating & Maintenance Expenses:			
4	Maintenance	\$ 1,562,901	\$ 1,691,431	\$ -128,530
5	Chemicals	2,116,184	2,307,000	-190,816
6	Contract Services	797,178	966,015	-168,837
7	Labor	5,739,414	6,961,854	-1,222,440
8	Group Insurance	333,536	481,683	-148,147
9	Other Benefits	562,861	643,491	-80,630
10	Pension	619,489	619,489	0
11	Other Insurance	1,205,504	1,205,504	0
12	Purchased Power	2,809,231	3,062,540	-253,309
13	Purchased Water	194,199	194,199	0
14	Rents	26,727	29,985	-3,258
15	Support Services	7,631,522	8,636,676	-1,005,154
16	Customer Accounting	85,237	585,203	-499,966
17	Telecom	313,619	352,451	-38,832
18	Transportation	428,594	428,594	0
19	Waste Disposal	749,830	749,830	0
20	Uncollectible	491,153	577,105	-85,952
21	Miscellaneous	1,428,729	1,699,078	-270,349
22	Regulatory Expense	0	518,000	-518,000
23	Total Operating & Maintenance Expenses	\$ 27,095,910	\$ 31,710,128	\$ -4,614,218
24	Depreciation Expense	15,763,872	15,763,872	0
25	Amortization Expense	1,116	1,116	0
26	General Taxes	6,242,026	8,219,702	-1,977,676
27	State Excise Taxes	-40,519	1,565,361	-1,605,880
28	Federal Income Taxes	558,734	4,368,709	-3,809,975
29	Total Operating Expenses	\$ 49,621,138	\$ 61,628,888	\$ -12,007,750
30	Utility Operating Income	\$ 22,778,886	\$ 10,096,035	\$ 12,682,851

A/ CA Exhibit, Schedule 7.

B/ Petitioner's Exhibit FS-2-Income Statement-BL, Schedule FS-2.1.

TENNESSEE-AMERICAN WATER COMPANY

Taxes Other than Income Income Taxes

For the 12 Months Ending December 31, 2025

Line No.		CA	Company C/	Difference
1	Property Taxes	\$ 3,576,571 A/	\$ 4,920,461	\$ -1,343,890
2	Franchise Tax	915,278	982,116	-66,838
3	Gross Receipts Tax	1,014,093	1,042,208	-28,115
4	TPUC Inspection Fee	289,493	286,779	2,714
5	Payroll Taxes	446,591 B/	516,450	-69,859
6	Total	\$ 6,242,026	\$ 7,748,014	\$ -1,505,988

A/ Exh. DND-10

B/ Exh. DND-3 and Exh. DND-12

C/ Petitioner's Exhibit EXP-22-General Taxes and Fees-DD

TENNESSEE-AMERICAN WATER COMPANY
Comparative Water Revenue Summary
For the 12 Months Ending December 31, 2025

Line No.	Customer Class	Consumer Advocate A/	Company B/	Difference
1	Residential	\$ 32,040,156	\$ 32,458,901	\$ -418,746
2	Commercial	22,921,882	22,715,453	206,429
3	Industrial	6,162,032	5,750,304	411,728
4	Other Public Authority	4,280,488	4,322,067	-41,580
5	Other Water Utility	1,733,026	1,286,516	446,509
6	Private Fire Service	<u>4,082,272</u>	3,973,889	<u>108,382</u>
7	Total Water Sales Revenue	\$ 71,219,854	\$ 70,507,132	\$ 712,722
8	Activity Fee	241,140	224,355	16,785
9	New Service Fee	0	27,800	-27,800
10	Activation Fee	0	0	0
11	Disconnection/Reconnection Charge - Water	112,877	111,555	1,322
12	Disconnection/Reconnection Charge - Sewer	161,715	142,515	19,200
13	NSF Charge	41,640	40,800	840
14	Usage Data	17,932	17,748	184
15	After-Hours Fee	0	0	0
16	Meter Tampering Charge	0	0	0
17	Late Paymenet Fee	382,652	436,312	-53,660
18	Rent	216,998	214,303	2,695
19	Miscellaneous Service	4,180	2,403	1,777
20	Other Revenue	1,036	0	1,036
21	Total Other Operating Revenue	\$ 1,180,170	\$ 1,217,791	\$ -37,621
22	Total Revenues	\$ <u>72,400,024</u>	\$ <u>71,724,923</u>	\$ <u>675,101</u>

A/ WHN WP 3.0-Revenues

B/ Petitioner's Exhibit Rev-1-Revenue Summary-HB

TENNESSEE-AMERICAN WATER COMPANY
Excise and Income Taxes
For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate	A/
1	Operating Revenues	\$ 72,400,024	
	Operating Expenses:		
2	Maintenance	\$ 1,562,901	
3	Chemicals	2,116,184	
4	Contract Services	797,178	
5	Labor	5,739,414	
6	Group Insurance	333,536	
7	Other Benefits	562,861	
8	Pension	619,489	
9	Other Insurance	1,205,504	
10	Purchased Power	2,809,231	
11	Purchased Water	194,199	
12	Rents	26,727	
13	Support Services	7,631,522	
14	Customer Accounting	85,237	
15	Telecom	313,619	
16	Transportation	428,594	
17	Waste Disposal	749,830	
18	Uncollectible	491,153	
19	Miscellaneous	1,428,729	
20	Regulatory Expense	0	
21	Depreciation Expense	15,763,872	
22	Amortization Expense	1,116	
23	General Taxes	6,242,026	
24	Total Operating Expenses	\$ 49,102,923	
25	NOI Before Excise and Income Taxes	\$ 23,297,101	
26	Less Interest Expense	6,743,218	C/
27	Less Repair Deduction	13,933,763	B/
28	Pre-tax Book Income	\$ 2,620,120	
29	Excise Tax Rate	6.50%	
30	Subtoal State Exciste Tax Expense	\$ 170,308	
31	Less State Tax Credit	210,827	D/
32	State Exciste Tax Expense	\$ -40,519	
33	Pre-tax Book Income	\$ 2,620,120	
34	Less State Excise Tax Expense	-40,519	
35	FIT Taxable Income	\$ 2,660,639	
36	FIT Rate	21.00%	
37	Federal Income Tax Expense	\$ 558,734	
38	Total State & Federal Income Tax Expense	\$ 518,215	

A/ CA Exhibit, Schedule 7.

B/ DND Exh. 2

C/ CA Exhibit, Schedule 13.

D/ Exh. DND-13

TENNESSEE-AMERICAN WATER COMPANY
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2025

Line No.		Current Rates A/	Rate Increase B/	Proposed Rates
	Operating Revenues:			
1	Water Sales Revenues	\$ 71,219,854	\$ -4,848,207	\$ 66,371,647
2	Other Revenues	1,180,170	-26,049	1,154,121
3	Total Water Revenue	\$ 72,400,024	\$ -4,874,257	\$ 67,525,768
	Operating & Maintenance Expenses:			
4	Maintenance	\$ 1,562,901	\$ 0	\$ 1,562,901
5	Chemicals	2,116,184	0	2,116,184
6	Contract Services	797,178	0	797,178
7	Labor	5,739,414	0	5,739,414
8	Group Insurance	333,536	0	333,536
9	Other Benefits	562,861	0	562,861
10	Pension	619,489	0	619,489
11	Other Insurance	1,205,504	0	1,205,504
12	Purchased Power	2,809,231	0	2,809,231
13	Purchased Water	194,199	0	194,199
14	Rents	26,727	0	26,727
15	Support Services	7,631,522	0	7,631,522
16	Customer Accounting	85,237	0	85,237
17	Telecom	313,619	0	313,619
18	Transportation	428,594	0	428,594
17	Waste Disposal	749,830	0	749,830
18	Uncollectible	491,153	-33,306	457,848
19	Miscellaneous	1,428,729	0	1,428,729
18	Regulatory Expense	\$ 27,095,910	\$ -33,306	\$ 27,062,604
19	Depreciation Expense	\$ 15,763,872	\$ 0	\$ 15,763,872
20	Amortization Expense	1,116	0	1,116
21	General Taxes	6,242,026	0	6,242,026
22	State Excise Taxes	-40,519	-314,662	-355,181
23	Federal Income Taxes	558,734	-950,521	-391,787
24	Total Operating Expenses	\$ 49,621,138	\$ -1,298,488	\$ 48,322,650
25	Utility Operating Income	\$ 22,778,886	\$ -3,575,768	\$ 19,203,117

A/ CA Exhibit, Schedule 8

B/ CA Exhibit, Schedule 1

TENNESSEE-AMERICAN WATER COMPANY

Rate of Return Summary

For the 12 Months Ending December 31, 2025

Line No.	Class of Capital	Consumer Advocate ^{A/}		
		Percent of Total	Cost Rate ^{A/}	Weighted Cost Rate
1	Parent Short-Term Debt	1.99%	4.27%	0.0850%
2	Parent Long Term Debt	47.48%	4.59%	2.1793%
3	Parent Preferred	0.00%	0.00%	0.0000%
4	Parent Common Equity	<u>50.53%</u>	8.28%	4.1839%
5	Total	<u>100.00%</u>		<u>6.4482%</u>
Interest Expense Short-Term Debt				
6	Rate Base			\$ 297,805,860 B/
7	Short-Term Weighted Debt Cost			0.0850%
8	Short-Term Debt Interest Expense			<u>\$ 253,135</u>
Interest Expense Long-Term Debt				
9	Rate Base			\$ 297,805,860 B/
10	Long-Term Weighted Debt Cost			2.1793%
11	Long-Term Debt Interest Expense			<u>\$ 6,490,083</u>
12	Total Interest Expense			<u>\$ 6,743,218</u>

A/ Direct Testimony of Aaron L. Rothschild, Exhibit ALR-1

B/ CA Exhibit, Schedule 2

TENNESSEE-AMERICAN WATER COMPANY

Revenue Conversion Factor

For the 12 Months Ending December 31, 2025

Line No.		Amount	Balance
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.005373 A/	0.005373
3	Balance		1.005373
4	Uncollectible Ratio	0.006833 A/	0.006870
5	Balance		0.998503
6	State Excise Tax	0.065000 B/	0.064903
7	Balance		0.933601
8	Federal Income Tax	0.210000 B/	0.196056
9	Balance		0.737544
10	Revenue Conversion Factor (Line 1 / Line 9)		1.355850

A/ WHN Revenue Workpaper WP 3.0 -Revenues

B/ Statutory Rates.

TENNESSEE-AMERICAN WATER COMPANY

CAPD Proposed Revenue Change

For the 12 Months Ending December 31, 2025

Line No.		Current Rates A/	Proposed Rates B/	Revenue Change	Percent Change
1	Residential	\$ 32,040,156	\$ 29,631,396	\$ -2,408,760	-7.51794%
2	Commercial	22,921,882	21,198,629	-1,723,253	-7.51794%
3	Industrial	6,162,032	5,698,774	-463,258	-7.51794%
4	Other Public Authority	4,280,488	3,958,684	-321,804	-7.51794%
5	Other Water Utility	1,733,026	1,602,738	-130,288	-7.51794%
6	Private Fire Service	<u>4,082,272</u>	<u>3,775,369</u>	<u>-306,903</u>	<u>-7.51794%</u>
7	Total Water Sales Revenues	\$ 71,219,854	\$ 65,865,591	\$ -5,354,264	-7.51794%
8	Other Revenues	<u>1,180,170</u>	<u>1,686,226</u>	<u>506,056</u>	
9	Total Revenues	\$ <u>72,400,024</u>	<u>67,551,817</u>	\$ <u>-4,848,207</u>	

A/ CA Exhibit, Schedule 9.

B/ CA Exhibit, Schedule 1.