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September 17, 2024

**VIA ELECTRONIC FILING**

Hon. Herbert H. 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](mailto:TPUC.DocketRoom@tn.gov)

Electronically Filed in TPUC Docket Room  
on September 17, 2024 at 3:23 p.m.

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, TPUC Docket No. 24-00032***

Dear Chairman Hilliard:

Attached for filing please find the *Direct Testimony and Exhibits of Mark E. Garrett on Behalf of City of Chattanooga* in the above-captioned matter. Also attached are Exhibits MG-1 and MG-2.

Please note that Exhibit MG-2 contains **CONFIDENTIAL INFORMATION** and is being submitted **UNDER SEAL** as **CONFIDENTIAL** and **PROPRIETARY**. Both a public, redacted version and a nonpublic, **CONFIDENTIAL** version of Exhibit MG-2 are attached.

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

Sincerely yours,

A blue ink signature of Frederick L. Hitchcock, written in a cursive style, is positioned above the printed name.

Frederick L. Hitchcock

FLH/ard

Attachments

Chairman Hilliard  
September 17, 2024  
Page 2

Cc: Melvin J. Malone  
Katherine Barnes  
Jonathan Skrmetti  
Shilina B. Brown  
Victoria B. Glover  
Vance L. Broemel

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**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 AND EXHIBITS**

**OF**

**MARK E. GARRETT**

**ON BEHALF OF**

**CITY OF CHATTANOOGA (“COC”)**

**September 17, 2024**

**Direct Testimony of Mark E. Garrett  
September 17, 2024**

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**I. WITNESS IDENTIFICATION AND PURPOSE OF TESTIMONY**

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

2 A: My name is Mark E. Garrett. My business address is 4028 Oakdale Farm Circle,  
3 Edmond, Oklahoma 73013.

4  
5 **Q: WHAT IS YOUR PRESENT OCCUPATION?**

6 A: I am the President of Garrett Group Consulting, Inc., a firm specializing in public utility  
7 regulation, litigation and consulting services.

8  
9 **Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND YOUR**  
10 **PROFESSIONAL EXPERIENCE RELATED TO UTILITY REGULATION.**

11 A: I received my bachelor's degree from The University of Oklahoma and completed post  
12 graduate hours at Stephen F. Austin State University and the University of Texas at  
13 Arlington and Pan American. I received my juris doctorate degree from Oklahoma City  
14 University Law School and was admitted to the Oklahoma Bar in 1997. I am a Certified  
15 Public Accountant licensed in the States of Texas and Oklahoma with a background in  
16 public accounting, private industry, and utility regulation. In public accounting, as a  
17 staff auditor for a firm in Dallas, I primarily audited financial institutions in the State of  
18 Texas. In private industry, as controller for a mid-sized corporation in Dallas, I managed  
19 the company's accounting function, including general ledger, accounts payable, financial  
20 reporting, audits, tax returns, budgets, projections, and supervision of accounting  
21 personnel. In utility regulation, I served as an auditor in the Public Utility Division of

1 the Oklahoma Corporation Commission (“Commission”) from 1991 to 1995. In that  
2 position, I managed the audits of major gas and electric utility companies in Oklahoma.

3 Since leaving the Commission, I have worked on numerous rate cases and other  
4 regulatory proceedings on behalf of various consumers, consumer groups, public utility  
5 commission staffs and attorney general’s offices. My clients primarily include industrial  
6 customers, hospitals and hospital groups, universities, municipalities, and large  
7 commercial customers. I have also testified on behalf of the commission staff in Utah  
8 and the offices of attorneys general in Florida, Indiana, Montana, Nevada, Oklahoma,  
9 Pennsylvania, and Washington. I have also served as a presenter at the NARUC  
10 subcommittee on Accounting and Finance on the issue of incentive compensation, and as  
11 a regular instructor at the New Mexico State University’s Center for Public Utilities  
12 course on basic utility regulation.

13  
14 **Q: HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS**  
15 **ON UTILITY RATES?**

16 A: Yes. I have provided testimony before the public utility commissions in the states of  
17 Alaska, Arizona, Arkansas, Colorado, Florida, Indiana, Massachusetts, Montana,  
18 Nevada, New Mexico, Oklahoma, Pennsylvania, South Carolina, Texas, Utah and  
19 Washington. My qualifications were accepted in each of those states. A description of  
20 my qualifications and a list of the proceedings in which I have been involved are  
21 attached to this testimony as *Exhibit MG-1*.

1 **Q: ON WHOSE BEHALF ARE YOU APPEARING IN THESE PROCEEDINGS?**

2 A: I am appearing on behalf of the City of Chattanooga (“COC”).

4 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A: The purpose of my testimony is to review the petition of Tennessee-American Water  
6 Company (“TAWC” or “Company”), to address various revenue requirement and rate  
7 design issues, and to provide recommendations to the Tennessee Public Utility  
8 Commission (“Commission”). I also sponsor *Exhibit MG-2* included with this  
9 testimony, which presents the overall impact and summary of COC’s recommendations.  
10 A summary of COC’s proposed adjustments to TAWC’s requested rate increase is  
11 shown below:

Rate Increase Proposed by TAWC	\$ 14,131,001
COC Adjustments	<u>\$ (15,634,969)</u>
Rate Decrease after COC Adjustments	<u><b>\$ (1,503,968)</b></u>

## 12 **II. CASH WORKING CAPITAL**

15 **Q: WHAT IS CASH WORKING CAPITAL?**

16 A: Cash working capital (CWC) is defined as the net cash outlay, if any, that a utility must  
17 furnish to provide service before payment for that service is received from the  
18 customers.<sup>1</sup> Traditionally, where a net positive CWC requirement exists, it is included  
19 as a component of rate base. However, with cash management tools and technologies  
20 available today, it is common for a well-run utility to negotiate large contracts  
21 advantageously. As a result utilities often receive payments from customers *before* the

---

<sup>1</sup> See *Accounting for Public Utilities*, § 5.04.

1 various obligations of the company to its vendors and employees that relate to those  
2 services become due. This creates a situation in which customers are actually supplying  
3 the company with cost-free capital—referred to as a *negative* CWC requirement. When  
4 this occurs, a reduction to rate base is appropriate. As shown in the testimony that  
5 follows, TAWC’s lead-lag study reflects a negative CWC requirement when necessary  
6 corrections are made to the study.

7  
8 **Q: HOW DOES ONE DETERMINE WHETHER CUSTOMERS OR INVESTORS**  
9 **ACTUALLY SUPPLY THE UTILITY’S CASH WORKING CAPITAL?**

10 A: A lead-lag study is the most accurate method available to determine whether the  
11 company or the customer actually provides the cash that pays the bills for the day-to-day  
12 operations of the company. A lead-lag study compares the timing differences between  
13 the inflows of cash from revenues and the outflows of cash for operating expenses. The  
14 net difference is expressed as a *positive* cash requirement if the Company is supplying  
15 cash to pay its day-to-day operating expenses before payments for these services arrive  
16 from customers. It is expressed as a *negative* cash requirement if payments from  
17 customers actually arrive before the Company is obligated to pay its various expenses.  
18 These differences are expressed in the number of days between the time the Company  
19 pays its bills and the time the customers remit their payments.

20  
21 **Q: WHAT HAS THE COMPANY REQUESTED FOR CASH WORKING CAPITAL?**



1 A: The Company requested \$4.5 million positive cash working capital requirement based on  
2 a lead-lag study sponsored by Harold Walker, III of Gannett Fleming Valuation and Rate  
3 Consultants, LLC. My review of the Company's lead-lag study, however, indicates that  
4 the inclusion of certain non-cash items and other assumptions has caused the Company's  
5 CWC calculation to be significantly overstated.

6  
7 **Q: PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATIONS**  
8 **RELATED TO CASH WORKING CAPITAL.**

9 A: My CWC calculation adjusts the Company's lead-lag study to exclude non-cash items  
10 and assumptions which cause the Company's calculation to be overstated. Specifically, I  
11 recommend excluding the following four items from the CWC calculation:

- 12 1. return on equity,
- 13 2. depreciation expense,
- 14 3. deferred tax expense and
- 15 4. service company expense.

16  
17 My CWC calculation, as set forth at Exhibit MG-2.5, excludes these items and also  
18 adjusts the revenue lag days and gross receipts tax lead days calculated by the Company.

19  
20 **Q: WHY IS IT NECESSARY TO EXCLUDE NON-CASH ITEMS FROM THE**  
21 **COMPANY'S LEAD-LAG STUDY?**

22 A: A fundamental principle of the cash working capital allowance is that non-cash expense  
23 items such as return on equity, depreciation, and deferred income tax are excluded from  
24 the calculations. These items are excluded because lead-lag studies are intended to

1 measure the timing differences in the collection and disbursement of cash. Non-cash  
2 items have no impact on these timing differences. In his treatise, *The Process of*  
3 *Ratemaking*,<sup>2</sup> Leonard Saul Goodman discusses the working capital allowance at length.  
4 The treatise states the following with respect to non-cash items: “A cardinal principle of  
5 the working capital allowance is that it should exclude non-cash expenses, such as  
6 depreciation, deferred income taxes, and return on common equity, among others.”  
7 Goodman cites cases in Iowa, Utah and Illinois,<sup>3</sup> but a long list of other jurisdictions  
8 could have been included on the list.

9  
10 **Q: WHY DO YOU RECOMMEND THAT RETURN ON EQUITY BE EXCLUDED**  
11 **FROM THE COMPANY’S LEAD-LAG STUDY?**

12 A: Return on equity is a non-cash item which does not belong in a cash working capital  
13 analysis. The shareholder rate of return is addressed in the cost of capital studies and  
14 should not have an additional enhancement in the cash working capital allowance.  
15 Ratepayers should not be required to pay a return on the return. The majority rule, if not  
16 the universally accepted rule, is that return on equity should not be included in a cash  
17 working capital study.

18  
19 **Q: HAS THIS COMMISSION ADDRESSED WHETHER RETURN ON EQUITY**  
20 **SHOULD BE EXCLUDED FROM A UTILITY’S LEAD-LAG STUDY?**

---

<sup>2</sup> The Process of Ratemaking, Vol. II, Leonard Saul Goodman, Public Utility Reports (1998) p. 829.

1 A: Yes. In the 2018 rate case of Chattanooga Gas Company, Docket No. 18-00017, the  
2 Commission considered whether to exclude return on equity from the company's CWC  
3 calculation. The Commission's determined that return on equity should be excluded,  
4 stating, "return on equity is a non-cash expense not generating a cash requirement for  
5 the Company, and therefore, exclusion from working capital calculation is appropriate."<sup>4</sup>  
6

7 **Q: PLEASE DISCUSS THE POLICY REASONS THAT EXCLUDING RETURN ON**  
8 **EQUITY FROM THE CWC CALCULATION IS THE APPROPRIATE**  
9 **TREATMENT.**

10 A: Return on equity is generally excluded from the calculations because there is not a  
11 current cash outlay requirement associated with common equity. In addition, common  
12 equity is excluded from the calculations because when equity is returned to the company  
13 through rates, funds in the possession of the company are deemed in possession of the  
14 owners of the company. At that point, it is up to the owners of the company to decide  
15 when and how the funds are either reinvested in the company or disbursed among the  
16 owners. Ratepayers cannot be held accountable for timing differences associated with  
17 the return of common equity once the equity is in the control of the company, since the  
18 ultimate disposition of the equity at that time is completely up to the owners of the  
19 company and wholly outside the control of ratepayers.

---

<sup>3</sup> *Id.*, citing *Re U.S. West Communications, Inc.*, 152 PUR4th 446, 457 (Iowa UB, 1994); *Re West Communications, Inc.*, 142 PUR4th 1, 13-14 (Utah PSC, 1993); *Re Illinois Power Co.*, 131 PUR4th 1, 19 (Ill.CC, 1992).

<sup>4</sup> Tenn. Pub. Util. Comm'n, Petition of Chattanooga Gas Co., Docket No. 18-00017, Amended Order (Jan. 19, 2019), at p. 48.

1           Moreover, the capital markets are sufficiently aware of the timing differences  
2           associated with the return of capital to the company and have included the cost of those  
3           timing differences in the return component required for common equity.<sup>5</sup> In other words,  
4           the cost of equity required in the capital markets (*i.e.* the ROE) takes into account how  
5           capital is returned to the company, including any timing differences associated with its  
6           collection from ratepayers and its ultimate disbursement among the owners.

7  
8   **Q:   PLEASE   EXPLAIN   YOUR   RECOMMENDATION   TO   EXCLUDE**  
9   **DEPRECIATION EXPENSE FROM THE COMPANY’S LEAD-LAG STUDY.**

10   A:   Depreciation expense is the result of an accounting accrual process that does not involve  
11       cash. Since a lead-lag study is utilized for the sole purpose of determining the cash  
12       working capital requirements of the utility, non-cash items such as depreciation have no  
13       place in the study. In my experience, the majority rule is that depreciation and  
14       amortization expenses should not be included in a study of cash working capital  
15       requirements. With respect to depreciation specifically, the Goodman treatise states:

16           Depreciation expense must be excluded. Even if there is a lag in  
17           recouping investment from the time service is rendered to the time the  
18           customer pays for the service, there is no basis for adjusting working  
19           capital studies for depreciation. Capital markets are ‘aware of any lag  
20           involving depreciation expense recovery,’ and ‘adjust accordingly.’<sup>6</sup>

21       Depreciation is referred to as a “noncash” expense because there is no *cash outlay*  
22       required when a company records depreciation expense, as there are with “traditional

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, citing *Re Illinois Bell Tel. Co.*, 156 PUR4th 121, 222 (Ill.CC, 1994); and *Re Central Ill. Light Co.*, 159 PUR4th 1, 21-22 (Ill.CC, 1994).

1 cash” expense items such as payroll, operating expenses, interest and taxes. Moreover,  
2 depreciation expense is the mechanism for the “return of” capital to investors. Investors  
3 are aware of the timing differences associated with the return of their capital through  
4 depreciation recoveries and are compensated through the rate of return they charge for  
5 the use of their money. For these reasons, the Commission should exclude depreciation  
6 expense from any lead-lag cash working capital study.

7  
8 **Q: WHY IS IT APPROPRIATE TO EXCLUDE DEFERRED TAX EXPENSE FROM**  
9 **THE COMPANY’S LEAD-LAG STUDY?**

10 A: Deferred tax expense is another non-cash item that already receives ratemaking  
11 treatment as an offset to rate base. Therefore, it is necessary to remove this item from  
12 the CWC calculation as well.

13  
14 **Q: IS YOUR RECOMMENDATION TO REMOVE NON-CASH ITEMS BASED**  
15 **UPON THE WIDELY-ACCEPTED REGULATORY TREATMENT FOR CWC**  
16 **CALCULATIONS?**

17 A: Yes. In addition to the treatises referenced above, my firm conducted a telephonic  
18 survey of regulatory commissions in the 24 Western States regarding cash working  
19 capital, inquiring whether non-cash items are excluded from the CWC calculations in  
20 those jurisdictions. The survey, conducted in 2011 and updated in 2014, showed that the  
21 vast majority of jurisdictions contacted consistently exclude three non-cash items, 1)  
22 return on equity, 2) depreciation expense, and 3) deferred tax expense, as shown below:

GARRETT GROUP 2011 LEAD-LAG SURVEY OF THE 24 WESTERN STATES					
(Updated 2014)					
		Jurisdiction	Excludes Depreciation Expense	Excludes Deferred Tax Expense	Excludes Net Income /Return
1		Arizona	✓	✓	✓
2		Colorado	✓	✓	✓
3		Hawaii	✓	✓	✓
4		Idaho	✓	✓	✓
5		Iowa	✓	✓	✓
6		Kansas	✓	✓	✓
7		Missouri	✓	✓	✓
8		Minnesota	✓	✓	✓
9		Montana	✓	✓	✓
10		Nebraska	✓	✓	✓
11		Nevada	✓	✓	✓
12		New Mexico	✓	✓	✓
13		North Dakota	✓	✓	✓
14		Oklahoma	✓	✓	✓
15		Oregon	✓	✓	✓
16		South Dakota			✓
17		Texas	✓	✓	✓
18		Utah	✓	✓	✓
19		Wyoming	✓	✓	✓
STATES USING OTHER METHOD TO CALCULATE CASH WORKING CAPITAL					
20		Arkansas	Uses "Balance Sheet" method rather than Lead/Lag Study		
21		Louisiana	Uses "Rule of 8" method rather than Lead/Lag Study		
22		Washington	Uses "Balance Sheet" method rather than Lead/Lag Study		
STATES NOT RESPONDING TO SURVEY					
23		Alaska			
24		California			

1 As shown in the table above, of the 22 states responding to the survey, 19 reported using  
2 lead-lag studies. Of those 19 jurisdictions, all reported excluding Return on Equity/  
3 Income from the CWC calculation. Moreover, 18 of the 19 states also excluded  
4 Depreciation expense and Deferred Tax expense from the CWC calculation.

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19

**Q: WHAT IS THE PROBLEM WITH THE COMPANY’S APPROACH OF INCLUDING THESE NON-CASH ITEMS?**

A: The Company's treatment of non-cash items in its lead-lag study, which assigns a zero day lag for depreciation, deferred income tax, and common equity, causes the overall cash working capital requirement to be greatly overstated. I excluded these items from the CWC calculations and the results of these corrections are set forth at Exhibit MG-2.5

**Q: PLEASE DISCUSS YOUR RECOMMENDATION TO EXCLUDE THE SERVICE COMPANY EXPENSES FROM THE COMPANY’S LEAD-LAD STUDY.**

A: I recommend this adjustment because the Company did not perform a lead-lag study on the service company itself, but instead, is asking that the Commission recognize a prepayment for its services.<sup>7</sup> If the study had included the service company, the results would likely not be much different from the utility’s labor and other labor-related expense lag days. The Company’s request for a prepayment for affiliate services is inappropriate and should be rejected.

**Q: WHY DO YOU PROPOSE AN ADJUSTMENT TO THE COMPANY’S REVENUE LAG DAY CALCULATION?**

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<sup>7</sup> See response to CAD 1-48.

1 A: The service lag period runs from the midpoint of the service period to the date the meter  
2 is read.<sup>8</sup> An average service period on an annual basis would be 30.4 days, calculated by  
3 dividing 365 by 12. The average days from the midpoint to the end of the service period  
4 would be one half of that, or 15.2 days. The Company calculated a service lag period of  
5 18.7 days based on the study of a single month, October 2023. I recommend that the  
6 requested revenue lag of 44.9 days be reduced by the difference of 3.5 days to 41.4 days.  
7

8 **Q: PLEASE DISCUSS YOUR RECOMMENDATION TO ADJUST THE LEAD**  
9 **DAYS THE COMPANY CALCULATED FOR THE GROSS RECEIPTS TAX?**

10 A: The Company based its request on the technical provisions for the calculation and filing  
11 of the gross receipts tax. The statutory provisions provide that the tax is based on the  
12 prior year's revenue, is due by August 1, and covers the period July 1 to June 30 of the  
13 next year. The first month of that period is post-paid, and the remaining eleven months  
14 are prepaid. The company did not follow those provisions in either its accounting for this  
15 tax or for the calculation of the gross receipts tax it included in the revenue requirement.  
16 The Company records the tax expense for accounting purposes on a calendar year basis,  
17 so that the 2025 calendar year tax expense will be based on the 2024 calendar year  
18 revenue.<sup>9</sup> The Company calculated the gross receipts tax for the 2025 Attrition year  
19 based on the annualized 2025 revenue.<sup>10</sup> The tax on the 2025 revenue will be paid on

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<sup>8</sup> See Direct Testimony of Harold Walker, III, page 9, lines 12-14.

<sup>9</sup> See response to COC 3-4.

<sup>10</sup> See TAWC 2024 Rate Case – Other General Taxes Exhibit.xlsx, tab Gross Receipts Tax, cell I8 and TAWC – Exhibit Rev – 1\_Revneue Summary.xlsx, cell F45.



1 July 31, 2026<sup>11</sup> which results in a lag of 393.5 days.<sup>12</sup> The Commission should be  
2 consistent and use the same provisions for the calculation of the working capital  
3 allowance instead of the Company's approach of mismatching the tax included in the  
4 revenue requirement with the payment provisions of that tax. I recommend that the  
5 Commission find that a payment lag of 393.5 days be used for the gross receipts tax.

6  
7 **Q: WHAT IS THE RESULT OF YOUR RECOMMENDED CORRECTIONS TO THE**  
8 **LEAD-LAG STUDY?**

9 A: My recommendations reduce the Company's requested cash working capital allowance  
10 by \$6,893,000. This results in reducing the Company's net positive CWC adjustment of  
11 \$4,503,000 to a net negative adjustment of \$2,390,000, as set forth on Exhibit MG-2.5.

### 12 **III. EMPLOYEE COMPENSATION**

13 **Q: PLEASE DISCUSS THE PAYROLL EXPENSES AND THE RELATED**  
14 **ADJUSTMENTS PROPOSED BY TAWC.**

15 A: TAWC adjusted its direct payroll and related costs by position including the addition of  
16 seventeen new positions.<sup>13</sup> The 2025 Attrition Year payroll was calculated with projected  
17 wage and salary rates for that year. The payroll adjustments include projected target  
levels of the annual incentive plan costs and long-term incentive plan costs. A separate

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<sup>11</sup> See response to COC 3-5.

<sup>12</sup> Calculated as midpoint to the end of the year (365 days/2) 182.5 days, plus days from the end of the year to July 211 days, for a total of 393.5 days.

1 analysis was performed for union payroll, non-union hourly payroll, and non-union  
2 salaried payroll. The Company also adjusted the employee benefits costs as a part of the  
3 payroll adjustments.<sup>14</sup>  
4

5 **Q: WHAT ADJUSTMENTS ARE YOU PROPOSING TO THE COMPANY'S**  
6 **REQUESTED PAYROLL EXPENSE LEVELS?**

7 A: I am proposing adjustments to (1) the annual incentive plan, (2) the long-term incentive  
8 plan and (3) the requested level of vacant positions. Each of these adjustments is  
9 discussed below.  
10

11 **Q: PLEASE PROVIDE A BRIEF DESCRIPTION OF THE COMPANY'S**  
12 **INCENTIVE COMPENSATION PLANS.**

13 A: The Company offers performance pay awards under two plans — the Annual  
14 Performance Plan ("APP") and the Long-Term Performance Plan ("LTPP"). All full-  
15 time employees participate in the APP. Eligibility for the LTPP is limited to certain  
16 exempt employees.<sup>15</sup> The Company's incentive compensation plans are formal written  
17 plans approved by the Company's senior management.

**a. Annual Performance Plan**

18 **Q: PLEASE DESCRIBE THE COMPANY'S ANNUAL PERFORMANCE PLAN.**

---

<sup>13</sup> See Direct Testimony of Grady Stout, p. 38, lines 4-8 (showing TAWC's current and forecasted staffing levels); *see also* TAWC 2024 Rate Case – labor Exhibit-CONFIDENTIAL.xlsx tabs "Union" lines 65 - 72, "NU Hrly" lines 15-17, and NU Slry lines 23-28.

<sup>14</sup> See Direct Testimony of Robert J. Prendergast, p. 3, line 6 – p. 11 line 5.

<sup>15</sup> See Direct Testimony of Grady Stout, p. 40.

A: In this application, the Company seeks to include \$439,290 for TAWC annual incentive expense,<sup>16</sup> and \$668,657 for AWWSC annual performance plan expense,<sup>17</sup> for a total of \$1,107,947.

**Q: DO FINANCIAL PERFORMANCE MEASURES COMPRISE A SIGNIFICANT COMPONENT OF THE COMPANY’S ANNUAL PERFORMANCE PLAN?**

A: Yes. The Company’s annual compensation plan is heavily dependent on financial performance measures. Although the plan includes both financial and operational factors, the EPS metric accounts for 50% of the total plan metrics.<sup>18</sup>

**Figure 1: American Water’s 2024 APP Goals**

STRATEGY	GOAL	TARGET	WEIGHT
GROWTH	EPS Range	\$5.10 - \$5.20	50%
CUSTOMER	Customer Satisfaction	1st Quartile	15%
SAFETY	OSHA Recordable Injury Rate (ORIR)	.61 or less	5%
	Days Away, Restricted and Transfer (DART) severity rate	.29 or less	10%
ENVIRONMENTAL LEADERSHIP	Drinking Water Compliance Notice of Violation (NOVs)	6	5%
	Drinking Water Quality Notice of Violations (NOVs)	2	10%
PEOPLE	Women Representation	25%	2.5%
	Ethnic and Racial Diversity Representation	21%	2.5%

As shown in the figure above, the target EPS for 2024 is \$5.10-\$5.20, and this metric accounts for 50% of the Company’s annual performance plan. Thus, financial performance is the most heavily-weighted factor in determining annual incentive

<sup>16</sup> See response to COC 2-20.

<sup>17</sup> *Id.*

1 compensation.<sup>19</sup>

2  
3 **Q: HAS THIS COMMISSION DISALLOWED INCENTIVE COMPENSATION**  
4 **BASED ON FINANCIAL PERFORMANCE IN PRIOR CASES?**

5 A: Yes. In the 2018 Chattanooga Gas Company rate case, Docket No. 18-00017, the  
6 Commission reduced the utility's requested levels of short term incentive compensation  
7 by 50% and long-term incentive compensation by 100% based on established  
8 Commission precedent.<sup>20</sup> In that case, the Consumer Advocate asserted that ratepayers  
9 should not bear the costs of incentive compensation payouts which are driven by  
10 corporate and business unit financial performance that directly benefits shareholders.<sup>21</sup>

11 The Commission agreed. Its Amended Order states:

12 The panel found the Consumer Advocate's 2019 forecasted incentive pay  
13 exclusion to be reasonable, grounded upon historical operations and  
14 consistent with the long-standing policy established by the Commission  
15 regarding incentive pay. Moreover, the Company provided no convincing  
16 evidence justifying its deviation from established Commission policy. In  
17 addition, as Consumer Advocate witness Dittemore testified and CGC  
18 witness Garvie acquiesced, short-term incentive compensation is partially  
19 paid out based upon enhancing the earnings per share ("EPS") of the  
20 Southern Company stock price. CGC and the Consumer Advocate agreed  
21 that while ratepayers may benefit from efficiency, stockholders will also  
22 benefit from increased EPS. The panel found the compensation to be fair,  
23 with annual merit increases through the attrition period. For the foregoing  
24 reasons, the panel unanimously voted to disallow 50% of the short term  
25 incentive compensation.<sup>22</sup>

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<sup>18</sup> Figure 1 is excerpted from the Direct Testimony of Grady Stout, p. 41.

<sup>19</sup> *Id.*

<sup>20</sup> Tenn. Pub. Util. Comm'n, Petition of Chattanooga Gas Co., Docket No. 18-00017, Amended Order (Jan. 19, 2019), at p. 34.

<sup>21</sup> *Id.* at 21-22.

<sup>22</sup> *Id.* at 22 (Emphasis added).

1  
2 **Q: DO THE COMPANY'S SHAREHOLDERS BENEFIT FROM THE PLAN'S**  
3 **FOCUS ON EPS AS A KEY MEASURE OF EMPLOYEE PERFORMANCE?**

4 A: Yes. Including EPS as the largest single metric in the incentive compensation plan  
5 clearly provides a benefit to shareholders. In my opinion, a monopoly public utility with  
6 a defined service territory should not place undue emphasis on increasing its earnings per  
7 share. Maintaining an incentive compensation plan heavily-weighted with financial  
8 metrics can create counter-productive incentives for upper management to inflate the  
9 utility's revenue requirement in order to increase their own compensation levels.  
10

11 **Q: WHAT IS THE GENERAL RATIONALE FOR EXCLUDING INCENTIVE**  
12 **COMPENSATION TIED TO FINANCIAL PERFORMANCE?**

13 A: In most jurisdictions, the cost of incentive plans which are tied to financial performance  
14 measures are excluded for ratemaking purposes. When the costs associated with these  
15 plans are excluded, the *primary* rationale is that financially-based incentives benefit  
16 shareholders more than they do ratepayers. Other rationales used by the regulators are:

- 17 (1) **Payment is uncertain.** Often, as is the case here, the level of payment of  
18 incentive compensation is conditioned upon meeting a predetermined  
19 financial goal such as achieving a certain increase in earnings, reaching a  
20 targeted stock price or meeting budget objectives. If the predetermined  
21 goals are not met, the incentive payment is not made, or payment is made  
22 at some lesser amount. Therefore, one cannot know from year to year  
23 what the level of the payment may be or whether the payment will be  
24 made at all. It is generally considered inappropriate to set rates to recover  
25 a tentative level of expense.<sup>23</sup>

---

<sup>23</sup> One example of this occurred in Public Service of Oklahoma's 2008 rate case proceeding (Okla. PUD 2008-00144). In PSO's 2008 rate case, the Oklahoma commission included more than \$4 million in rates for incentives. In 2009, due to PSO's below target EPS, utility management reduced the funding

- 1           **(2) Many of the factors that significantly impact earnings are outside the**  
2           **control of most company employees and have limited value to**  
3           **customers.** For example, an unusually hot summer can easily trigger an  
4           incentive payment based on company earnings for an electric utility, as a  
5           cold winter can for a gas utility. Obviously, weather conditions are  
6           outside the control of utility employees and customers receive no benefit  
7           from the higher utility bills that result from unusually hot or cold weather.  
8           Similarly, company earnings may increase, thus triggering incentive  
9           payments, as a result of customer growth, which commonly occurs  
10          without significant influence from company personnel. In fairness, since  
11          shareholders enjoy the benefits of customer growth between rate cases,  
12          shareholders should also bear the cost of any incentive payments such  
13          growth may trigger. Finally, utility earnings may increase substantially if  
14          the utility is able to successfully argue for a higher ROE in a rate case  
15          proceeding. Utility efforts to maximize ROE in a rate proceeding,  
16          however, have little to do with improving overall employee performance  
17          across the company. If utility employees gear their efforts toward  
18          securing an *unreasonably* high ROE in a rate proceeding, the incentive  
19          mechanism actually would work to the detriment of the utility customers.
- 20          **(3) Earnings-based incentive plans can discourage conservation.** When  
21          incentive payments are based on earnings, employees may not support  
22          conservation programs designed to reduce usage if they perceive these  
23          programs could adversely impact incentive payment levels. To the extent  
24          that earnings-based incentive plans discourage conservation and demand-  
25          side management programs, these plans do not serve the public interest.  
26          The growing focus on energy efficiency at both the national and state  
27          level renders this point especially important.
- 28          **(4) The utility and its stockholders assume none of the financial risks**  
29          **associated with incentive payments.** Ratepayers assume the risk that the  
30          utility will instead retain the amounts collected through rates for incentive  
31          payments whenever targeted increases are not reached. Employees  
32          assume the risk that the incentive payments will not be made in a given  
33          year. The utility and its stockholders, however, assume no risk associated  
34          with these payments. Instead, the company's only responsibility is to  
35          decide who gets the money, the stockholders or the employees.<sup>24</sup>

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available for incentive compensation payments by 76.9%. The utility elected not to use the Commission-approved funds to pay employee's incentives but instead retained some of those funds for its shareholders and to help bolster the Company's earnings that year.

<sup>24</sup> *Id.*

1           **(5) Incentive payments based on financial performance measures should**  
2           **be made out of increased earnings.** Whatever the targets or goals may  
3           be that trigger an incentive payment, when the plan is based in whole or  
4           in part on financial performance measures the company always obtains a  
5           financial benefit from achieving these objectives. This financial benefit  
6           should provide ample funds from which to make the payment. If not, the  
7           incentive plan was poorly conceived in the first place. As such,  
8           employees should be compensated out of the increased earnings, and not  
9           through rates.

10          **(6) Incentive payments embedded in rates shelter the utility against the**  
11          **risk of earnings erosion through attrition.** When utilities are allowed  
12          to embed amounts for incentive payments in rates, that money is available  
13          to the utility not only to pay the incentive payment when financial  
14          performance goals are met but also to supplement earnings in those years  
15          when the company does not perform well. In those years when financial  
16          performance measures are met, the increased earnings of the company  
17          provide ample additional funds from which to make the incentive  
18          payments to employees, and the incentive payment amount embedded in  
19          rates is not needed. In those years when financial performance measures  
20          are not met and the incentive payments are not made, the amount  
21          embedded in rates for incentive payments acts as a financial hedge to  
22          shelter the poor financial performance of the company.

23   **Q: HOW DOES THE COMMISSION'S TREATMENT OF SHORT-TERM**  
24   **INCENTIVE COSTS COMPARE WITH OTHER JURISDICTIONS?**

25   A: Based on my experience, the Commission's policy of excluding a portion of short-term  
26   compensation is consistent with the policies adopted by a majority of jurisdictions. In  
27   conjunction with my work in this area, Garrett Group conducted an Incentive  
28   Compensation Survey of the 24 Western States, in 2007, and updated in 2009, 2011,  
29   2015 and 2018. The results show that a clear majority of the states surveyed exclude for  
30   ratemaking purposes some portion of financial incentive compensation that is tied to  
31   financial performance, as summarized in the table below:

<b>Table 1: Garrett Group, LLC 24 Western State Incentive Survey Results<sup>25</sup></b>			
No Incentive Costs Allowed in Rates	Financial Performance Rule Followed	Other Sharing Approach	Incentives Not at Issue
Hawaii			
	Arizona		
	Arkansas		
	California		
	Idaho		
	Kansas		
	Louisiana		
	Minnesota		
	Missouri		
	Nebraska		
	Nevada		
	New Mexico		
	North Dakota		
	Oklahoma		
	Oregon		
	South Dakota		
	Texas <sup>26</sup>		
	Utah		
	Washington <sup>27</sup>		
	Wyoming		
		Alaska <sup>28</sup>	
		Colorado <sup>29</sup>	
			Iowa
			Montana

<sup>25</sup> This table reflects the responses to the Garrett Group LLC Incentive Compensation Survey, as of the last update in 2018. Although the public utility commissions in some of these jurisdictions may have adopted different approaches in subsequent dockets, the principle that some portion of financial incentives should be disallowed remains the majority rule.

<sup>26</sup> During the years of the Garrett Group LLC survey, all financial-based incentives were excluded in Texas. In 2023, the Texas legislature passed a statute for electric utilities that allows all market-based incentive compensation, except for the financial-based incentives of executive employees. incentive compensation for an officer of an electric utility related to attaining: (A) financial metrics; or (B) metrics adverse to customers' interests as determined by the commission. *See* Texas Utilities Code, Sec. 36.067. CONSIDERATION OF COMPENSATION AND BENEFIT EXPENSES (Added by Acts 2023, 88th Leg., R.S., Ch. 3 (S.B. 1016), Sec. 1, eff. May 5, 2023).

<sup>27</sup> Washington has generally excluded a portion of financial-based incentives.

<sup>28</sup> Incentive compensation has not been an issue in the past, partly because most utilities in Alaska are municipalities and Co-ops. In one recent case, however, the Commission approved incentives in rates, which may turn out to be an anomaly.

<sup>29</sup> Colorado followed the financial performance rule in the past. In one recent case, however, the Commission approved another approach, which may also be an anomaly.



1 As shown in the table above, most states disallow incentive compensation costs tied to  
2 financial measures. While some states disallow incentive pay using other criteria, and  
3 some states apply a sharing mechanism such as a 50%-50% allocation, none of the  
4 jurisdictions surveyed allow full recovery of incentive compensation through rates as a  
5 general rule.  
6

7 **Q: IN YOUR EXPERIENCE, WHEN REGULATORS EXCLUDE THE PORTION**  
8 **OF A UTILITY'S INCENTIVE PLAN TIED TO FINANCIAL PERFORMANCE**  
9 **MEASURES, DOES THE UTILITY STOP OFFERING INCENTIVE**  
10 **COMPENSATION TO HELP ACHIEVE ITS FINANCIAL GOALS?**

11 A. No. Even though regulators generally disallow incentive compensation tied to financial  
12 performance for ratemaking purposes, utilities continue to include financial performance  
13 as a key component of their plans. In my opinion, utilities continue to tie incentive  
14 payments to financial performance because by doing so they achieve the primary  
15 objective of the incentive plans: to increase corporate earnings and, thereby, earnings per  
16 share (EPS). However, since the utility retains the increased earnings, these plans help  
17 achieve, payments for the plans should be made from a portion of these increased  
18 earnings. Thus, properly designed incentive compensation plans need not be subsidized  
19 by ratepayers.  
20

21 **Q: WHAT RATIONALE DO UTILITIES PROVIDE FOR INCLUDING ANNUAL**  
22 **INCENTIVE PLANS IN RATES?**

23 A: Utilities generally argue that incentives are part of an overall compensation package that

1 is designed to attract and retain qualified personnel.<sup>30</sup> Since other utilities offer incentive  
2 plans to their employees, the company would run the risk of not being able to compete  
3 for key personnel if it did not offer a comparable plan.  
4

5 **Q: IS THIS ARGUMENT PLAUSIBLE?**

6 A: No. The problem with this argument is that when utilities such as TAWC compete with  
7 other utilities for qualified personnel, and the incentive compensation plans of these  
8 other utilities are being reduced for ratemaking purposes for the portion of the plans tied  
9 to financial performance, TAWC is not put at a competitive disadvantage when its  
10 incentive compensation costs are similarly reduced. Further, when incentive payments  
11 are based on financial performance goals, there should be a financial benefit to the  
12 company that comes from achieving these goals and this financial benefit should provide  
13 ample additional funds from which to make the incentive payments. Thus, a utility is not  
14 placed at a competitive disadvantage when incentive payments tied to financial  
15 performance are not collected through rates.  
16

17 **Q: ARE YOU RECOMMENDING THAT THE COMPANY CHANGE ITS**  
18 **COMPENSATION STRUCTURE?**

19 A: No. Even though regulators routinely exclude financial-based incentive compensation  
20 payments based on one or more of the reasons outlined above, this does not mean that  
21 regulated companies will not continue to offer financial-based incentives. They continue

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<sup>30</sup> See, e.g., Direct Testimony of Robert V. Mustich, p. 10.

1 to do so because it furthers key corporate goals. When such financial-based incentive  
2 packages are properly constructed, however, there will be ample increased earnings to  
3 fund these payments to utility employees. Thus, ratepayers do not need to subsidize  
4 incentive compensation plans that are designed to enhance the Companies' financial  
5 performance, and to align the employees' interests with the interests of shareholders.

6  
7 **Q: PLEASE PROVIDE EXAMPLES OF OTHER JURISDICTIONS THAT USE A**  
8 **SHARING APPROACH FOR ANNUAL INCENTIVE PLANS SIMILAR TO THE**  
9 **50/50 APPROACH RECENTLY APPROVED BY THIS COMMISSION.**

10 **A:** As shown in the table above, many of the regulatory commissions in the western states  
11 surveyed use a sharing approach to allocate the benefits derived from incentives plans  
12 between shareholders and ratepayers when incentive plans contain both financial and  
13 operational measures. These jurisdictions include:

14 **Arizona:** The Arizona commission on numerous occasions has shared the cost of  
15 annual incentive plans on a 50/50 split between shareholders and ratepayers.<sup>31</sup>

16 **Arkansas:** The Arkansas commission disallows 50% of Entergy's short-term  
17 plan. In Entergy's 2015 rate case, the parties settled the case, but the Arkansas  
18 Commission rejected the stipulation because it would have allowed more than 50% of  
19 the Company's incentive costs in rates.<sup>32</sup>

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<sup>31</sup> See e.g., APS 2008 rate case, Decision 70360, Southwest Gas 2008 rate case, Decision 70665 and UNS Gas 2008 rate case, Decision 70011.

<sup>32</sup> Docket No. 13-028-U.

1           **Kansas:** The Kansas commission disallows 100% of plans based on financial  
2 measures and 50% for plans using a balance of financial and operational measures.<sup>33</sup>

3           **Oregon:** The Oregon commission has a history of disallowing 50% of annual  
4 incentive plans.<sup>34</sup>

5           **Oklahoma:** The Oklahoma commission has a history of disallowing 50% of short  
6 term plans and 100% of long term incentive plans.<sup>35</sup>

7  
8 **Q: WHAT IS YOUR RECOMMENDATION REGARDING TAWC'S ANNUAL**  
9 **INCENTIVE COMPENSATION COSTS?**

10 **A:** Because the Company's annual incentive plan is heavily weighted on financial metrics,  
11 with a 50% EPS goal, I recommend that the Commission continue its practice of  
12 adjusting the total annual incentive costs to target, and then sharing target-level costs  
13 **50% - 50%** between ratepayers and shareholders. These adjustments reduce the  
14 Company's annual incentive compensation expense by \$587,373 as set forth on *Exhibit*  
15 *MG-2.1*.

**b. Long-Term Incentive Compensation Expense Adjustment**

16 **Q: PLEASE DISCUSS THE COMPANY'S LONG-TERM PERFORMANCE PLAN**  
17 **("LTPP").**

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<sup>33</sup> See e.g., Arkansas Pub. Serv. Comm'n, Entergy Arkansas, Inc., Docket No. 13-028-U, Order No. 21 (Dec. 30, 2013).

<sup>34</sup> See e.g., Oregon Pub. Util. Comm'n, Portland General Electric Co., Docket UE 197, Order No. 09-020, p.13.

<sup>35</sup> See e.g., Okla. Corp. Comm'n, Public Service Co. of Oklahoma, Docket No. PUD 2017-00151, ¶82.

1 A: The Company offers a limited number of employees in upper management a long-term  
2 incentive plan which awards those employees company stock. There are two components  
3 to the LTPP, Restricted Stock Units (“RSUs”) which vest over a three year period and  
4 Performance Stock Units (“PSUs”) which vest based on performance conditions.<sup>36</sup> The  
5 Company included \$621,650 in LTPP expenses in the Attrition Year revenue  
6 requirement.<sup>37</sup>  
7

8 **Q: DO YOU AGREE WITH THE INCLUSION OF THESE EXPENSES IN THE**  
9 **REVENUE REQUIREMENT?**

10 A: No. Stock based incentives are designed to align the interests of management with  
11 shareholders. The benefits to ratepayers are incidental and take the form of operational  
12 savings that are delayed until a rate case is filed. Unfortunately, management usually will  
13 not file a rate case until costs go up, as demonstrated by the filing of this rate case. The  
14 LTPP expenses should be borne by shareholders.  
15

16 **Q: WHAT IS THE RATIONALE FOR EXCLUDING ALL FINANCIALLY-BASED**  
17 **LONG-TERM INCENTIVE COMPENSATION EXPENSE?**

18 A: Incentive compensation payments to officers, executives and key employees of a utility  
19 are generally excluded for ratemaking purposes. Since officers of any corporation have  
20 fiduciary duties of loyalty and care to the corporation itself and not to the customers of  
21 the company, these individuals are required to put the interests of the company first.

---

<sup>36</sup> See Direct Testimony of Grady Stout, p. 41, line 9 – p. 42, line 2.

1 Undoubtedly, the interests of the company and the interests of the customer are not  
2 always the same, and at times, can be quite divergent. This natural divergence of  
3 interests creates a situation where not every cost associated with executive compensation  
4 is presumed to be a necessary cost of providing utility service. Most regulators are  
5 inclined to exclude executive bonuses, incentive compensation and supplemental  
6 benefits from utility rates, understanding that these costs would be better borne by the  
7 utility shareholders.

8 Further, long-term executive incentive plans are specifically designed to tie  
9 executive compensation to the financial performance of the company. This is done to  
10 further align the interests of the employee with those of the shareholder. Since the  
11 compensation of the employee is tied over a long period of time to the company's stock  
12 price, it motivates employees to make business decisions from the perspective of long-  
13 term shareholders. This intentional alignment of employee and shareholder interests  
14 means the costs of these plans should be borne solely by the shareholders. It would be  
15 inappropriate to require ratepayers to bear the costs of incentive plans designed to  
16 encourage employees to put the interests of the shareholders first.

17  
18 **Q: SHOULD LONG-TERM INCENTIVE COMPENSATION BE RECOVERED IN**  
19 **RATES IF IT IS INCLUDED AS PART OF A “MARKET-COMPETITIVE**  
20 **TOTAL COMPENSATION” PLAN?**

21 **A:** No. Utilities often argue that executive incentives are part of an overall compensation

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<sup>37</sup> See response to COC 2-21.

1 package that is designed to attract and retain qualified personnel. They claim that since  
2 other utilities offer incentive plans to their executives, a company would run the risk of  
3 not being able to compete for key personnel if it did not offer a comparable plan.<sup>38</sup>  
4

5 **Q: DO YOU AGREE WITH THIS ARGUMENT?**

6 A: No. When utilities, such as TAWC, compete with other utilities for qualified executives,  
7 and the executive incentive compensation plans of those other utilities are not being  
8 recovered through rates, TAWC is not placed in a competitive disadvantage when its  
9 executive incentive compensation is excluded as well. Since most states exclude  
10 executive incentive pay as a matter of course, TAWC would actually be given an unfair  
11 advantage if its executive plans were included in rates. The fact that other utilities offer  
12 executive incentive plans is not relevant; what is relevant is the fact that other utilities  
13 are not recovering the costs of these plans in rates. In an order disallowing recovery of  
14 Nevada Power's long-term incentive plan, the Nevada commission articulated this  
15 important ratemaking concept as follows:

16 Therefore, the Commission accepts BCP's and SNHG's  
17 recommendations to disallow recovery of expenses associated with  
18 LTIP. Both parties provide a valid argument that this type of  
19 incentive plan is mainly for the benefit of shareholders. Further,  
20 both BCP and SNHG provide examples of numerous other  
21 jurisdictions that do not allow the recovery of these costs and,  
22 therefore, disallowance in this instance would not place NPC in a  
23 competitive disadvantage.<sup>39</sup> (Emphasis added).

24 **Q: HAS THE COMMISSION DISALLOWED RECOVERY OF LONG-TERM**

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<sup>38</sup> See, e.g., Direct Testimony of Robert V. Mustich, p. 10, line 18 – p. 12, line 27.

1           **INCENTIVES IN PREVIOUS RATE CASES?**

2    A:    Yes. In the 2018 Chattanooga Gas Company rate case, Docket No. 18-00017, the  
3           Commission reduced the utility's long-term incentive compensation by 100% based on  
4           established Commission precedent.<sup>40</sup>

5    **Q:    HOW IS LONG-TERM INCENTIVE COMPENSATION TREATED IN OTHER**  
6           **STATES?**

7    A:    The results of the Garrett Group Incentive Compensation Survey, discussed in the  
8           previous section of this testimony, show that most states follow the general rule that  
9           incentive pay associated with financial performance is not allowed in rates. This means  
10          that long-term, stock-based incentives are not allowed in most states. According to the  
11          survey, 20 of the 24 western states tend to exclude all or virtually all long-term stock-  
12          based incentive pay, either through an outright ban on stock-based incentives or through  
13          applying the *financial performance* rule, which has the effect of excluding long-term  
14          earnings-based and stock-based awards. These states include Arizona, Arkansas,  
15          California, Colorado, Hawaii, Idaho, Kansas, Louisiana, Minnesota, Missouri, Nevada,  
16          New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington and  
17          Wyoming. In Alaska, Iowa, Montana and Nebraska, the issue to my knowledge has not  
18          been addressed.

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<sup>39</sup> See Nevada Power Co., Docket 08-12002 Pub. Util. Comm'n of Nev., Final Order at ¶ 549.

<sup>40</sup> Tenn. Pub. Util. Comm'n, Petition of Chattanooga Gas Co., Docket No. 18-00017, Amended Order (Jan. 19, 2019), at p. 34.



1 **Q: WHAT IS THE IMPACT OF YOUR ADJUSTMENT TO EXCLUDE THE**  
2 **COMPANY'S LONG-TERM STOCK INCENTIVE PLAN COSTS.**

3 A: My adjustment removes 100% of the long-term incentive plan costs included in pro  
4 forma operating expense in the amount of \$621,650. The calculations supporting this  
5 adjustment are set forth at *Exhibit MG-2.2*.

c. **Vacant Positions Adjustment**

6 **Q: DO YOU AGREE WITH THE COMPANY'S APPROACH TO INCLUDE**  
7 **PAYROLL COSTS FOR THE SEVENTEEN ADDITIONAL POSITIONS?**

8 A: No. The Company actually reduced its union payroll level in 2021 and has not yet  
9 restored it to 2020 levels.<sup>41</sup> TAWC had 73 union employees in December 2020, 67 in  
10 December 2021, 64 in December 2022, 64 in December 2023, and 66 in April 2024.  
11 Large reductions in union payroll levels were made between rate cases, and shareholders  
12 retained the savings from those reductions. It is inappropriate for the Company to claim  
13 in this rate case that it needs to increase its payroll to levels that it has not maintained  
14 over the past several years.

15  
16 **Q: WHAT WERE THE LEVELS FOR NON-UNION AND MANAGEMENT LEVEL**  
17 **EMPLOYEES FOR THE YEARS 2020 TO 2024?**

18 A: TAWC had 13 non-union employees in December 2020, 14 in December 2021, 14 in  
19 December 2022, 14 in December 2023, and 14 in April 2024.<sup>42</sup> TAWC had 25

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<sup>41</sup> See response to CAD 1-20, TAWC\_R\_CADDR1\_020\_062524\_Attachment.

<sup>42</sup> See response to CAD 1-20, TAWC\_R\_CADDR1\_020\_062524\_Attachment.

1 management level employees in December 2020, 25 in December 2021, 24 in December  
2 2022, 23 in December 2023, and 21 in April 2024.<sup>43</sup> For non-union and management  
3 employees the numbers remained fairly constant for the years 2020 to 2024.  
4

5 **Q: HAS THE COMPANY EVER MAINTAINED THESE REQUESTED LEVELS**  
6 **OVER THE PAST FOUR PLUS YEAR PERIOD?**

7 A: No. The number of employees has remained constant since 2020, except for the initial  
8 reduction in union employees discussed above.  
9

10 **Q: WHAT IS YOUR RECOMMENDATION REGARDING THE VACANT**  
11 **POSITIONS THE COMPANY INCLUDED IN THIS RATE CASE?**

12 A: I recommend that the expenses related to the vacant positions be removed from the  
13 Attrition Year revenue requirement.  
14

15 **Q: WHAT IS THE AMOUNT OF THE ADJUSTMENT TO REMOVE THE**  
16 **VACANT POSITIONS FROM THE ATTRITION YEAR EXPENSES?**

17 A: The adjustment to remove the vacant positions reduces Attrition Year expenses by  
18 \$1,126,880 when the impact of benefits and payroll tax expenses are included. This  
19 adjustment is found on Exhibit MG-2.3 (Redacted).

#### **IV. PROPERTY TAX EXPENSE**

20 **Q: PLEASE DISCUSS THE PROPERTY TAX EXPENSE REQUESTED BY TAWC.**

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<sup>43</sup> *Id.*

1 A: The Company requested an Attrition Year property tax expense of \$4.9 million dollars  
2 which represents an increase of \$2.3 million of the adjusted Test Year amount of \$2.6  
3 million.<sup>44</sup> The Company based the calculation of the Attrition Year expense on the  
4 Attrition Year-End balance of plant in service and construction work in progress and  
5 equalized assessment rate for Hamilton County.

6  
7 **Q: DO YOU AGREE WITH THE COMPANY'S CALCULATION OF THE**  
8 **ATTRITION YEAR AD VALOREM TAX EXPENSE?**

9 A: No. Property taxes are based on the property balances from the end of the prior year  
10 instead of the end of the current year. The 2025 property taxes will be based on the  
11 December 31, 2024 plant and construction work in progress balances, not the December  
12 31, 2025 balances. The Attrition Year property tax calculations should be corrected to  
13 avoid overstating this expense for rate setting purposes.<sup>45</sup>

14  
15 **Q: WHAT IS YOUR RECOMMENDATION FOR TAWC'S PROPERTY TAX**  
16 **EXPENSE?**

17 A: I recommend that the Attrition Year property tax be recalculated based on the 2024  
18 forecasted year end plant balances. Moreover the calculation should be based on the  
19 existing reduced equalized assessment rate, which does not include the increased  
20 assessment for Hamilton County, because this increase will not be in effect for the taxes  
21 paid in the rate-effective year.

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<sup>44</sup>See TAWC 2024 Rate Case –Property Taxes Exhibit.xlsx, tab Exhibit.

1  
2 **Q: WHAT IS THE AMOUNT OF THE ADJUSTMENT TO MORE CORRECTLY**  
3 **REFLECT THE PROPERTY TAX EXPENSE FOR THE 2025 ATTRITION**  
4 **YEAR?**

5 A: The adjustment to calculate the Attrition Year property tax expense based on the 2024  
6 year end balances reduces this expense by \$1,733,497. This adjustment is set forth at  
7 Exhibit MG-2.4.

**V. DEPRECIATION RATE ADJUSTMENT**

8 **Q: PLEASE DISCUSS THE DEPRECIATION EXPENSE REQUESTED BY TAWC.**

9 A: The Company requested an Attrition Year depreciation expense of \$15.8 million dollars  
10 net of the amortization of contributions in aid of construction.<sup>46</sup> The \$15.8 million 2025  
11 Attrition Year depreciation expense represents an increase of \$4.1 million over the 2023  
12 Test Year expense. The requested depreciation expense was based on new rates from a  
13 deprecation study sponsored by Larry E. Kennedy of Concentric Energy Advisors, Inc.  
14 TAWC calculated the depreciation on plant and the cost of removal separately.<sup>47</sup> The  
15 Company identified an error in the cost of removal expense calculations that I will  
16 include in my recommendation and the Company will include in its rebuttal testimony.<sup>48</sup>

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<sup>45</sup> See TAWC 2024 Rate Case –Property Taxes Exhibit.xlsx, tab Property Tax Worksheet.

<sup>46</sup> See TAWC 2024 Rate Case –Depreciation and Amortization Exhibit.xlsx, tab EXP 20 Depreciation and COR.

<sup>47</sup> See Direct Testimony of Dominic J. DeGrazia, p. 11, lines 1-8.

<sup>48</sup> See response to CAD 2-45 a. The amount of this error is \$168,564 as set forth on TAWC 2024 Rate Case – Capital & Depreciation Workpaper.xlsx, tab EXP20.2 cost of Removal Expense, total of cells U68 – AF68.

1  
2 **Q: DO YOU AGREE WITH THE COMPANY'S REQUEST TO INCREASE**  
3 **DEPRECIATION EXPENSE BY OVER FOUR MILLION DOLLARS?**

4 A: No. The Country, including the City Chattanooga and the surrounding communities, has  
5 experienced dramatic inflation over the past few years and efforts should be made to  
6 restrain further inflation until customer incomes have had a chance to increase. My  
7 calculations show that the requested increases in depreciation rates contribute \$2.1  
8 million or 16% to the increase in depreciation expense. The recovery of investment  
9 costs is a long-term process for public utilities, and there will be time to address any  
10 deficiencies in future rate cases when customer earnings are not so heavily stressed.

11  
12 **Q: WHAT IS YOUR RECOMMENDATION FOR TAWC'S DEPRECIATION**  
13 **EXPENSE?**

14 A: I recommend that the current depreciation and cost of removal rates continue to be  
15 authorized for recovery in customer rates.

16  
17 **Q: WHAT IS THE AMOUNT OF THE ADJUSTMENT TO RETAIN THE CURRENT**  
18 **AUTHORIZED DEPRECIATION AND COST OF REMOVAL RATES?**

19 A: The adjustment to retain the current rates increases the Attrition Year depreciation  
20 expense by \$319,882 and reduces the cost or removal expense by \$2,610,973 for a net  
21 decrease in expense of \$2,291,091. This adjustment also corrects the cost of removal

error the Company identified because the current rates use a rate of zero for the affected account. This adjustment is set forth at Exhibit MG-2.6.

**VI. COST OF CAPITAL**

**Q: PLEASE DISCUSS THE COST OF CAPITAL REQUESTED BY THE COMPANY.**

A: The Company requested a projected capital structure of 1.99% short-term debt at a cost of 4.27%, long-term debt of 43.49% at a cost of 4.59%, and common equity of 54.52% at a cost of 10.75%. for an overall cost of capital of 7.94%.<sup>49</sup> The capital structure is based on a thirteen month average for the 2025 Attrition Year and is supported by the testimony of Nicholas Furia and Ann E. Bulkley.

**Q: IS THE COMPANY'S PROPOSAL CONSISTENT WITH THE CAPITAL STRUCTURE INCLUDED IN THE COMPANY'S LAST RATE ORDER?**

A: No. The capital structure from the Company's last rate order included parent company debt.<sup>50</sup> This is appropriate when a parent company has low cost debt to finance equity in a subsidiary's capital structure. Some utility holding companies use lower cost debt to finance equity investments in their utility subsidiaries in order to increase their return on equity at the parent level. When this is done and the commission adopts the high equity capital structure of the subsidiary, the holding company realizes a higher rate of return on

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<sup>49</sup> See Petitioner's Exhibit CS-1-NF, Schedule CS-1.1 attached to the Direct Testimony of Nicholas Furia.

<sup>50</sup> See 2024 TAWC MFG Q0006\_Attachment, p. 36 of 55.

its lower equity levels. That was the case for TAWC in its 2012 rate case and it continues to be true in the current rate case for TAWC.<sup>51</sup> The capital structure and cost from the settlement in Docket No. 12-00049 is shown in the table below followed by parent company's capital structure as of December 31, 2023.

<b>Table 2: TAWC Capital Structure from Docket No. 12-00049 Settlement</b>			
<b>Capital Components</b>	<b>Percent of Capital</b>	<b>Cost</b>	<b>Weighted Cost</b>
Subsidiary Short-Term Debt	2.45%	1.00%	0.0245%
Subsidiary Long-Term Debt	52.94%	6.02%	3.1870%
Parent Short-Term Debt	0.85%	1.00%	0.0085%
Parent Long-Term Debt	9.35%	6.15%	0.5750%
Parent Preferred	0.03%	4.93%	0.0015%
Parent Common Equity	34.38%	10.00%	3.4380%
Totals	100.00%		7.2345%

<b>Table 3: Capital Structure of American Water Works Company, Inc., December 31, 2023<sup>52</sup></b>		
<b>Capital Components</b>	<b>Amount (millions)</b>	<b>Percent of Capital</b>
Short-Term Debt	\$179	0.81%
Long-Term Debt	12,193	55.00%
Common Equity	9,797	44.19%
Totals	\$22,169	100.00%

This comparison shows that the consolidated parent company has made significant improvements in its capital structure, increasing equity by nearly ten percent over the ten year period. However, the equity requested in the TAWC capital structure is over ten

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<sup>51</sup> See 2024 TAWC MFG Q004\_Attachment 13, page 83 of 168 which shows long-term debt of \$11,718 million and common equity of \$9,797 million compared to the TAWC capital structure with \$139 million of long-term debt and \$174 million of common equity (TAWC MFG Q0006, pg. 36), showing the equity of the subsidiary is likely funded in part by debt held by the parent company.

percent more than the equity in the consolidated parent company. The requested capital structure and cost of capital is shown in the table below.

<b>Table 4: TAWC's Requested Capital Structure and Cost (DN 24-00032)</b>			
<b>Capital Components</b>	<b>Percent of Capital</b>	<b>Cost</b>	<b>Weighted Cost</b>
TAWC Short-Term Debt	1.99%	4.27%	0.08%
TAWC Long-Term Debt	43.49%	4.59%	2.00%
TAWC Common Equity	54.52%	10.75%	5.86%
Totals	100.00%		7.94%

The requested capital structure is much more expensive than the parent company consolidated capital structure. The cost of capital using the parent company's actual capital structure would reduce the weighted cost of capital by 0.63% as shown below.

<b>Table 5: Weighted Cost of Capital Calculation based on American Water Works Company, Inc. Capital Structure as of December 31, 2023</b>			
<b>Capital Components</b>	<b>Percent of Capital</b>	<b>Cost</b>	<b>Weighted Cost</b>
Short-Term Debt	0.81%	4.27%	0.03%
Long-Term Debt	55.00%	4.59%	2.52%
Common Equity	44.19%	10.75%	4.75%
Totals	100.00%		7.31%
Difference Between Table 4 and Table 5			0.63%

**Q: WHY SHOULD THE EQUITY COMPONENT OF CAPITAL BE DETERMINED AT THE PARENT LEVEL INSTEAD OF AT THE LEVEL OF THE SUBSIDIARY SERVING CUSTOMERS IN TENNESSEE?**

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<sup>52</sup> See TAWC MFG Q004\_Attachment 03, p. 112 of 200.



1 A: TAWC does not issue common stock to the public. It obtains its equity investment from  
2 the parent company and other subsidiary companies of AWWC.<sup>53</sup> The actual cost of  
3 equity capital to serve Tennessee ratepayers is obtained from the public through AWWC,  
4 and not TAWC.

5  
6 **Q: DO YOU RECOMMEND THAT THE CONSOLIDATED CAPITAL STRUCTURE**  
7 **OF AWWC BE USED IN THE CURRENT RATE CASE?**

8 A: I recommend that it be adopted with two minor modifications based on the  
9 recommendations of the Company's witnesses. I recommend that the equity component  
10 be set at 44.57%, which is the bottom of the range of the proxy group of companies cited  
11 by Ann E. Bulkley.<sup>54</sup> I also recommend that the short-term debt component of the capital  
12 structure be set at 1.99% as recommended by Nicholas Furia.<sup>55</sup> The capital structure I  
13 recommend to reflect the cost components related to the provision of utility service to  
14 TAWC's Tennessee customers consists of 1.99% short-term debt, 53.44% long-term  
15 debt, and 44.57% common equity.

16  
17 **Q: WHAT IS THE IMPACT OF THE CAPITAL STRUCTURE THAT YOU**  
18 **RECOMMEND?**

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<sup>53</sup> See response to MFG Q080.

<sup>54</sup> Direct Testimony of Ann E. Bulkley, p. 63, lines 9-12.

<sup>55</sup> Direct Testimony of Nicholas Furia, p. 5, line 22—p. 6, line 2.

1 A: The capital structure adjustment reduces the requested rate of return by 0.62%, for a  
2 savings to ratepayers of \$3.2 million when the related income tax savings are included,  
3 as shown on Exhibit MG-2 and Exhibit MG-2.9.  
4

5 **Q: DO YOU AGREE WITH THE VARIOUS COST OF CAPITAL COMPONENTS**  
6 **REQUESTED BY THE COMPANY?**

7 A: I disagree with the Company's request to increase its authorized ROE to 10.75% instead  
8 of the current rate of 10%. The 10% rate is consistent with the Constant Growth DCF  
9 models present by Ms. Bulkley and should serve as a ceiling for the Company's ROE. A  
10 10% ROE is the cost of equity established in the Company's last rate case – and the cost  
11 of equity is lower now than it was then. As such, a 10% ROE would be the absolute  
12 ceiling for cost of equity in this case, and a lower ROE would be more appropriate.  
13

14 **Q: WHAT COST OF EQUITY DO YOU RECOMMEND THAT THE COMMISSION**  
15 **ADOPT IN THIS CASE?**

16 A: I recommend that the Commission adopt the cost of equity recommended by the  
17 consumer advocate's witness in this proceeding. The Company's current 10% ROE level  
18 is, in my opinion, above the actual cost of equity in the markets. Therefore, it would be  
19 reasonable for the Commission to adopt a lower ROE in setting the regulated return.  
20

21 **Q: WHAT ROE RATE HAVE YOU INCORPORATED IN YOUR ACCOUNTING**  
22 **SCHEDULES?**

1 A: My accounting schedules quantified on Exhibit MG-2 are based on the 10% ceiling,  
2 which is the ROE level currently in place.

**VII. RATE CASE EXPENSE**

3 **Q: WHAT HAS THE COMPANY PROPOSED FOR THE RECOVERY OF RATE**  
4 **CASE EXPENSES IN THIS DOCKET?**

5 A: The Company included \$518,000 in the Attrition Year revenue requirement of the  
6 amortization of \$1,554,000 of rate case expenses over a three-year period and embedded  
7 in rates. The Company also proposed that the estimated expenses be reconciled, and any  
8 differences be refunded or recovered through the PCOP Rider.<sup>56</sup>

10 **Q: DO YOU AGREE WITH THE COMPANY'S PROPOSED TREATMENT OF**  
11 **RATE CASE EXPENSES?**

12 A: No. I rather than approve recovery of rate case expenses through a rider as the Company  
13 proposes, I recommend that rate case expenses be deferred and considered in a  
14 subsequent docket in which the Commission can fully review and evaluate the expenses  
15 and make a final determination regarding the appropriate recovery of the expenses at that  
16 time.

18 **Q: WHAT IS THE AMOUNT OF THE ADJUSTMENT TO REMOVE RATE CASE**  
19 **EXPENSES FROM THE REVENUE REQUIREMENT?**

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<sup>56</sup> See Petitioner's Exhibit EXP-11-Regulatory Expense-BL and Direct Testimony of Robert C. Lane, p. 17, lines 15-19.

1 A: The adjustment to remove rate case expenses reduces the revenue requirement by  
2 \$518,000. This adjustment is shown on Exhibit MG-2.7.

### VIII. FLOW-THROUGH OF DEFERRED TAXES

3 **Q: PLEASE DISCUSS THE DEFERRED INCOME TAX EXPENSE REQUESTED**  
4 **BY TAWC.**

5 A: Deferred tax liabilities and assets are known as accumulated deferred income taxes  
6 (“ADIT”).<sup>57</sup> ADIT balances are accumulated on the regulated books and records of such  
7 regulated companies based on the requirements of the Uniform System of Accounts  
8 (USofA).<sup>58</sup> ADIT arises from timing differences between the method of computing  
9 taxable income for reporting to the Internal Revenue Service (IRS) and the method of  
10 computing income for regulatory accounting and ratemaking purposes.<sup>59</sup> That is, a  
11 utility’s accumulated deferred tax liabilities reflect tax dollars collected from customers  
12 but not yet paid by the utility, while accumulated deferred tax assets reflect tax dollars  
13 paid by the utility but not yet collected from customers in rates.<sup>60</sup>

14 There are several kinds of book/tax timing differences, but the main category is  
15 related to fixed assets. The fixed asset book/tax timing differences are of two types, basis

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<sup>57</sup> See 186 FERC ¶ 61,033, Order on Formal Challenge and Complaint and Directing a Compliance Filing (Issued Jan. 18, 2024), p. 3.

<sup>58</sup> *Id.*, see also, Definition of Accounts 182.3 and Account 254, 18 C.F.R. pt. 101 (2022) (*Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act*).

<sup>59</sup> See *Acct. & Ratemaking Treatment of Accumulated Deferred Income Taxes & Treatment Following the Sale or Ret. of an Asset*, 165 FERC ¶ 61,115, at P 3 (2018); 18 C.F.R. § 35.24(d)(2) (2020).

<sup>60</sup> See 186 FERC ¶ 61,033, Order on Formal Challenge and Complaint and Directing a Compliance Filing (Issued Jan. 18, 2024), p. 3. (Emphasis added).

1 differences and depreciation rate differences. Under the tax rules, tax benefits from  
2 depreciation rate differences must be flowed back to ratepayers over the life of the assets  
3 over a period that reflects the turn-around of the book/tax timing differences. Tax  
4 benefits from basis differences, however, are not similarly restricted and can be flowed  
5 back to ratepayers over any time period selected by regulators.

6  
7 **Q: ARE THERE ANY CURRENT TAX DEDUCTIONS THAT COULD BE FLOWED**  
8 **THROUGH TO RATEPAYERS IN THE CURRENT DOCKET?**

9 A: Yes. One temporary difference that can be flowed through to ratepayers in this rate case  
10 is the repair allowance, in which Attrition Year repairs that are capitalized on the  
11 TAWC's books can be expensed currently for income tax purposes. The Company takes  
12 that deduction currently but uses it to calculate a deferred income tax expense in the  
13 revenue requirement. Under the tax rules, these deductions do not have to be deferred  
14 but can be used to reduce rates now.

15  
16 **Q: ARE THERE ANY DRAWBACKS TO FLOWING THE REPAIR ALLOWANCE**  
17 **THROUGH TO RATEPAYERS IN THE CURRENT DOCKET?**

18 A: Yes. If the tax benefits are flowed through to ratepayers currently, they would not be  
19 available in the future as the related assets are depreciated.

20  
21 **Q: WHAT IS THE AMOUNT OF THE ADJUSTMENT TO FLOW THE REPAIR**  
22 **ALLOWANCE TO RATEPAYERS IN THE CURRENT DOCKET?**

1 A: The deduction to flow the repair allowance through to ratepayers reduces the Attrition  
2 Year income tax expense by \$3,831,785 and increases rate base by the same amount.  
3 This adjustment is set forth on Exhibit MG-2.8.  
4

5 **Q: WHAT DO YOU RECOMMEND?**

6 A: I recommend that the Commission utilize the flow through of repair allowance as  
7 necessary to avoid a rate increase in this case. For example, if the revenue requirement  
8 increase is \$2.5M after all other adjustments, then the Commission could flow through  
9 \$2.5M of the repair allowance to get to a zero increase. On the other hand, if the revenue  
10 requirement after all other adjustments is a decrease, then no flow-through of the repair  
11 deductions would be needed at this time, and those benefits could be preserved for  
12 another case.

**IX. RATE CONSOLIDATION**

13 **Q: PLEASE DESCRIBE THE COMPANY'S CONSOLIDATED RATE**  
14 **RECOMMENDATION PROPOSED IN THIS PROCEEDING.**

15 A: The Company currently has different rates for each of the seven communities it serves in  
16 Tennessee: Chattanooga, Lookout Mountain, Lakeview, Suck Creek, Whitwell Inside  
17 City, Whitwell Outside City, and Jasper Highlands. The Company is proposing to  
18 consolidate the rates from of these seven rate areas to just two. The Jasper Highlands  
19 community would have its own rate area, and the remaining areas would be consolidated

1 into the other rate area.<sup>61</sup> TAWC is also proposing to reduce the rate classes from six to  
2 just two,<sup>62</sup> and eliminate its residential block rate structure with regressive rates for water  
3 consumption and instead have one rate for all water usage levels.<sup>63</sup>  
4

5 **Q: IS THE COMPANY'S PROPOSAL TO CONSOLIDATE THE RATES FOR SIX**  
6 **OF THE RATE AREAS INTO A SINGLE RATE AREA REASONABLE?**

7 A: No. The City of Chattanooga is the largest of its service areas and the only service area  
8 with industrial customers. Chattanooga has 71,766 customers or 89% of the 80,358 total  
9 TAWC customers<sup>64</sup> but TAWC proposes to collect 93% of its revenue there.  
10 Chattanooga also has only 82 percent of the transmission and distribution net plant, yet  
11 TAWC wants to collect 93% of its revenue from its Chattanooga customers. TAWC  
12 chose not to prepare a cost of service study which would have shown an allocation of  
13 costs away from Chattanooga to the surrounding suburbs. It is concerning that the  
14 Company chose not to track costs for the seven rate areas it serves.<sup>65</sup>  
15

16 **Q: WHAT IS THE RATE IMPACT ON THE SERVICE AREAS FROM THE**  
17 **COMPANY'S CONSOLIDATION PROPOSAL?**

18 A: The Company's consolidation proposal puts the entire proposed rate increase for all  
19 seven service areas on the Chattanooga customers alone. The impacts are set forth in the

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<sup>61</sup> See Direct Testimony of Heath J. Brooks, p. 21, line 18 – p. 22, line 3.

<sup>62</sup> *Id.*, p. 22, lines 1–3.

<sup>63</sup> *Id.*, p. 22, lines 6–10.

<sup>64</sup> See response to COC 2-9.

1 Average Residential Bill Impact table in the Direct Testimony of Company witness  
2 Heath J. Brooks,<sup>66</sup> as excerpted below:

Rate Zone	Current	Proposed	\$ Change	% Change
Chattanooga	\$ 27.51	\$ 31.75	\$ 4.24	15.4%
Lookout Mountain	\$ 35.84	\$ 31.75	\$ (4.09)	-11.4%
Lakeview	\$ 31.82	\$ 31.75	\$ (0.07)	-0.2%
Suck Creek	\$ 62.70	\$ 31.75	\$ (30.96)	-49.4%
Whitwell Inside City	\$ 40.93	\$ 31.75	\$ (9.18)	-22.4%
Whitwell Outside City	\$ 47.74	\$ 31.75	\$ (16.00)	-33.5%
Jasper Highlands	\$ 97.33	\$ 66.68	\$ (30.65)	-31.5%

3 This table demonstrates the inequity in the Company's consolidated rate  
4 recommendation. The result is that Chattanooga customers would be paying a  
5 substantial portion of the costs incurred to serve other customers. This means, on its  
6 face, the rates proposed by TAWC are not just and reasonable rates because they are not  
7 cost-based rates.

8  
9 **Q: WHY IS IT IMPORTANT THAT RATES BE COST-BASED RATES?**

10 A: The rule in every jurisdiction is that rates must be *just, reasonable* and *non-*  
11 *discriminatory*. This rule is universal because the U.S. Constitution requires that rates be  
12 *just, reasonable* and *non-discriminatory* to satisfy the *Takings Clause* of the Fifth  
13 Amendment and the *Due Process Clause* of the Fourteenth Amendment.<sup>67</sup> Rates that are

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<sup>65</sup> See response to COC 2-6, parts a., c., d., and e.

<sup>66</sup> See Direct Testimony of Heath J. Brooks, p. 26, Table 6.

<sup>67</sup> See, e.g., *Smythe v. Ames*, 171 U.S. 361 (1898), *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 690 (1923); *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 601 (1944), *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 313 (1989).



1        either confiscatory or exploitive will not be allowed.<sup>68</sup> The consensus approach that  
2        satisfies these requirements is cost-based rates.<sup>69</sup> This is why every commission uses a  
3        cost-based approach for setting rates. Thus, from a legal perspective, cost-based rates  
4        are the best approach, but cost-based rates are important from an economic perspective  
5        as well.

6  
7        **Q:    WHY ARE COST-BASED RATES IMPORTANT FROM AN ECONOMIC**  
8        **PERSPECTIVE?**

9        A:    When costs are correctly allocated to customers and customer classes, rates can be  
10       developed to recover the actual cost of providing service to customers. These cost-based  
11       rates are equitable between customers because customers pay only the costs incurred to  
12       serve them. Cost-based rates are also more efficient in that they ultimately tend to  
13       reduce the overall cost to the utility. This efficiency occurs because cost-based rates  
14       send better price signals to customers, who then make better choices in their usage  
15       patterns. Conversely, rates that are not cost-based tend to promote inefficiencies. These  
16       inefficiencies occur when prices are set below actual cost for certain customers. These  
17       artificially lower rates tend to cause the subsidized customers to increase consumption  
18       based on incorrect price signals. Ultimately, the increased consumption brought about  
19       from artificially lower rates causes the utility to increase its overall cost over time to

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<sup>68</sup> *Jersey Cent. Power & Light Co. v. FERC*, 810 F.2d 1168, 1176–77 (D.C. Cir. 1987).

<sup>69</sup> *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 313 (1989).

1 meet the inflated demand to serve subsidized customers. This creates a situation where  
2 distorted price signals cause inefficient users to use more than they otherwise would, and  
3 efficient users to use less.  
4

5 **Q: WHAT IS THE LONG-TERM EFFECT OF THIS PRICE DISTORTION?**

6 A: Over time, price distortions create a more costly system for all users when additional  
7 capacity is continually being added to keep up with the artificially created increased  
8 demand.  
9

10 **Q: HOW DOES THIS PRICE DISTORTION AFFECT CUSTOMERS AND THE**  
11 **UTILITY?**

12 A: The only party that actually benefits from the artificially higher demand brought about  
13 from the distorted price signals is the utility, since the utility gets to earn a return on the  
14 additional capital investment needed to meet the higher demand.  
15

16 **Q: WHAT ARE PRICE SIGNALS AND HOW DO THEY HELP ACHIEVE**  
17 **IMPORTANT RATE DESIGN OBJECTIVES?**

18 A: Price signals are the price level information communicated from producers to consumers  
19 (in competitive markets) or administratively determined for each rate class (in  
20 commission-regulated markets). The function of a price signal is to establish the level of  
21 production at which supply, and demand will match. In competitive energy markets,  
22 there is a continual dialogue between producers and consumers, where producers send

1 cost production signals to consumers, and consumers in turn signal back to producers the  
2 prices at which they are willing or able to purchase.

3  
4 **Q: IS THE PROPER ROLE OF PRICE SIGNALS SUBSTANTIALLY DIFFERENT**  
5 **IN REGULATED ENERGY MARKETS?**

6 A: No. The role of regulated price signals is ultimately the same. The Commission simply  
7 acts as an intermediary in the communication process between consumers and the utility  
8 to ensure that the utility's costs are set at just and reasonable levels. However, since  
9 price signals are communicated to each ratepayer class through filed tariffs, which are  
10 developed and implemented at discrete time intervals when there is a rate case, the  
11 communication process for regulated energy markets is not immediate. It is nevertheless  
12 important that regulated utilities communicate accurate price signals.

13  
14 **Q: WHY ARE ACCURATE PRICE SIGNALS IMPORTANT?**

15 A: Rates for each customer class or zone need to reflect true cost to serve each class or zone  
16 so that consumers within each class or zone will make usage decisions based upon actual  
17 costs. Otherwise, consumer demand or usage patterns will be distorted, and TAWC will  
18 not have the most accurate measure of demand for purposes of resource planning. As  
19 explained above, this leads to overinvestment, which enriches the utility at the expense  
20 of all customers.

1  
2 **Q: WHY ARE COST-BASED RATES PARTICULARLY IMPORTANT FROM A**  
3 **RATEMAKING PERSPECTIVE?**

4 A: From a ratemaking perspective, to be constitutionally valid, utility rates must be *just*,  
5 *reasonable and non-discriminatory*. Rates that are *just* satisfy the Takings clause, rates  
6 that are *reasonable* satisfy the Due Process clause, and rates that are *non-discriminatory*  
7 satisfy Equal Protection. From a long line of Supreme Court cases from *Smyth v. Ames*  
8 in 1898 through the *Hope* case in 1944 and the *Duquesne* case in 1989, the Court  
9 established that cost-based rates are constitutionally valid rates. To my knowledge,  
10 every state, including Tennessee, is now a cost-based state, meaning that rates are set  
11 based on the original cost of capital invested to provide utility service. Moreover, most  
12 states, including Tennessee, strive to allocate costs among customer classes in a manner  
13 that reflects the actual cost of providing service to each class. Where there are subsidies,  
14 commissions generally work to eliminate them.

15  
16 **Q: WHAT IS YOUR RECOMMENDATION FOR THE IMPLIMENTATION OF**  
17 **ANY RATE INCREASE FOR TAWC?**

18 A: I believe the Commission should not authorize a rate increase in this case. I believe  
19 there are plenty of strong adjustments to arrive at either a decrease in rates or a no  
20 change in rates if the tax flow-through of repairs deduction is utilized to arrive a zero  
21 rate change. If there is a slight increase in the revenue requirement, I recommend that

1 any increase in rates be applied on an equal percentage basis to all customers to the  
2 existing rates for each of the seven service areas.

3  
4 **Q: DO YOU HAVE ANY FURTHER RATE DESIGN RECOMMENDATIONS?**

5 A: Yes. I also recommend that there be no shift of rate recovery from fixed charges to  
6 variable charges for large commercial and industrial customers in order to preserve the  
7 economic viability in Chattanooga.

8  
9 **Q: DO YOU HAVE ANY OTHER RECOMMENDATIONS RELATED TO THE**  
10 **RATE CONSOLIDATION ISSUE?**

11 A: Yes. I recommend that the Company be required to track rate base and operating  
12 expenses by each of the seven rate areas and to provide separate class cost of service  
13 studies for each area in its next rate case.

**X. CONCLUSION**

14 **Q: DO YOU HAVE ANY FURTHER COMMENTS?**

15 A: Yes. My recommendations do not address every potential issue affecting the revenue  
16 requirement. I addressed many of what I considered to be the material issues in this  
17 case. The fact that I did not express an opinion on a particular issue is not to be  
18 interpreted as agreement with the Company's position on my part.

19  
20 **Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

21 A: Yes, it does.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
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

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VERIFICATION

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STATE OF OKLAHOMA )

COUNTY OF OKLAHOMA )

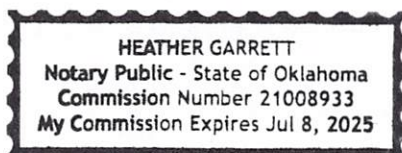
I, MARK GARRETT, being duly sworn, state that I am authorized to testify on behalf of the City of Chattanooga in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.

  
MARK GARRETT

Sworn to and subscribed before me  
This 17<sup>TH</sup> day of September, 2024.

  
Notary Public

My commission expires: July 8, 2025



**MARK E. GARRETT**

**CONTACT INFORMATION:**

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(405) 203-5415

**EDUCATION:**

Juris Doctor Degree, With Honors, Oklahoma City University Law School, 1997  
Post Graduate Hours in Accounting, Finance and Economics, 1984-85:  
University of Texas at Arlington; University of Texas at Pan American;  
Stephen F. Austin State University  
Bachelor of Arts Degree, University of Oklahoma, 1978

**CREDENTIALS:**

Member Oklahoma Bar Association, 1997, License No. 017629  
Certified Public Accountant in Oklahoma, 1992, Certificate No. 11707-R  
Certified Public Accountant in Texas, 1986, Certificate No. 48514

**WORK HISTORY:**

**GARRETT GROUP CONSULTING, INC. – Regulatory Consulting Practice (1996 - Present)**

Participates as a consultant and expert witness in gas and electric regulatory proceedings and other matters before regulatory agencies in rate case proceedings to determine just and reasonable rates. Reviews management decisions of regulated utilities regarding the reasonableness of prices paid for electric plant, gas plant, purchased power, renewable energy projects, natural gas supplies and transportation, and coal supplies and transportation. Participates in legislative advisory role regarding regulated utilities. Participates as an Instructor at NMSU Center for Public Utilities and as a Speaker at NARUC Staff Subcommittee on Accounting and Finance.

**OKLAHOMA CORPORATION COMMISSION - Coordinator of Accounting and Financial**

**Analysis (1991 - 1994)** Planned and supervised the audits of major public utility companies doing business in Oklahoma for the purpose of determining revenue requirements. Presented both oral and written testimony as an expert witness for Staff in defense of numerous accounting and financial recommendations related to cost-of-service based rates. Audit work and testimony covered all areas of rate base and operating expense. Supervised, trained and reviewed the audit work of numerous Staff CPAs and auditors. Promoted from Supervisor of Audits to Coordinator in 1992.

**FREEDOM FINANCIAL CORPORATION - Controller (1987 - 1990)**

Responsible for all financial reporting including monthly and annual financial statements, cash flow statements, budget reports, long-term financial planning, tax planning and personnel development. Managed the General Ledger and Accounts Payable departments and supervised a staff of seven CPAs and accountants. Reviewed all subsidiary state and federal tax returns and facilitated the annual independent financial audit and all state or federal tax audits. Received promotion from Assistant Controller in September 1988.

**SHELBY, RUCKSDASHEL & JONES, CPAs - Auditor (1986 - 1987)**

Audited the financial statements of businesses in the state of Texas, with an emphasis in financial institutions.

## **Experience Related to Cost-of-Service, Rate Design, Pricing and Energy-Related Issues**

1. **Southwestern Electric Power Company, 2024 (Texas), (Docket No. 56760)** – Participating as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application for approval of tariff to recover a regulatory asset related to an IRS Private Letter Ruling.
2. **Public Service Company of Oklahoma, 2024 (Oklahoma), (Case No. PUD 2024-000032)** – Participating as an expert witness on behalf of the Oklahoma Industrial Energy Consumers (“OIEC”) in response to PSO’s application to address an IRS Private Letter Ruling.
3. **Indiana Michigan Power, 2024 (Indiana), (Cause No. 46080)** – Participating as an expert witness on behalf of the Office of Utility Consumer Counselor in response to I&M’s petition for authority to adjust rates through a tax rider to reflect the impact of an IRS Private Letter Ruling.
4. **NV Energy, 2024 (Nevada), (Docket No. 24-03006)** – Participating as an expert witness on behalf of the Southern Nevada Gaming Group, Nevada Resorts Association, MGM Resorts International, and Caesars Enterprise Services before the Nevada PUC to provide written and oral testimony in Cost Recovery Phase of the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
5. **Public Service Company of New Mexico, 2024 (New Mexico), (Case No. 24-00089-UT)** – Participating as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various ratemaking issues in PNM’s rate case application.
6. **NV Energy, 2024 (Nevada), (Docket No. 24-08015)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission. Sponsoring written and oral testimony in the 2024 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the Companies’ requested resource plan.
7. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 56511)** – Participating as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s distribution cost recovery factor (“DCRF”) case.
8. **Oklahoma Natural Gas Company, 2024 (Oklahoma), (Case No. PUD 2024-000010)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in ONGs performance based rate change plan for twelve months ending December 31, 2023, addressing transportation service charges.
9. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 55155)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to address a potential refund of imprudent amounts included in rate base from 2013 forward associated with the Turk plant after remand from the Court of Appeals.
10. **Duke Energy Indiana, 2024 (Indiana), (Docket No. 46038)** – Participating as an expert witness on behalf of the Office of Utility Consumer Counselor in Duke’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.



11. **Chugach Electric Association, 2024 (Alaska), (Docket No. U-24-002)** – Participated as an expert witness on behalf of Providence Health and Services before the Alaska Regulatory Commission. Sponsoring testimony to address Chugach’s application to revise the Beluga River Unit (“BRU”) rebate to former Municipal Light and Power (“ML&P”) customers.
12. **CenterPoint Energy Houston Electric, 2024 (Texas) (Docket No. 56211)** – Participating as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s rate case application to provide testimony on various revenue requirement issues.
13. **Doyon Utilities, 2024 (Alaska)** – Participated as an expert witness on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
14. **Avista Utilities, 2024 (Washington), (Docket Nos. UE-240006)** – Participating as an expert witness on behalf of Public Counsel in Avista’s general rate case. Sponsoring testimony to address various revenue requirement issues and Avista’s requested attrition adjustments.
15. **Atmos Mid Tex, 2024 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
16. **Sierra Pacific Power Company, 2024 (Nevada), (Docket No. 24-02026 and 24-02027)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
17. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 55438)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s transmission cost recovery factor (“TCRF”) case.
18. **Oklahoma Gas and Electric Company, 2023 (Oklahoma), (Cause No. PUD 202300087)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s general rate case application addressing various revenue requirement and rate design issues.
19. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202300086)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
20. **CenterPoint Energy Resources Corp., 2023 (Texas) (Docket No. OS-23-00015513)** – Participated as an expert witness for the City of Houston before the Texas Rail Road Commission in a general rate case proceeding for the gas utility.
21. **NV Energy, 2023 (Nevada), (Docket No. 23-08015)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission. Sponsoring written and oral testimony in the 2021 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) Fifth Amendment to provide analysis of the Companies’ request for Critical Facility designation of the Sierra Solar PV and BESS project.

22. **Southwest Gas Corporation, 2023 (Nevada) (Docket No. 23-09012)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
23. **Nevada Power Company, 2023 (Nevada), (Docket No. 23-06007)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues Nevada Power’s general rate case application.
24. **Atmos Pipeline Texas 2023 (Texas), (Docket No. 13758)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in APT’s General Rate Case application, sponsoring testimony to address various revenue requirement proposals.
25. **Oklahoma Gas and Electric Company, 2023 (Oklahoma), (Cause No. PUD 2023000038)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s application for pre-approval of new generation costs.
26. **NV Energy, 2023 (Nevada), (Docket No. 23-03003)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
27. **NV Energy, 2023 (Nevada), (Docket No. 23-03004)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in Cost Recovery Phase of the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
28. **SiEnergy, LP (Texas) 2023 (Docket No. OS-23-00013504)** - Participated as an expert witness on behalf of the Cities Served by SiEnergy (Cities) in SiEnergy’s application to increase gas utility rates.
29. **CSWR-Texas Utility Operating Company, LLC (CSWR-Texas), 2023 (Docket No. 54565)** Participated as an expert witness on behalf of the Office of Public Utility Counsel (“OPUC”) in CSWR-Texas’ application for authority to change rates.
30. **Denton Municipal Electric (DME), 2023 (Texas) (Docket No. 52715)** Participated as an expert witness on behalf of the Office of Public Utility Counsel (“OPUC”) in DME’s application to change rates for wholesale transmission service.
31. **NV Energy, 2023 (Nevada), (Docket No. 22-09006)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the 2021 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) Third Amendment to provide analysis of the proposed Transportation Electrification Plan to accelerate the roll out of electric vehicle charging facilities.
32. **Atmos MidTex, 2023 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
33. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202200093)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case

application to provide testimony on various revenue requirement, cost of service and rate design issues.

34. **Montana-Dakota Utilities Co., 2023 (Montana), Docket No. 2022.11.099)** – Participating as an expert witness on behalf of the Montana Office of Consumer Council in MDU’s general rate case application to provide testimony on various revenue requirement issues.
35. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202200021)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application for pre-approval of renewable generation additions and the ratemaking treatment of the costs of those additions.
36. **Public Service Company of New Mexico, 2023 (New Mexico), (Case No. 22-00270-UT)** – Participated as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various ratemaking issues in PNM’s rate case application.
37. **Entergy Texas Inc., 2022 (Texas) (PUC Docket No. 53719)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
38. **Oklahoma Gas and Electric Company, 2022 (Oklahoma), (Cause No. PUD 202200097)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in PUD’s show cause investigation into OG&E’s fuel and purchased power under-recovered balance.
39. **Northern Indiana Public Service Company, 2022 (Indiana), (Docket No. 45772)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in NIPSCO’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
40. **Oncor Electric Delivery Company (Texas), 2022 (PUC Docket No. 53601)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Public Utility Commission in Oncor’s General Rate Case proceeding to provide testimony on various revenue requirement issues.
41. **York Waterworks (2022) (Pennsylvania), (Docket No. 061522)** – Participated as an expert witness on behalf of Office of Consumer Advocate (“OCA”) before the Pennsylvania Public Utility Commission to address various revenue requirement issues in York rate case.
42. **Sierra Pacific Power Company, 2022 (Nevada), (Docket No. 22-06)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
43. **NV Energy, 2022 (Nevada), (Docket No. 22-003028)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various issues in the merger application of Sierra Pacific Power Company and Nevada Power Company.
44. **Atmos MidTex (Texas), 2022 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue

requirement issues.

45. **CenterPoint Energy Resources Corp., 2022 (Texas) (Docket No. 53442)** – Participated as an expert witness for the City of Houston before the Texas Public Utility Commission the Company’s Distribution Cost Recovery Factor sponsoring testimony on various cost recovery issues.
46. **Cascade Natural Gas, 2021 (Washington)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s limited issue rate case application, sponsoring Public Counsel’s revenue requirement schedules and testimony to address various revenue requirement and tax issues.
47. **Oklahoma Gas and Electric Company, 2021 (Oklahoma), (Cause No. PUD 202100164)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s general rate case application addressing various revenue requirement and rate design issues.
48. **Southwestern Electric Power Company, 2021 (Texas), (PUC Docket No. 52397)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to recover Uri storm costs.
49. **Southwestern Public Service Co., 2021 (Texas) (Docket No. 52210)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) before the Texas Public Utility Commission in SWEPCO’s application to recover Uri storm costs.
50. **CenterPoint Energy Resources Corp., 2021 (Texas) (Docket No. OS—00007061)** – Participated as an expert witness for the City of Houston before the Texas Rail Road Commission in a consolidated application from the large natural gas distribution utilities in Texas to securitize and recover URI storm costs from February 2021.
51. **Indiana Michigan Power, 2021 (Indiana), (Docket No. 45576)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in I&M’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
52. **Chugach Electric Association, 2021 (Alaska), (Docket No. U-21-059)** – Participated as an expert witness on behalf of Providence Health and Services before the Alaska Regulatory Commission. Sponsoring testimony to address Chugach’s application to address a shortfall in revenues after its acquisition of Municipal Light and Power.
53. **Southwestern Public Service Co., 2021 (Texas) (Docket No. 51802)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues.
54. **El Paso Electric Company, 2021 (Texas), (Docket No. 52195)** – Participated as an expert witness on behalf of the City of El Paso in the El Paso Electric Company general rate case to provide recommendations to the Texas Public Utility Commission regarding rate base and operating expense issues.
55. **NV Energy, 2021 (Nevada), (Docket No. 21-06001)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the proposed generation additions and cost allocations.

56. **Summit Utilities Arkansas (Arkansas), (Docket No. 21-060-U)** – Participated as an expert witness on behalf of Arkansas Gas Consumers and the Hospitals and Higher Education Group before the Arkansas Public Service Commission in Summit’s proposed acquisition of CenterPoint Energy’s Arkansas assets. Sponsoring testimony regarding the acquisition premium, ratepayer benefits and affiliate transactions.
57. **Doyon Utilities, 2021 Alaska (Regulatory Commission of Alaska)** – Participated as an expert witness on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
58. **NV Energy, 2021 (Nevada), (Docket No. 21-03040)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
59. **Public Service Company of Oklahoma, 2021 (Oklahoma) (Cause No. PUD 202100022)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
60. **Oklahoma Gas and Electric Company, 2021 (Oklahoma), (Cause No. PUD 202100072)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s application for securitization of its winter storm costs.
61. **Southwestern Electric Power Company, 2021 (Arkansas), (Docket No. 19-008-U)** – Participated as an expert witness on behalf of Western Arkansas Large Energy Consumers (“WALEC”) before the Arkansas Public Service Commission in SWEPCO’s Formula Rate Plan review and extraordinary winter storm cost recovery plan.
62. **Atmos MidTex (Texas), 2021 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
63. **Atmos MidTex, 2023 (Texas), (Dallas Annual Rate Review)** – Participating as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
64. **PNM Resources / Avangrid Merger, 2021 (New Mexico), (Case No. 20-00222-UT)** – Participated as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various merger-related issues.
65. **Oklahoma Gas & Electric Co., 2020 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Formula Rate Plan application to provide testimony on cost of service issues.
66. **Public Service Company of Oklahoma, 2020 (Oklahoma) (Cause No. PUD 202000097)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application for

approval of facilities proposed for Fort Sill to address cost recovery and rate design issues.

67. **El Paso Electric Company, 2020 (Texas), (Docket No. 51348)** – Participated as an expert witness on behalf of the City of El Paso in the El Paso Electric Company annual Distribution Cost Recovery Factor (“DCRF”) application to provide recommendations to the Texas Public Utility Commission regarding the Company’s requested DCRF increase.
68. **NV Energy, 2020 (Nevada), (Docket No. 20-07023)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the proposed transmission additions and cost allocations.
69. **Southwestern Electric Power Company, 2020 (Texas), (PUC Docket No. 51415)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s general rate case application to provide testimony on various revenue requirement issues.
70. **Dominion Energy South Carolina, 2020 (South Carolina), (Docket No. 2020-125-E)** – Participated as an expert witness on behalf of DOD/FEA in DESC’s rate case application, sponsoring testimony to address various revenue requirement, rate design and tax issues.
71. **Cascade Natural Gas, 2020 (Washington), (NG-UG-200568)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
72. **Nevada Power Company, 2020 (Nevada) (Docket No. 20-06003)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues in the case.
73. **El Paso Electric Company, 2020 (New Mexico), (Docket RC-20-00104-UT)** – Participated as an expert witness on behalf of the City of Las Cruces and Dona Ana County in EPE’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
74. **Oklahoma Gas and Electric Company, 2020 (Oklahoma), (Cause No. PUD 202000021)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s Grid Enhancement Plan application. Sponsoring testimony to address the utility’s proposed cost recovery mechanism and cost of service allocations.
75. **Philadelphia Gas Works, 2020 (Pennsylvania), (Docket No. R-2020-3017206)** – Participated expert witness on behalf of Office of Consumer Advocate (“OCA”) before the Pennsylvania Public Utility Commission to address various revenue requirement issues in PGW’s rate case.
76. **Atmos MidTex (Texas), 2020 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
77. **Southwest Gas Corporation, 2020 (Nevada) (Docket No. 20-02023)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.

78. **El Paso Electric Company, 2019 (Texas), (Docket No. 49849)** – Participated as an expert witness on behalf of the City of El Paso in the merger of El Paso Electric Company with Sun Jupiter Holdings LLC and IIF US Holdings 2 LLP to provide recommendations to the Texas Public Utility Commission regarding the treatment of tax issues in the proposed merger agreement.
79. **Nevada Senate Bill 300 Rulemaking, 2019 (Nevada), (Docket No. 19-069008)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group before the Nevada PUC to assist with the development of alternative ratemaking regulations under SB 300.
80. **Entergy Arkansas, 2019 (Arkansas), (Docket No. 19-020-TF)** – Participated as an expert witness on behalf of the Arkansas industrial consumer group to review EAI’s application to allocate its perceived under-recovery of off-system sales margins to Arkansas customers.
81. **Public Service Company of Oklahoma, 2019 (Oklahoma) (Cause No. PUD 201900201)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application for approval for the cost recovery of selected wind facilities.
82. **Oklahoma Gas & Electric Co., 2019 (Arkansas) (Docket No. 15-034-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Act 310 Environmental Compliance Plan (“ECP”) Rider case to provide testimony on whether OG&E can apply for an ECP rider now that it has elected to utilize an annual Formula Rate Plan with a 4% annual cap.
83. **Oklahoma Gas & Electric Co., 2019 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Formula Rate Plan application to provide testimony on various revenue requirement, cost of service and rate design issues.
84. **Southwestern Public Service Co., (“SPS”) 2019 (Texas), (Docket No. 49831)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
85. **Southwestern Electric Power Company, 2019 (Arkansas), (Docket No. 19-008-U)** – Participated as an expert witness on behalf of Western Arkansas Large Energy Consumers (“WALEC”) before the Arkansas Public Service Commission in SWEPCO’s rate case to address various revenue requirement and rate design issues.
86. **Anchorage Municipal Light and Power and Chugach Electric Association, 2019 (Alaska), (Docket No. U-19-020)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on pending acquisition of ML&P by Chugach to address the proposed acquisition premium and other issues associated with the public interest.
87. **Sierra Pacific Power Company, 2019 (Nevada), (Docket No. 19-06002)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
88. **Air Liquide Hydrogen Energy U.S., 2019 (Nevada), (704B Exit Application, Docket No. 19-02002)** – Participated as an expert witness on behalf of Air Liquide before the Nevada PUC.

Sponsoring written and oral testimony in Air Liquide's application to purchase energy and capacity from a provider other than NV Energy.

89. **Empire District Electric Company, 2019 (Oklahoma), (Cause No. PUD 201800133)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in Empire’s general rate case to address various revenue requirement, rate design and tax issues.
90. **Indiana Michigan Power, 2019 (Indiana), (Docket No. 45235)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in I&M’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
91. **Puget Sound Energy, 2019 (Washington), (Docket No. 190529-30)** – Participated as an expert witness on behalf of Public Counsel in PSE’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
92. **Anchorage Municipal Light and Power, 2019 (Alaska), (Docket No. U-18-102)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on the ratemaking treatment of ML&P’s acquired interest in the Beluga River Unit gas field with ratepayer funds.
93. **Oklahoma Gas and Electric Company, 2019 (Oklahoma), (Cause No. PUD 201800140)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s General Rate Case application. Sponsoring testimony to address the utility’s overall revenue requirement and rate design proposals.
94. **Cascade Natural Gas, 2019 (Washington) (Docket No. 190210)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s rate case application. Sponsoring testimony to address various revenue requirement and tax issues.
95. **CenterPoint Energy Houston Electric, 2019 (Texas) (Docket No. 49421)** – Participated as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s rate case application to provide testimony on various revenue requirement issues.
96. **Oklahoma Gas & Electric Co., 2018 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Formula Rate Plan application to provide testimony on various revenue requirement, cost of service and rate design issues.
97. **Southwest Gas Corporation, 2018 (Nevada) (Docket No. 18-05031)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
98. **Puget Sound Energy, 2018 (Washington) (Docket No. UE 18089)** - Participated as an expert witness on behalf of Public Counsel in PSE’s Emergency Rate Relief proceeding. Sponsoring testimony to address the application itself and various revenue requirement and TCJA issues.
99. **Public Service Company of Oklahoma, 2018 (Oklahoma) (Cause No. PUD 201800097)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design



issues.

100. **Entergy Texas Inc., 2018 (Texas) (PUC Docket No. 48371)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
101. **Atmos Energy Corp., Mid-Tex Division, 2018 (Texas) (Docket No. GUD No. 10779)** – Participated as an expert witness on behalf of the Atmos Texas Municipalities to review the utility’s requested revenue requirement including TCJA adjustments.
102. **CenterPoint Energy Houston Electric, LLC, 2018 (Texas) (Docket No. 48226)** – Participated as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s application for approval to amend its distribution cost recovery factor (DCRF) to address the utility’s treatment of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
103. **NV Energy, 2018 (Nevada) (Docket No. 17-10001)** – Participated as an expert witness on behalf of the Energy Choice Initiative (“ECI”) before the Governor’s Committee on Energy Choice, in an investigatory docket of an Issue of Public Importance Regarding the Pending Energy Choice Initiative and the Possible Restructuring of Nevada’s Energy Industry.
104. **Southwestern Electric Power Company, 2018 (Texas) (PUC Docket No. 48233)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to implement base rate reductions as result of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
105. **Oncor Electric Delivery Company (Texas), 2018 (PUC Docket No. 48325)** – Participated as an expert witness before the Texas Public Utility Commission in Oncor’s application for authority to decrease rates based on the Tax Cuts and Jobs Act of 2017 (“TCJA”).
106. **Public Service Company of Oklahoma (“PSO”) (Oklahoma), 2018 (Cause No. PUD 201800019)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application regarding ADIT under the Tax Cuts and Jobs Act of 2017 (“TCJA”).
107. **Oklahoma Natural Gas Company, 2018 (Cause No. PUD 201800028)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission in ONG’s Performance Based Rate Change Tariff, to address issues involving the impacts of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
108. **Oklahoma Gas & Electric Co. (Arkansas), 2018 (Docket No. 18-006-U)** – Participated as an expert on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in the matter of an Investigation of the Effect on Revenue Requirements Resulting from Changes to Corporate Income Tax Rates under the Tax Cuts and Jobs Act of 2017 (“TCJA”).
109. **Texas Gas Service, 2018** – Participated as a consulting expert on behalf of the City of El Paso regarding implementation of rate changes related to the Tax Cuts and Jobs Act of 2017 (“TCJA”).
110. **Sierra Pacific Power Company (Nevada), 2018 (Docket No. 18-02011 and 18-02015)** –

Participated as an expert witness on behalf of the Northern Nevada Utility Customers<sup>1</sup> before the Nevada PUC in SPPC's application related to the Tax Cuts and Jobs Act of 2017 ("TCJA").

- 111. Nevada Power Company (Nevada), 2018 (Docket No. 18-02010 and 18-02014)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group before the Nevada PUC in NPC's application related to the Tax Cuts and Jobs Act of 2017 ("TCJA").
- 112. Public Service Company of Oklahoma ("PSO") (Oklahoma), 2017 (Cause No. PUD 201700572)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's application to examine the impacts of the Tax Cuts and Jobs Act of 2017 ("TCJA").
- 113. Empire District Electric Company ("EPE") (Oklahoma), 2018 (Cause No. PUD 201700471)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in Empire's application to add 800MW of wind. Sponsoring testimony to address the various ratemaking and tax issues.
- 114. Oklahoma Gas and Electric Company ("OG&E"), (Oklahoma), 2018 (Cause No. PUD 201700496)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in OG&E's General Rate Case application. Sponsoring testimony to address the utility's overall revenue requirement and rate design proposals.
- 115. Public Service Company of Oklahoma ("PSO") (Oklahoma), 2017 (Cause No. PUD 201700276)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's Wind Catcher case to provide testimony on various ratemaking and tax issues.
- 116. Southwestern Public Service Co. ("SPS") (Texas), 2017 (PUC Docket No. 47527)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities ("AXM") in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
- 117. Southwestern Electric Power Company, ("SWEPCO") (Texas), 2017 (PUC Docket No. 47461)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's Wind Catcher case proceeding to provide testimony on various ratemaking and tax issues.
- 118. Atmos MidTex (Texas), 2017 (Docket No. 10640)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos's Dallas Annual Rate Review ("DARR") proceeding. Sponsoring testimony on various revenue requirement issues.
- 119. Avista Utilities (Washington), 2017 (Docket Nos. UE-170485/UG-170486)** – Participated as an expert witness on behalf of Public Counsel in Avista's general rate case proceeding. Sponsoring testimony to address various revenue requirement issues and Avista's requested attrition adjustments.
- 120. Nevada Power Company (Nevada), 2017 (Docket No. 17-06003)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC in NPC's general rate case. Sponsored testimony on various revenue requirement, depreciation, and rate design issues.
- 121. Anchorage Municipal Light and Power (Alaska), 2017 (Docket No. U-17-008)** – Participated as

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<sup>1</sup> The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony in ML&P's General Rate Case on various revenue requirement and rate design issues.

122. **Public Service Company of Oklahoma (Oklahoma), 2017 (Cause No. PUD 201700151)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various revenue requirement and rate design issues.
123. **Oncor Electric Delivery Company (Texas), 2017 (PUC Docket No. 46957)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Public Utility Commission in Oncor's General Rate Case proceeding to provide testimony on various revenue requirement issues.
124. **EverSource (Massachusetts), 2017 (DPU Docket No. 17-05)** – Participated as an expert witness before the Massachusetts Department of Public Utilities EverSource's General Rate Case application on behalf of Energy Freedom Coalition of America to provide testimony to address various revenue requirement issues.
125. **El Paso Electric Company (Texas), 2017 (PUC Docket No. 46831)** – Participated as an expert witness on behalf of the City of El Paso before the Texas Public Utility Commission in El Paso's General Rate Case proceeding to provide testimony on various revenue requirement issues.
126. **Atmos Pipeline Texas (Texas), 2017 (Docket No. 10580)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in APT's General Rate Case application, sponsoring testimony to address various revenue requirement proposals.
127. **Empire District Electric Company (Oklahoma), 2017 (Cause No. PUD 201600468)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in Empire's General Rate Case application. Sponsoring testimony to address the utility's overall revenue requirement and rate design proposals.
128. **Caesars Enterprise Service, LLC (Nevada), 2016 (704B Exit Application)** – Participated as an expert witness on behalf of Caesars before the Nevada PUC. Sponsoring written and oral testimony in Caesar's application to purchase energy and capacity from a provider other than Nevada Power.
129. **Southwestern Electric Power Company (Texas), 2016 (PUC Docket No. 46449)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's general rate case proceeding to provide testimony on various revenue requirement issues.
130. **CenterPoint Texas, 2016 (Docket No. 10567)** – Participated as an expert witness on behalf of City of Houston before the Texas Railroad Commission in CenterPoint's general rate case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.
131. **Entergy Texas, Inc., 2016 (Docket No. 46357)** – Participated as an expert witness on behalf Cities Served by Applicant before the Texas PUC in ETI's application to amend its Transmission Cost Recovery Factor.
132. **Anchorage Municipal Light and Power, 2016 (Docket No. U-16-060)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to

provide testimony on the ratemaking treatment of ML&P's acquired interest in the Beluga River Unit gas field with ratepayer funds.

133. **Arizona Public Service Company, 2016 (Docket No. E-01345A-16-0036)** – Participated as an expert witness before the Arizona Corporation Commission in APS's General Rate Case application on behalf of Energy Freedom Coalition of America to provide written and oral testimony to address various revenue requirement issues.
134. **Oklahoma Gas & Electric Co. (Arkansas), 2016 (Docket No. 16-052-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers ("ARVEC") before the Arkansas Public Service Commission in OG&E's general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
135. **Sierra Pacific Power Company (Nevada), 2016 (Docket No. 16-06006)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers before the Nevada PUC in SPPC's general rate case proceeding. Sponsored testimony on various revenue requirement, depreciation, and rate design issues.
136. **Tucson Electric Power, 2016 (Docket No. E-01933A-15-0322)** – Participated as an expert witness before the Arizona Corporation Commission in TEP's General Rate Case application, on behalf of Energy Freedom Coalition of America providing written and oral testimony to address the utility's cost of service study and rate design proposals.
137. **Texas Gas Service, 2016 (Docket No. 10506)** – Participated as an expert witness on behalf of El Paso before the Texas Railroad Commission in TGS's General Rate Case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.
138. **Texas Gas Service, 2016 (Docket No. 10488)** – Participated as an expert witness on behalf of South Jefferson County Service Area ("SJCSA") before the Texas Railroad Commission in TGS's General Rate Case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.
139. **Oklahoma Gas and Electric Company, 2016 (Cause No. PUD 201500273)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in OG&E's General Rate Case application. Sponsoring testimony to address the utility's overall revenue requirement and rate design proposals.
140. **Oklahoma Gas & Electric Company, 2016 (Cause No. PUD 201500273)** – Participated as an expert witness on behalf of The Alliance for Solar Choice ("TASC") before the Oklahoma Corporation Commission to address OG&E's proposed Distributed Generation ("DG") rates for solar DG customers.
141. **Anchorage Municipal Light and Power, 2016 (Docket No. U-13-097)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on rates and tariffs proposed for customer-owned combined heat and power plant generation.
142. **Oklahoma Natural Gas Company, 2015 (Cause No. PUD 201500213)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission in ONG's General Rate Case application. Sponsored testimony to address the utility's overall revenue requirement and rate design proposals.

143. **Oklahoma Gas & Electric Company, 2015 (Cause No. PUD 201500274)** – Participated as an expert witness on behalf of The Alliance for Solar Choice (“TASC”) before the Oklahoma Corporation Commission to address OG&E’s proposed Distributed Generation (“DG”) rates for solar DG customers.
144. **Nevada Power Company, 2015 (Docket No. 15-07004)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”)<sup>2</sup> before the Nevada PUC. Sponsoring written and oral testimony in NPC’s 2015 Integrated Resource Plan to provide analysis of the On Line transmission line allocation, the Siverhawk plant acquisition, and the Griffith contract termination.
145. **Oklahoma Gas & Electric Company, 2015 (Docket No. 15-034-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Act 310 application to implement a rider to recover environmental compliance costs.
146. **MGM Resorts, LLC, 2015 (Docket No. 15-05017)** – Participated as an expert witness on behalf of the MGM Resorts, LLC before the Nevada PUC. Sponsoring written and oral testimony in MGM’s application to purchase energy and capacity from a provider other than Nevada Power.
147. **Entergy Arkansas, 2015 (Docket No. 15-015-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Group (“HHEG”) an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy’s general rate case to provide testimony on various revenue requirement issues.
148. **Public Service Company of Oklahoma, 2015 (Cause No. PUD 201500208)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
149. **Nevada Power Company, 2014 (Docket No. 14-05003)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored written and oral testimony in NPC environmental compliance case, called the Emissions Reduction and Capacity Replacement case. The main focus of our testimony was our recommendation to eliminate the \$438M Moapa solar project from the compliance plan.
150. **Nevada Power Company, 2014 (Docket No. 14-05004)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC to sponsor written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
151. **Oklahoma Gas and Electric Co., 2014 (Cause No. PUD 201400229)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) in OG&E’s Environmental Compliance and Mustang Modernization Plan before the Oklahoma Corporation Commission to provide testimony addressing the economics and rate impacts of the plan.
152. **Sourcegas Arkansas, Inc., 2014 (Docket No. 13-079-U)** Participated as an expert witness on behalf of the Hospital and Higher Education Group (“HHEG”), an intervener group that includes the

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<sup>2</sup> The Southern Nevada Hotel Group is comprised of Boyd Gaming, Caesars Entertainment, MGM Resorts, Station Casinos, Venetian Casino Resort, and Wynn Las Vegas.

University of Arkansas and several hospitals before the Arkansas PSC in SGA's general rate case to provide testimony on various revenue requirement issues.

153. **Anchorage Municipal Light and Power, 2014 (Docket No. U-13-184)** – Participated as an expert witness before the Alaska Regulatory Utility Commission on behalf of Providence Health and Services to provide testimony on various revenue requirement and cost of service issues.
154. **Public Service Company of Oklahoma, 2014 (Cause No. PUD 201300217)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various cost-of-service issues and on the utility's overall revenue requirement and rate design proposals.
155. **Entergy Texas Inc., 2013 (PUC Docket No. 41791)** – Participated as an expert witness on behalf of the Cities<sup>3</sup> in ETI's general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.
156. **MidAmerican/NV Energy Merger, 2013 (Docket No. 13-07021)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG") before the Nevada PUC. Sponsored testimony to address various issues raised in the proposed acquisition of NV Energy by MidAmerican Energy Holdings Company, including capital structure and acquisition premium recovery issues.
157. **Entergy Arkansas, 2013 (Docket No. 13-028-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Group ("HHEG") an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy's general rate case to provide testimony on various revenue requirement issues.
158. **Sierra Pacific Power Company, 2013 (Docket No. 13-06002)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers<sup>4</sup> before the Nevada PUC in SPPC's general rate case proceeding to provide testimony on various cost of service and revenue requirement issues. Sponsored written and oral testimony in the depreciation phase, the revenue requirement phase and the rate design phase of these proceedings.
159. **Gulf Power Company, 2013 (Docket No. 130140-EI)** – Participated as an expert witness on behalf of the Office of Public Counsel before the Florida Commission in Gulf Power's general rate case proceeding to provide testimony on various revenue requirement issues.
160. **Public Service Company of Oklahoma, 2013 (Cause No. PUD 201200054)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission ("OCC") to provide testimony in PSO's application seeking Commission approval of its settlement agreement with EPA.
161. **Southwestern Electric Power Company, 2012 (PUC Docket No. 40443)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's general rate case proceeding to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

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<sup>3</sup> The Cities include Beaumont, Conroe, Groves, Houston, Huntsville, Orange, Navasota, Nederland, Pine Forest, Pinehurst, Port Arthur, Port Neches, Rose City, Shenandoah, Silsbee, Sour Lake, Vidor, and West Orange.

<sup>4</sup> The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

162. **Doyon Utilities, 2012 Alaska Rate Case** (Docket No. TA7-717) – Participated as an expert witness consultant on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
163. **University of Oklahoma, 2012** – Participated as an expert witness on behalf of the University of Oklahoma to provide expert testimony on various revenue requirement issues in the University’s general rate case with the Corix Group, which provides utility services to the University.
164. **Public Service Company of Oklahoma, 2012 (Cause No. PUD 201200079)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission to provide expert testimony addressing the utility’s request to earn additional compensation on a 510MW purchased power agreement with Exelon.
165. **Centerpoint Energy Texas Gas, 2012 (Docket No. GUD 10182)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Railroad Commission to provide expert testimony on various revenue requirement issues.
166. **Entergy Texas Inc., 2012 (PUC Docket No. 39896)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
167. **Oklahoma Natural Gas Company, 2012 (Cause No. PUD 2012-029)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG’s Performance Based Rate (“PBR”) application seeking Commission approval of a requested rate increase based upon formula results for 2011.
168. **University of Oklahoma, 2012** – Assisted the University of Oklahoma with an audit of the costs associated with its six utility operations and its contract with the Corix Group to provide utility services to the university.
169. **Oklahoma Gas and Electric Company, 2012 (Cause No. PUD 2011-186)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking Commission approval of a special contract with Oklahoma State University and a wind energy purchase agreement in connection therewith.
170. **Empire Electric Company, 2011, (Cause No. PUD 11-082)** – Participated as an expert witness on behalf of Enbridge before the OCC in Empire’s rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
171. **Nevada Power Company, 2011, (Docket No. 11-04010)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored written and oral testimony to address proposed changes to the Company’s customer deposit rules.
172. **Nevada Power Company, 2011, (Docket No. 11-06006)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
173. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2011-106)** – Participated as an

expert witness on behalf of the OIEC before the OCC in PSO's application seeking rider recovery of third party SPP transmission costs and fees.

174. **Oklahoma Gas and Electric Company, 2011 (Cause No. PUD 2011-087)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
175. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-109-U)** – Participated as an expert witness on behalf of Gerdau Macsteel before the Arkansas Public Service Commission in OG&E's application to recover Smart Grid costs to make recommendations regarding the allocation of the Smart Grid costs.
176. **Oklahoma Gas & Electric Company, 2011 (Cause No. PUD 2011-027)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking to include retiree medical expense in the Company's pension tracker mechanism.
177. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of OIEC before the Oklahoma Corporation Commission in AEP/PSO's application to recover ice storm O&M expenses through a regulatory asset/rider mechanism to address tax impact and return issues in the proposed rider.
178. **Public Service Company of Colorado, 2011 (Docket No. 10AL-908E)** – Participated as an expert witness on behalf of the Colorado Retail Council ("CRC") before the Colorado Public Utilities Commission providing written and live testimony to address PSCo's proposed Environmental Tariff.
179. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-067-U)** – Participated as an expert witness on behalf of the Northwest Arkansas Industrial Energy Consumers ("NWIEC")<sup>5</sup> before the Arkansas Public Service Commission in OG&E's general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
180. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-146)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking rider recovery of third party SPP transmission costs and SPP administration fees.
181. **Massachusetts Electric Co. & Nantucket Electric Co. d/b/a National Grid, 2010 (Docket No. DPU 10-54)** – Participated as an expert witness providing both written and live testimony before the Massachusetts Department of Public Utilities on behalf of the Associated Industries of Massachusetts ("AIM") to address the Company's proposed participation in the 438MW Cape Wind project in Nantucket Sound.
182. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of the OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various cost-of-service issues and on the utility's overall revenue requirement and rate design proposals.
183. **Texas-New Mexico Power Co., 2010 (Docket 38480)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities ("ATM") before the Texas PUC in TMNP's general rate case application to address various revenue requirement and rate design issues to establish prospective

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<sup>5</sup> NWIEC is an association of industrial manufacturing facilities in northwest Arkansas.



cost-of-service based rates.

184. **Southwestern Public Service Co., 2010 (PUCT Docket No. 38147)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
185. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-37)** – Participated as an expert witness on behalf of OIEC before the OCC to address the preapproval and ratemaking treatment of OG&E’s 220MW self-build wind project.
186. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-29)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking pre-approval of deployment of smart-grid technology and rider-recovery of the associated costs. Sponsored written testimony to address smart-grid deployment and time-differentiated fuel rates.
187. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-01)** – Participated as an expert witness on behalf of the OIEC before the OCC in the Company’s proposed Green Energy Choice Tariff. Sponsored testimony to address the pricing and ratemaking treatment of the Company’s proposed wind subscription tariff.
188. **Nevada Power Company, 2010 (Docket No. 10-02009)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC to provide testimony in NPC’s Internal Resource Plan to address the ratemaking treatment of the proposed ON Line transmission line.
189. **Entergy Texas Inc., 2010 (PUC Docket No. 37744)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
190. **El Paso Electric Company, 2010 (PUC Docket No. 37690)** – Participated as an expert witness on behalf of the City of El Paso in the EPI general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
191. **Public Service Company of Oklahoma, 2009 (Cause No. 09-196)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application for approval of DSM programs and cost recovery. Sponsored testimony to address program costs, lost revenue recovery, cost allocations and incentives.
192. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 09-230 and 09-231)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.
193. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 08-398)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s rate case. Provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
194. **Nevada Power Company, 2009, (Docket No. 08-12002)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral

testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

- 195. Public Service Company of Oklahoma, 2009 (Cause No. 09-031)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO’s application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.
- 196. Oklahoma Natural Gas Co., 2009 (Cause No. PUD 08-348)** – Participated as an expert witness on witness on behalf of the OIEC before the OCC in ONG’s application to establish a Performance Based Rate tariff. Sponsored both written and oral testimony to address the merits of the utility’s proposed PBR.
- 197. Rocky Mountain Power, 2009 (Docket No. 08-035-38)** – Participated as an expert witness on behalf of the Division of Public Utilities (Staff) in PacifiCorp’s general rate case to provide testimony on various revenue requirement issues.
- 198. Texas-New Mexico Power Co., 2008 (Docket 36025)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities (“ATM”) before the Texas PUC in TMNP’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
- 199. Public Service Company of Oklahoma, 2008 (Cause No. 08-144)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address revenue requirement and rate design issues to establish prospective cost-of-service based rates.
- 200. Public Service Company of Oklahoma, 2008 (Cause No. 08-150)** – Participated as an expert witness on behalf of the OIEC before the OCC to address PSO’s calculation of its Fuel Clause Adjustment for 2008.
- 201. Oklahoma Gas and Electric Company, 2008 (Cause No. PUD 08-059)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.
- 202. Entergy Gulf States, 2008 (PUC Docket No. 34800, SOAH Docket No. 473-08-0334)** – Participated as an expert witness on behalf of the Cities in EGSI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
- 203. Public Service Company of Oklahoma, 2008 (Cause No. 07-465)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application to recover the pre-construction costs of the cancelled Red Rock coal generation facility.
- 204. Oklahoma Gas and Electric Company, 2008 (Cause No. 07-447)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization to recover the pre-construction costs of the cancelled Red Rock coal generation facility using proceeds from sales of excess SO<sub>2</sub> allowances.
- 205. Rocky Mountain Power, 2008 (Docket No. 07-035-93)** – Participated as an expert witness on behalf of Division of Public Utilities (Staff) in PacifiCorp’s general rate case to provide testimony on various revenue requirement issues.

206. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-449)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.
207. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-397)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO’s application seeking authorization to defer storm damage costs in a regulatory asset account and to recover the costs using the proceeds from sales of excess SO<sub>2</sub> allowances.
208. **Oklahoma Gas & Electric Co., 2007 (Cause No. PUD 07-012)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s application seeking pre-approval to construct the Red Rock coal plant to address the Company’s proposed rider recovery mechanism.
209. **Oklahoma Natural Gas Co., 2007 (Cause No. PUD 07-335)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG’s application proposing alternative cost recovery for the Company’s ongoing capital expenditures through the proposed Capital Investment Mechanism Rider (“CIM Rider”). Sponsored testimony to address ONG’s proposal.
210. **Public Service Company of Oklahoma, 2007 (Cause No. PUD 06-030)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking a used and useful determination for its planned addition of the Red Rock coal plant to address the Company’s use of debt equivalency in the competitive bidding process for new resources.
211. **Public Service Company of Oklahoma, 2006 (Cause No. PUD 06-285)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
212. **Nevada Power Company, 2007, (Docket No. 07-01022)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company’s deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
213. **Nevada Power Company, 2006, (Docket No. 06-11022)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
214. **Southwestern Public Service Co., 2006 (PUCT Docket No. 37766)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application. Provided testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsored the Accounting Exhibits on behalf of AXM.
215. **Atmos Energy Corp., Mid-Tex Division, 2006 (Texas GUD 9676)** – Participated as an expert witness in the Atmos Mid-Tex general rate case application on behalf of the Atmos Texas Municipalities (“ATM”). Provided written and oral testimony before the Railroad Commission of Texas regarding the revenue requirements of Mid-Tex including various rate base, operating expense, depreciation and tax issues. Sponsored the Accounting Exhibits for ATM.
216. **Nevada Power Company, 2006 (Docket No. 06-06007)** – Participated as an expert witness on

behalf of the MGM MIRAGE in the Sinatra Substation Electric Line Extension and Service Contract case. Provided both written and oral testimony before the Nevada Public Utility Commission to provide the Commission with information as to why the application is consistent with the line extension requirements of Rule 9 and why the cost recovery proposals set forth in the application provide a least cost approach to adding necessary new capacity in the Las Vegas strip area.

217. **Public Service Co. of Oklahoma, 2006 (Cause No. PUD 05-00516)** - Participated as an expert witness on behalf of the OIEC to review PSO's application for a "used and useful" determination of its proposed peaking facility.
218. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 06-00041)** – Participated as an expert witness on behalf of the OIEC in OG&E's application to propose an incentive sharing mechanism for SO<sub>2</sub> allowance proceeds.
219. **Chermac Energy Corporation, 2006 (Cause No. PUD 05-00059 and 05-00177)** – Participated as an expert witness on behalf of the OIEC in Chermac's PURPA application. Sponsored written responsive and rebuttal testimony to address various rate design issues arising under the application.
220. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 05-00140)** – Participated as an expert witness on behalf of the OIEC in OG&E's 2003 and 2004 Fuel Clause reviews. Sponsored written testimony to address the purchasing practices of the Company, its transactions with affiliates, and the prices paid for natural gas, coal and purchased power.
221. **Nevada Power Company, 2006, (Docket No. 06-01016)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written testimony in NPC's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
222. **Oklahoma Gas and Electric Co., 2005 (Cause No. PUD 05-151)** – Participated as an expert witness on behalf of the OIEC in OG&E's general rate case application. Sponsored both written and oral testimony before the OCC to address various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates.
223. **Oklahoma Natural Gas Co., 2005 (Cause No. PUD 04-610)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma. Sponsored written and oral testimony to address numerous rate base, operating expense and depreciation issues for the purpose of setting prospective cost-of-service based rates.
224. **CenterPoint Energy Arkla, 2004 (Cause No. PUD 04-0187)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma: Sponsored written testimony to provide the OCC with analysis from an accounting and ratemaking perspective of the Co.'s proposed change in depreciation rates from an Average Life Group to an Equal Life Group methodology. Addressed the Co.'s proposed increase in depreciation rates associated with increased negative salvage value calculations.
225. **Public Service Co. of Oklahoma, 2004 (Cause No. PUD 02-0754)** – Participated as an expert witness on behalf of the OIEC. Sponsored written testimony (1) making adjustments to PSO's requested recovery of an ICR programming error, (2) correcting errors in the allocation of trading margins on off-system sales of electricity from AEP East to West and among the AEP West utilities and (3) recommending an annual rather than a quarterly change in the FAC rates.
226. **PowerSmith Cogeneration Project, 2004 (Cause No. PUD 03-0564)** - Participated as an expert

witness on behalf of the OIEC to provide the OCC with direction in setting an avoided cost for the PowerSmith Cogeneration project under PURPA requirements. Provided both written and oral testimony on the provisions of the proposed contract under PURPA:

- 227. Electric Utility Rules for Affiliate Transactions, 2004 (Cause No. RM 03-0003)** – Participated as a consultant on behalf of the OIEC to draft comments to assist the OCC in developing rules for affiliate transactions. Assisted in drafting the proposed rules. Successful in having the Lower of Cost or Market rule adopted for affiliate transactions in Oklahoma.
- 228. Nevada Power Company, 2003, (Docket No. 03-10001)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
- 229. Nevada Power Company, 2003, (Docket No. 03-11019)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
- 230. Public Service Company of Oklahoma, 2003 (Cause No. PUD 03-0076)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
- 231. Oklahoma Gas & Electric Co., 2003 (Cause No. PUD 03-0226)** – Participated as an expert witness on behalf of the OIEC. Provided both written and oral testimony before the OCC to determine the appropriate level to include in rates for natural gas transportation and storage services acquired from an affiliated company.
- 232. Nevada Power Company, 2003 (Docket No. 02-5003-5007)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony to calculate the appropriate exit fee in MGM Mirage's 661 Application to leave the system.
- 233. McCarthy Family Farms, 2003** – Participated as a consultant to assist McCarthy Family Farms in converting a biomass and biosolids composting process into a renewable energy power producing business in California.
- 234. Bice v. Petro Hunt, 2003 (ND, Supreme Court No. 20030306)** - Participated as an expert witness in a class certification proceeding to provide cost-of-service calculations for royalty valuation deductions for natural gas gathering, dehydration, compression, treatment and processing fees in North Dakota.
- 235. Nevada Power Company, 2003 (Docket No. 03-11019)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power. Provided written and oral testimony on the reasonableness of the cost allocations to the utility's various customer classes.
- 236. Wind River Reservation, 2003 (Fed. Claims Ct. No. 458-79L, 459-79L)** – Participated as a consulting expert on behalf of the Shoshone and Arapaho Tribes to provide cost-of-service calculations for royalty valuation deductions for gathering, dehydration, treatment and compression of natural gas and the reasonableness of deductions for gas transportation.

237. **Oklahoma Gas & Electric Co., 2002 (Cause No. PUD 01-0455)** – Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored written and oral testimony on numerous revenue requirement issues including rate base, operating expense and rate design issues to establish prospective cost-of-service based rates.
238. **Nevada Power Company, 2002 (Docket No. 02-11021)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power and to make recommendations with respect to rate design.
239. **Nevada Power Company, 2002 (Docket No. 01-11029)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power included in the Company's \$928 million deferred energy balances.
240. **Nevada Power Company, 2002 (Docket No. 01-10001)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
241. **Chesapeake v. Kinder Morgan, 2001 (CIV-00-397L)** - Participated as an expert witness on behalf of Chesapeake Energy in a gas gathering dispute. Sponsored testimony to calculate and support a reasonable rate on the gas gathering system. Performed necessary calculations to determine appropriate levels of operating expense, depreciation and cost of capital to include in a reasonable gathering charge and developed an appropriate rate design to recover these costs.
242. **Southern Union Gas Company, 2001** - Participated as a consultant to the City of El Paso in its review of SUG's gas purchasing practices, gas storage position, and potential use of financial hedging instruments and ratemaking incentives to devise strategies to help shelter customers from the risk of high commodity price spikes during the winter months.
243. **Nevada Power Company, 2001** - Participated as an expert witness on behalf of the MGM-Mirage, Park Place and Mandalay Bay Group before the Nevada Public Utility Commission to review NPC's Comprehensive Energy Plan (CEP) for the State of Nevada and make recommendations regarding the appropriate level of additional costs to include in rates for the Company's prospective power costs associated with natural gas and gas transportation, coal and coal transportation and purchased power.
244. **Bridenstine v. Kaiser-Francis Oil Co. et al., 2001 (CJ-95-54)** - Participated as an expert witness on behalf of royalty owner plaintiffs in a valuation dispute regarding gathering, dehydration, metering, compression, and marketing costs. Provided cost-of-service calculations to determine the reasonableness of the gathering rate charged to the royalty interest. Also provided calculations as to the average price available in the field based upon a study of royalty payments received on other wells in the area.
245. **Klatt v. Hunt et al., 2000 (ND)** - Participated as an expert witness and filed report in United States District Court for the District of North Dakota in a natural gas gathering contract dispute to calculate charges and allocations for processing, sour gas compression, treatment, overhead, depreciation expense, use of residue gas, purchase price allocations, and risk capital.
246. **Oklahoma Gas and Electric Co., 2000 (Cause No. PUD 00-0020)** - Participated as an expert

witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Generation Efficiency Performance Rider (GEPR). Provided a list of criteria with which to measure a utility's proposal for alternative ratemaking. Recommended modifications to the Company's proposed GEPR to bring it within the boundaries of an acceptable alternative ratemaking formula.

- 247. Oklahoma Gas and Electric Co., 1999** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Performance Based Ratemaking (PBR) proposal including analysis of the Company's regulated return on equity, fluctuations in the capital investment and operating expense accounts of the Company and the impact that various rate base, operating expense and cost of capital adjustments would have on the Company's proposal.
- 248. Nevada Power Company, 1999 (Docket No. 99-7035)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony addressing the appropriate ratemaking treatment of the Company's deferred energy balances, prospective power costs for natural gas, coal and purchased power and deferred capacity payments for purchased power.
- 249. Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to unbundle the utility services of the NPC and to establish the appropriate cost-of-service allocations and rate design for the utility in Nevada's new competitive electric utility industry.
- 250. Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to establish the cost-of-service revenue requirement of the Company.
- 251. Nevada Power/Sierra Pacific Merger, 1998 (Docket No. 98-7023)** - Participated as an expert witness on behalf of the Mirage and MGM Grand before the Nevada PUC. Sponsored written and oral testimony to establish (1) appropriate conditions on the merger (2) the proper sequence of regulatory events to unbundle utility services and deregulate the electric utility industry in Nevada (3) the proper accounting treatment of the acquisition premium and the gain on divestiture of generation assets. The recommendations regarding conditions on the merger, the sequence of regulatory events to unbundle and deregulate, and the accounting treatment of the acquisition premium were specifically adopted in the Commission's final order.
- 252. Oklahoma Natural Gas Company, 1998 (Cause No. PUD 98-0177)** - Participated as an expert witness in ONG's unbundling proceedings before the OCC. Sponsored written and oral testimony on behalf of Transok, LLC to establish the cost of ONG's unbundled upstream gas services. Substantially all of the cost-of-service recommendations to unbundle ONG's gas services were adopted in the Commission's interim order.
- 253. Public Service Company of Oklahoma, 1997 (Cause No. PUD 96-0214)** - Audited both rate base investment and operating revenue and expense to determine the Company's revenue requirement and cost-of-service. Sponsored written testimony before the OCC on behalf of the OIEC.
- 254. Oklahoma Natural Gas /Western Resources Merger, 1997 (Cause No. PUD 97-0106)** - Sponsored testimony on behalf of the OIEC regarding the appropriate accounting treatment of acquisition premiums resulting from the purchase of regulated assets.
- 255. Oklahoma Gas and Electric Co., 1996 (Cause No. PUD 96-0116)** - Audited both rate base investment and operating income. Sponsored testimony on behalf of the OIEC for the purpose of

determining the Company's revenue requirement and cost-of-service allocations.

- 256. Oklahoma Corporation Commission, 1996** - Provided technical assistance to Commissioner Anthony's office in analyzing gas contracts and related legal proceedings involving ONG and certain of its gas supply contracts. Assignment included comparison of pricing terms of subject gas contracts to portfolio of gas contracts and other data obtained through annual fuel audits analyzing ONG's gas purchasing practices.
- 257. Tenkiller Water Company, 1996** - Provided technical assistance to the Attorney General of Oklahoma in his review of the Company's regulated cost-of-service for the purpose of setting prospective utility rates.
- 258. Arkansas Oklahoma Gas Company, 1995 (Cause No. PUD 95-0134)** - Sponsored written and oral testimony before the OCC on behalf of the Attorney General of Oklahoma regarding the price of natural gas on AOG's system and the impact of AOG's proposed cost of gas allocations and gas transportation rates and tariffs on AOG's various customer classes.
- 259. Enogex, Inc., 1995 (FERC 95-10-000)** - Analyzed Enogex's application before the FERC to increase gas transportation rates for the Oklahoma Independent Petroleum Association and made recommendations regarding revenue requirement, cost-of-service and rate design on behalf of independent producers and shippers.
- 260. Oklahoma Natural Gas Company, 1995 (Cause No. PUD 94-0477)** - Analyzed a portfolio of ONG's gas purchase contracts in the Company's Payment-In-Kind (PIC) gas purchase program and made recommendations to the OCC Staff on behalf of Terra Nitrogen, Inc. regarding the inappropriate profits made by ONG on the sale of the gas commodity through the PIC program pricing formula. Also analyzed the price of gas on ONG's system, ONG's cost-of-service based rates, and certain class cross-subsidizations in ONG's existing rate design.
- 261. Arkansas Louisiana Gas Company, 1994 (Cause No. PUD 94-0354)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of the other auditors on the case. Sponsored cost-of-service testimony on cash working capital and developed policy recommendations on post test year adjustments.
- 262. Empire District Electric Company, 1994 (Cause No. PUD 94-0343)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of other auditors. Sponsored cost-of-service testimony on rate base investment areas including cash working capital.
- 263. Oklahoma Natural Gas Company, 1992 through 1993 (Cause No. PUD 92-1190)** - Planned and supervised the rate case audit of ONG for the OCC Staff. Reviewed all workpapers and testimony of the other auditors on the case. Sponsored written and oral testimony on numerous cost-of-service adjustments. Analyzed ONG's gas supply contracts under the Company's PIC program.
- 264. Oklahoma Gas and Electric Company, 1991 through 1992 (Cause No. PUD 91-1055)** - Audited the rate base, operating revenue and operating expense accounts of OG&E on behalf of the OCC Staff. Sponsored written and oral testimony on numerous revenue requirement adjustments to establish the appropriate level of costs to include for the purpose of setting prospective rates.



**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Summary of Recommendations**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2**

Line No.	Descriptions	Equity/ROE	Reference	Rate Base	Pre-Tax Rate of Return	Revenue Increase
1	Requested Amounts	54.52%/10.75%	Sch. FS-1.1	\$305,126,372	10.391230%	\$ 14,131,001
2	<u>Rate Base Adjustments</u>					
3	Cash Working Capital		MG-2.5	\$ (6,893,000)	10.391230%	\$ (716,267)
4	ADIT on Repair Allowance		MG-2.8	3,831,785	10.391230%	398,170
5	Total Rate Base Adjustments			\$ (3,061,215)		\$ (318,098)
6	<u>Cost of Capital Adjustments</u>					
7	Capital Structure	44.57%	MG-2.9	\$302,065,157	-1.058304%	\$ (3,196,768)
8	Return on Equity	10.00%	MG-2.9	\$302,065,157	-0.466729%	(1,409,826)
9	Total Cost of Capital Adjustments					\$ (4,606,594)
10	<u>Operating Income Adjustments</u>					
11	Annual Performance Plan		MG-2.1			\$ (587,373)
12	Long-Term Incentive Plan		MG-2.2			(621,650)
13	Vacant Positions		MG-2.3			(1,126,880)
14	Property Tax		MG-2.4			(1,733,497)
15	Rate Case Expense		MG-2.7			(518,000)
16	Repair Expense Tax Flow-Through		MG-2.8			(3,831,785)
17	Depreciation Rate Adjustment		MG-2.6			(2,291,091)
18	Total Adjustments to Operating Income					\$ (10,710,277)
19	Total City of Chattanooga Adjustments					\$ (15,634,969)
20	Adjusted Increase in Rates					<u>\$ (1,503,968)</u>

**Notes:**

- Line 7** Cap Structure is from 2023 consolidated 10-K. The 2012 case used the parent capital structure with short-term debt. We drafted questions to ask TAWC to update the 2012 settlement capital structure to 2023.
- Line 8** ROE ceiling of 10% is from 2012 rate case exhibit. See pdf page 2366 of the attached file. MFG Q0006\_Attachment page 36 of 55. This is a conservative ceiling because ROEs have been trending downward since 2012.
- Line 17** Depreciation recommendation keeps existing depreciation rates. Rationale is that this is not the time to increase depreciation recoveries - during a costly capital expansion program during a bad economy. There will be opportunities to increase depreciation recoveries once system upgrades are completed.

**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Annual Performance Plan**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2.1**

Line No.	Descriptions	Reference	TAWC	AWWSC	Total
1	Requested APP Expense	Note 1	\$ 439,290	\$ 668,657	\$ 1,107,947
2	Shareholder Allocation	Note 2	<u>50%</u>	<u>50%</u>	<u>50%</u>
3	Shareholder Expense		\$ 219,645	\$ 334,329	\$ 553,974
4	Ratepayer Share of Expense		<u>\$ 219,645</u>	<u>\$ 334,329</u>	<u>\$ 553,974</u>
5	Recommended Adjustment to APP Expense		<u>\$ (219,645)</u>	<u>\$ (334,329)</u>	<u>\$ (553,974)</u>
6	Payroll Tax Rate		<u>6.03%</u>	<u>6.03%</u>	
7	Payroll Tax Adjustment		<u>\$ (13,245)</u>	<u>\$ (20,155)</u>	<u>\$ (33,400)</u>
8	Total Adjustment		<u>\$ (232,890)</u>	<u>\$ (354,484)</u>	<u>\$ (587,373)</u>

Note 1 See response to COC 2-20.

Note 2 See Direct Testimony of Grady Stout, p. 41, line 6.

Tennessee-American Water Company  
Docket No. 24-00032  
City of Chattanooga Long-Term Performance Plan  
Attrition Period Ended December 31, 2025

Exhibit MG-2.2

Line No.	Descriptions	Reference	TAWC	AWWSC	Total
1	Requested Long Term Compensation Expense	Note 1	\$ 105,679	\$ 515,971	\$ 621,650
2	Shareholder Allocation		<u>100%</u>	<u>100%</u>	<u>100%</u>
3	Shareholder Expense		\$ 105,679	\$ 515,971	\$ 621,650
4	Ratepayer Share of Expense		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
5	Recommended Adjustment to APP Expense		<u>\$ (105,679)</u>	<u>\$(515,971)</u>	<u>\$ (621,650)</u>

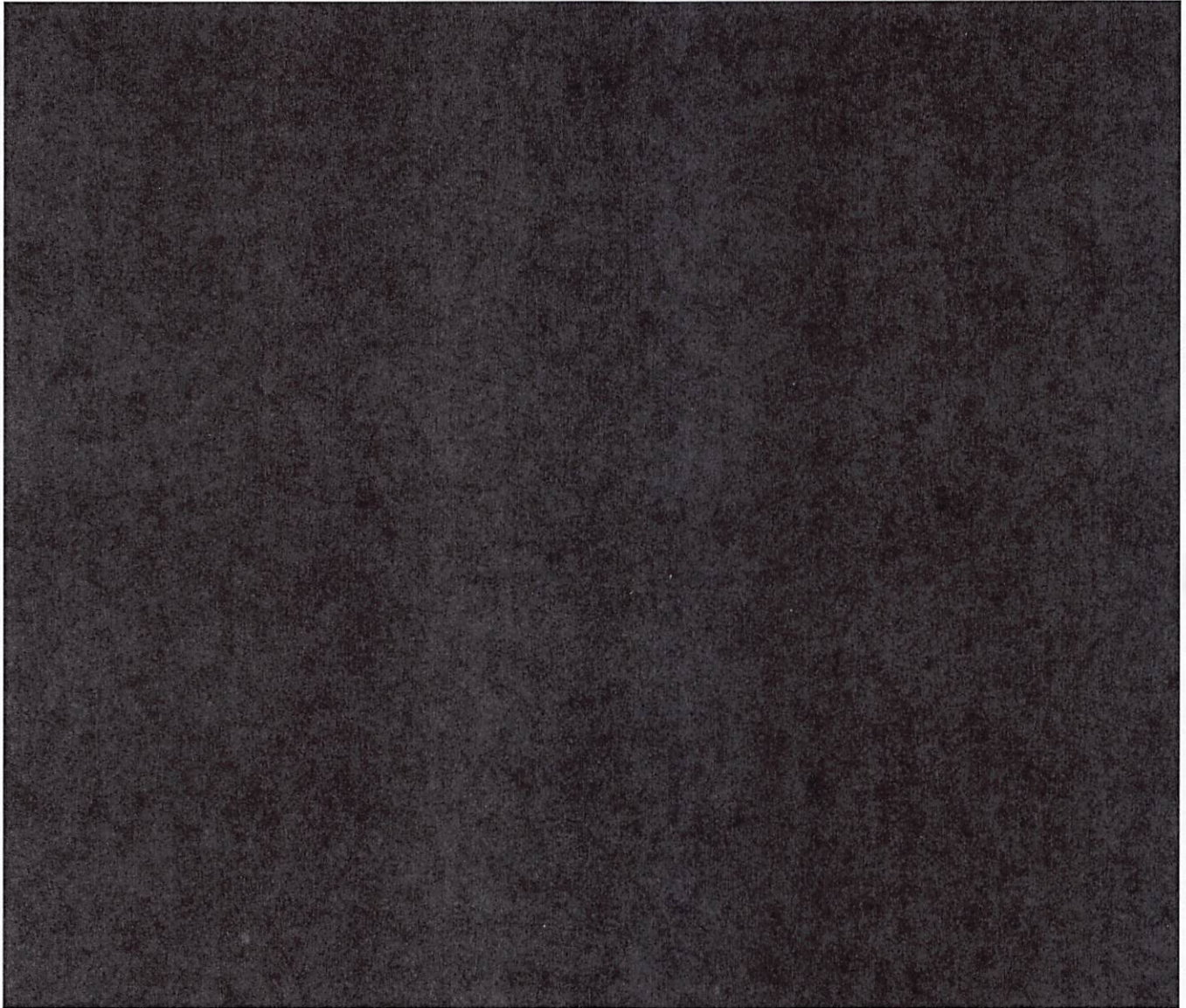
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Note 1 See response to COC 1-21.

Tennessee-American Water Company  
Docket No. 24-00032  
City of Chattanooga Vacant Positions  
Attrition Period Ended December 31, 2025

Exhibit MG-2.3

**CONFIDENTIAL MATERIALS REDACTED**



**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Property Tax**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2.4**

Line No.	Descriptions	Reference	Total
1	December 31, 2024 Plant in Service	Note 1	\$ 502,876,105
2	December 31, 2024 CWIP	Note 2	<u>\$ 9,613,482</u>
3	Total Plant and CWIP		\$ 512,489,587
4	2023 Assessment Ratio	Note 3	<u>20.25%</u>
5	Assessed Value		\$ 103,778,339
6	2023 Equalized Assessment %	Note 4	<u>67.31%</u>
7	Equalized Assessment		\$ 69,852,786
8	Property Tax Rate	Note 5	<u>4.56%</u>
9	Recommended Property Tax Expense		\$3,186,964
10	Requested Property Tax Expense	Note 6	<u>4,920,461</u>
11	Adjustment to Property Tax Expense		<u><u>(\$1,733,497)</u></u>

Note 1 TAWC 2024 Rate Case - Capital & Depreciation Workpaper.xlsx, tab RB2 UPIS Balances, cell R9.

Note 2 TAWC 2024 Rate Case - Capital & Depreciation Workpaper.xlsx, tab CWIP Balances, cell R9

Note 3 TAWC 2024 Rate Case - Property Taxes Exhibit.xlsx, tab Property Tax Worksheet, cell D10 / D8.

Note 4 TAWC 2024 Rate Case - Property Taxes Exhibit.xlsx, tab Property Tax Worksheet, cell D12.

Note 5 TAWC 2024 Rate Case - Property Taxes Exhibit.xlsx, tab Property Tax Worksheet, cell F16.

Note 6 TAWC 2024 Rate Case - Property Taxes Exhibit.xlsx, tab Property Tax Worksheet, cell F18.

Tennessee-American Water Company  
Docket No. 24-00032  
City of Chattanooga Cash Working Capital  
Attrition Period Ended December 31, 2025

Exhibit MG-2.5

Line No.	Description	Reference	Days	Attrition Year Pro Forma Expense Amount	Dollar Days
1	Total Revenue Lag Days	Note 1	41.4		
2	Purchased Water		37.9	\$194,199	\$7,360,127
3	Fuel and Power		28.0	3,062,540	85,751,113
4	Chemicals		48.3	2,307,000	111,428,108
5	Waste Disposal		65.7	749,830	49,263,800
6	Salaries and Wages	Note 3	10.5	5,786,230	60,755,419
7	Pension		(1.2)	619,489	(743,387)
8	Group Insurance		10.5	481,683	5,057,670
9	Other Benefits		9.0	643,491	5,791,422
10	Contracted Services		48.5	966,015	46,851,728
11	Building Maintenance and Services		45.2	331,843	14,999,304
12	Telecommunication Expenses		21.5	352,451	7,577,697
13	Postage, Printing and Stationary		17.5	18,217	318,798
14	General Office Expense		13.9	195,667	2,719,771
15	Employee Related Expense Travel & Entertainment		47.9	212,144	10,161,698
16	Miscellaneous Expenses		45.9	941,207	43,201,401
17	Rents		(234.9)	29,985	(7,043,440)
18	Transportation		49.1	428,594	21,043,965
19	Customer Accounting		61.8	577,105	35,665,062
20	Insurance - Other		(59.8)	1,205,504	(72,089,139)
21	Maintenance - Other		12.1	1,691,431	20,466,321
22	Property Taxes	Note 4	218.1	3,186,964	695,076,741
23	Utility Tax		269.0	286,779	77,143,551
24	Payroll Taxes		10.5	516,450	5,422,725
25	Gross Receipts Tax	Note 5	393.5	1,042,208	410,108,848
26	Franchise Tax		44.3	982,116	43,458,633
27	Current State Taxes		44.3	705,107	31,200,979
28	Current Federal Taxes		36.5	2,330,564	85,065,600
29	Long Term Debt Interest		92.8	6,102,527	566,314,506
30	Short Term Debt Interest		14.6	244,101	3,563,875
31	Net Operating Funds		65.4	\$36,191,441	\$2,365,892,896
	Average Days Interval--				
32	Between Date Expenses are Incurred and Date of Payment		65.4		
33	Revenue Lag		41.3		
34	Net Interval		(24.1)		
35	Average Daily Operating Funds		\$99,155		
36	Recommended Working Capital Attrition Year		-\$2,390,000		
37	TAWC Requested Working Capital Attrition Year		4,503,000		
38	Adjustment to Attrition Year Working Capital		(6,893,000)		

Note 1	Service Lag (365 / 12 / 2)	15.2
	Billing Lag	2.7
	Collection Lag	23.5
	Revenue Lag Days	41.4

Note 2 Service Company, Depreciation, and Return are excluded as inappropriate for cash working capital purposes.

Note 3 Reduced for adjustment to APP and LTPP on Exhibits MG-2.1 and MG-2.2.

Note 4 Reduced for adjustment to ad valorem tax on Exhibit MG-2.3.

Note 5 The gross receipts tax based on the Attrition Year revenue will be due on August 1, 2026.

Tennessee-American Water Company  
Docket No. 24-00032  
City of Chattanooga Depreciation Expense  
Attrition Period Ended December 31, 2025

Exhibit MG-2.6

Line No.	Description	Reference	COC Depreciation Expense	TAWC Depreciation Expense	Adjustment to Depreciation Expense
1	Attrition Year Depreciation Expense	Note 1	\$12,969,337	\$12,649,455	\$ 319,882
2	Attrition Year Cost of Removal	Note 1	946,532	3,557,505	(2,610,973)
3	Attrition Year CIAC Amortization	Note 1	<u>(443,088)</u>	<u>(443,088)</u>	<u>-</u>
4	Total Attrition Year Depreciation Expense		<u>\$13,472,781</u>	<u>\$15,763,872</u>	<u>\$ (2,291,091)</u>

Note 1 COC amounts from WP MG-2.6 Depreciation Expense.xlsx, TAWC amounts from TAWC 2024 Rate Case - Capital & Depreciation Workpaper.xlsx.

**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Rate Case Expense**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2.7**

Line No.	Descriptions	Reference	Total
1	Requested Rate Case Expense Amortization	Note 1	\$ 518,000
2	Adjustment to Defer Rate Case Expenses to a Separate Docket		<u>\$ (518,000)</u>

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Note 1 See TAWC 2024 Rate Case - Regulatory Expense Exhibit.xlsx, tab Workpaper, Line 9.



**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Tax Flow-Through of Repair Allowance**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2.8**

Line No.	Descriptions	Reference	Total
1	Book/Tax Difference of Repair Allowance	Note 1	\$ (13,933,763)
2	Federal Income Tax Rate	Note 2	21.0%
3	State Income Tax Rate	Note 3	<u>6.5%</u>
4	Combined Income Tax Rates		<u>27.5%</u>
5	Adjustment to Income Tax Expense		<u>\$ (3,831,785)</u>
6	Adjustment to Deferred Income Tax Balance		<u>\$ 3,831,785</u>

Note 1 From TAWC 2024 Rate Case - Income Tax Exhibit.xlsx, tab Link In, cells E123 and K123.

Note 2 From TAWC 2024 Rate Case - Income Tax Exhibit.xlsx, tab Federal Current Prov 12-31-25, cell E88.

Note 3 From TAWC 2024 Rate Case - Income Tax Exhibit.xlsx, tab State Current Prov 12-31-25, cell E88.

**Tennessee-American Water Company**  
**Docket No. 24-00032**  
**City of Chattanooga Cost of Capital**  
**Attrition Period Ended December 31, 2025**

**Exhibit MG-2.9**

Line No.	Descriptions	Capital Structure	Cost	Weighted Cost	Tax Gross Up Factor	Pre-Tax Rate of Return
1	<b><u>Requested Capital Structure and Cost</u></b>					
2	Short-Term Debt	1.99%	4.27%	0.08%		
3	Long-Term Debt	43.49%	4.59%	2.00%		
4	Total Debt	45.48%	4.57%	2.08%	1.011178	2.103250%
5	Common Equity	54.52%	10.75%	5.86%	1.414331	8.287980%
6	Totals	100.00%		7.94%		10.391230%
7	<b><u>City of Chattanooga Recommended Capital Structure</u></b>					
8	Short-Term Debt	1.99%	4.27%	0.08%		
9	Long-Term Debt	53.44%	4.59%	2.45%		
10	Total Debt	55.43%	4.56%	2.53%	1.011178	2.558280%
11	Common Equity	44.57%	10.75%	4.79%	1.414331	6.774645%
12	Totals	100.00%		7.32%		9.332926%
13						
14	Capital Structure Adjustment			-0.62%		-1.06%
15	<b><u>City of Chattanooga Recommended Return on Equity</u></b>					
16	Short-Term Debt	1.99%	4.27%	0.08%		
17	Long-Term Debt	53.44%	4.59%	2.45%		
18	Total Debt	55.43%	4.56%	2.53%	1.011178	2.558280%
19	Common Equity	44.57%	10.00%	4.46%	1.414331	6.307916%
20	Totals	100.00%		6.99%		8.866197%
21	Return on Equity Adjustment			-0.33%		-0.47%

## **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Mark E. Garrett on Behalf of City of Chattanooga was served via U.S. Mail, with a courtesy copy by electronic mail provided upon:

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This the 17<sup>th</sup> day of September, 2024.

**CHAMBLISS, BAHNER & STOPHEL, P.C.**

By: \_\_\_\_\_

Frederick L. Hitchcock