

Public Version

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

**IN RE:**

**PETITION OF TENNESSEE-  
AMERICAN WATER 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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**CONSUMER ADVOCATE'S RESPONSES TO  
TENNESSEE-AMERICAN'S FIRST SET OF DISCOVERY REQUESTS**

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The Consumer Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate"), pursuant to Rules 26, 33, and 34 of the Tennessee Rules of Civil Procedure, Tennessee Public Utility Commission ("TPUC" or The "Commission") Rule 1220-01-02-.11, and the Agreed Procedural Schedule entered by the Hearing Officer in this Docket, hereby submits its responses to the *First Set of Discovery Request of Tennessee-American Water Company* ("TAWC" or the "Company") filed on September 27, 2024.

**General Objections**

All of the General Objections made herein are applicable to and are hereby incorporated into each and every response herein, and each response herein is made subject to and without waiver of these General Objections.

- A. The Consumer Advocate objects to each of the Company's requests on the grounds that each is overly broad, unduly burdensome, and oppressive.
- B. The Consumer Advocate objects to the Company's discovery requests to the extent that they purport to impose the obligations upon the Consumer Advocate beyond those contemplated by the Tennessee Rules of Civil Procedure, TPUC Rules, and Tennessee law.

- C. The Consumer Advocate objects to each of the Company's requests to the extent that each purports to call for information and/or documents prepared in anticipation of litigation, and/or information and/or documents protected by the attorney-client privilege, the work product doctrine, the common-interest doctrine, or any other applicable protection or privilege.
- D. The Consumer Advocate objects to each of the Company's requests to the extent that they are not applicable in the context of a proceeding before the TPUC, cite an incorrect legal conclusion, or mischaracterize or improperly summarize statements made by the Consumer Advocate's expert witnesses in their pre-filed direct testimonies.
- E. By providing the objections contained herein, the Consumer Advocate does not waive or intend to waive, but rather, intends to preserve, all objections with regard to competence, relevance, materiality, and admissibility of the discovery information or documents in any subsequent proceeding on the related subject matter. Moreover, the Consumer Advocate intends by this set of responses to preserve all objections to vagueness, ambiguity, and undue burden in connection with requests to produce documents, including those that are not in the Consumer Advocate's possession, custody, or control.
- F. The responses made herein are made to the best of Consumer Advocate's present knowledge after a reasonably diligent search for responsive information. The Consumer Advocate will supplement its responses in line with the requirements of the Tennessee Rules of Civil Procedure as well as TPUC Rules and expressly reserves its right to supplement or amend its answers, if and as appropriate, including with respect to objections that may arise at a later time than this filing.

Without waiving these General Objections as they apply to each individual request, the Consumer Advocate presents the following responses:

#### **CONSUMER ADVOCATE'S RESPONSES**

- 1-01.** To the extent not previously provided, please provide electronic copies (on USB) of all tables, charts, diagrams, schedules, and exhibits (collectively, "Exhibits") contained in the testimony of all witnesses for the CAD. Please include all workpapers, schedules, underlying computations and supporting documentation used and relied upon by each witness in the preparation of their respective testimony, including the preparation of all

Exhibits. Please provide all electronic spreadsheets with cell formulas, cell references, macros and VBA code intact.

**RESPONSE:**

**The Consumer Advocate has supplemented its response. See <AB O&M.xlsx>, <2019 TAWC General Ledger.xlsx>, <2020 TAWC General Ledger.xlsx>, <2021 TAWC General Ledger.xlsx>, <2022 TAWC General Ledger.xlsx>.**

**1-02.** To the extent not previously provided, please provide copies of all schedules and underlying computations and workpapers developed in the analysis by the CAD and/or its witnesses of TAWC's requested rate increase in electronic spreadsheet format with all formulas intact. This request includes, but is not limited to, the analyses of the revenue requirement components and computations, including all ratemaking adjustments to the historic and forecasted data, and the cost of service model.

**RESPONSE:**

**See response to No. 1.**

**1-03.** Please provide copies of the complete workpapers, supporting documents, electronic files, including all calculations and formulae intact, and electronic versions of any spreadsheets prepared by Mr. Rothschild to support his Pre-filed Testimony, and Exhibits ALR 1 through ALR 5.

**RESPONSE:**

**See <2024.08.31 - TAWC Cost of Capital (RFC Water PG)>.**

**1-04.** Please provide complete copies of all cited works referenced in Mr. Rothschild's Pre-filed Testimony.

**RESPONSE:**

**The Consumer Advocate responds by producing the cited works which are attached in folder “DR No. 4 – RFC Testimony Sources” located on the FTP site.**

**1-05.** Please provide all workpapers in native format, including all calculations and formulae intact, supporting all figures included in Mr. Rothschild’s Pre-filed Testimony.

**RESPONSE:**

**See response to No. 3.**

**1-06.** Please provide a copy or link to each of the five most recent pre-filed testimonies and exhibits, outside of Docket No. 24-00032, in which Mr. Rothschild testified regarding rate of return or cost of equity.

**RESPONSE:**

**The Consumer Advocate responds by producing the five most recent pre-filed testimonies and exhibits of Mr. Rothchild which are attached in the folder “Rothschild’s attachments for responses” located on the FTP site.**

**1-07.** Please provide all data used to develop the Option-Implied analyses performed by Mr. Rothschild for the RFC Water Proxy Group. The data requested includes all workpapers that demonstrate the daily option-implied betas that were relied upon to develop his analysis.

**RESPONSE:**

**See the folder “OptIVA Results” that was provided, and still available, on 9/18/2024 via the Attorney General’s share site (“FTP”) that was shared with all parties.**

**1-08.** Please provide all regulatory decisions of which Mr. Rothschild is aware where the regulatory commission specifically endorsed the use of option implied beta coefficients.

**RESPONSE:**

**The South Carolina Public Service Commission and the California Public Utility Commission (“CPUC”) have specifically endorsed the use of option implied beta coefficients. The CPUC endorsed Mr. Rothschild’s option implied beta coefficients in Decision 24-09-021 on September 12, 2024. This decision was regarding the cost of capital for ratemaking purposes for California’s independent small telephone companies (Application 22-09-003).**

**In this decision, the CPUC found merit in Mr. Rothschild's cost of equity analysis, which includes the use of option implied betas, and used the results of this analysis to determine the authorized ROE in this proceeding.**

**The Public Service Commission of South Carolina endorsed Mr. Rothschild’s option implied beta coefficients in Order Ruling on Application for Adjustment in Rates in Docket No. 2019-290-WS on April 9, 2020. In this proceeding the Public Service Commission of South Carolina stated the following:**

*Amongst the three witnesses, Consumer Affairs Rothschild’s approach was unique in that he included the use of both historical and forward-looking, market-based data in his analysis. Based on the testimony and facts presented, the Commission therefore adopts the recommended ROE of 7.46% proposed by witness Rothschild.*

**Mr. Rothschild’s forward-looking market data includes option implied betas.**

**1-09.** Referencing Mr. Rothschild’s Pre-filed Testimony at page 65 lines 5-6, please provide in native electronic format, with formulas, the calculation of Mr. Rothschild’s “historical blended” beta.

**RESPONSE:**

**See <2024.08 - RFC Water PG Betas – SELECT> that was provided, and still available, on 9/18/2024 via the Attorney General’s share site (“FTP”) that was shared with all parties.**

**1-10.** Referencing Mr. Rothschild’s Pre-filed Testimony at page 80 lines 2-7, please provide in native electronic format, with formulas, the calculation of Mr. Rothschild’s “regression analysis of dozens of utility companies.”

**RESPONSE:**

**See <TAWC DR No.10 - RFC Financial Risk Regression Analysis> attachment on the FTP site and the spreadsheets found in the “Historical Betas” confidential folder that was provided on 9/18/2024 via the Attorney General’s FTP site to all docket parties.**

**1-11.** Please provide all regulatory decisions of which Mr. Rothschild is aware where the regulatory commission specifically endorsed the use of a DCF model employing the [b x r] method.

**RESPONSE:**

**See response to No. 8.**

**1-12.** Please provide all data used to develop the “MRP” sheet in Mr. Rothschild’s file “2024.08.31 - TAWC Cost of Capital (RFC Water PG).xlsx.

**RESPONSE:**

**See <2024.08 - SPX MRP and TS> on the FTP site and the spreadsheets found in the “Fundamentals” confidential folder that was provided on 9/18/2024 via the Attorney General’s FTP site to all docket parties.**

**1-13.** Referencing Mr. Rothschild’s Pre-filed Testimony at page 37 lines 14-15, please provide all documents or data supporting Mr. Rothschild’s statement that “Leading scholars on the topic have determined that investors generally demand an MRP of 4.0% on average.”

**RESPONSE:**

**See <TAWC DR No. 13 - Revisiting-the-Equity-Risk-Premium> on the FTP site.**

1-14. This request relates to file AB-1 Attrition Adjustments, tab Non Production Costs, from page 4 of Consumer Advocate Witness Alex Bradley. If you are unable to confirm as requested in the below subparts, please explain your answer.<sup>1</sup>

- a. Please confirm that the below chart's subtotal, which is taken from Lines 1-5 of the Non Production Costs Tab, is correct and ties to the total for each year reflected in the Miscellaneous tab of file AB-1 Attrition Year Adjustments.

Per AB-1 Attrition Adjustments, tab Non Production Costs							
O&M Expense Category	Detail	Inflation Category	2019	2020	2021	2022	2023
Miscellaneous Expense	Employee Related	General Consumer Price Index ("CPI")	\$232,494	\$183,014	\$43,408	\$172,178	\$196,355
Miscellaneous Expense	Building Maintenance	Maintenance	200,508	261,192	274,157	338,059	307,330
Miscellaneous Expense	Office Supplies	Office Supplies and Stationery	230,681	248,712	215,546	187,941	159,833
Miscellaneous Expense	Miscellaneous		617,142	482,211	851,250	780,397	553,486
Miscellaneous Expense	Postage	Postage, Printing, and Stationery	14,523	8,913	18,240	19,056	13,211
			\$1,295,348	\$1,184,043	\$1,402,601	\$1,497,630	\$1,230,215

- b. Please confirm that line 6 of the Non Production Costs Tab, Telecommunication Expense, ties to total for each year reflected in the Telecom Tab of file AB-1 Attrition Year Adjustments.
- c. Please confirm that line 8 of the Non Production Costs Tab, Rents, ties to the total for each year reflected in the Rent tab of file AB-1 Attrition Year Adjustments.
- d. Please confirm that line 9 of the Non Production Costs Tab, Contract Services, ties to total for each year reflected in the Contract Services Tab of file AB-1 Attrition Year Adjustments.
- e. Please confirm that line 10 of the Non Production Costs Tab, Customer Accounting, ties to total for each year reflected in the Customer Accounting Tab of file AB-1 Attrition Year Adjustments.
- f. Please confirm that line 7 of the Non Production Costs Tab, Maintenance Supplies, Services, Building Maintenance and Services, does NOT tie to total for each year reflected in the Maintenance Tab of file AB-1 Attrition Year Adjustments.
- g. Please confirm that the below chart reflects the amounts from the file AB-1-Attrition Adjustments.

O&M Expense Category	Detail	Inflation Category	2019	2020	2021	2022	2023
Per AB-1 Attrition Adjustments, tab Non Production Costs							
Maintenance Supplies, Services, Building Maintenance			\$1,541,144	\$1,847,023	\$2,098,957	\$1,980,575	\$1,526,931
Per AB-1 Attrition Adjustments, tab Maintenance			1,340,636	1,585,831	1,824,800	1,642,516	1,219,651
Variance			\$200,508	\$261,192	\$274,157	\$338,059	\$307,330

<sup>1</sup> Discovery Request Nos. 14 and 15 reference and relate to the AB-1 Attrition Adjustments.xlsx on page 4 of Consumer Advocate Witness Alex Bradley.

- h. Please confirm that the variance in question in subsection (g) above matches the amount as shown on the Non Production Costs tab line 2 for Miscellaneous Expense, Building Maintenance (also shown in question subsection (a) above).
- i. Please confirm that line 7 as reflected in the Non Production Costs tab of AB-1 Attrition Adjustments is overstated.
- j. Please confirm that removing the variance costs reflected in subsection (g) above would change the 4 year Compound Annual Growth Rate to reflect the below amount.

Line	OAM Expense Category	Detail	Inflation Category	Company Proposed 3 Year Annual CAGR Percent		4 Year Compound Annual Growth Rate		2010	2011	2012	2013	2014
				Change								
1	Miscellaneous Expense	Employee Related	General Consumer P	4.0%	1.10%	\$23,404	\$137,014	\$43,405	\$172,170	\$156,355		
2	Miscellaneous Expense	Building Maintenance	Maintenance	4.0%	1.10%	200,508	281,352	274,187	338,030	307,350		
3	Miscellaneous Expense	Office Supplies	Office Supplies and T	3.0%	1.10%	230,881	248,712	215,548	197,041	150,333		
4	Miscellaneous Expense	Miscellaneous		6.0%	1.10%	817,142	482,211	321,250	750,397	523,488		
5	Miscellaneous Expense	Postage	Postage, Printing, an	4.0%	1.10%	14,323	8,813	18,340	18,056	13,311		
6	Telecommunications Expense		General Consumer P	6.0%	1.10%	195,715	226,173	234,258	249,244	313,503		
7	Maintenance Supplies, Services, Building Maintenance and Services		Maintenance	4.0%	1.10%	1,340,638	1,585,821	1,824,300	1,642,535	1,219,651		
8	Rent		Rent	5.0%	1.10%	7,321	44,291	53,323	12,488	1,429		
9	Contract Services		Professional Services	2.5%	1.10%	642,491	1,123,619	878,893	972,334	960,501		
10	Customer Accounting		Professional Services	2.5%	1.10%	487,704	133,850	92,320	34,172	14,743		
11	Totals:							\$4,298,717	\$4,297,521	\$4,480,278	\$4,483,744	\$3,946,782

## RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed.
- f. Confirmed.
- g. Confirmed.
- h. Confirmed.
- i. Confirmed.
- j. Confirmed. *See <Revised AB-1 Attrition Adjustments 10-9-24.xlsx> on FTP site and filed separately in this Docket as "Revised Testimony of Alex Bradley with Exhibits".*

1-15. This request relates to file AB-1 Attrition Adjustments, tab Customer Accounting, from page 4 of Consumer Advocate Witness Alex Bradley. If you are unable to confirm as requested in the below subparts, please explain your answer.

- a. Does Mr. Bradley believe the CAGR is an accurate forecast for all costs in all instances?



- b. Please confirm that the below chart, which is taken from the Customer Accounting Tab in file AB-1 Attrition Adjustments, is correct so that CAGR can be applied. If it is not, please identify the corrections that must be made.

Line Description	Account No.	Account Name	BLS Inflation Factor	2019 Total	2020 Total	2021 Total	2022 Total	2023 Total
Customer Accounting	52501500	Misc Oper - Customer Accounting	2.54%	\$5,639	\$18,091	(\$2,736)	\$0	(\$310)
Customer Accounting	52501510	Misc Oper - Customer Accounting Mtr Read	2.54%	-	-	-	-	-
Customer Accounting	52501520	Misc Oper - Customer Accounting Cust Serv	2.54%	-	-	-	-	-
Customer Accounting	52510015	Bank Service Charges - Customer Accounting	2.54%	117,035	116,832	102,944	\$9,511	\$6,070
Customer Accounting	52514906	Customer Education - Bill Inserts	2.54%	2,797	-	-	-	-
Customer Accounting	52520000	Collection Agencies	2.54%	332,182	(1,565)	(348)	(379)	(1,077)
Total:				\$457,704	\$133,360	\$99,860	\$89,132	\$84,683

- c. Pursuant to subsection (b) above, if Mr. Bradley did not identify the \$332,182 in account 52520000 Collection Agencies as being out of place or in need of an adjustment, please fully explain why no adjustment would be made to this line for the year 2019.
- d. In the 2019 column of the chart in subsection (b) above, the Collection Agencies line item represents 72.58% of the total costs in Customer Accounting. Yet, in 2020 through 2023, the Collection Agencies amounts to (1.17%), (0.35%) (0.43%) and (1.27%), respectively. Please explain why an adjustment is not needed when the numbers reflect over an approximately \$332,000 reduction from 2019.
- e. Does Mr. Bradley assume that the \$332,182 in subsection (c) above does not impact his proposed CAGR?
- f. Please confirm that if the \$332,182 in subsection (c) above were removed from the analysis, the CAGR would be 3.27% as reflected in the chart below. Please note that the Maintenance expense in line 7 reflects the corrected amount, which excludes the double counting of line 2 from the tab Non Production Costs.

Line	GLN Expense Category	Detail	Inflation Category	Company Proposed 3-Year Annual CAGR Percent	4Year Compound Annual Growth Rate	2019	2020	2021	2022	2023
1	Miscellaneous Expense	Employee Related	General Consumer B	6.03%	3.27%	\$222,494	\$183,014	\$43,402	\$172,178	\$139,335
2	Miscellaneous Expense	Building Maintenance	Maintenance	4.03%	3.27%	\$200,108	\$201,192	\$24,157	\$39,698	\$07,390
3	Miscellaneous Expense	Office Supplies	Other Supplies and S	2.00%	3.27%	\$236,521	\$248,712	\$15,546	\$17,840	\$19,833
4	Miscellaneous Expense	Miscellaneous		6.03%	3.27%	\$17,142	\$82,211	\$31,250	\$79,397	\$15,456
5	Miscellaneous Expense	Postage	Postage, Freight, an	4.03%	3.27%	\$4,525	\$6,913	\$1,240	\$4,656	\$3,211
6	Telecommunications Expense		General Consumer B	6.03%	3.27%	\$95,715	\$22,675	\$24,258	\$69,244	\$13,503
7	Maintenance Supplies, Services, Building Maintenance and Services		Maintenance	4.03%	3.27%	\$340,636	\$393,931	\$324,800	\$642,536	\$119,651
8	Rent		Rent	6.94%	3.27%	7,321	\$4,291	\$5,833	\$2,808	\$4,429
9	Contract Services		Professional Services	2.54%	3.27%	\$42,443	\$123,659	\$79,625	\$72,334	\$60,301
10	Customer Accounting		Professional Services	2.54%	3.27%	\$23,521	\$33,360	\$2,860	\$2,122	\$4,693
11	Total:					\$3,607,334	\$4,267,528	\$4,482,276	\$6,432,746	\$5,345,792

## RESPONSE:

- a. CAGR is a method of financial forecasting; like all financial forecasting methods it has strengths and weaknesses. No forecasting method is 100% accurate; the use of CAGR relies on the prior results of the Company to forecast future levels of costs. Mr. Bradley believes the use of CAGR is an appropriate forecasting methodology for determining future levels of expenditures as it based on the per books results of the Company.
- b. Confirmed.

- c. Mr. Bradley's analysis was not an attempt to audit the prior period expenses but merely to provide the Company's own results from prior periods as recorded on their books to compare against the current Test Period level of expenses.
- d. See the response to (c).
- e. Mr. Bradley believes all book values for 2019 impact his proposed CAGR.
- f. Confirmed, removing the \$332,182 in Collection Agencies costs in 2019, along with the correct to maintenance expense, would result in a CAGR of 3.27%.

1-16. (CONFIDENTIAL) [REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

- a. Confirmed.
- b. Confirmed. See <Revised AB-2 Support Services (CONFID) 10-9-24> on the FTP site.

1-17. Referencing Mr. Dittmore's Pre-filed Testimony at page 31, lines 1-11, Mr. Dittmore uses the term "lost and unaccounted for water." If "lost and unaccounted for water" is not "non-revenue water," please provide a definition of "lost and unaccounted for water" as used by Mr. Dittmore.

## RESPONSE:

The Consumer Advocate has used the terms “lost and unaccounted for water” and “non-revenue water” interchangeably. Beginning with TRA Docket No. 08-00039 when the Commission set the Company’s water loss percentage of 15%, the terms “water loss,” “unaccounted for water,” and “non-revenue water” have been utilized in various filings discussing this issue.<sup>2</sup> For example, the Company’s post hearing brief had a section titled “unaccounted for water” which addressed the proposal to establish a water loss percentage.<sup>3</sup> Additionally in this brief, the Company explained its efforts to address unaccounted for water (“UfW”) included the establishment of a Non-Revenue Water (“NRW”) Program; the establishment of a NRW Committee; and the creation of a full-time position dedicated to reducing UfW.<sup>4</sup>

In TRA Docket 10-00189, the water loss percentage of 15% was once again an issue. More specifically, the Company stated in its post-hearing brief:

The CAPD and Mr. Gorman’s proposal to continue to limit recovery of production costs to just 15% of the unaccounted for water is a counter-productive measure that will *not* result in a drop in unaccounted for water. The Company is aware of the Authority’s decision in the 2008 rate case, but respectfully asks the Authority to reconsider. The Company will not be able to bring unaccounted for water levels down to 15% (a long-term goal the Company has also set for itself) without spending additional capital to make the improvements to infrastructure and leak detection that are necessary to significantly reduce unaccounted for water levels. Capping the Company’s production costs has a negative effect on rate of return and thus degrades the Company’s ability to attract and spend the capital needed to make these improvements, placing the Company in an impossible situation.<sup>5</sup>

Further, the Company proposed a Water Loss Study be conducted to determine the “proper unaccounted for water level for TAWC’s unique system and an appropriate remediation that balances the cost of remediation and the impact on rates to the customer.”<sup>6</sup> In its order, the Commission reiterated the baseline water loss percentage of 15% for TAWC.<sup>7</sup>

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<sup>2</sup> Direct Testimony of Michael Gorman at 14:10 – 18:2, TRA Docket No. 08-00039 (July 18, 2008); *The Consumer Advocate and Protection Division’s Post Hearing Brief*, pp. 44-46, TRA Docket No. 08-00039 (Sept. 2, 2008); and *Order*, pp. 14-16, TRA Docket No. 08-00039 (Jan. 13, 2009).

<sup>3</sup> *Tennessee American Water Company’s Post-Hearing Brief in Support of Its Petition to Change and Increase Certain Rates and Charges*, pp. 43-46, TRA Docket No. 08-00039 (Sept. 2, 2008).

<sup>4</sup> *Id.* at p. 45.

<sup>5</sup> *Tennessee American Water Company’s Post-Hearing Brief in Support of Its Petition to Change and Increase Certain Rates and Charges*, p. 84, TRA Docket No. 10-00189 (March 21, 2011).

<sup>6</sup> *Id.* at p. 85.

<sup>7</sup> *Final Order*, pp. 65-68, TRA Docket No. 10-00189 (Apr. 27, 2012).

1-18. Please provide the source and support for Mr. Dittemore's definition of "lost and unaccounted for water."

**RESPONSE:**

**See Response 1-17.**

1-19. Please provide a method for calculating "unaccounted for water."

**RESPONSE:**

**The method for calculating the Company's UfW was established by the Commission in TRA Docket No. 08-00039 and reiterated in TRA Docket No. 10-00189. The Consumer Advocate is not proposing any changes to this calculation.**

1-20. Please provide a method for calculating "lost water."

**RESPONSE:**

**Mr. Dittemore used the term "non-revenue water" interchangeably with "lost and unaccounted for water." Accordingly, the calculation for NRW and UfW is the same.**

1-21. Please provide the source for each of these definitions in the preceding two requests.

**RESPONSE:**

**See Responses to 1-17, 1-19, and 1-20.**

1-22. Referencing Mr. Dittemore's Pre-filed Testimony at page 31, lines 1-11, Mr. Dittemore uses the term non-revenue water ("NRW"). Please provide a definition of "non-revenue water" as used by Mr. Dittemore as well as the source and support of such definition.

**RESPONSE:**

**See Response to 1-17.**

1-23. Please provide a method of calculating "non-revenue water" under Mr. Dittemore's definition.

**RESPONSE:**

**The method of calculation remains the same as approved by the Commission in TRA Docket Nos. 08-00039 and 10-00189. The calculation for determining water loss cap of 15% is set forth in the most recent PCOP filing.<sup>8</sup> The NRW ratio is calculated as 1 minus (water sales divided by system delivery).<sup>9</sup>**

**1-24.** Referencing Mr. Dittemore's Pre-filed Testimony on page 31, lines 9-10, please provide the source and support for the statement "it is not possible to definitively make a numeric distinction between lost water and NRW."

**RESPONSE:**

**Mr. Dittemore is using the terms lost water and NRW interchangeably. Also, his reference to the water loss percentage of 15% established in TAWC's rate cases and the Production Costs and Other Pass-Through Riders is consistent with previous testimony of the Consumer Advocate. In the docket to establish alternative ratemaking mechanisms for TAWC, the Consumer Advocate's expert, Terry Buckner, explained:**

**Again the primary difference between TAWC and the Consumer Advocate concerns the amount of Chemicals Expense for the loss of unaccounted for and non-revenue water. The unaccounted for and non-revenue water loss has continued to grow. Consistent with the TRA's Order in Docket No. 08-00039, the Consumer Advocate has capped the amount of unaccounted for and non-revenue water loss to fifteen percent in its calculation for Chemical Expenses.<sup>10</sup>**

**In the most recent PCOP filing, NRW was defined as the difference between Water Sales and System Delivery.<sup>11</sup>**

**1-25.** Referencing his testimony, is it Mr. Dittemore contention that "lost and unaccounted for water" cannot be calculated or estimated according to industry guidelines? If so, please provide the source and support for this conclusion.

**RESPONSE:**

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<sup>8</sup> *Order Approving the Revised 2024 Production Costs and Other Pass-Through Rider*, p. 5, TPUC Docket No. 24-00002 (July 15, 2024). In its decision, the Commission references the Company's PCOP workpaper "Petitioner's Exhibit-PCOP CALC – RCL." *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Direct Testimony of Terry Buckner at 11:18 – 12:3, TRA Docket No. 12-00049 (Aug. 27, 2012).

<sup>11</sup> *See* Petition, File <Petitioner's Exhibit-PCOP CALC-RCL>, Tabs "Support Workpaper" and "Usage&Sysdel", TPUC Docket No. 24-00002 (Jan. 16, 2024).

No, it is not Mr. Dittmore's contention because it is unclear what industry guidelines the Company is referring to.

1-26. What does Mr. Dittmore consider a normal or reasonable level of NRW for Tennessee American Water? Please provide the source and support for this conclusion.

**RESPONSE:**

Mr. Dittmore is not proposing any changes to the Commission's water loss percentage of 15% established in TRA Docket Nos. 08-00039 and 10-00189, as well as TAWC PCOP dockets.

1-27. Does Mr. Dittmore consider water released while flushing portions of the water system to maintain water quality "lost water" or "unaccounted for water"?

**RESPONSE:**

Mr. Dittmore is not proposing any changes to the method approved by the Commission regarding water loss cap of 15% established in TRA Docket Nos. 08-00039 and 10-00189, as well as TAWC PCOP dockets. Losses relating to flushing are currently considered non-revenue water in the calculation for determining the water loss cap of 15% as discussed in the most recent PCOP filing and approved by the Commission.<sup>12</sup>

1-28. Does Mr. Dittmore consider water that is released to test fire hydrants to be "lost water" or "unaccounted for water"?

**RESPONSE:**

Mr. Dittmore is not proposing any changes to the method approved by the Commission regarding water loss cap of 15% established in TRA Docket Nos. 08-00039 and 10-00189, as well as TAWC's PCOP dockets. Losses relating to hydrant flushing are considered non-revenue water in the calculation for determining the water loss cap of 15% as discussed in the most recent PCOP filing as approved by the Commission.<sup>13</sup>

1-29. Does Mr. Dittmore consider water usage that is metered, but not billed, "lost water" or "unaccounted for water"?

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<sup>12</sup> *Order Approving the Revised 2024 Production Costs and Other Pass-Through Rider*, p. 5, TPUC Docket No. 24-00002 (July 15, 2024). In its decision, the Commission references the Company's PCOP workpaper "Petitioner's Exhibit-PCOP CALC – RCL." *Id.*

<sup>13</sup> *Id.*

**RESPONSE:**

**Mr. Dittmore is not proposing any changes to the method approved by the Commission regarding water loss cap of 15% established in TRA Docket Nos. 08-00039 and 10-00189, as well as TAWC's PCOP dockets. Metered but unbilled water sales are considered non-revenue water in the calculation for determining the water loss cap of 15% as discussed in the most recent PCOP filings and approved by the Commission.<sup>14</sup>**

1-30. Refer to the table on page 4 of Alex Bradley's Pre-filed Testimony and refer to his Testimony on page 5, lines 12-18. Please explain the reason the CAD calculated Attrition Period Contract Services by first beginning "with the Consumer Advocate Adjusted Test Period amount of \$796,882" as opposed to first beginning with the Test Period amounts for the accounts making up this expense or TAWC's Adjusted Test Period Amount for this expense item.

**RESPONSE:**

**The Consumer Advocate started with the Consumer Advocate Adjusted Test Period, incorporating Mr. Dittmore's adjustment to remove non-recurring legal costs, DND-6, so that the forecasting adjustment to arrive at the Attrition Period did not contain these charges.**

1-31. Refer to the table on page 6 of Alex Bradley's Pre-filed Testimony and refer to his Testimony on pages 7 and 8. Please identify and explain the basis, components and accounts that make up the Consumer Advocate's "Business Development and External Affairs & Public Policy" item as referenced on pages 7 and 8 of Alex Bradley's Pre-filed Testimony, and identify how the CAD developed its "proposed Test Period Adjustments for Business Development and External Affairs & Public Policy" as utilized by the CAD to calculate its adjustments to the Contract Services, Labor, Benefits, Other Benefits, and Other Insurance components of TAWC's Attrition Period Support Services line item.

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<sup>14</sup>

*Id.*

Please also identify any differences between the “Business Development and External Affairs & Public Policy” item and the “External Affairs & Public Policy” item as referenced in application to Rents and Transportation on page 8 of Alex Bradley’s Pre-filed Testimony.

**RESPONSE:**

**As shown in <Revised AB-2 Support Services (CONFID) 10-9-24> the Consumer Advocate developed its proposed Test Period Adjustments for Business Development and External Affairs & Public Policy by removing the charges, on a per account basis, for those operating departments. The source of this data was Consumer Advocate DR No. 1-90, which provided the General Ledger for Support Services by department/function for the Test Period along with proposed Test Period Adjustments. See columns “CH-CX” within tabs Contract Services, Labor, Benefits, Other Benefits, and Insurance. As discussed by Mr. Dittmore, the Consumer Advocate removed 100% of charges for Business Development and 20% of charges for External Affairs & Public Policy. There were no charges for Business Development within Rents for the Test Period. Regarding Mr. Bradley’s testimony on Transportation Expenses, it should have stated “I started with the Consumer Advocate’s proposed Test Period Adjustments for Business Development (-\$88) and External Affairs & Public Policy (-\$6).**

**1-32.** Refer to the table on page 9 of Alex Bradley’s Pre-filed Testimony and refer to his Testimony on page 9, lines 14-20. Please explain why 2019 was selected, and not some other year or average of years, to compare to TAWC’s Proposed Adjusted Test Period to develop the CAD’s Support Services compound annual growth factor of 3.26%.

**RESPONSE:**

**The 2019 year was chosen as it reflected a level of expenses before the COVID-19 pandemic.**

**1-33.** Refer to page 18, lines 1-21 of Alex Bradley’s Pre-filed Testimony. Please state whether the CAD is taking the position that the Commission does not have authority to approve TAWC’s replacement of customer-owned lead service lines and, if so, identify all Tennessee statutes, regulations and precedent that supports that position.

**RESPONSE:**



**Objection: The Consumer Advocate objects on the grounds that the request calls for an improper legal conclusion.**

**1-34.** Refer to page 5, lines 3-13 of William Novak's Pre-filed Testimony. Please identify the "known and reasonably anticipated events" that were the basis of adjustments utilized by the CAD to calculate an attrition year rate base of \$297.8 million. Please identify and produce all related workpapers.

**RESPONSE:**

The "known and reasonably anticipated events" are already discussed in the direct testimony of William Novak. For example, Mr. Novak made an adjustment to Other Working Capital to remove Deferred Rate Case Cost as discussed on pages 10 – 11 of his direct testimony. Further, Mr. Novak's Rate Base workpapers relating to all "known and reasonably anticipated events" that were the basis of adjustments used by the Consumer Advocate to calculate an attrition year rate base of \$297.8 million have already been separately provided to the Company.

**1-35.** Refer to page 7, line 2 through page 8, line 5 of William Novak's Pre-filed Testimony. Please explain why a feasibility and reasonability analysis based on a four-year average was utilized to analyze Plant in Service.

**RESPONSE:**

To determine whether the Company's forecasted plant additions are reasonable, Mr. Novak analyzed historic plant additions to see if the plant activity for the prior periods closely mirrors the Company's anticipated capital expenditures. In this case, Mr. Novak reviewed the Company's historic plant additions and retirements over a four-year period – the same period that he used to examine plant additions in the Company's last rate case in TRA Docket No. 12-00049.

RESPECTFULLY SUBMITTED,



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**TPUC Docket No. 24-00032**  
CA Responses to TAWC DR 1

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with a courtesy copy by electronic mail provided upon:

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This the 9<sup>th</sup> day of October, 2024.



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