

STATE OF TENNESSEE

Office of the Attorney General



JONATHAN SKRMETTI
ATTORNEY GENERAL AND REPORTER

P.O. BOX 20207, NASHVILLE, TN 37202
TELEPHONE (615)741-3491
FACSIMILE (615)741-2009

October 14, 2024

Chairman David F. Jones
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deadrick Street, 4th Floor
Nashville, TN 37243
Tpuc.docketroom@tn.gov

Electronically Filed in TPUC Docket
Room on October 14, 2024 at 12:52 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* (TPUC Docket No.
24-00032)

Dear Chairman Jones:

Attached for filing, please find the Revised Direct Testimony of Alex Bradley in the above-captioned matter. The purpose of Mr. Bradley's Revised Direct Testimony is to revise A9, the revenue requirement (p. 3) and the corresponding revised Revenue Requirement exhibit.

Thank you for your time and consideration of this matter. If you have questions regarding this request, please contact me at (615) 741-2370.

Respectfully,

A handwritten signature in blue ink that reads "Karen H Stachowski".

Karen H. Stachowski
Deputy Attorney General

cc: All Parties of Record

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

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

DOCKET NO. 24-00032

REVISED DIRECT TESTIMONY OF

ALEX BRADLEY

October 14, 2024

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

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

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

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

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

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

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

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

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

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

6 Specifically, I will address the following:

- 7 I. Consumer Advocate’s proposed Attrition Period Operating & Maintenance
8 Expenses;
- 9 II. Consumer Advocate’s comments and proposal regarding the Company’s
10 proposal regarding credit card processing fees; and
- 11 III. Consumer Advocate’s comments and proposal regarding the Company’s
12 proposed Lead Service Line Replacement Program.

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

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

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

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

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

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

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

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

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

19 **A9.** Yes. As shown on Consumer Advocate Exhibit, Schedule 1, our proposed revenue
20 deficiency calculation required to produce the 6.45% overall return recommended by Mr.
21 Rothschild results in a decrease to revenues of approximately \$4,730,764 million. This is
22 \$18,861,765 less than the Company's proposed increase of \$14.13 million in order to
23 produce an overall return of 7.94%.

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

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

A10. Yes, please see the table below:¹

Line	Item	TAWC Proposed Attrition Period A/	Consumer Advocate Proposed Attrition Period
1	Maintenance	\$ 1,691,431	\$ 1,599,432
2	Chemicals	2,307,000	2,116,184
3	Contract Services	966,015	815,810
4	Labor	6,961,854	5,739,414
5	Group Insurance	481,683	333,536
6	Other Benefits	643,491	562,861
7	Pension	619,489	619,489
8	Other Insurance	1,205,504	1,205,504
9	Purchased Power	3,062,540	2,809,231
10	Purchased Water	194,199	194,199
11	Rents	29,985	27,351
12	Support Services	8,636,676	7,631,522
13	Customer Accounting	577,105	87,229
14	Telecom	352,451	320,950
15	Transportation	428,594	428,594
16	Waste Disposal	749,830	749,830
17	Uncollectible	585,203	491,153
18	Miscellaneous	1,699,078	1,462,123
19	Regulatory Expense	518,000	-
		\$ 31,710,128	\$ 27,194,414

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

A11. Yes.

¹ AB-1 Attrition Adjustments 10-9-24.xlsx.

1 **Maintenance Expense \$1,599,432.** This expense item contains Company
2 charges to Account 620 – Materials and Supplies and Account 631 –
3 Contractual Services Engineering. First, I began with the Test Period amounts
4 for the accounts making up this expense item and then adjusted the expense the
5 Attrition Year Maintenance Expense using my proposed non-production yearly
6 growth factor of 1.18%, as discussed later in my testimony, to determine the
7 appropriate adjustments to project to an Attrition Year ending December 31,
8 2025.

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

12 **Contract Services \$818,810.** This expense item contains Company charges to
13 Account 531. First, I began with the Consumer Advocate Adjusted Test Period
14 amount of \$796,882 as sponsored by Mr. Dittmore for the accounts making up
15 this expense item and then adjusted the expense the Attrition Year Maintenance
16 Expense using my proposed non-production yearly growth factor of 1.18%, as
17 discussed later in my testimony, to determine the appropriate adjustments to
18 project to an Attrition Year ending December 31, 2025.

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

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

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

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

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

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

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

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

Rents \$27,351. This expense item contains the Company charges to Account 541 – Rents, which contains the expenses relating to property and equipment rentals. First, I began with the Company Adjusted Test Period amount of \$26,717 as sponsored by Company Witness Prendergast for the accounts making up this expense item and then adjusted the expense the Attrition Year Maintenance Expense using my proposed non-production costs yearly growth factor of 1.18%, as discussed later in my testimony, to determine the appropriate adjustments to project to an Attrition Year ending December 31, 2025.

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

Description	2023 Total	Company Adjusted Test Period Total	CA Proposed Test Period Adjustments	CA Proposed Test Period	Difference	Company Proposed Attrition Period	CA Proposed Attrition Period	Difference
Maintenance	\$ 362,361	\$ 362,361	\$ -	\$ 362,361	\$ -	\$ 380,967	\$ 386,386	\$ 5,400
Contract Services	741,244	739,816	(5,919)	733,897	(5,919)	777,842	782,556	4,714
Labor	3,720,853	3,687,851	(872,283)	2,815,568	(872,283)	4,036,767	3,017,088	(1,019,678)
Benefits	593,479	599,695	(8,179)	591,516	(8,179)	641,045	630,734	(10,311)
Other Benefits	67,639	67,066	(664)	66,402	(664)	71,044	70,805	(240)
Other Insurance	439,196	441,479	(5,995)	435,484	(5,995)	469,153	464,357	(4,796)
Rents	125,485	125,485	(19)	125,467	(19)	136,781	133,785	(2,995)
Transportation	4,408	4,408	(94)	4,314	(94)	4,635	4,600	(35)
Uncollectible	(731)	(731)	-	(731)	-	(769)	(780)	(11)
Miscellaneous	1,660,910	1,659,905	(11,567)	1,648,338	(11,567)	1,715,947	1,757,625	41,677
Non O&M	360,466	350,465	-	360,466	-	403,268	354,266	(18,903)
Total	\$ 8,075,310	\$ 8,047,802	\$ (904,719)	\$ 7,143,082	\$ (904,719)	\$ 8,636,699	\$ 7,631,522	\$ (1,005,177)

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

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

4 A12. Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 **A14.** Yes.

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

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

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

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

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

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

Attrition Year, at current rates, and applied Attrition Period write off percentage to determine the appropriate amount Uncollectible Expense to include in Attrition period O&M. For ease, I have copied the calculation into the table below:

Account	Account Name	2019 Total	2020 Total	2021 Total	2022 Total	2023 Total
57010000	Uncollectible Accounts Exp - Natural Account	0	(0)	(0)	0	(0)
57010015	Uncollectible Accounts Exp - Customer Accounting	535,039	445,820	585,287	334,730	400,990
57010016	Uncollectible Accounts Exp - Admin & General	9,053	2,793	1,005	10,489	(18,330)
	Total	544,092	448,613	586,292	345,219	382,661
	Revenues	A/ 2019 Total	A/ 2020 Total	A/ 2021 Total	A/ 2022 Total	B/ 2023 Total
	Residential	\$24,516,883	\$25,553,048	\$27,680,531	\$28,696,200	30,456,082
	Commercial	\$18,175,737	\$17,824,980	\$20,240,146	\$20,811,516	21,895,344
	Public Authority	\$3,844,054	\$3,587,045	3,945,500	4,083,824	5,870,370
	Industrial	\$4,572,484	\$4,249,684	5,005,567	5,322,041	4,490,547
	Sales for Resale	\$1,160,784	\$1,242,507	1,213,583	1,241,922	1,646,523
	Fire	\$3,450,461	\$2,753,204	2,915,483	3,358,279	3,765,165
	Other	\$1,218,841	\$1,056,336	769,975	1,148,861	1,180,170
	Total	\$56,939,244	\$56,266,805	\$61,770,785	\$64,662,643	\$69,304,200
	Write Off %	0.95557%	0.79730%	0.94914%	0.53388%	0.55215%
	3 Year Average	0.67839%				
	CA Revenues Attrition Year at Present Rates	\$ 72,400,024	C/			
	Uncollectible Expense Attrition Year	\$ 491,153				
	TAW_R_CADDR1_132_Attachment17					
	A/ TAW_R_CADDR1_132_Attachment17.xlsx					
	B/ TAWC - Exhibit Rev - 1_Revenue Summary.xlsx, Exhibit Rev - 1					
	C/ WHN WP 3.0-Revenues					

Miscellaneous \$1,428,729. This expense item relates to the Company's charges associated with building maintenance/services, postage, office supplies, and other miscellaneous activities. In order to determine the appropriate Attrition Period balance I began with the Consumer Advocate Adjusted Test Period amount of \$1,428,200 which includes adjustments sponsored by Mr. Dittmore for the accounts making up this expense item and then adjusted the expense the Attrition Year Miscellaneous Expense using my proposed non-production yearly growth factor of 0.02%, as discussed later in my testimony, to determine the appropriate adjustments to project to an Attrition Year ending December 31, 2025.

Regulatory Expense \$0. This expense item relates to the Company's request to place \$518,000 in estimated legal expenses, relating to this case, within O&M expenses. As discussed by Mr. Novak, the Consumer Advocate has rejected the Company's proposal and has a separate remedy for recovery of these estimated costs; therefore, the Advocate has \$0 for Regulatory Expense in the Attrition Period ending 2025.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Credit Card Processing Fee Proposal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁶ *Id.* at 19:1-13.

⁷ *Id.* at 26:3-7.

⁸ *Id.* at 24:13-14.

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

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

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

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

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

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

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

¹¹ *Id.* Page 9.

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

¹³ *Id.*

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

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

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

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

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

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

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

¹⁶ *Id.*

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

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

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

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

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

DOCKET NO. 24-00032

AFFIDAVIT

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


ALEX BRADLEY

Sworn to and subscribed before me

This 9th day of October, 2024.



NOTARY PUBLIC



My Commission Expires:

1/31/2027

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

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TENNESSEE-AMERICAN WATER COMPANY
Results of Operations
For the 12 Months Ending December 31, 2025

Line No.		Consumer Advocate	Company E/	Difference
1	Rate Base	\$ 298,042,513 A/	\$ 305,126,373	\$ -7,083,860
2	Operating Income At Current Rates	22,707,526 B/	14,173,524	8,534,002
3	Earned Rate Of Return	7.62%	4.65%	2.97%
4	Fair Rate Of Return	6.45% C/	7.94%	-1.49%
5	Required Operating Income	19,218,377	24,227,034	-5,008,657
6	Operating Income Deficiency	-3,489,149	10,053,510	-13,542,659
7	Gross Revenue Conversion Factor	<u>1.355850 D/</u>	<u>1.414331</u>	<u>-0.058481</u>
8	Revenue Deficiency	\$ <u>-4,730,764</u>	\$ <u>14,131,001</u>	\$ <u>-18,861,765</u>

A/ C Exhibit, Schedule 2.
B/ CA Exhibit, Schedule 7.
C/ CA Exhibit, Schedule 14.
D/ CA Exhibit, Schedule 15.
E/ TAWC 2024 Rate Case - Revenue Requirement

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

Line No.		Test Period	A/	Adjustments	Attrition Period	B/
Additions:						
1	Utility Plant in Service	\$ 472,080,671		\$ 43,058,035	\$ 515,138,706	
2	Construction Work in Progress		0	0		0
3	Materials & Supplies	1,366,374		532,977	1,899,351	
4	Lead/Lag Study	4,881,000		-5,010,832	-129,832	
5	Working Capital	<u>1,206,999</u>		<u>-282,679</u>	<u>924,320</u>	
6	Total Additions	\$ <u>479,535,044</u>		\$ <u>38,297,501</u>	\$ <u>517,832,545</u>	
Deductions:						
7	Accumulated Depreciation	\$ 112,114,198		\$ 14,705,575	\$ 126,819,773	
8	Accumulated Deferred FIT	55,861,409		590,006	56,451,415	
9	Customer Advances for Construction	7,500,963		3,135,945	10,636,908	
10	Contributions in Aid of Construction	19,183,109		2,353,839	21,536,948	
11	Unamortized Investment Tax Credit	12,156		-7,146	5,010	
12	Jasper Highlands Reg Liability	682,200		-91,800	590,400	
13	Utility Plant Acquisition Adjustment	<u>3,749,579</u>		<u>0</u>	<u>3,749,579</u>	
14	Total Deductions	\$ <u>199,103,614</u>		\$ <u>20,686,418</u>	\$ <u>219,790,032</u>	
15	Rate Base	\$ <u>280,431,430</u>		\$ <u>17,611,083</u>	\$ <u>298,042,513</u>	

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

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

Line No.		Consumer Advocate A/	Company B/	Difference
Additions:				
1	Utility Plant in Service	\$ 515,138,706	\$ 515,138,706	\$ 0
2	Construction Work in Progress	0	0	0
3	Materials and Supplies	1,899,351	1,899,351	0
4	Lead/Lag Study	-129,832	4,503,000	-4,632,832
5	Working Capital	<u>924,320</u>	<u>2,549,849</u>	<u>-1,625,529</u>
6	Total Additions	\$ <u>517,832,545</u>	\$ <u>524,090,907</u>	\$ <u>-6,258,362</u>
Deductions:				
7	Accumulated Depreciation	\$ 126,819,773	\$ 126,819,773	\$ 0
8	Accumulated Deferred FIT	56,451,415	60,093,004	-3,641,589
9	Customer Advances for Construction	10,636,908	8,250,965	2,385,943
10	Contributions in Aid of Construction	21,536,948	19,455,803	2,081,145
11	Unamortized Investment Tax Credit	5,010	5,010	0
12	Jasper Highlands Reg Liability	590,400	590,400	0
13	Utility Plant Acquisition Adjustment	<u>3,749,579</u>	<u>3,749,579</u>	<u>0</u>
14	Total Deductions	\$ <u>219,790,032</u>	\$ <u>218,964,534</u>	\$ <u>825,498</u>
15	Rate Base	\$ <u>298,042,513</u>	\$ <u>305,126,373</u>	\$ <u>-7,083,860</u>

A/ WHN Rate Base Workpaper RB-2.00.

B/ Petitioner's Exhibit RB-1-Summary-DD

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

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

A/ WHN Rate Base Workpaper RB-40-1.00
B/ Petitioner's Exhibit RB-5-Other Working Capital-DD

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

Line No.		CA
1	Revenue Lag	44.46 A/
2	Expense Lag	45.64 B/
3	Net Lag	-1.18
4	Daily Cost of Service	\$ 110,225 B/
5	Lead Lag Study	\$ -129,832

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

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

Line No.		Amount A/	Lag B/	Dollar Days
Operating & Maintenance Expenses:				
1	Maintenance	\$ 1,599,432	12.10	\$ 19,353,122
2	Chemicals	2,116,184	48.30	102,211,673
3	Contract Services	815,810	48.50	39,566,805
4	Labor	5,739,414	10.50	60,263,850
5	Group Insurance	333,536	10.50	3,502,128
6	Other Benefits	562,861	9.00	5,065,748
7	Pension	619,489	-1.20	-743,387
8	Other Insurance	1,205,504	-59.80	-72,089,139
9	Purchased Power	2,809,231	28.00	78,658,480
10	Purchased Water	194,199	37.90	7,360,142
11	Rents	27,351	-234.90	-6,424,855
12	Support Services	7,631,522	10.50	80,130,984
13	Customer Accounting	87,229	61.80	5,390,779
14	Telecom	320,950	21.50	6,900,420
15	Transportation	428,594	49.10	21,043,965
16	Waste Disposal	749,830	65.70	49,263,831
17	Miscellaneous	1,462,123	45.90	67,111,468
18	Regulatory Expense	0	0.00	0
19	Total O&M Expenses	\$ 26,703,261	17.47	\$ 466,566,014
Administrative & General Expenses:				
20	Federal Income Tax	538,341	36.50	19,649,437
21	Property Taxes	3,576,571	218.10	780,050,135
22	Gross Receipts Tax	1,014,093	-157.50	-159,719,691
23	Franchise Tax	915,278	44.30	40,546,802
24	Utility Tax	289,493	269.00	77,873,616
25	Taxes Other Than Income	446,591	10.50	4,689,201
26	Interest Expense - Long-Term Debt	6,495,240	92.80	602,758,317
27	Interest Expense - Short-Term Debt	253,336	14.60	3,698,708
28	Total Administrative & General Expenses	\$ 13,528,943	101.23	\$ 1,369,546,525
29	Total Lead/Lag Expenses	\$ 40,232,204	45.64	\$ 1,836,112,540
Other Expenses:				
30	Depreciation Expense	\$ 15,763,872		
31	Amortization Expense	1,116		
32	Net Earnings	15,958,950		
33	Total Other Expenses	\$ 31,723,938		
34	Total Cost of Service	\$ 71,956,141		
35	Daily Cost Of Service-Based on Lead/Lag Expenses	\$ 110,225		

Total Working Capital Attrition Year

A/ CA Exhibit, Schedule 7

B/ Petitioner's Exhibit RB-4-Cash Working Capital-DD

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

Line No.		Test Period A/	Adjustments	Attrition Amount A/
	Operating Revenues:			
1	Water Sales Revenues	\$ 68,124,042	\$ 3,095,812	\$ 71,219,854 B/
2	Other Revenues	1,180,170	0	1,180,170 B/
3	Total Water Revenue	\$ 69,304,212	\$ 3,095,812	\$ 72,400,024
	Operating & Maintenance Expenses:			
4	Maintenance	\$ 1,562,322	\$ 37,109	\$ 1,599,432
5	Chemicals	2,518,430	-402,247	2,116,184
6	Contract Services	918,751	-102,941	815,810
7	Labor	5,719,662	19,753	5,739,414
8	Group Insurance	1,378,584	-1,045,048	333,536
9	Other Benefits	494,871	67,990	562,861
10	Pension	(179,665)	799,154	619,489
11	Other Insurance	1,150,221	55,283	1,205,504
12	Purchased Power	2,764,927	44,304	2,809,231
13	Purchased Water	175,295	18,904	194,199
14	Rents	26,717	635	27,351
15	Support Services	8,452,669	-821,147	7,631,522
16	Customer Accounting	85,206	2,024	87,229
17	Telecom	313,502	7,448	320,950
18	Transportation	449,680	-21,086	428,594
19	Waste Disposal	675,128	74,702	749,830
20	Uncollectible	382,661	108,493	491,153
21	Miscellaneous	1,428,200	33,924	1,462,123
22	Regulatory Expense	0	0	0
23	Total Operating & Maintenance Expenses	\$ 28,317,161	\$ -1,122,747	\$ 27,194,414
24	Depreciation Expense	\$ 11,635,460	\$ 4,128,412	\$ 15,763,872 C/
25	Amortization Expense	1,116	0	1,116
26	General Taxes	5,359,014	883,012	6,242,026 D/
27	State Excise Taxes	670,658	-717,928	-47,270 E/
28	Federal Income Taxes	1,752,717	-1,214,376	538,341 E/
29	Total Operating Expenses	\$ 47,736,125	\$ 1,956,373	\$ 49,692,498
30	Utility Operating Income	\$ 21,568,087	\$ 1,139,439	\$ 22,707,526

A/ AB-1 Attrition Adjustments 10-9-24

B/ CA Exhibit, Schedule 9

C/ WHN Rate Base Workpapers, 2.00 Rate Base Summary

D/ CA Exhibit, Schedule 10

E/ CA Exhibit, Schedule 11

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

Line No.		Consumer Advocate A/	Company B/	Difference
	Operating Revenues:			
1	Water Sales Revenues	\$ 71,219,854	\$ 70,507,132	\$ 712,722
2	Other Revenues	1,180,170	1,217,791	-37,621
3	Total Water Revenue	\$ 72,400,024	\$ 71,724,923	\$ 675,101
	Operating & Maintenance Expenses:			
4	Maintenance	\$ 1,599,432	\$ 1,691,431	\$ -91,999
5	Chemicals	2,116,184	2,307,000	-190,816
6	Contract Services	815,810	966,015	-150,205
7	Labor	5,739,414	6,961,854	-1,222,440
8	Group Insurance	333,536	481,683	-148,147
9	Other Benefits	562,861	643,491	-80,630
10	Pension	619,489	619,489	0
11	Other Insurance	1,205,504	1,205,504	0
12	Purchased Power	2,809,231	3,062,540	-253,309
13	Purchased Water	194,199	194,199	0
14	Rents	27,351	29,985	-2,634
15	Support Services	7,631,522	8,636,676	-1,005,154
16	Customer Accounting	87,229	585,203	-497,974
17	Telecom	320,950	352,451	-31,501
18	Transportation	428,594	428,594	0
19	Waste Disposal	749,830	749,830	0
20	Uncollectible	491,153	577,105	-85,952
21	Miscellaneous	1,462,123	1,699,078	-236,955
22	Regulatory Expense	0	518,000	-518,000
23	Total Operating & Maintenance Expenses	\$ 27,194,414	\$ 31,710,128	\$ -4,515,714
24	Depreciation Expense	15,763,872	15,763,872	0
25	Amortization Expense	1,116	1,116	0
26	General Taxes	6,242,026	8,219,702	-1,977,676
27	State Excise Taxes	-47,270	1,565,361	-1,612,631
28	Federal Income Taxes	538,341	4,368,709	-3,830,368
29	Total Operating Expenses	\$ 49,692,498	\$ 61,628,888	\$ -11,936,390
30	Utility Operating Income	\$ 22,707,526	\$ 10,096,035	\$ 12,611,491

A/ CA Exhibit, Schedule 7.

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

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

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

A/ Exh. DND-10

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

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

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

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

A/ WHN WP 3.0-Revenues

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

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

Line No.		Consumer Advocate A/
1	Operating Revenues	\$ 72,400,024
	Operating Expenses:	
2	Maintenance	\$ 1,599,432
3	Chemicals	2,116,184
4	Contract Services	815,810
5	Labor	5,739,414
6	Group Insurance	333,536
7	Other Benefits	562,861
8	Pension	619,489
9	Other Insurance	1,205,504
10	Purchased Power	2,809,231
11	Purchased Water	194,199
12	Rents	27,351
13	Support Services	7,631,522
14	Customer Accounting	87,229
15	Telecom	320,950
16	Transportation	428,594
17	Waste Disposal	749,830
18	Uncollectible	491,153
19	Miscellaneous	1,462,123
20	Regulatory Expense	0
21	Depreciation Expense	15,763,872
22	Amortization Expense	1,116
23	General Taxes	6,242,026
24	Total Operating Expenses	\$ 49,201,428
25	NOI Before Excise and Income Taxes	\$ 23,198,597
26	Less Interest Expense	6,748,577 C/
27	Less Repair Deduction	13,933,763 B/
28	Pre-tax Book Income	\$ 2,516,257
29	Excise Tax Rate	6.50%
30	Subtotal State Excise Tax Expense	\$ 163,557
31	Less State Tax Credit	210,827 D/
32	State Excise Tax Expense	\$ -47,270
33	Pre-tax Book Income	\$ 2,516,257
34	Less State Excise Tax Expense	-47,270
35	FIT Taxable Income	\$ 2,563,527
36	FIT Rate	21.00%
37	Federal Income Tax Expense	\$ 538,341
38	Total State & Federal Income Tax Expense	\$ 491,070

A/ CA Exhibit, Schedule 7.
B/ DND Exh. 2
C/ CA Exhibit, Schedule 13.
D/ Exh. DND-13

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

Line No.		Current Rates A/	Rate Increase B/	Proposed Rates
	Operating Revenues:			
1	Water Sales Revenues	\$ 71,219,854	\$ -4,730,764	\$ 66,489,090
2	Other Revenues	1,180,170	-25,418	1,154,752
3	Total Water Revenue	\$ 72,400,024	\$ -4,756,183	\$ 67,643,842
	Operating & Maintenance Expenses:			
4	Maintenance	\$ 1,599,432	\$ 0	\$ 1,599,432
5	Chemicals	2,116,184	0	2,116,184
6	Contract Services	815,810	0	815,810
7	Labor	5,739,414	0	5,739,414
8	Group Insurance	333,536	0	333,536
9	Other Benefits	562,861	0	562,861
10	Pension	619,489	0	619,489
11	Other Insurance	1,205,504	0	1,205,504
12	Purchased Power	2,809,231	0	2,809,231
13	Purchased Water	194,199	0	194,199
14	Rents	27,351	0	27,351
15	Support Services	7,631,522	0	7,631,522
16	Customer Accounting	87,229	0	87,229
17	Telecom	320,950	0	320,950
18	Transportation	428,594	0	428,594
17	Waste Disposal	749,830	0	749,830
18	Uncollectible	491,153	-32,499	458,654
19	Miscellaneous	1,462,123	0	1,462,123
18	Regulatory Expense	\$ 27,194,414	\$ -32,499	\$ 27,161,915
19	Depreciation Expense	\$ 15,763,872	\$ 0	\$ 15,763,872
20	Amortization Expense	1,116	0	1,116
21	General Taxes	6,242,026	0	6,242,026
22	State Excise Taxes	-47,270	-307,039	-354,310
23	Federal Income Taxes	538,341	-927,495	-389,155
24	Total Operating Expenses	\$ 49,692,498	\$ -1,267,034	\$ 48,425,464
25	Utility Operating Income	\$ 22,707,526	\$ -3,489,149	\$ 19,218,377

A/ CA Exhibit, Schedule 8

B/ CA Exhibit, Schedule 1

TENNESSEE-AMERICAN WATER COMPANY
Rate of Return Summary
For the 12 Months Ending December 31, 2025

Line No.	Class of Capital	Consumer Advocate ^{A/}		
		Percent of Total	Cost Rate A/	Weighted Cost Rate
1	Parent Short-Term Debt	1.99%	4.27%	0.0850%
2	Parent Long Term Debt	47.48%	4.59%	2.1793%
3	Parent Preferred	0.00%	0.00%	0.0000%
4	Parent Common Equity	<u>50.53%</u>	8.28%	4.1839%
5	Total	<u>100.00%</u>		<u>6.4482%</u>
Interest Expense Short-Term Debt				
6	Rate Base			\$ 298,042,513 B/
7	Short-Term Weighted Debt Cost			<u>0.0850%</u>
8	Short-Term Debt Interest Expense			<u>\$ 253,336</u>
Interest Expense Long-Term Debt				
9	Rate Base			\$ 298,042,513 B/
10	Long-Term Weighted Debt Cost			<u>2.1793%</u>
11	Long-Term Debt Interest Expense			<u>\$ 6,495,240</u>
12	Total Interest Expense			<u>\$ 6,748,577</u>

A/ Direct Testimony of Aaron L. Rothschild, Exhibit ALR-1
B/ CA Exhibit, Schedule 2

TENNESSEE-AMERICAN WATER COMPANY
Revenue Conversion Factor
For the 12 Months Ending December 31, 2025

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

A/ WHN Revenue Workpaper WP 3.0 -Revenues
B/ Statutory Rates.

TENNESSEE-AMERICAN WATER COMPANY
CA Proposed Revenue Change
For the 12 Months Ending December 31, 2025

Line No.		Current Rates	A/	Proposed Rates	B/	Revenue Change	Percent Change
1	Residential	\$ 32,040,156		\$ 29,683,949		\$ -2,356,207	-7.35392%
2	Commercial	22,921,882		21,236,225		-1,685,657	-7.35392%
3	Industrial	6,162,032		5,708,881		-453,151	-7.35392%
4	Other Public Authority	4,280,488		3,965,704		-314,784	-7.35392%
5	Other Water Utility	1,733,026		1,605,581		-127,445	-7.35392%
6	Private Fire Service	<u>4,082,272</u>		<u>3,782,065</u>		<u>-300,207</u>	<u>-7.35392%</u>
7	Total Water Sales Revenues	\$ 71,219,854.33		\$ 65,982,402.60		\$ -5,237,452	-7.35392%
8	Other Revenues	<u>1,180,170</u>		<u>1,686,857</u>		<u>506,687</u>	
9	Total Revenues	\$ <u>72,400,024</u>		<u>67,669,260</u>		\$ <u>-4,730,764</u>	

A/ CA Exhibit, Schedule 9.

B/ CA Exhibit, Schedule 1. WHN-2 ,WP 100-4.01-Rate Design