October 22, 2024

VIA ELECTRONIC FILING

Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
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Electronically Filed in TPUC Docket Room
on October 22, 2024 at 2:22 p.m.

RE: ***Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase,*** **TPUC Docket No. 24-00032**

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimonies for (1) Heath Brooks; (2) Ann Bulkley; (3) Dominic J. DeGrazia; (4) Grant Evitts; (5) Nicholas Furia; (6) Larry Kennedy; (7) Bob Lane; (8) Robert V. Mustich; (9) Robert Prendergast; (10) Charles Rea; (11) Linda Schlessman; (12) Grady Stout; (13) Harold Walker, III; and (14) John Watkins* in the above-captioned matter.

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

Very truly yours,

BUTLER SNOW LLP

Melvin J. Malone

clw
Attachments
cc: Bob Lane, TAWC
Shilina Brown, Consumer Advocate Division
Victoria Glover, Consumer Advocate Division
Phillip Noblett, City of Chattanooga
Frederick Hitchcock, City of Chattanooga
Scott Tift, UWUA

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

REBUTTAL TESTIMONY

OF

BOB LANE

ON

TOPICS:
Corrections & Impact on Revenue Requirement and Revenue Deficiency; Gross Revenue Conversion Factor; Historic Earnings; PCOP Rider Proposed Modifications; Rate Case Expense; Credit Card Processing Costs; Recovery of Customer-Owned Service Lines Through QIIP; Proposed Tariff Rules and Fee Changes

SPONSORING PETITIONER'S EXHIBITS

TAW_RT_LANE_Exhibit 1
TAW_RT_LANE_Exhibit 2
TAW_RT_LANE Exhibit 3

REBUTTAL TESTIMONY
BOB LANE
TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-00032

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert ("Bob") C. Lane and my business address is 109 Wiehl Street, Chattanooga, Tennessee.

Q. DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF TENNESSEE-AMERICAN WATER COMPANY, INC. ("TAWC" OR THE "COMPANY")?

A. Yes. I filed Direct Testimony and exhibits on May 1, 2024.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is twofold: (1) to explain the corrections identified during the discovery process and during review of the Intervenors' testimony and their impact on the Company's forecasted Revenue Requirement and Revenue Deficiency for the Attrition Year, and (2) to respond to testimony provided by the Consumer Advocate Division's ("Consumer Advocate" or "CAD") witnesses Mr. Dittemore, Mr. Novack and Mr. Bradley and the City of Chattanooga's witness Mr. Garrett.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes, I am sponsoring exhibits TAW_RT_LANE_Exhibit 1, TAW_RT_LANE_Exhibit 2, and TAW_RT_LANE_Exhibit 3, which are being submitted along with my rebuttal testimony.

Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

II. CORRECTIONS & IMPACT ON REVENUE REQUIREMENT AND REVENUE DEFICIENCY

Q. PLEASE EXPLAIN THE CORRECTIONS AND THEIR IMPACT, IF ANY, ON THE COMPANY'S FORECASTED REVENUE DEFICIENCY.

A. During the discovery phase of this case, the Intervenors submitted a significant number of discovery requests. TAWC invested substantial resources to cooperatively respond. In the course of our efforts to timely respond to the discovery requests submitted by the Intervenors and subsequently, the Company identified seven (7) corrections, the majority of which were submitted to the parties in the Company's discovery responses. Overall, these corrections result in a decrease of 2.1% in the Company's Revenue Requirement and Revenue Deficiency. See Table 1 for a summary of these corrections:

Table 1

Tennessee American Water Company Revenue Requirement and Deficiency Rebuttal Update Analysis		
As Filed Revenue Requirement	**$ 85,855,923**	**Notes:**
Severance Removal	(28,320)	TAW_R_CADDR1_062 - 064, filed 06/25/24
Employment Agreements Removal (Relocation Expense)	(120,889)	TAW_R_CADDR1_062 - 064, filed 06/25/24
Cost of Removal Rate (Updated to 0%)	(166,658)	TAW_R_CADDR2_045, filed 07/30/24
Enterprise Solutions Capital Expenditures Update	164,482	TAW_R_CADDR1_148, filed 06/25/24
Inflation Factor Revisions (Rent, Office Supplies & Stationary)	(368)	TAW_R_CADDR1_179, filed 06/25/24 TAW_R_CADDR3_016, filed 08/27/24
Cash Working Capital Revisions	(12,053)	TAW_R_CADDR1_51, filed 06/25/24
Rebuttal Adjustments Revenue Requirement	**$ 85,692,117**	
As Filed Present Rate Revenues	**$ 71,724,922**	
Industrial Usage Revision	$ 134,060	Error found during Rebuttal Testimony Preparation
Rebuttal Adjustments Present Rate Revenues	**$ 71,858,982**	
Rebuttal Adjustment Revenue Deficiency	**$ 13,833,135**	
As filed Revenue Deficiency	$ 14,131,001	
Change in Revenue Deficiency	$ (297,866)	

As shown in Table 1, the Company has made the following corrections to the 2025 Attrition Year Revenue Requirement and Revenue Deficiency:

1. Removal of Severance Expenses. During discovery, the Company identified Severance Expenses that were inadvertently included in the Attrition Year Revenue Requirement. The Company has removed Severance Expenses for the Attrition Year as described in the Company's response to TAW R CADDR1 062-064 (filed 6/25/24) and is not seeking recovery of these expenses. This reduces the Revenue Requirement and the Revenue Deficiency by $28,320.

2. Removal of Relocation Expenses. During discovery, the Company identified Relocation Expenses that were inadvertently included in the Attrition Year Revenue Requirement. The Company has removed Relocation Expenses for the Attrition Year as described in the Company's response to TAW R CADDR1 062-064 (filed 6/25/24) and is not seeking recovery of these expenses. This reduces the Revenue Requirement by $120,889.

3. Cost of Removal Rate Correction. During discovery, the Company identified a Cost of Removal Rate that was inadvertently applied to the 340300 account. This rate should be zero for this specific account. The error in TAW R CADDR2 045 (filed 7/30/24) has been corrected and reduces the Revenue Requirement by $166,658 due to this increase in Rate Base of $74,825.

4. Capital Expenditures Correction. In its response to TAW R CADDR1 148 (filed 6/25/24), the Company updated its forecasted capital expenditures in account 340300 for the period January 2024 through January 2025. These updated forecasted capital additions relate to investments in Enterprise Solutions projects. Enterprise Solutions investments include the

Company's investment in technology projects that are completed on an enterprise-wide basis for the benefit of all American Water's operating utilities, including TAWC. This totals an increase in Average Rate Base of $684,171 and added $164,482 to the 2025 Attrition Year Revenue Requirement.

5. Inflation Factor Correction. The Company made a minor revision to its proposed inflation factor for Rent, Office Supplies and Stationary expenses, as reflected in its response to TAW R CADDR1 179 (filed 6/25/24). This results in a $368 dollar reduction in these expenses and in the 2025 Attrition Year Revenue Requirement.

6. Cash Working Capital Correction: The Company is adjusting its Forecasted Cash Working Capital downward by $108,000, as reflected in its response to TAW R CADDR1 51 (filed 6/25/24). This results in a reduction of $12,053 in the 2025 Attrition Year Revenue Requirement.

7. Industrial Usage Correction. In addition to these reductions in the 2025 Attrition Year Revenue Requirement and Rate Base, the Company discovered that it had inadvertently underestimated Industrial Customer forecasted 2025 revenues at present rates by $134,060.

These adjustments—the Revenue Requirement reductions of $163,803 and the increase in forecasted revenues of $134,060—result in a total reduction in the Revenue Deficiency of $297,863, from $14,131,001 to $13,382,010[1].

III. GROSS REVENUE CONVERSION FACTOR

Q. DID MR. DITTEMORE MODIFY THE REVENUE CONVERSION FACTOR?

[1] The Company recognizes that these changes would have small impacts on various schedules which will need to be updated when the Company calculates rates following a final decision by the Commission.

A. Yes. Mr. Dittemore eliminated both the TRA fee and gross receipts tax percentage from the gross conversion factor. Dittemore states the reasoning as "The TRA (TPUC) fee will not increase or decrease until 2026 associated with this rate change, and thus, it should not be considered within the context of the 2025 attrition period results under consideration in this proceeding"[2]. Furthermore, Dittemore argued that the franchise and excise tax being a deduction to the gross receipts as an additional reason for the elimination of gross receipts. Dittemore also modified the conversion factor by first including the forfeited discount .005373 of, whereas TAWC applied .61882%, as ratio of Late Fees to Water Revenues, outside of the conversion factor.[3] The modifications resulted in an overall decrease of the gross up factor from the Company proposed amount of 1.414331 to 1.355850.

Q. DOES TAWC AGREE TO MR. DITTEMORE'S PROPOSED MODIFICATIONS?

A. No. The main driver of the difference in overall conversion factor rate is due to the elimination of TRA fees and gross receipts tax. These exclusions are not appropriate, as these additional expenses will be incurred based on the revenue requirement increase requested. In addition, the exclusion due to the excise tax reduction is inaccurate, as the excise tax deduction is based on capital balances not revenue and has been reflected in the present rate expense adjustment in Petitioner's Exhibit EXP-22-General Taxes and Fees-DD.

In regard to forfeited discounts, the Company included a late payment fee of .61882%, reflected in a reduction to the gross up of the revenue requirement to arrive at the total

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[2] *Pre-filed Testimony of Consumer Advocate Division Witness David N. Dittemore 43:19-44:2*, TPUC Docket No. 24-00032 (Sept. 17, 2024) (hereinafter "*Dittemore*").

[3] Consumer Advocate Exhibit, Schedule 15 Revenue Conversion Factor

revenue requirement requested. This was based on the average of the Percentage of Late Payment Fees to Revenue for 2022 and 2023. CADs discount assumption is based on the historical late payment fee as a percentage of the forecasted 2025 revenue resulting in a lower rate. This lower rate of .5373% increases the Consumer Advocate's Gross Revenue Conversion Factor, but their exclusion of the TRA fee and Gross Receipts Tax results in an overall decrease of 5.848% to the Revenue Conversion Factor compared to the Company's calculations.

Q. WHAT ARE THE COMPONENTS OF THE REVENUE CONVERSION FACTOR AND HOW IS IT APPLIED IN TAWC PROPOSED REVENUE REQUIREMENT CALCULATION?

A. The revenue conversion factor is the gross up of the effective tax rate of the current state and federal tax rates, uncollectible expense rate, the current gross receipts tax rate, and any applicable Tennessee Public Utility Commission fees ("TPUC" or "TRA" fee). The factor is applied to the Increase in Net Operating Income Required in Exhibit FS-1-Summary Revenue Requirement-BL, Schedule FS-1.1.

Q. WHAT CONVERSION FACTOR IS THE COMPANY PROPOSING/RECOMMENDING?

A. TAWC proposes the conversion factor as filed, 1.414331.

IV. <u>TAWC'S HISTORIC EARNINGS</u>

Q. MR. DITTEMORE'S TESTIMONY INCLUDES A TABLE[4] PURPORTING TO COMPARE THE COMPANY'S EXCESS OR DEFICIENCY IN EARNINGS IN

[4] *Dittemore* 4, Table 2.

THE YEARS 2021, 2022 AND 2023, BASED ON TAWC ANNUAL EARNINGS TEST FILED AS PART OF ITS CAPITAL RECOVERY RIDER FILINGS. ARE THERE ANY ERRORS OR INACCURACIES CONTAINED IN HIS TABLE OR IN HIS INTERPRETATION OF HIS TABLE 2?

A. Yes, there are a few errors or inaccuracies within Mr. Dittemore's Table 2 that I will address. According to his Pre-filed Testimony, Mr. Dittemore's Table 2 purports to "compare the earnings (excess)/deficiency of the Company's last three capital rider filings with the $14.1 million revenue increase sought in this proceeding."[5] First, for the year 2022, Mr. Dittemore's Table 2 indicates the Company had excess earnings in the amount of $1,175,140. However, an examination of the earnings test calculations and results in TPUC Docket No. 23-00018 evidence that the excess earnings were $868,017,[6] representing an adjusted rate of return of 7.58% compared to an authorized rate of return of 7.23%, meaning that TAWC exceeded its authorized ROR by only 25 basis points (0.25 percentage points). The number presented by Mr. Dittemore represents an inflation of the excess earnings resulting from the application of an income tax rate factor of 1.3538212 in order to calculate the proper pre-tax revenue adjustment to refund customers. The actual earnings above authorized were $868,017. The tax rate should not be applied to excess earnings as the earnings impact to the Company is on a post-tax basis.

Second, for 2023, Mr. Dittemore's Table 2 also provides an incorrect amount of excess earnings by the Company. Here, it is worth noting that the 2022 calculation (TPUC Docket

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[5] *Dittemore* 4:6-10.

[6] TAWC earnings test results showed an actual net operating income of $18,803,654 compared to an authorized return authorized adjusted net operating income of $17,935,837, a difference of $868,017. *See* Direct Testimony of Robert C. Lane, Petitioner's Exhibit-Earnings Test-RCL, p. 2, TPUC Docket No. 23-00018 (March 1, 2023).

No. 23-00018) was an ROR-based earnings test in which the actual ROR was compared to the authorized ROR of 7.23%, while the 2023 earnings test (TPUC Docket No. 24-00011) is an ROE-based test in which the Return on Equity is compared to the authorized ROE of 10%. For 2023, TAWC's earnings test showed an adjusted net income of $15,748,528 on an Equity Financed Rate Base of $146,301,521, yielding a Return on Equity of 10.76%, which is 76 basis points (0.76 percentage points) above the 10% authorized in the Company's last rate case. Therefore, the earnings above authorized for 2023 for TAWC was equal to $1,118,675, not the $1,505,302 shown in Mr. Dittemore's Table 2. Similar to the previous Table 2 error that I identified above, Mr. Dittemore again inflates the actual earnings above authorized.

Q. WHAT CONCLUSIONS DOES MR. DITTEMORE MAKE IN RELIANCE UPON THE CALCULATIONS REPRESENTED IN HIS TABLE 2?

A. Mr. Dittemore concludes that: 1) utilities in an excess earnings situation based upon historical data such as is reflected in his Table 2 typically do not file a rate case and 2) "[t]hese historical results are not those of a utility needing a significant rate increase."[7]

Q. DO YOU AGREE WITH THE TWO CONCLUSIONS MR. DITTEMORE DRAWS FROM THE DATA PRESENTED IN HIS TABLE 2?

A. No, I do not, for several reasons. As shown below, Mr. Dittemore omits several relevant considerations from his analysis and conclusions. First of all, Mr. Dittemore is comparing *historical* results of operations and earnings from 2022 and 2023 with a proposed *forecast* of operation and investments for the Attrition Year of 2025. The Tennessee Public Utility

[7] *Dittemore* 4-5.

Commission ("Commission" or "TPUC") uses a forward-looking test year in rate cases, which in this case is the 12-months ending December 31, 2025 (the Attrition Year). The revenue increase being requested by the Company reflects the increased rate base projected for 2025 based on a 13-month average, increase projected expenses for that period (2025), and a projected Capital Structure for 2025. The historic 2021, 2022, and 2023 earnings are not indicative of the level of earnings necessary in 2025 on the rate base (13-month average) projected to be in service during 2025.

Secondly, the ROE Test and the ROR Earnings Test that preceded it both include adjustments to net income resulting from the exclusion of certain costs based on past regulatory decisions. In 2023, those exclusions resulted in an increase in net income of $1,686,500. Thus, the entire earnings for 2023, which were in excess of the authorized amount of $1,118,675, were the result of these regulatory exclusions. These regulatory exclusions of actual costs incurred by the Company in the provision of utility service in this proceeding are included in the revenue deficiency of $14,173,524 for the Attrition year of 2025.

The third relevant factor is the continued growth in Rate Base from 2023 to 2024, and the resultant increase of equity investment. In 2023, the 13-month average rate base was $267,385,056. The Company, in its May 1st filing, projected a rate base in 2025 (13-month average) of $305,777,368. The CAD itself sets the 2025 attrition rate base after its proposed adjustments at $297,805,860. Additional revenue is required to support this increase in costs, such as depreciation, property tax, and cost of capital associated with this increased investment. As proposed by Mr. Dittemore, if the Company continues to make necessary and prudent investments to provide its customers and the public with safe and reliable water service without additional revenues that support these investments, the Company's Return on Equity to the capital it deployed for assets dedicated to public service would become unreasonably and unjustifiably low.

The fourth relevant factor is that the Company is seeking to adjust its ROR to reflect the current cost of capital. Please see the Pre-filed Direct Testimony of TAWC Witness Ann Bulkley, pages 66-68 for a full explanation and support for the Company's proposed rate of return and the Pre-filed Direct Testimony of TAWC Witness Nicholas Furia, pages 5 through 10.

The fifth factor is to recognize that TAWC did not have any increase in its Capital Recovery Riders in 2023 or 2024. The PCOP did increase to reflect some of the increased production costs in 2022 and 2023, but there was no increase in the Capital Recovery Riders to recover the costs associated with over $71.5 million dollars of investment made or projected to be made in 2023 through 2024.

For these foregoing reasons, the historical earnings in 2022 and 2023 relied upon by Mr. Dittemore for his conclusions have no bearing on the revenue deficiency calculated for the 2025 Attrition Year. The earnings in any given year are a result of the revenues received in that year, minus the costs incurred for that year. The earnings for another year are calculated based on the revenues and costs for that year. Mr. Dittemore's reliance on these historical earnings to determine the likely need of TAWC to file a rate case in 2024 for rates effective in 2025 is inconsistent with general and longstanding ratemaking and regulatory forecasting principles, as he, among other things, fails to acknowledge and recognize the increased customer growth, increased expenses incurred and additional investments made between January 1, 2024 and December 31, 2025.

Q. WHAT IS YOUR RESPONSE TO THE CONCERNS RAISED BY MR. DITTEMORE WITH RESPECT TO THE PETITION FILED IN THIS CASE?[8]

A. Mr. Dittemore takes issue with the statement made by the Company in Paragraph 7 of the Petition that the Company has "experienced a $173 Million in Rate Base Growth since the 2012 rate case."[9] This is a fact. In this case, the Company is asking the Commission to approve base rates based on a rate base of $305,126,372 million. This amount - $305,126,372 - is $173,110,906 more than the rate base of $132,015,472 from 2012. The increase in investment since 2012 is net of accumulated depreciation, so the actual capital expenditures during this time frame are much larger than the over $173 million in net rate base addition since the last rate case. Contrary to Mr. Dittemore's statement, the Company never stated it was not earning on over $173 million of net rate base investment. Throughout the Company's testimony and exhibits and in the calculation of the Revenue Deficiency, the Company acknowledges that revenues have been generated by the existing Capital Riders. The Company also has incorporated the Capital Rider amounts into the proposed rates and into the calculation of revenues in existing rates calculations. The Company also has incorporated the Capital Recovery Rider amounts into the proposed rates and into the calculation of revenues in existing rates calculations.

[8] *Dittemore* 5-6.
[9] *Dittemore* 5:8-12.

V. PCOP RIDER PROPOSED MODIFICATIONS

Q. TAWC HAS PROPOSED TO EXPAND THE PCOP RIDER TO INCLUDE THE INCREMENTAL (OR DECREMENTAL) COSTS ASSOCIATED WITH ITS PENSION AND OPEB COSTS. WHAT ARE THE RESPONSES OF THE INTERVENOR WITNESSES TO THIS PROPOSAL?

A. Mr. Dittemore suggests that the Company could request the adoption of an Annual Review Mechanism ("ARM") pursuant to Tenn. Code Ann. § 65-5-103(d)(6), which he states would address the annual volatility of TAWC costs.[10] Mr. Dittemore states that he does not believe that the "Commission should authorize a new, duplicative mechanism to one it already has available."[11] I assume that Mr. Dittemore is referring to the ARM and the PCOP as duplicative. They are not. An ARM would replace the PCOP and other Rider Mechanisms.

Q. DOES MR. DITTEMORE RAISE OTHER CONCERNS WITH INCLUDING THE PENSION AND OPEB AS ANOTHER PASS-THROUGH COST RECOVERED VIA THE PCOP RIDER?

A. Yes. Mr. Dittemore opposes expanding the PCOP mechanism to allow for the pass-through of Pension and OPEB costs.[12] He states that the Commission should avoid the expansion of piecemeal regulation, which he indicates allows the utility to determine which components can be updated annually and which cannot. In utility regulation, phrases like "piecemeal regulation" often serve as a trigger for something that should be approached by state regulatory commissions with the utmost caution. Still, Mr. Dittemore's use of this

[10] Dittemore 44:17-20.
[11] Dittemore 44:20-45:21.
[12] Dittemore 44-45.

phrase in this context appears to overlook the Tennessee General Assembly's establishment of regulatory alternative methods in Tenn. Code Ann. Section 65-5-103(d) *et seq*. For instance, TAWC's Commission-approved PCOP Rider identifies certain qualifying costs to be updated annually. As contemplated by the Tennessee General Assembly, the Commission has relied on ARMs for effective and timely adjustment of rates in qualifying circumstances to reflect underlying economics of the business, rather than rely on costly rate cases. Avoiding customer rate shock is also a consideration with respect to ARMs. The role of the PCOP is to allow timely recovery of costs that can vary significantly from year to year and are beyond the Company's direct control. Pensions and OPEB costs meet this definition and should qualify for recovery under the PCOP Rider. Importantly, the Commission has previously recognized the value of the PCOP Rider. It stated in TAWC's most recent PCOP Rider docket that, "the PCOP Rider continues to benefit the Company by allowing timely recovery of expenses without having to file base rate cases. Additionally, customers receive immediate refunds when expenses within the PCOP Rider decrease. For these reasons, the panel found the PCOP Rider mechanism remains in the public interest and voted unanimously to approve the Petition."[13] The Company proposes using this useful regulatory tool to recover costs, like production costs, that vary significantly and are driven by factors largely outside the Company's control.

The Company believes that Pension and OPEB expenses are good candidates to recover via this Rider because these costs are a significant expense that the Company incurs to provide safe and reliable service to its customers and varies significantly year to year due

[13] *Order Approving the Revised 2024 Production Costs and Other Pass-Throughs Rider*, p. 6, TPUC Docket No. 24-00002 (July 15, 2024).

to factors beyond the Company's control. As stated in my Direct Testimony,[14] the annual amount of the Company's expenses is primarily driven by the Employee Retirement Income Security Act of 1974 ("ERISA"), which covers pensions and other post-retirement benefits. The Commission requires the use of ERISA for calculating such expenses for ratemaking purposes. The expense level can and does result in significant volatility in the annual calculated amount. This expense can fluctuate significantly depending on the performance of the financial markets, the timing of employees' decisions to retire, the retired employees' utilization of the benefits provided, the cost of the benefits provided and the cost of the underlying benefits. These factors are generally beyond the control of the Company, as they are driven by market conditions and the requirements of ERISA. The Company's Pension and OPEB plans have been closed to most new employees since 2006 and all employees since 2012 at the latest.[15] These costs reflect only past obligations, and the costs associated with those obligations. The costs are needed to comply with federal law and honor the Company's commitments to its retired former employees.

As noted in my Direct Testimony,[16] Tennessee is one of only two states that American Water subsidiaries operate in that uses ERISA for pension expense, the other being California. In California, California American Water is authorized by the California Public Utility Commission to utilize a balancing account to track actual pension and OPEB costs

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[14] *Pre-filed Direct Testimony of TAWC Witness Robert C. Lane,* 20:14-22:2, TPUC Docket No. 24-00032 (May 1, 2024) (hereinafter "*Lane*").

[15] For pension expenses, generally, Union employees hired before January 1, 2001, and non-union employees hired before January 1, 2006, are eligible for pension benefits. For OPEB, generally, Union employees hired before January 1, 2006, and non-union employees hired before January 1, 2002, were offered these benefits.

[16] *Lane,* 20:19-21.

under ERISA and recover the incremental or decremental balance in rates.[17] The balancing account treatment is similar to what TAWC is proposing in this case.

VI. RATE CASE EXPENSE

Q. DID INTERVENOR WITNESSES COMMENT ON THE COMPANY'S PROPOSED RECOVERY METHOD OF RATE CASE EXPENSES?

A. Yes. The Company has proposed amortizing its forecasted rate case costs over a three-year period and recovering it through base rates. To guard against over- or under- recovery of the actual rate case costs incurred in this proceeding, the Company is also seeking to use its PCOP Rider to reconcile the forecasted amount of rate case costs with the actual amount incurred, and refund or recover any difference through the Rider.

City of Chattanooga witness Mr. Garrett and CAD witness Mr. Novak both addressed rate case cost in their respective testimony. Mr. Garrett recommends that rate case costs not be included in base rates but instead deferred and considered in a subsequent docket in which the Commission can fully review and evaluate the expenses and make a final determination regarding the appropriate recovery of the expenses at that time.[18] Mr. Novak recommends in his testimony that, "the Commission omit the Company's estimated rate case costs and the related amortization from base rates and instead establish a separate surcharge to recover these costs in a separate docket."[19]

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[17] See California Public Utilities Commission Decision, Proceeding No. A.10-07-007; Decision12-06-016 Adopted Settlement, Ordering para. 25.

[18] *Pre-filed Testimony of City of Chattanooga Witness Mark E. Garrett,* 41:3-42:2, TPUC Docket No. 24-00032 (Sept. 17, 2024) (hereinafter "*Garrett*").

[19] *Pre-filed Testimony of CAD Witness William H. Novak,* 10:16-11:2, TPUC Docket No. 24-00032 (Sept. 17, 2024) (hereinafter "*Novak*").

Mr. Novak makes this recommendation noting that one advantage of a separate surcharge is that it would consider known costs at the conclusion of the case instead of being based on estimates and that recovery of the rate case costs will end once the rate case amount is fully recovered.

Q. WHAT IS THE COMPANY'S RESPONSE TO THE RECOMMENDATIONS OF MR. GARRETT AND MR. NOVAK WITH REGARD TO RATE CASE EXPENSES?

A. The Company disagrees with the recommendations of Mr. Garrett and Mr. Novak and believes that deferring the rate case costs and addressing it in a separate proceeding is neither necessary nor an efficient use of the resources of the Intervenors, TAWC or the Commission.

Q. PLEASE EXPLAIN.

A. It appears that the driver for both Mr. Garrett's and Mr. Novak's recommendations is to ensure that the Company only recovers its actual amount of rate case costs, not its forecasted amount. Mr. Garrett also seems to be requesting that the Commission conduct a prudency review of the rate case costs incurred, where the Commission can evaluate the rate case expenses. Regarding the issue of the Company recovering only its actual amount of rate case costs, the Company's proposal fully addresses this issue. As stated above and more fully explained in my Direct Testimony[20], TAWC is proposing to use the PCOP Rider to reconcile the forecasted amount recovered in base rates with the *actual* rate case costs incurred, with any difference between the forecasted amount and the actual amount to be

[20] *Lane* 17-19.

returned to or recovered from customers via the PCOP Rider.[21] By using the PCOP Rider to reconcile forecasted rate case expense against the actual rate case expense, customers will pay only the actual amount of rate case expense (based on a three-year amortization). Once the rate case expense has been fully recovered, the PCOP Rider will be adjusted to offset the rate case expense built into base rates, which effectively removes rate case expense from the costs customers pay for service moving forward.

Regarding Mr. Garrett's request to have the Commission evaluate the Company's rate case costs, the Company has provided detailed invoices related to its rate case expenses[22] (e.g., legal invoices for services rendered and fees and consultant invoices), and not a single adjustment to the incurred rate case expenses has been proposed. As such, Mr. Garrett has not shown that there is any need for a *separate* proceeding to evaluate the Company's rate case costs

Moreover, the Company is concerned that establishing a separate proceeding in which to address rate case cost recovery will create additional regulatory burden on the parties, create further administrative load on the Commission, and create unnecessary costs to be borne by customers. Interestingly, TAWC's new, revised capital rider includes only one annual filing instead of the previous two annual rider filings, in large part to lessen the administrative burdens associated with a separate annual filing.

For the foregoing reasons, the Company continues to recommend that the Commission adopt its proposed recovery method for rate case costs.

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[21] *Lane* 19:1-11.

[22] See Confidential Response to CAD DR 3-006.

VII. CREDIT CARD PROCESSING COSTS

Q. CONSUMER ADVOCATE WITNESS BRADLEY RECOMMENDS THAT THE COMMISSION DENY THE COMPANY'S PROPOSAL TO PLACE THE COSTS ASSOCIATED WITH CREDIT CARD PROCESSING FEES WITHIN BASE RATES. PLEASE SUMMARIZE MR. BRADLEY'S JUSTIFICATIONS FOR THIS RECOMMENDATION, AS YOU UNDERSTAND IT.

A. Mr. Bradley opposes the Company's request to include credit card processing charges in the Attrition Period Revenue Requirement because he asserts: 1) it creates a customer cross subsidy, and 2) it sends inappropriate price signals to customers.[23]

Q. WHAT IS YOUR RESPONSE TO MR. BRADLEY'S POSITION THAT THE COMPANY'S PROPOSAL TO HAVE CREDIT CARD COSTS INCLUDED IN THE ATTRITION PERIOD REVENUE REQUIREMENT CREATES A CROSS SUBSIDY?

A. I do not agree. Mr. Bradley states that the Company's proposal would have customers who pay by check or cash subsidize the costs of other customers who choose the convenience of paying by credit card. However, Mr. Bradley fails to recognize that the processing of payments by check or money order also incurs costs to handle these transactions. These payments by mail or drop box must be opened, tallied, recorded, and then the check or money order payment information provided to TAWC's financial institution. These payment handling costs are already included in base rates as an operating expense. TAWC is simply proposing that credit/debit card processing fees be given the same treatment.

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[23] *Pre-filed Testimony of CAD Witness Alex Bradley* 13-15, TPUC Docket No. 24-00032 (Sept. 17, 2024) (hereinafter "*Bradley*").

Q. ARE THERE OTHER REASONS THAT MR. BRADLEY'S POSITION FAILS TO RECOGNIZE OR ACKNOWLEDGE REGARDING CREDIT CARD FEES?

A. Yes. Mr. Bradley's position does not address that TAWC's proposal is an opportunity to increase customer satisfaction and improve the quality of service that the Company offers customers. As I stated in my Direct Testimony, the use of credit cards may help customers avoid late payment fees and the discontinuation of service for non-payment and associated reconnection fees.[24] These factors contribute to customer satisfaction when doing business with the Company. These factors also demonstrate the public interest considerations as well.

Furthermore, and as noted in my Direct Testimony,[25] Mr. Bradley does not address that many customers prefer using a credit card. Customers have expressed some dissatisfaction with being required to pay an additional fee for paying by a credit or debit card. In the feedback TAWC collects from customers[26], multiple customers have voiced their dissatisfaction with the credit card fees. Below are some of their comments:

- "I object to the charge incurred when paying my bill by phone."
- "The bill pay, however is frustrating. You charge me to pay my bill in any way other than walk in. And I must pay each bill (house and irrigation) separately and get charged for EACH one. Other utilities do not do this and it makes me feel taken advantage of. I honestly don't believe I should have to pay you anything to pay you"
- "I'd like the ability to set up auto payments to my credit card (not debit card) without a fee. A lot of utility companies are allowing that now and it helps me by being able to make one payment per month to pay for various services."

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[24] *Lane* 16.
[25] *Lane* 16 fn 2.
[26] These comments were collected from customers as part of two customer survey tools to measure the Company's customer satisfaction.

- “TAWC charges a fee to pay online or over the phone. That’s cheap and antiquated STOP charging a fee to pay online or over the phone!”
- “The fee for paying with a card is pretty ridiculous.”
- “Eliminate the processing fee for online bill pay”
- “Stop charging customers an extra fee just to pay their bill online or by phone”.
- “Don't charge a fee to pay bill online”
- “drop the $1.95 when bills are paid by phone”
- “Remove fees for payment.”
- “don’t charge me for paying my bill on time every time on phone”
- “be allowed to pay water bill automatically with credit card and with no extra charge”
- “I just don't understand why you have to pay to pay your water bill this is the only thing that troubles me it's the dollar 95 I don't feel that it matters as long as I just pay my bill I have no problem with my bill is the same every month I just don't understand the $1.95”

TAWC’s proposal is an opportunity to increase customer satisfaction and customer convenience and improve the quality of service.

Q. DOES MR. BRADLEY ADDRESS WHETHER CUSTOMERS ARE INCREASING THEIR USE OF CREDIT CARDS TO PAY THEIR TAWC BILLS?

A. No. As the Table below demonstrates consumer use of credit and debit cards to pay water bills is increasing, up 45.5% since 2019. This represents a cumulative year-over-year growth rate of 7.9%.

Table 2
Tennessee American Water
2019 - 2023 Credit Card Transactions Counts (Paymentus)

2019 - 2023 Credit Card Transactions Counts (Paymentus)	2019	2020	2021	2022	2023
Visa	39,740	42,841	50,993	62,674	84,906

Table 2 Tennessee American Water 2019 - 2023 Credit Card Transactions Counts (Paymentus)					
2019 - 2023 Credit Card Transactions Counts (Paymentus)	2019	2020	2021	2022	2023
Visa (Debit)	56,046	53,830	59,474	68,140	70,300
MasterCard	19,109	20,747	24,582	23,646	29,852
MasterCard (Debit)	28,619	28,884	31,345	20,982	19,953
Discover	1,159	1,204	1,450	1,810	2,532
American Express	-	-	146	2,323	4,336
	144,673	147,506	167,990	179,575	211,879

Information provided by the Vendor Paymentus.
American Express not offered for use by TAWC until 2021.

Q. DO YOU AGREE WITH MR. BRADLEY'S CONTENTION THAT RECOVERY OF THESE FEES IN BASE RATES IS NOT IN THE PUBLIC INTEREST?[27]

A. No**.** In a competitive market, pressures would require a competitor to continue to enhance its customer service offerings to provide convenient options to customers for paying their bills. Regulators should allow, even encourage, such behavior among utilities, including TAWC. The Company believes this request is consistent with customer expectations, will improve customer experience and will serve the public interest.[28]

VIII. <u>RECOVERY OF CUSTOMER-OWNED SERVICE LINES THROUGH QIIP</u>

Q. DOES THE CONSUMER ADVOCATE SUPPORT THE COMPANY'S PROPOSAL TO REPLACE CUSTOMER-OWNED LEAD SERVICE LINES, INCLUDING

[27] *Bradley,* 14:18-20.
[28] As I explain in my Direct Testimony at16:11-18, even the National Association of State Utility Consumer Advocates ("NASUCA") have concluded that it is in the public interest to give customers the option of paying with debit or credit cards without a fee.

COPPER AND GALVANIZED STEEL, AND RECOVERING THE COSTS VIA THE CAPITAL RIDER?

A. No. CAD witness Bradley recommends that the Commission deny the Company's request to replace customer-owned lead service lines and recovery of the costs via the Capital Rider. The CAD takes this position even though it acknowledges that this is a nationwide problem that needs to be addressed.[29]

Q. HOW DOES MR. BRADLEY JUSTIFY THIS POSITION?

A. Mr. Bradley states that his reasons for recommending that the Commission deny the Company's request is because the Tennessee Legislature has not directed the Commission to approve the replacement of customer-owned lead service lines and recovery of those costs and the Company's proposal creates a customer cross-subsidy that will result in some customers in newer dwellings subsidizing the cost of replacing customer lead service lines for customers who live in older dwellings. He also notes that while the Company may be successful in identifying and replacing customer-owned lead service lines, some risk will remain.[30] Mr. Bradley misunderstands the law and the risk. The Tennessee Legislature has declared:

> All pipes, pipe or plumbing fittings or fixtures, solder, or flux that is used in the installation or repair of any public water system shall be lead free; provided, that this subsection (a) shall not apply to lead joints necessary for the repair of cast iron pipes.

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[29] *Bradley* 15-19.
[30] *Id*.

Tenn. Code Ann. § 68-221-720(a). And, the Tennessee Department of Environment and Conservation (TDEC) has, since at least 2012, ***required*** water systems to replace lead service lines under certain circumstances. *See* Tenn. Comp. R. & Regs. 0400-45-01-.33 (emphasis added). Additionally, TDEC has announced and begun training on the changes to the federal Lead and Copper Rule.[31] For further discussion on the requirements for replacement of lead service lines, see the Direct Testimony of TAWC witness Grady Stout, pp. 18-26.

Q. PLEASE ADDRESS MR. BRADLEY'S STATED REASONS FOR RECOMMENDING THAT THE COMPANY'S REQUEST TO REPLACE CUSTOMER-OWNED LEAD SERVICE LINES AND RECOVER THE COSTS THROUGH THE CAPITAL RIDER BE DENIED.

A. While the Consumer Advocate states they agree this is a country-wide problem that needs to be addressed, the CAD states that the Commission should not take action to address this issue unless directed by the Tennessee Legislature.[32] The fact that the replacement of lead service lines is not specifically required by statute is not determinative of whether it is appropriate or not to replace and recover these costs through the Capital Rider. It is noteworthy here that Mr. Bradley appears not to expressly contend with any support that

[31] TDEC Lead and Copper Rule, https://www.tn.gov/environment/program-areas/wr-water-resources/water-quality/drinking-water-redirect/lead-and-copper-rule.html (last visited Oct.15, 2024).

[32] *Bradley* 18:1-7. As concerning Mr. Bradley's reference to other states' legislative action in defense of his recommendation (*Bradley* 18:note 14), he does not appear to argue that these state legislatures expanded the jurisdiction of their respective state commissions to allow them to take this action; but rather, that these state legislatures directed their respective state commissions to take action. For instance, some years ago the Tennessee General Assembly passed legislation directing the Commission to fully deregulate intra-state long distance calls. The Commission had the authority to deregulate such calls but had not fully exercised its existing authority. Likewise, here the Commission has the authority to take action regarding lead service lines without the need for jurisdictional expansion.

the Commission does not have the authority to allow this recovery.[33] As I explained in my Direct Testimony, the Company recommends recording these costs to account 333 – Services consistent with the guidance found within the Uniform System of Accounts ("USOA").[34] In accordance with the USOA account 333, capitalized mains include the installation cost of pipes and accessories, as well as costs related to damages to the property of others, and other general costs relating to restoring areas to a safe or prior condition. The replacement of customer-owned lead service lines is like the restoration of other customer property and these restoration expenditures should be capitalized to plant as part of overall project costs.

Mr. Bradley also argues that the Company's proposal results in the cross-subsidy of one group of customers by another. The Company's proposal in this instance is no different from the inclusion of restoration costs incurred at a particular customer's premise to return their property to a safe condition after performing work in that area. This includes restoration of sidewalks in front of a home that are disturbed while replacing Company owned service lines that extend beyond the sidewalk to the customers property line. Restoration of the sidewalk would be included in rate base as well as repaving of the street. The Company routinely makes a variety of expenditures on property that is not owned by the Company that serves only a small number of customers – or even only one

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[33] In fact, the Commission's authority is plenary. *See Consumer Advocate & Protection Div. of the Office of the Atty. General of Tenn. v. Tenn. Regulatory Authority,* 2012 WL 1964593, at *14 (Tenn. Ct. App. May 30, 2012) ("The Tennessee legislature's grant of authority to the TRA is broad indeed. By statute, the General Assembly has explicitly granted the TRA practically plenary authority over the utilities within its jurisdiction."). *See also Consumer Advocate Div. v. Greer,* 967 S.W. 2d 759, 761-62 (Tenn. 1998) ("In fact, the Legislature has explicitly directed that statutory provisions relating to the authority of the TRA shall be given "a liberal construction" and has mandated that any doubts as to the existence or extent of a power conferred on the TRA shall be resolved in favor of the existence of the power, to the end that the TRA may effectively govern and control the public utilities placed under its jurisdiction[.])"
[34] *Lane* 26-28.

customer – that are capitalized, included in rate base and are allocated across the Company's entire customer base.

Society as a whole, bears much of this cost of the adverse health effects from prolonged lead exposure. Reducing this impact has long been an important public health goals. The Tennessee Department of Health has found that lead exposure is a serious environmental public health threat to children in Tennessee.[35] Reducing this impact has long been an important public health goal.

Additionally, given that the replacement program will take place over a period of up to ten years, the effect on customers will be minimal. The positive effect of essentially eliminating lead from the Company's water system along with customer-owned service lines, however, will be great and fully in accord with the public health and welfare and the public policy of Tennessee.

IX. <u>PROPOSED TARIFF RULES AND FEE CHANGES</u>

Q. DID ANY OF THE INTERVENOR WITNESSES ADDRESS THE COMPANY'S PROPOSED TARIFF RULES AND FEE CHANGES?

A. Yes, Mr. Novack on behalf of the Consumer Advocate addressed the Company's proposed tariff changes.

Q. PLEASE SUMMARIZE MR. NOVACK'S POSITIONS RELATED TO THE COMPANY'S PROPOSED TARIFF RULE CHANGES.

[35] *See* Tennessee Department of Health, "About Childhood Lead Poisoning Prevention,"https://www.tn.gov/health/health-program-areas/fhw/tn-clpp/about-clpp.html (last visited 10/4/2024).

A. Mr. Novack stated that the Consumer Advocate did not oppose the following tariff changes proposed by the Company:

- Increasing the number of days before from a late fee is applied from 15 days to 27 days.
- Increasing the number of days before service is disconnected for non-payment from 20 to 30 days.
- Increasing the length of TAWC's supplied distribution mains for new service from 45 feet to 100 feet.
- New tariff language regarding Private Fire Service.
- Deletion of an application and payments of fees to the TPUC for meter testing.[36]

Q. PLEASE SUMMARIZE MR. NOVACK'S POSITIONS RELATED TO THE COMPANY'S PROPOSED CHANGES TO TARIFF FEES.

A. Mr. Novak states that the Consumer Advocate does not oppose the following rate and fee changes proposed by the Company:

- Rate reset of the Capital Rider and the PCOP Rider to $0.00.
- Turn on Charges increase from $15.00 to $30.00.
- Reconnect Charges increased from $15.00 to $30.00. [37]

However, Mr. Novak states that the Consumer Advocate does oppose two of the Company's proposed tariff fee changes, which are (1) the establishment of an After-Hours

[36] *Novak,* 27:16-30:3.
[37] *Novak,* 31:3-34:3.

Charge of $40.00 unless the Company defines "normal business hours" within the tariff and (2) the increase in the amount of the meter tampering penalty fee, from $92.00 to $250.00.

Q. REGARDING THE AFTER-HOURS CHARGE, MR. NOVAK STATES THAT THE CONSUMER ADVOCATE OPPOSES THIS CHANGE BECAUSE THE COMPANY DID NOT DEFINE "NORMAL BUSINESS HOURS" IN THE TARIFF, BUT WILL REMOVE ITS OBJECTION IF THE COMPANY DOES SO. PLEASE RESPOND.

A. I agree with the Consumer Advocate that the Tariff should define "Normal Business Hours" if the Company is to charge an After-Hours charge. The Company will revise its Tariff to define "Normal Business Hours" as 7:30 a.m. to 4:00 p.m. Please see the proposed TPUC amended Tariff Page: TPUC No. 20, Original Sheet No. 20 is attached as TAW RT LANE Exhibit 3.

Q. REGARDING THE METER TAMPERING FEE, MR. NOVAK STATES THAT THE COMPANY HAS NOT ESTABLISHED THE NEED FOR INCREASING THE FEE.[38] PLEASE RESPOND.

A. The meter tampering fee is designed to be a deterrent for customers tampering with meters to either reconnect their service without authorization by bypassing the meter or trying to bypass the meter (in whole or in part) in order to steal water. The amount of the fee is not cost-based but is designed to be severe enough to deter customers from illegally tampering with the meter. This fee has not increased since at least October 2012, and over the past 12 years the deterrence effect of this fee has eroded with each passing year.

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[38] *Novak* 33:15-19.

As shown in Table 3 below, TAWC averaged 388 customer accounts[39] each month which were Inactive With Consumption (IWC). IWC means that the meters show usage, but water service has been turned off by the Company. (See Table 3 below). Each of these customers illegally restored water service and could be subject to the Meter Tampering Penalty Fee. The Meter Tampering Penalty Fee would be another tool for the Company to use to deter such behavior. Increasing this Fee as requested by the Company will provide a greater deterrent effect to customers considering restoring their service illegally. Mr. Novack does not take into account that the current meter tampering fee only applies to customers that relocate their meter to reconnect. This is too restrictive and does not address the most common way people reestablish service illegally, which is to break into the meter box, frequently breaking the lock or causing other damage to utility property, and turning the service back on. The proposed new Meter Tampering Penalty Fee will apply to all instances where the customer illegally restores water service, deterring this illegal and costly behavior.

TABLE 3	
TAWC Inactive Accounts with Consumption	
2023	
Jan	581
Feb	489
Mar	405
Apr	406
May	483
Jun	417
Jul	405
Aug	404

[39] This number reflects accounts which show usage for three straight months, but the water service has been shut off.

TABLE 3	
TAWC Inactive Accounts with Consumption	
2023	
Sep	323
Oct	356
Nov	392
Dec	428
Average	**388**

X. CONCLUSION

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Tennessee American Water Company **Rebuttal Exhibit - BL -1**
Docket No. 24-00032
Rebuttal Adjustments Calculation of Proposed Revenue Increase

Line Number	Description	Rebuttal Adjustments	As Filed	Delta
1				
2	**Present Rate Utility Operating Income:**			
3				
4	**Operating Revenue at Present Rates:**	$ 71,858,982	$ 71,724,922	$ 134,060
5				
6	**Less: Deductions:**			
7	Operating and Maintenance:	$ 31,470,953	$ 31,615,021	$ (144,068)
8	Depreciation:	15,659,739	15,763,872	(104,133)
9	Amortization:	1,116	1,116	-
10	General Taxes:	7,772,089	7,748,014	24,075
11	State Income Taxes:	694,176	670,658	23,518
12	Federal Income Taxes:	1,823,758	1,752,717	71,041
13	**Total Deductions:**	$ 57,421,831	$ 57,551,398	$ (129,567)
14				0
15	**Pro Forma Present Rate Utility Operating Income:**	$ 14,437,151	$ 14,173,524	$ 263,627
16				
17				
18				
19				
20		**Rebuttal**	**As**	
21	**Revenue Requirement and Increase Comparison:**	**Adjustments**	**Filed**	**Delta**
22				
23	Net Original Cost Rate Base	$ 305,777,368	$ 305,126,372	$ 650,996
24	Rate of Return	7.94%	7.94%	7.94%
25				
26	Net Operating Income Required for Return on Original Cost Rate Base	$ 24,278,723	$ 24,227,034	$ 51,689
27				
28	Less: Pro Forma Net Operating Income Based on Current Rates	$ 14,437,151	$ 14,173,524	$ 263,627
29				
30	Increase in Net Operating Income Required	$ 9,841,572	$ 10,053,510	$ (211,938)
31				
32	Gross Revenue Conversion Factor	141.4331%	141.4331%	141.4331%
33				
34	Increase in Revenue Requirement (Based on Net Original Cost Rate Base)	$ 13,919,240	$ 14,218,991	$ (299,751)
35				
36	Less: Additional Late Payment Fee Attributable to Rate Increase	$ 86,102	$ 87,990	$ (1,888)
37				
38	Total Revenue Requirement Increase Requested	$ 13,833,138	$ 14,131,001	$ (297,863)
39				
40	**Percentage Increase in over Operating Revenue at Present Rates:**	19.25%	19.70%	
41				
42	Total Proposed Revenue Requirement	$ 85,692,120	$ 85,855,923	$ (163,803)

Tennessee American Water Company **Exhibit BL - 2**
Docket No. 24-00032
Rebuttal Adjustments to Revenue Requirement

Line Number	Description	As Filed Rev. Requirement	Severance Removal[1]	Employment Agreements Removal[2]	Inflation Factor Update[3]	Industrial Usage Revision[4]	Cash Working Capital Revisions[5]	Cost of Removal Rate Revision[6]	Enterprise Solutions Capital Plan Update[7]	Rebuttal Adjustments Rev. Requirement
1										
2	**Present Rate Utility Operating Income:**									
3										
4	**Operating Revenue at Present Rates:**	$ 71,724,922	$ -	$ -	$ -	$ 134,060	$ -	$ -	$ -	$ 71,858,982
5										
6	**Less: Deductions:**									
7	Operating and Maintenance:	$ 31,615,021	$ (27,276)	$ (116,438)	$ (354)	$ -	$ -	$ -	$ -	$ 31,470,953
8	Depreciation:	15,763,872	-	-	-	-	-	(168,564)	64,431	15,659,739
9	Amortization:	1,116	-	-	-	-	-	-	-	1,116
10	General Taxes:	7,748,014	-	-	-	3,624	-	-	20,451	7,772,089
11	State Income Taxes:	670,658	1,773	7,569	23	8,713	-	10,957	(5,517)	694,176
12	Federal Income Taxes:	1,752,717	5,355	22,863	69	26,323	-	33,098	(16,667)	1,823,758
13	**Total Deductions:**	$ 57,551,398	$ (20,148)	$ (86,006)	$ (262)	$ 38,660	$ -	$ (124,509)	$ 62,698	$ 57,421,831
14										
15	**Pro Forma Present Rate Utility Operating Income:**	$ 14,173,524	$ 20,148	$ 86,006	$ 262	$ 95,400	$ -	$ 124,509	$ (62,698)	$ 14,437,151
16										
17										
18										
19										

Line Number	Description	As Filed Rev. Requirement	Severance Removal	Employment Agreements Removal	Inflation Factor Update	Industrial Usage Revision	Cash Working Capital Revisions	Cost of Removal Rate Revision	Enterprise Solutions Capital Plan Update	Rebuttal Adjustments Rev. Requirement
20										
21	**Revenue Requirement and Increase Comparison:**									
22										
23	Net Original Cost Rate Base	$ 305,126,372	$ -	$ -	$ -	$ -	$ (108,000)	$ 74,825	$ 684,171	$ 305,777,368
24	Rate of Return	7.94%								7.94%
25										
26	Net Operating Income Required for Return on Original Cost Rate Base	$ 24,227,034	$ -	$ -	$ -	$ -	$ (8,575)	$ 5,941	$ 54,323	$ 24,278,723
27										
28	Less: Pro Forma Net Operating Income Based on Current Rates	$ 14,173,524	$ 20,148	$ 86,007	$ 261	$ 95,400	$ -	$ 124,510	$ (62,698)	$ 14,437,151
29										
30	Increase in Net Operating Income Required	$ 10,053,510	$ (20,148)	$ (86,007)	$ (261)	$ (95,400)	$ (8,575)	$ (118,569)	$ 117,021	$ 9,841,572
31										
32	Gross Revenue Conversion Factor	141.4331%	141.4331%	141.4331%	141.4331%	141.4331%	141.4331%	141.4331%	141.4331%	141.4331%
33										
34	Increase in Revenue Requirement (Based on Net Original Cost Rate Base	$ 14,218,991	$ (28,496)	$ (121,642)	$ (370)	$ (134,927)	$ (12,128)	$ (167,696)	$ 165,506	$ 13,919,240
35										
36	Less: Additional Late Payment Fee Attributable to Rate Increase	$ 87,990	$ (176)	$ (753)	$ (2)	$ (868)	$ (75)	$ (1,038)	$ 1,024	$ 86,102
37										
38	Revenue Deficiency	$ 14,131,001	$ (28,320)	$ (120,889)	$ (368)	$ (134,060)	$ (12,053)	$ (166,658)	$ 164,482	$ 13,833,138
39										
40	**Percentage Increase in over Operating Revenue at Present Rates:**	19.70%								19.70%
41										
42	Total Proposed Revenue Requirement	$ 85,855,923	$ (28,320)	$ (120,889)	$ (368)	$ -	$ (12,053)	$ (166,658)	$ 164,482	$ 85,692,120

Notes

1. Severance Removal adjustment eliminated the severance expense from Exhibit EXP-5-Labor-RP, Schedule EXP-5.1
2. Employee Agreements Removal adjusment eliminated the relocation expenses from Exhibit EXP-18-Miscellaneous Expense-JW, Schedule EXP-18.2
3. Inflation Factor Update adjustment revised the CPI percentages in Petitioner's Appendix Inflation-DD
4. Industrial Usage Revision adjustment corrected a workpaper formula error found that adjusted total Chattanooga Industrial Volumetric Sales from 17,745,274 to 18,244,634 in Exhibit Rev-2-Revenue at Present & Proposed Rates-HB
5. Cash Working Capital adjustment revised the Revenue Lag Days in Exhibit RB-4-Cash Working Capital-DD
6. Cost of Removal Rate Revision adjustment revised the proposed rate for "340340-Comp Software Mainframe" to 0% in Exhibit EXP-20.2-Depreciation Expense-DD
7. Enterprise Solutions Capital Plan Update adjustment revised the Attrition Year Utility Plant in Service by $1,260,130 and CWIP by $1,021,179 in Exhibit RB-2.1-UPIS

CLASSIFICATION OF SERVICE

DISCONNECTION – RECONNECTION CHARGE

When it becomes necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of non-payment of any bill for water service, a charge of thirty ($30.00) dollars may be incurred to cover the expense involved with disconnecting and reconnecting the service. (C)

If a customer's water service is discontinued for non-payment of sewer service and such customer is a sewer customer of an entity that has contracted with the Company for disconnection within five (5) days of notification by the sewer entity, a charge of forty-eight dollars ($48.00) may be made to cover the expense involved.

In the event a customer's water service has been discontinued by the Company and said customer re-establishes services illegally, the Company will take steps to de-activate the service line to the customer. In order to re-activate the service in such circumstances, a meter tapering penalty fee and a disconnection-reconnection fee may be incurred to cover the expense of re-activating the service.

If a customer requests reconnection after hours, there will be an additional $40.00 charge applied in addition to the standard reconnection fee. After hours is defined as anytime outside of the hours of 7:30 am to 4:00 pm Monday through Friday. (N)

METER TAMPERING PENALTY FEE

Any customer who removes or relocates, or cause or permit the removal or relocation of a meter by their
agent once it has been installed by the Company, may be subject to a meter tampering penalty fee of two hundred and fifty dollars ($250.00) (N)

RETURNED CHECK CHARGE

When a payment is returned for non-sufficient funds, a charge of $20.00 will be made to cover the expense involved.

(C) Change
(N) New Charge
(C) Change in Text

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO MODIFY TARIFF, CHANGE AND INCREASE CHARGES, FEES, AND RATES, AND FOR APPROVAL OF A GENERAL RATE INCREASE	))))))	**DOCKET NO. 24-00032**

VERIFICATION

STATE OF Virginia)
)
COUNTY OF Fairfax)

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

ROBERT C. LANE

Sworn to and subscribed before me
this 22 day of October, 2024.

Notary Public

KYLE KENNEDY
NOTARY PUBLIC
REG # 7516972
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES 08/31/2028

My Commission Expires: 08/31/2028

90144731.v1

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 22nd day of October 2024.

Melvin J. Malone

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