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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*

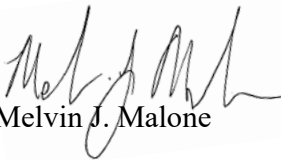
Dear Chairman Jones:

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
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TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

REBUTTAL TESTIMONY

OF

CHARLES REA

ON

UNIVERSAL AFFORDABILITY TARIFF

**REBUTTAL TESTIMONY
CHARLES REA
TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-00032**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Charles Rea. My business address is 3409 Research Parkway, Davenport, IA
4 52806.

5 **Q. DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY ON BEHALF OF**
6 **TENNESSEE AMERICAN WATER COMPANY, INC. (“TAWC” OR THE**
7 **“COMPANY”) IN THIS PROCEEDING?**

8 A. Yes. I filed direct testimony on May 1, 2024.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to respond to the Direct Testimony of Clark Kaml
11 on behalf of The Consumer Advocate Division of the Tennessee Attorney General (“CAD”)
12 regarding the Company’s proposed Universal Affordability Tariff (“UAT”).

13 **II. UNIVERSAL AFFORDABILITY TARIFF**

14 **Q. PLEASE REVIEW THE COMPANY’S PROPOSAL FOR A UAT IN THIS**
15 **PROCEEDING.**

16 A. The Company’s proposed Universal Affordability Tariff for water service includes multiple
17 tiers of discounts based on different levels of household income stated as multiples of the
18 Federal Poverty Level (“FPL”).¹ The tariff offers discounts on both the basic 5/8” meter
19 charge and the volumetric charges for water service. The Company’s proposed discount
20 schedule is as follows:

TABLE 1 Water Basic Service

¹ <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

<i>Household Income</i>	<i>Discount</i>
<i>0% - 50% FPL</i>	70%
<i>51% - 100% FPL</i>	40%
<i>101% - 150% FPL</i>	10%

The driving principle behind the Company's proposed UAT is to provide participating customers discounts such that the expected bill for Basic Water Service (40 gallons of water per household member per day) will be no more than 2% of their annual household income.

Q. DOES CAD SUPPORT THE COMPANY’S UAT?

A. No. The CAD does not support the Company’s proposed UAT.²

Q. WHAT REASONS DOES MR. KAML GIVE FOR OPPOSING THE COMPANY’S PROPOSED UAT?

A. Most of the reasons that Mr. Kaml states for opposing the Company’s UAT are operational in nature and not on the basis of principle. Mr. Kaml states that:

- The Company does not explain how the program will be administered, only that it will be administered through a third party.
- The Company does not provide an estimate of the cost of implementing and managing the program.
- The Company does not provide an estimate of the revenue reduction associated with discounts offered under the program.
- The Company does not provide an estimate of the rate impact (of collecting the administrative costs or discount) on other customers.
- The Company does not explain how potential applicant’s income will be verified.

² *Pre-filed Direct Testimony of CAD Witness Clark D. Kaml* (“Kaml Direct Testimony”) at 9:3-5, TPUC Docket No. 24-00032 (Sept. 17, 2024).

10%	\$16,433
25%	\$41,082
50%	\$82,165
75%	\$123,248
100%	\$164,330

Q. HOW WOULD THE COST OF THOSE DISCOUNTS BE RECOVERED FROM CUSTOMERS?

A. As Company Witness Lane outlines in his direct testimony, the Company is requesting that actual costs associated with the discounts and administration of this program be recorded and deferred to a future regulatory proceeding. The Company would annually, every January 15th, provide a summary of the level of customer participation in the UAT, the amount of discounts provided to customers, the costs associated with administering the program, and the annual and total amount of costs deferred through November of the previous year.⁶

Q. WHAT WOULD THE IMPACT ON NON-PARTICIPATING CUSTOMERS BE RELATED TO THE RECOVERY OF THESE DISCOUNTS?

A. The table below shows the potential impact on a typical non-participating residential customer of recovery of the discounts in Table 2 assuming those discounts are recovered through base rates.⁷

<i>UAT Participation Rates</i>	<i>Recovery Cost per Month</i>
10%	\$0.02

⁶ Pre-filed Direct Testimony of Robert Lane ("Lane Direct Testimony") at 30:11-6, TPUC Docket No. 24-00032 (May 1, 2024).

⁷ Assumed 4,000 gallons usage per month and all discounts are recovered from residential customers. Total discounted amounts are from Table 2. Each cost per month value is calculated from the discounted amounts in Table 2 divided by 3,524,789 thousand gallons, which is the total residential volumes included in the Company's proposed billing determinants as described in the Direct Testimony of Heath Brooks, and then multiplied by 4,000 gallons per month.

25%	\$0.05
50%	\$0.09
75%	\$0.14
100%	\$0.19

Q. HOW DO YOU RESPOND TO THE CONCERN THAT THE COMPANY HAS NOT BEEN MORE SPECIFIC ABOUT HOW THE PROGRAM WOULD BE ADMINISTERED?

A. The Company has affiliated companies in Illinois,⁸ Pennsylvania,⁹ and New Jersey¹⁰ that have similar programs in place and have outstanding requests for such programs in pending rate proceedings in Missouri, Iowa, and Virginia. American Water has a successful history of managing these types of programs. Upon Commission approval of the UAT, the Company plans to contract with a third party to administer the program consistent with how American Water manages these programs in other states. Income verification for the UAT will be conducted by that third-party administrator.

Q. REGARDING THE COST OF THE PROGRAM, DOES THE COMPANY HAVE AN ESTIMATE OF HOW MUCH THE ADMINISTRATIVE COSTS OF THE PROGRAM ARE EXPECTED TO BE?

⁸ *Illinois-American Water Company Proposed Rate Increases for Water and Sewer Service*, Docket No. 22-0210, Order, pp. 179-192 (Dec. 15, 2022).

⁹ *Pennsylvania Public Utility Commission et al. v. Pennsylvania-American Water Company*, Docket No. R-2023-3043189 et al., Recommended Decision, p. 316-321 (May 7, 2024), as adopted at Public Meeting held on July 11, 2024 (further expanding the company's bill discount program).

¹⁰ *In the Matter of the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service, Change in Depreciation Rates, and Other Tariff Modifications*, Docket No. WR24010056, Order, p. 5 (Sep. 4, 2024).

1 A. Not yet. Mr. Lane, in his Direct Testimony, details that the costs of implementing and
2 managing the UAT (e.g., customer education, communication, and administration) cannot
3 be projected because they will vary with participation rates, which are not yet known.¹¹

4 **Q. HOW DO YOU RESPOND TO THE CONCERN THAT THE COMPANY HAS NOT**
5 **EXPLAINED HOW A POTENTIAL APPLICANT'S INCOME WILL BE**
6 **VERIFIED?**

7 A. The Company does not have and will not have, nor should it have, income information on
8 any specific individual customer. As I stated previously, income verification for the UAT
9 will be done through the contracted third-party administrator.

10 **Q. DO YOU AGREE WITH MR. KAML THAT THERE MAY BE AN ISSUE OF**
11 **REASONABLE OR PREFERENTIAL RATES BECAUSE SOME INDIVIDUALS**
12 **WHO FALL JUST OUTSIDE THE UAT ELIGIBILITY PARAMETERS WOULD**
13 **BE PAYING MORE IN ORDER TO SUPPORT THE COST OF THE PROGRAM**
14 **FOR CUSTOMERS THAT FALL JUST WITHIN THE UAT ELIGIBILITY**
15 **PARAMETERS?**

16 A. I do not agree. Bill discount programs for low-income customers are common in the
17 industry and are common in other American Water jurisdictions. With any program of this
18 type that has eligibility parameters, whether it be a utility bill discount program or any
19 other type of assistance program where eligibility is based on income, there will always be
20 situations where individuals do not qualify for eligibility by narrow margins. This is
21 unavoidable and does not make the program unfair or unreasonable.

¹¹ Lane Direct Testimony at 30:3-31:9.

1 **Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD APPROVE THE**
2 **COMPANY’S PROPOSED UAT.**

3 A. The Company’s affordability assessment, rate design analysis, and cost of service analysis
4 in this proceeding provides the Commission all of the factual support necessary to target
5 bills for all residential customers at 2% of household income or less without unduly
6 unreasonably discriminating against any customer group. All stakeholders benefit from a
7 financially stable utility providing safe, reliable, and affordable service to its customers and
8 it is in the public interest to implement a rate design package that makes water service
9 affordable for as many customers as possible. The Company’s proposed rate design in this
10 case, along with the Company’s proposed UAT, does just that.

11 **III. CONCLUSION**

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes.

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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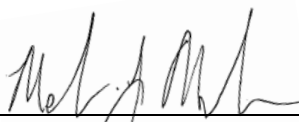
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This the 22nd day of October 2024.



Melvin J. Malone