

# BUTLER | SNOW

October 22, 2024

## VIA ELECTRONIC FILING

Hon. David Jones, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
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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***

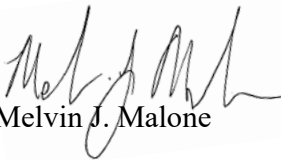
Dear Chairman Jones:

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  
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**TENNESSEE-AMERICAN WATER COMPANY, INC.**

**DOCKET NO. 24-00032**

**REBUTTAL TESTIMONY**

**OF**

**GRADY STOUT**

**ON**

**TOPICS:**

**Historic Staffing Levels; Employee Compensation; Employee Safety; Fire Protection; Valve Maintenance & Repairs; Water Mains & Other Infrastructure Issues; Customer-Owned Lead Service Line Replacement; Non-Revenue Water Limitation Factor**

**SPONSORING PETITIONER'S EXHIBITS:**

TAW\_RT\_STOUT\_Exhibit 1

TAW\_RT\_STOUT\_Exhibit 2

TAW\_RT\_STOUT\_Exhibit 3

**REBUTTAL TESTIMONY  
GRADY STOUT  
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 Grady Stout, Vice President of Operations, and my business address is 109  
4            Wiehl Street, Chattanooga, Tennessee 37403.

5    **Q.     DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY IN THIS**  
6            **PROCEEDING ON BEHALF OF TENNESSEE-AMERICAN WATER COMPANY,**  
7            **INC. (“TAWC” OR THE “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 operational and safety issues  
11            raised by the Tennessee Consumer Advocate Division (“CAD”) witnesses David N.  
12            Dittemore and Alex Bradley; the City of Chattanooga (“City”) witness Mark E. Garrett;  
13            and Utility Workers Union of America, AFL-CIO and UWUA Local 121 (collectively,  
14            “UWUA”) witnesses Garvey and Seebeck. Specifically, I will respond to the following  
15            recommendations and arguments offered by these witnesses:

- 16            •    Employee Levels
- 17                    ○   Messrs. Dittemore’s and Garrett’s recommendations to disallow labor and  
18                            labor-related costs for the new positions included in the Company’s Attrition  
19                            Period.<sup>1</sup>

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<sup>1</sup> Dittemore 21-23, Garrett 31-32.

1           ○ Messrs. Garvey’s and Seebeck’s recommendation to approve the Company’s  
2           request to recover labor and labor-related costs for its forecasted 117 full-time  
3           employees, but only if the Company submits quarterly reports to the  
4           Commission regarding employee levels so that the Commission can penalize  
5           the Company if its employee levels fall below the level approved in this case.<sup>2</sup>

6           • Employee Compensation

7           ○ Mr. Dittimore’s recommendation to remove 55% of the Company’s forecasted  
8           Annual Performance Plan (“APP”) costs and 100% of the forecasted Long Term  
9           Performance Plan (“LTPP”) costs from the Attrition Period revenue  
10          requirement.<sup>3</sup>

11          ○ Mr. Garrett’s recommendation to remove 50% of the Company’s forecasted  
12          APP costs and 100% of the forecasted LTPP costs from the Attrition Period  
13          revenue requirement.<sup>4</sup>

14          • Employee Safety

15          ○ Messrs. Seebeck’s allegation that the Company’s understaffing of union  
16          workers has led to excessive overtime and unsafe work conditions.<sup>5</sup>

17          • Fire Protection

18          ○ Mr. Garvey’s allegation that the Company is failing to repair out-of-service fire  
19          hydrants in a timely manner.<sup>6</sup>

20          • Valve Maintenance & Repairs

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<sup>2</sup> Garvey 23:8-19; Seebeck 1:20-2:2.

<sup>3</sup> Dittimore 25:10-28:14.

<sup>4</sup> Garrett 26:10-15, 31:3-5.

<sup>5</sup> Seebeck 2:12-3:10.

<sup>6</sup> Garvey 20:11-18.

1           ○ Messrs. Garvey's and Seebeck's allegations that the Company's valve inspection  
2           program does not comply with the American Water policy for routine valve  
3           inspections nor the American Water Works Association's guidelines for smaller  
4           valve inspections, and that the Company is falling behind on its own valve  
5           inspection targets and has a low completion rate for valve repairs and  
6           investigations.<sup>7</sup>

7           • Water Mains & Other Infrastructure Issues

8           ○ Mr. Garvey's allegation that the Company's backlog of open work orders for  
9           water infrastructure leaks indicates that there is a lack of available staff to  
10          promptly address the work orders.<sup>8</sup>

11          • Customer-Owned Lead Service Lines

12          ○ Mr. Bradley's position that the Commission should reject the Company's  
13          proposal to replace customer-owned lead service lines and recover these costs  
14          through the Company's Qualified Infrastructure Investment Program Rider  
15          ("QIIP").<sup>9</sup>

16          • Non-Revenue Water Limitation Factor

17          ○ Mr. Dittemore's recommendation to disallow a portion of the Company's  
18          forecasted Purchased Power and Chemical costs based on a 15% non-revenue  
19          water ("NRW") limitation factor.<sup>10</sup>

20   **Q.     ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

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<sup>7</sup> Garvey pp. 11:10-19:8; Seebeck pp. 7:7-11:7.

<sup>8</sup> Garvey p. 21:4-22.

<sup>9</sup> Bradley pp. 17-18.

<sup>10</sup> Dittemore 30:6-32:17.

1 A. Yes, I am sponsoring the following exhibits, which have been filed with my testimony:

2 TAW\_RT\_STOUT\_Exhibit 1: MOU – September 28, 2017 – Between the Union and  
3 TAWC; and

4 TAW\_RT\_STOUT\_Exhibit 2: Joint Commitment – Partnership with a Purpose – TAWC  
5 and the Union January 17 – 18, 2024.

6 TAW\_RT\_STOUT\_Exhibit 3: Tennessee Comptroller of the Treasury Memorandum –  
7 Water Loss Filing per section 7-82-401(i), Tennessee Code Annotated – December 12,  
8 2023.

9 **II. FORECASTED STAFFING LEVELS FOR ATTRITION YEAR**

10 **Q. CAD WITNESS DITTEMORE AND CITY WITNESS GARRETT RECOMMEND**  
11 **THAT THE COMPANY BE DENIED RECOVERY OF LABOR EXPENSES**  
12 **ASSOCIATED WITH ADDITIONAL EMPLOYEE POSITIONS THAT IT**  
13 **EXPECTS TO FILL DURING OR BEFORE THE ATTRITION YEAR.<sup>11</sup> PLEASE**  
14 **RESPOND TO THEIR RECOMMENDATION.**

15 A. I do not agree with their recommendation to deny the recovery of labor expenses associated  
16 with the employee positions that the Company expects to have filled in the Attrition Year.  
17 The Company has identified 117 full-time employees as the appropriate staffing level in  
18 the Attrition Year (12 months ended December 31, 2025), which is an increase of 16  
19 positions over the 101 full-time positions held by the Company at the end of the Test Period  
20 (12 months ended December 31, 2023). As I explain in my Direct Testimony, page 38 line  
21 9 through page 39, line 6, the need for additional full-time employees is driven primarily

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<sup>11</sup> Dittimore 21:1-19; Garrett 32:10-19.

1 by customer growth, which has grown by approximately 11,449 since 2012 and continues  
2 to grow<sup>12</sup>. In my Direct Testimony, starting on page 14, I explain the Company's  
3 commitment to water quality and environmental compliance. Indeed, while discussed in  
4 greater detail in my Direct Testimony, some examples of changes and initiatives in water  
5 quality and environmental compliance since 2012 include safer chemical treatment, action  
6 planning for contaminants prior to reaching maximum levels, environmental near miss  
7 reporting and response, and revised U.S. EPA Lead and Copper Rule compliance efforts.  
8 *Id.* Ultimately, more customers and more stringent regulatory requirements mean more  
9 responsibility and work to deliver on our commitment to water quality and environmental  
10 compliance.

11 **Q. DID EITHER MR. DITTEMORE OR MR. GARRETT DISPUTE THE**  
12 **COMPANY'S CLAIM THAT THE LEVEL OF WORK NECESSARY TO PROVIDE**  
13 **SAFE AND RELIABLE WATER SERVICE HAS AND CONTINUES TO**  
14 **INCREASE AND REQUIRES MORE MANPOWER TO COMPLETE THE**  
15 **WORK?**

16 A. No, neither Mr. Dittemore nor Mr. Garrett disputed our claim that the amount of work has  
17 increased nor that we need more manpower to continue to serve our customers safely and  
18 reliably.

19 **Q. HAS THE COMPANY BEGUN THE HIRING PROCESS FOR THE 16**  
20 **ADDITIONAL POSITIONS?**

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<sup>12</sup> Customer growth increases the amount of infrastructure improvement projects, customer inquiries, meter readings and water quality testing.



1 A. Yes. When TAWC responded to CAD DR 2-005 based on positions as of April 2024, there  
2 were 16 open positions and 101 employees. As of the filing date of this testimony, TAWC  
3 has 105 employees, with an additional employee starting at the end of the month of  
4 October, for a total of 106 employees. Moreover, TAWC is actively recruiting for 8  
5 additional positions, and we anticipate recruiting for even more positions before the end of  
6 the year. However, staffing numbers are always fluctuating. For example, during the 2024  
7 Calendar Year, TAWC hired 17 new employees; however, during this same time period  
8 TAWC lost 13 employees.

9 **Q. MR. DITTEMORE ARGUES THAT 16 POSITIONS SHOULD BE DENIED**  
10 **BECAUSE THE COMPANY HAS ALWAYS HAD SOME LEVEL OF**  
11 **VACANCIES.<sup>13</sup> PLEASE RESPOND.**

12 A. Vacancies are a normal occurrence, as employees retire or leave the business for other  
13 reasons; however, Mr. Dittemore's adjustment to disallow 16 positions based on how many  
14 vacancies the Company had at one point in time (April 2024)<sup>14</sup> should be rejected because  
15 Mr. Dittemore has not shown, or even claimed, that 16 vacancies is representative of the  
16 Company's *normal level of vacancies*.

17 **Q. MR. GARRETT ARGUES THAT THE ADDITIONAL POSITIONS SHOULD BE**  
18 **DENIED BECAUSE THE COMPANY HAS NOT MAINTAINED ITS UNION**  
19 **PAYROLL LEVEL TO THE 2020 LEVEL OVER THE PAST SEVERAL YEARS,**

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<sup>13</sup> Dittemore 22:1-4.

<sup>14</sup> Dittemore 21:16-19.

1       **AND SHAREHOLDERS HAVE RETAINED THE SAVINGS FROM THOSE**  
2       **PAYROLL REDUCTIONS.<sup>15</sup> PLEASE RESPOND.**

3       A.     TAWC's current rates were established in the Company's 2012 rate case (TPUC Docket  
4       No. 12-00049) based on 2012 labor costs, not 2020 labor costs. Therefore, Mr. Garrett's  
5       use of 2020 labor costs as a benchmark is puzzling. From 2012 until now, the Company  
6       has been able to efficiently and effectively manage our resources, including labor costs,  
7       while still providing safe and reliable water service. However, labor expenses (as well as  
8       many other of our expenses) have increased over the past twelve years, and the dollar does  
9       not go as far now as it did then.

10       Similarly, Mr. Garrett did not provide any basis nor support for his claims that the Company  
11       realized savings and its shareholders received these savings since 2020.

12       **Q.     ARE THERE ALTERNATIVES TO HIRING ADDITIONAL EMPLOYEES THAT**  
13       **WOULD ALLOW THE COMPANY TO CONTINUE PROVIDING SAFE AND**  
14       **RELIABLE WATER SERVICE TO ITS CUSTOMERS?**

15       A.     Yes. As an alternative to hiring additional workers, TAWC could plan to maintain existing  
16       staffing levels and offer employees overtime in conjunction with increasing our reliance  
17       on contractors. As I'll discuss later in my Rebuttal Testimony, overtime is offered to our  
18       employees but is not mandated, meaning that the Company cannot rely on overtime as an  
19       alternative to staffing at the appropriate level. Another option is to increase our reliance  
20       on contractors.

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<sup>15</sup> Garrett 31:6-14.

1 **Q. HAS EITHER MR. DITTEMORE OR MR. GARRETT ADJUSTED THE**  
2 **COMPANY'S PROJECTED LEVEL OF EXPENSE FOR OVERTIME OR**  
3 **CONTRACTORS TO REFLECT THEIR RECOMMENDATION TO DISALLOW**  
4 **THE COSTS ASSOCIATED WITH THE COMPANY INCREASING ITS**  
5 **STAFFING LEVEL?**

6 A. No, and despite neither witness disputing the Company's claim of an increasing workload  
7 and a need for additional manpower, their labor expense adjustments do not provide for the  
8 corresponding increased overtime, temporary or contract labor costs that would be incurred  
9 to accomplish the work required to continue to provide safe and reliable water service, as  
10 contemplated by the Company's proposed employee level. Therefore, their proposed  
11 adjustment is incomplete and insufficient to address the costs required to perform the work.

12 **Q. MR. DITTEMORE STATES THAT THE COMPANY HAS A FINANCIAL**  
13 **INCENTIVE TO MAXIMIZE THE HEADCOUNT INCLUDED IN ITS**  
14 **PROPOSED REVENUE REQUIREMENT TO GENERATE ADDITIONAL**  
15 **MARGINS IF IT IS AWARDED COST RECOVERY FOR POSITIONS NEVER**  
16 **FILLED.<sup>16</sup> HAS THE COMPANY INFLATED ITS ATTRITION YEAR STAFFING**  
17 **NEEDS TO GAIN A FINANCIAL BENEFIT?**

18 A. No. The Company has supported its increased staffing needs associated with the growth  
19 of its customer base and work to comply with regulatory requirements as described in my  
20 direct testimony beginning on page 14 line 19 and continues through page 21. No party

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<sup>16</sup> Dittemore 22:14-17.

1 has submitted evidence to the contrary, nor has any party to this case disputed the  
2 Company's increased workload or its need to increase its labor-force.

### 3 **III. HISTORIC STAFFING LEVELS**

4 **Q. ALTHOUGH THE UWUA RECOMMENDS ACCEPTANCE OF THE**  
5 **COMPANY'S FORECASTED 117 FULL-TIME EMPLOYEES, MR. SEEBECK**  
6 **CONTEND THAT THE COMPANY HAS ALLOWED ITS HOURLY**  
7 **WORKFORCE TO SIGNIFICANTLY DECLINE IN RECENT YEARS.<sup>17</sup> PLEASE**  
8 **RESPOND.**

9 A. Over the past few years TAWC has evaluated workloads to align work to better serve our  
10 customers while also and necessarily adjusting to employee departures, retirements,  
11 promotions, reorganizations, etc. An example of this is the Chattanooga Production  
12 department. This department plays a crucial role in our business by maintaining the Citico  
13 Water Treatment Plant, Tanks, Booster Stations, and Pressure Reducing Stations in our  
14 Chattanooga system. While this department has experienced turnover in 2024, the  
15 department has still provided safe and reliable water service to Chattanooga customers and  
16 maintained the Company's record of zero drinking water Notices of Violations. Capital  
17 investment has allowed the workload of the maintenance employees to be allocated to other  
18 parts of our business for operational purposes.

19 Mr. Seebeck agrees with TAWC's request for an increase in the number of positions in this  
20 proceeding. However, he misunderstands the allocation of work hours and ignores  
21 positions being actively recruited. Further, Mr. Seebeck wants to lock in the number of

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<sup>17</sup> Seebeck 2:5-11.

1 TAWC employees at a point in time as if the Company can instantly replace departures  
2 from the business. TAWC believes it more realistic and beneficial to our customers to  
3 recognize that it takes time to replace employees and that it is wise to maintain the ability  
4 to adjust to the needs of our business.

5 **Q. MR. SEEBECK STATES THAT A LABORATORY WORKER HAS BEEN VACANT**  
6 **SINCE FEBRUARY OF 2021<sup>18</sup>, PLEASE RESPOND.**

7 A. Mr. Seebeck insinuates that TAWC has been intentionally operating without a key  
8 employee. The truth of the matter is that the laboratory worker's duties began to lessen  
9 around 2004 when changes were made to the Company's certified laboratory. At that time,  
10 the types of testing and sampling began to transition to American Water's certified national  
11 laboratory. This reduced the duties required of this position. Furthermore, in 2015 due to  
12 advances in equipment and testing procedures, TDEC reduced the type of testing required  
13 at the local level. This change further reduced the position's job duties. With the reduction  
14 in job duties this position became a less than full-time position averaging 15-20 hours per  
15 week of actual responsibility. Once the person in that position retired, the Company made  
16 the decision not to backfill a position whose job duties were under 20 hours per week.

17 Mr. Seebeck states that "The lab worker's most important job responsibility is to take water  
18 samples from designated collection sites every day for purposes of testing and quality  
19 control"<sup>19</sup>. The type of testing the lab worker performed was collecting bacteriological  
20 samples and bringing those to our local laboratory for testing to be performed by Senior  
21 Water Quality and Environmental Compliance Specialists. This type of sampling/testing is

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<sup>18</sup> Seebeck 4:3-5:7.

<sup>19</sup> Seebeck 4:9-10.

1 very common in the water industry. In fact, most of the Company's employees (with the  
2 exception of our meter shop and administration departments) receive training and perform  
3 this type of sampling/testing, including Mr. Seebeck himself. The Company has maintained  
4 the sampling requirements of TDEC that the lab worker position performed, and as I  
5 previously stated, have maintained our record of zero drinking water notice of violations.  
6 The discussion around this position is an excellent example of why requiring a minimum  
7 headcount, as the Union has requested, is not in our customers best interest and the  
8 Company should have the flexibility to adjust positions as needed when job duties change  
9 and evolve.

10 **Q. MR. GARVEY ALSO CONTENDS THAT "TAWC BARELY MAINTAINED THE**  
11 **FULL COMPLEMENT OF EMPLOYEES AUTHORIZED BY THE TRA IN 2010**  
12 **ONLY TWICE DURING THE PAST TWELVE YEARS, DESPITE THE**  
13 **AUTHORIZED LEVEL HAVING BEEN FINANCED BY CUSTOMERS RATES."**<sup>20</sup>  
14 **PLEASE RESPOND.**

15 A. Mr. Garvey's reliance on the Company's 2010 rate case to support his argument that the  
16 Company may not staff its operations at the level authorized in its current rate case is  
17 misplaced. Let me explain:

18 TAWC had a rate case in 2012 which reset base rates from those established in the 2010  
19 case. And because the 2012 case resolved through a settlement, a staffing level was not  
20 adopted for purposes of setting rates. However, it is worth noting that, while the settlement  
21 in the 2012 case stated a revenue requirement of approximately \$5.2 million, the Company

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<sup>20</sup> Garvey 6:7-9.

1 proposed in that case to reduce its full-time staffing level to 107 full-time employees,<sup>21</sup>  
2 and the Company's as-filed revenue deficiency in the 2012 case was approximately \$10.5  
3 million. This history is important because it shows that the Company has existed with less  
4 than full funding for its proposed staffing level since the 2012 case and that there is no  
5 staffing level target to which the Company should be held. Accordingly, contrary to Mr.  
6 Garvey's claim, the Company has not been already 'authorized' to recover the costs of 110  
7 full-time employees in its current rates.

8 Additionally, TAWC's labor expenses have not stayed flat year-over-year. Indeed, we  
9 provide annual pay increases to stay competitive and retain our workforce. We also must  
10 absorb increased costs related to employee benefits such as insurance. This means that the  
11 labor expenses projected by the Company for a specific period of time are outdated as soon  
12 as that period of time is over, and it is the Company's responsibility to manage its staffing  
13 level in an efficient and effective manner to provide safe and reliable water service.

14 **Q. PLEASE RESPOND TO MR. GARVEY'S CLAIM THAT TAWC HAS, ON**  
15 **AVERAGE, ONLY MAINTAINED 93 FULL-TIME EMPLOYEES A YEAR FROM**  
16 **2012-2023.**

17 A. As explained by Company witness Prendergast in his rebuttal testimony, the historic  
18 staffing level data provided by the Company in response to UWUA DR 1-018 contained  
19 an error. The data has been corrected and is provided on page 4 of Mr. Prendergast's  
20 Rebuttal Testimony. A corrected Data Request response has also been filed. Based on  
21 the corrected data, the Company has averaged 104 full-time employees a year since 2012.

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<sup>21</sup> Direct Testimony of TAWC Witness Melissa L. Schwarzell, p. 3, l 17-20, TPUC Docket No. 12-00049 (June 6, 2012).

1 On October 21, 2024, Mr. Garvey filed revised testimony based on the Company's  
2 corrected Data Request response and has updated his testimony to show that the company  
3 has averaged 104 full-time employees for the years 2012-present.<sup>22</sup>

4 **Q. MESSRS. GARVEY AND SEEBECK RECOMMEND THAT THE COMMISSION**  
5 **CONDITION ANY RATE INCREASE ON THE COMPANY STAFFING ITS**  
6 **OPERATIONS AT LEAST FOR 117 FULL-TIME EMPLOYEES AND MAINTAIN**  
7 **THAT STAFFING LEVEL. TO ENFORCE THIS CONDITION, THEY**  
8 **RECOMMEND THAT THE COMMISSION DIRECT THE COMPANY TO FILE**  
9 **QUARTERLY REPORTS STATING ITS AUTHORIZED AND ACTUAL**  
10 **EMPLOYMENT LEVELS, AND THAT A PENALTY, SUCH AS A REDUCTION IN**  
11 **ROE, BE APPLIED TO THE COMPANY FOR FAILURE TO MAINTAIN A**  
12 **STAFFING LEVEL OF AT LEAST 117 FULL-TIME EMPLOYEES. PLEASE**  
13 **RESPOND.**

14 **A.** This proposed condition is untenable because staffing levels fluctuate and it takes time to  
15 replace employees who leave, thus the Company would need to maintain a staffing level  
16 above the projected 117 simply to avoid incurring a penalty for changes in its employee  
17 levels. Additionally, neither witness explains how such a penalty would work. As I have  
18 explained previously in my testimony, while we are recruiting and hiring employees other  
19 employees are retiring or leaving. Neither the Company nor its customers should be  
20 penalized for the natural flow of employee count, which the Company does not solely  
21 control.

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<sup>22</sup> Garvey Revised Testimony 6:10.



1 Regarding the proposed reporting requirement, UWUA has not shown that TAWC has been  
2 maintaining a staffing level below its authorized level because there is no authorized level.  
3 A quarterly reporting requirement simply adds to the workload requirement of the  
4 Company and provides no benefit. In fact, the Company provided such reports after its  
5 2010 rate case, but the reports did not govern any business decisions related to hiring as  
6 such decisions have been and must continue to be based on the needs of the business. As  
7 discussed above, a fixed headcount is bad for the Company and for customers. Efficiency  
8 should be rewarded rather than penalized.

#### 9 **IV. EMPLOYEE COMPENSATION**

10 **Q. DID YOU REVIEW INTERVENOR TESTIMONY IN THIS DOCKET**  
11 **REGARDING THE COMPANY’S TOTAL MARKET BASED COMPENSATION?**

12 A. Yes. I reviewed the testimony of Mr. Dittemore on behalf of the CAD, and Mr. Garrett  
13 on behalf of the City.

14 **Q. PLEASE DESCRIBE MR. DITTEMORE’S RECOMMENDATIONS REGARDING**  
15 **TOTAL MARKET BASED COMPENSATION.**

16 A. Mr. Dittemore’s recommendation is to remove from total market-based compensation,  
17 55% of the Company’s forecasted APP cost component and 100% of the forecasted LTPP  
18 cost component from the Attrition Year revenue requirement.<sup>23</sup> He also recommends  
19 removing 55% of the Company’s forecasted APP and 100% of the LTPP costs allocated  
20 to TAWC from American Water Works Service Company (“Service Company”)<sup>24</sup>.

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<sup>23</sup> Dittemore 25:10-28:14.

<sup>24</sup> Dittemore 27:17-28:14.

1 **Q. PLEASE DESCRIBE MR. GARRETT'S RECOMMENDATIONS REGARDING**  
2 **TOTAL MARKET BASED COMPENSATION.**

3 A. Mr. Garret's recommendation is to remove from total market-based compensation, 50%  
4 of the Company's forecasted APP cost component and 100% of the forecasted LTPP cost  
5 component from the Attrition Year revenue requirement.<sup>25</sup>

6 **Q. DO YOU AGREE WITH THOSE RECOMMENDATIONS?**

7 A. No. I do not agree with either of their recommendations.

8 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH THOSE**  
9 **RECOMMENDATIONS.**

10 A. While Mr. Dittmore and Mr. Garrett both suggest that the financial performance metrics  
11 that are part of the APP and LTPP plans benefit shareholders more than customers,<sup>26</sup> as I  
12 explain in my direct testimony, that is not the case. The Company's performance  
13 compensation plans, which are key components of the Company's total market-based  
14 compensation, align the interests of our customers, employees, and investors<sup>27</sup>. Mr.  
15 Dittmore further reduces cost recovery of the APP associated with the portion designed to  
16 encourage workforce diversity.<sup>28</sup> This is disappointing since workforce diversity provides  
17 many benefits to an organization as explained by Company witness Watkins.

18 **Q. HAS ANY PARTY TO THIS PROCEEDING PRESENTED EVIDENCE THAT THE**  
19 **COMPANY'S TOTAL MARKET-BASED COMPENSATION OR ITS**  
20 **STRUCTURE RESULTS IN IMPRUDENT OR UNREASONABLE COSTS?**

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<sup>25</sup> Garrett 26:10-15, 31:3-5.

<sup>26</sup> Dittmore 25:10-11; Garrett 19:13-16.

<sup>27</sup> Stout Direct Testimony 42:5-10.

<sup>28</sup> Dittmore 35:17-20.

1 A. No, the parties do not conclude that the Company's total market-based compensation is  
2 imprudent or unreasonable nor take issue with the fact that the performance compensation  
3 plans are offered as structured.

4 **Q. HAVE THE DISPUTED PORTIONS OF TAWC'S TOTAL MARKET-BASED**  
5 **COMPENSATION PRODUCED BENEFITS TO TAWC CUSTOMERS?**

6 A. Yes. Financial measures serve to align the interests of our customers, employees, and  
7 investors. In order to achieve the targeted financial goals, employees must continuously  
8 work to maintain and improve operating efficiency. This is because controlling operating  
9 costs is essential to achieving financial goals, such as targeted earnings per share ("EPS").  
10 The financial goals ensure that employees keep their focus on increasing efficiency,  
11 decreasing waste, and boosting overall productivity. As I discussed in my Direct Testimony,  
12 where TAWC can reduce operating costs, it can increase investment in infrastructure  
13 without increasing rates. (Stout DT p. 43:18-19). Additionally, again referring to my Direct  
14 Testimony, incentivizing employees to control and reduce operating costs impacts a  
15 utility's financial health, which influences a company's access to capital at reasonable rates.  
16 TAWC's customers have benefitted from the Company's access to capital at favorable rates,  
17 and because utilities are capital intensive and must routinely and consistently access the  
18 capital markets, customers ultimately benefit when their utility has the financial health to  
19 do so at reasonable rates. (Stout DT p. 43:6-11).

20 **Q. HAVE THE DISPUTED PORTIONS OF TAWC'S TOTAL MARKET-BASED**  
21 **COMPENSATION PRODUCED ANY OTHER BENEFITS TO TAWC**  
22 **CUSTOMERS?**

1 A. Yes. As I discussed in my Direct Testimony (Stout DT pp. 47:10 – 48:2), TAWC’s total  
2 market-based compensation helps it recruit and retain skilled workers, which are critical to  
3 TAWC’s ability to continue to provide safe drinking water and perform satisfactory  
4 customer service. Competition among companies to attract and retain the best and highest  
5 performing employees is keen. In recruiting new employees or retaining existing  
6 employees, both the Company and Service Company compete with general industry in  
7 surrounding regions and nationally. Without the ability to provide a competitive and  
8 customary compensation and benefits package, I believe the Company could struggle to  
9 attract and retain key employees, especially considering it not only competes with other  
10 utilities but also other area industries for this talent. Especially with respect to employee  
11 retention, the loss of skilled employees imposes a real cost on a company which then needs  
12 to attract and train replacements. The Company’s compensation program provides  
13 employees with a total compensation package on par with those offered by companies with  
14 which it competes for employees.

15 The challenges associated with attracting new talent, and the resulting cost of doing so, is  
16 further compounded by the fact that the utility industry as a whole is experiencing a  
17 disproportionate impact of our nation’s aging workforce. The soon-to-retire “Baby  
18 Boomer” generation holds a wealth of knowledge and experience necessary to support the  
19 continuation of utility services, while the next generation of qualified talent is diminished  
20 in size. This presents a far greater challenge to TAWC in recruiting replacement, qualified  
21 personnel, if its total compensation is not competitive. Therefore, the Company’s  
22 compensation program must provide employees with a total compensation package on par  
23 with those offered by companies with which it competes for employees.

1   **Q.    ARE THERE OTHER BENEFITS, SPECIFICALLY OF LTPP, THAT PROVIDE**  
2       **TANGIBLE BENEFITS TO CUSTOMERS WHEN IT COMES TO EMPLOYEE**  
3       **RETENTION?**

4    A.    Yes. The Company provides LTPP primarily to leadership level employees. The LTPP helps  
5       reduce attrition among these employees by incentivizing them to remain with the  
6       organization. Specifically, because stock-based compensation vests on a phased basis in  
7       three installments over a prospective three-year period, employees remain with the  
8       organization to realize the vesting of their awards. By retaining experienced, high-quality  
9       employees that understand the Company and the initiatives that support the Company's  
10      ability to continue to provide safe, reliable, and affordable service, the customers benefit.

11   **Q.    HOW DO THE FINANCIAL METRICS IN TAWC'S COMPENSATION**  
12      **STRUCTURE RESULT IN COST MANAGEMENT THAT BENEFITS**  
13      **CUSTOMERS?**

14   A.    Since the financial metrics are macro indicators of the Company's management, it is  
15      appropriate to look for similar macro benefits to customers. By looking over time, the  
16      Company has identified aggregate benefits to TAWC customers in the Company's ability  
17      to hold O&M per customer increases well below the rate of inflation. As Company witness  
18      Lane explained in his Direct Testimony, since 2012, for more than a decade (and through  
19      the Attrition Year), the Company has been able to keep its expenses per customer below  
20      the rate of inflation. (Lane DT p. 10:13-15). As he further explains in Direct Testimony,  
21      based on the attrition year customer count included in this rate case, annual O&M expense  
22      would have been over \$2.8 million more than the amount the Company is proposing in this  
23      proceeding. (Lane DT pp. 10:15 – 11:2).

1   **Q.   WHY IS IT INAPPROPRIATE TO DISALLOW RECOVERY OF TOTAL**  
2       **MARKET-BASED EMPLOYEE COMPENSATION COST THAT HAS BEEN**  
3       **SHOWN TO BE REASONABLE?**

4   A.   As I explained in my Direct Testimony, employee compensation is a necessary cost of  
5       providing utility service. (Stout DT p. 47:10 48:2). Therefore, it should be assessed using  
6       the same lens as other necessary operating costs: if a utility prudently incurs reasonable  
7       compensation costs, relative to what the industry pays for the same services, it should be  
8       permitted to recover all those costs through rates. The Commission should rightly be  
9       concerned when total market-based employee compensation is too high, which may  
10      unreasonably increase rates, and when employee compensation is too low, which may  
11      impact service to customers. In other words, the Commission's focus should be on the  
12      reasonableness of the Company's overall level of total compensation, giving management  
13      the discretion to design the compensation package that is best structured to compensate  
14      employees properly and to motivate efficiency, safety, courtesy and other valuable  
15      employee traits. If the Company's overall compensation level is reasonable, because it is  
16      in line with the market, regardless of the combination of fixed and variable payments that  
17      the employees earn, or the specific metrics those payments are tied to, then, by definition,  
18      the Company's overall compensation expense is reasonable and prudently incurred and  
19      should be recoverable. As noted above, the parties do not dispute the reasonableness of the  
20      Company's overall compensation levels. Accordingly, it is inappropriate to disallow a  
21      component of that cost simply because it does not comport with their view of how  
22      employee compensation should be structured.

1   **Q.   MR. DITTEMORE RECOMMENDS REMOVING 55% OF APP AND 100% OF**  
2       **LTPP COSTS ALLOCATED TO TAWC FROM AMERICAN WATER WORKS**  
3       **SERVICE COMPANY . WHY IS IT INAPPROPRIATE TO DISALLOW**  
4       **RECOVERY OF THESE COSTS ALLOCATED TO TAWC FROM THE SERVICE**  
5       **COMPANY?**

6   A.   As Company witnesses John Watkins and Patrick Baryenbruch both discussed in their  
7       Direct Testimony, TAWC's allocated Service Company costs are reasonable and necessary,  
8       and are already lower than what TAWC would pay if the services were obtained at market  
9       rates from entities other than the Service Company. (Watkins DT pp. 4:17-22 – 5:2;  
10      Baryenbruch DT pp. 29:4 – 32:15). Company witnesses Prendergast and Watkins further  
11      discuss this point.

12   **Q.   WHAT WOULD YOU ULTIMATELY LIKE THE COMMISSION TO CONSIDER**  
13       **IN EVALUATING THE COMPANY'S EMPLOYEE TOTAL MARKET-BASED**  
14       **COMPENSATION COSTS?**

15   A.   I would like the Commission to consider:

- 16       ○ The undisputed evidence in this case demonstrating that the Company's overall  
17       employee compensation costs – including performance pay – is in line with market  
18       levels;
- 19       ○ The undisputed evidence in this case that Service Company costs to TAWC are  
20       reasonable and below the market prices for such services;
- 21       ○ The undisputed evidence in this case that the Company's ability to manage O&M costs  
22       and strategically grow its customer base has mitigated expense increases for, and

1 created greater efficiencies in, operations that have allowed the Company to mitigate  
2 increases to its O&M cost per customer over the past decade; and

- 3 ○ All of these undisputed facts taken as a whole demonstrate that the Company's  
4 employee compensation costs are reasonable, as they are in line with the market as  
5 determined by Company witness Mustich's market study filed in this proceeding, and  
6 do in fact benefit customers.

7 These are prudently incurred costs that TAWC should recover in rates. It is also clear,  
8 however, that the performance plans have produced demonstrable benefits for customers,  
9 and as such, disallowance of those costs is not justified. For all these reasons, the  
10 adjustments to employee compensation costs proposed by Mr. Dittmore and Mr. Garrett  
11 should be denied.

## 12 **V. EMPLOYEE SAFETY**

13 **Q. MESSRS. GARVEY AND SEEBECK GENERALLY STATE THAT**  
14 **UNDERSTAFFING BY TAWC CAN RESULT IN SAFETY RISKS FOR HOURLY**  
15 **EMPLOYEES. PLEASE RESPOND.**

16 A. The UWUA testimony frames our work in a negative safety light, but our employees'  
17 demonstrated safety record establishes a very different reality. TAWC empowers all of our  
18 employees to participate in establishing and maintaining a safe work environment. As I  
19 discussed in my Direct Testimony, safety is a top priority for the Company, and TAWC has  
20 gone more than 500 days without an OSHA recordable injury. This success is a testament  
21 to all of the hard work that our employees do to ensure our customers are provided quality  
22 water service while maintaining the focus on safety that is required to achieve such a record



1 of success. Beyond American Water's safety strategy discussed in my direct testimony,  
2 TAWC executed a Memorandum of Understanding with the union as recently as September  
3 28, 2017, which declares all employees are empowered and "...encouraged to stop any  
4 work they deem possibly unsafe, at any time, for any reason..." See  
5 TAW\_RT\_STOUT\_Exhibit 1.

6 **Q. MR. SEEBECK TESTIFIES FROM HIS PERSPECTIVE AS A UNION WORKER**  
7 **IN THE DISTRIBUTION DEPARTMENT AND RAISES SAFETY CONCERNS**  
8 **ASSOCIATED WITH STRESS AND EXHAUSTION. PLEASE RESPOND.**

9 A. Rather than the powerless, stressed-out, or unsafe employees the UWUA testimony  
10 portrays, the data from the departments in which the Company's Union employees work  
11 show an impressive safety history. Most impressive is the department in which Mr. Seebeck  
12 himself works (Distribution Department) where that department has gone over 7 years  
13 without a preventable OSHA recordable injury. The Production Department has gone over  
14 4 years, and Meter Shop has gone over 500 days without an OSHA recordable injury.

15 Mr. Seebeck also states in his testimony "*Currently, many employees in the Distribution*  
16 *Department where I work are working excessive overtime, in many cases for 12 or 14*  
17 *hours, six or seven days a week just to keep up with the workload.*"<sup>29</sup> This statement is  
18 simply overstated. As the actual data in the table below shows, the average total hours  
19 worked each week since 2020 range from 43-46 hours per week. Which equates to  
20 approximately 3 – 6 overtime hours per employee each week.

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<sup>29</sup> Seebeck 2:14-16.

Departments	2020 Total OT Hours	2020 OT Per Week Per Employee	2021 Total OT Hours	2021 OT Per Week Per Employee	2022 Total OT Hours	2022 OT Per Week Per Employee	2023 Total OT Hours	2023 OT Per Week Per Employee	2024 Total OT Hours	2024 OT Per Week Per Employee
Distribution	4169.75	3.08	6393.5	4.73	4616.75	3.41	5623.25	4.16	4123.75	6.1
Meter shop	4736.25	4.14	4195.25	3.67	4006	3.5	5639.25	4.93	1747.25	3.05
Production	1408	3.01	1402	3	1400.5	2.99	1862.25	3.98	1030.25	4.4

It is important to note that all OT at TAWC is voluntary. The overburdened picture painted by the union testimony is simply an embellishment. TAWC is grateful for those employees who are consistent in their response for our customers, however TAWC cannot plan to cover night and weekend emergency work when the internal unscheduled response rate – the voluntary acceptance of OT work - from Chattanooga’s Distribution department as a crew is only 31% over the last 3 years. This means that when the occasion for emergency OT work arises for our Chattanooga Distribution Department, nearly 7 out of 10 times the call out does not achieve a full crew response for the OT opportunity.

**Q. MESSRS. GARVEY AND SEEBECK ALSO RAISE THE ISSUE OF TAWC WORKERS REPAIRING WATER MAINS UNDER PRESSURE, WHICH THEY CONTEND CREATES A SAFETY RISK FOR THESE WORKERS. PLEASE RESPOND.**

A. As an initial matter and as previously stated, all employees have the ability to stop work when they feel conditions could pose a safety risk, and employees have had this ability well before the 2019 transmission main break safety concern raised in Mr. Seebeck’s testimony.

When a water main fails, there are different ways to make a repair. Some repairs may require the main to be de-pressurized, while other repairs can safely be repaired when a

1 water main is under pressure. A common type of repair utilized is a repair clamp that is  
2 designed to be installed under pressure. As for when the water main failure requires de-  
3 pressurization, there are multiple ways to accomplish this. The most common method is to  
4 close system valves to reduce the flow of water. Other methods involve opening fire  
5 hydrants in the area, closing additional valves, or making taps to give the water somewhere  
6 else to go. TAWC also provides equipment and resources to install line stops or insertion  
7 valves to address the flow of water and de-pressurize the main. TAWC employees are  
8 familiar with these options and commonly utilize them during repairs to complete the repair  
9 safely. Moreover, for trench safety, all TAWC employees that perform repairs to water  
10 mains are required to take OSHA Trench Safety training that teaches best practices in  
11 shoring and benching to make repair sites safe.

12 Ultimately, I am confident in the tools, safety equipment, and training the company  
13 provides to employees to work safely on water main repairs. As I previously stated, the  
14 employees in our Distribution Department (that Mr. Seebeck works in and who makes the  
15 repairs to water mains in TAWC's Chattanooga system) is currently over 7 years without a  
16 preventable OSHA recordable injury where the Company has repaired 2,539 main breaks  
17 in that time.

## 18 VI. FIRE PROTECTION

19 Q. MR. GARVEY STATES THAT THE COMPANY HAS A BACKLOG OF OPEN  
20 WORK ORDERS FOR FIRE HYDRANTS, WHICH IS CONCERNING TO THE

1           **UWUA.<sup>30</sup> DO YOU AGREE THAT TAWC HAS A BACKLOG OF OPEN**  
2           **WORKORDERS?**

3    A.     One important thing to note in Mr. Garvey's testimony is that he makes an open work order  
4           sound like an out of service fire hydrant, or a fire hydrant unable to provide fire protection.  
5           This is misleading as many of the work orders for fire hydrants do not render a fire hydrant  
6           out of service. In fact, it is not uncommon for a hydrant investigation work order to lead  
7           to no issues found with the hydrant once investigated. Regardless, Mr. Garvey's assertion  
8           that the Company is failing to repair out of service fire hydrants in a timely manner is  
9           baseless and unwarranted. TAWC maintains close relationships and open communication  
10          with local fire departments to help ensure critical out of service hydrants are identified and  
11          put back into service as quickly as possible. We also plan for redundancies in our system  
12          so that if one hydrant does go out of service or has an issue, firefighters have other hydrants  
13          close by to utilize in the event of an emergency. At any given time, the number of hydrants  
14          in our system that are out of service account for less than 1.0% of the 5,700+ active  
15          hydrants in the Company's systems. Mr. Garvey also fails to account for the fact that the  
16          Company has completed 1,135 of these work orders during the period of January 1, 2020  
17          to June 30, 2024. In that same time period, TAWC inspected an average of over 5,000  
18          hydrants each year.

19 **VII. VALVE MAINTENANCE & REPAIRS**

20    **Q.     MR. GARVEY STATES THAT THE COMPANY'S VALVE INSPECTION GOALS**  
21           **FOR VALVES SMALLER THAN 16 INCHES DO NOT COMPLY WITH THE**

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<sup>30</sup> Garvey 19:10-20:18.

1        **AWWA GUIDELINES FOR SMALLER VALVE INSPECTIONS.<sup>31</sup> PLEASE**  
2        **RESPOND.**

3        A.        There is agreement between the Company and Mr. Garvey when it comes to the annual  
4        frequency of critical valves, but a disagreement on the Company's current 6-year cycle for  
5        smaller valves versus the AWWA M44 3 to 5-year recommendation for smaller valves.

6        As the Company's valve goals have changed over the years, the current plan is using the  
7        Geography approach called out in the AWWA M44 manual stating, "Geography-An  
8        alternative to taking a criticality approach, is to methodically work through the entire  
9        network from north to south, east to west, tile by tile, or plat by plat. A geographic approach  
10       (coupled with criticality) is an excellent sustainable approach to systemwide valve asset  
11       management." With a frequency approach, inefficiencies can be had when basing  
12       inspections on size versus location. Our current belief is that efficiencies will be found in  
13       a geographic approach to turning all valves in the area, that increases the number of valves  
14       we can turn in a year and reduce the valve inspection frequency over time. The Company's  
15       current geography based inspection approach (for smaller valves) and annual frequency  
16       approach (for critical valves) is an effective asset management strategy.

17       **Q.        MESSRS. GARVEY AND SEEBECK ALSO STATE THAT THE COMPANY IS**  
18       **NOT PROPERLY INSPECTING MANY VALVES BECAUSE EMPLOYEES ARE**  
19       **NOT PHYSICALLY OPERATING VALVES DURING INSPECTION.<sup>32</sup> PLEASE**  
20       **RESPOND.**

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<sup>31</sup> Garvey 11:10-17.

<sup>32</sup> Garvey 11:18-23; Seebeck 7:7-11:7.

1 A. Mr. Garvey and Mr. Seebeck spend ample testimony raising their concerns of the valve  
2 inspection process. The Company appreciates hearing from its employees as it provides,  
3 among other things, an opportunity to clear up misinformation and any areas of confusion  
4 and misunderstanding.

5 Mr. Seebeck states in his testimony that:

- 6 • *“We were also instructed that we would not be operating valves during these*  
7 *inspections, but merely verifying we could get a key on the valve nut, make sure the*  
8 *valve wasn’t obviously broken, and then move on to the next valve”* (Seebeck page  
9 7 lines 12-14); and
- 10 • *“In this case, the Company was asking Distribution Department employees to*  
11 *supplement this year’s valve inspections, but without physically operating the*  
12 *valves to make sure they work”* (Seebeck page 8 lines 6-8).

13 Additionally, Mr. Garvey states:

- 14 • *“Most concerning, we believe the Company is currently failing to inspect many if*  
15 *not most of its valves properly at all because management recently instructed*  
16 *hourly employees not to physically operate valves during inspections.”* (Garvey  
17 Page 11 lines 21-23).

18 However, I find the data provided in DR 1-2 to dispute these claims. Of the 2373 valve  
19 inspections, 2222 (94%) of these inspection show a physical inspection completed if  
20 possible. The other 6% show zero turns with no remarks. This information does show  
21 mixed data on how many turns are being recorded during an inspection, but only  
22 approximately 6% (151/2373) of the inspections show 0 turns with no remarks of issue

1 found. While reviewing the inspections, it is apparent there are discrepancies in the data,  
2 ranging from full number of turns to zero turns, and differing from employee to employee  
3 (one employee works full turns, one employee entered all 1's for numbers of turns, and Mr.  
4 Seebeck himself uses MapCall suggested minimum number of turns most often).

5 I did ask front-line management if they instructed hourly employees not to operate valves  
6 as Mr. Seebeck's testimony states, but they have told me those instruction were never given,  
7 and the data in DR 1-2 shows valve inspections being completed with number of turns  
8 recorded in 2024. Even still, I must admit that I am disappointed that I'm hearing about the  
9 valve turning issue for the first time in rate case testimony. The Company and Union  
10 entered into a joint commitment called Partnership with a Purpose by engaging the Federal  
11 Mediation and Conciliation Service (see TAW\_RT\_STOUT\_Exhibit 2) and one of the keys  
12 to success in this plan was communication.

13 As set out in this Partnership plan, the keys to communication require communications to  
14 be "Genuine; Early and Often; Forth Coming; Intentional and Strategic." Since becoming  
15 Vice President, Operations in February of 2024, I've met directly with Union leadership  
16 on a near weekly cadence. Meeting over 20 times so far this year, the concern over valve  
17 inspection frequency and operation has never been raised. If clarification is needed for  
18 valve inspection duties, the Company will provide this guidance.

19 **Q. MR. GARVEY STATES THAT HE HAS BEEN MADE AWARE BY OTHER UWUA**  
20 **LOCAL UNIONS OF INSTANCES WHERE AMERICAN WATER HAS**  
21 **INSTRUCTED EMPLOYEES NOT TO FULLY OPERATE VALVES IN ORDER**

1       **TO INCREASE THE NUMBER OF COMPLETED VALVE INSPECTIONS.**  
2       **PLEASE RESPOND.**

3    A.    On its face, it appears that the witness is referencing something that he didn't hear first-hand  
4       but rather something he heard that someone else heard that perhaps even came from  
5       someone else. I have no first-hand knowledge of this being the case at the other American  
6       Water companies. I do, however, know that there is no enterprise-wide directive to  
7       improperly operate valves. Mr. Garvey states that he has heard this claim about American  
8       Water companies over the years, but he also states that evidence suggests that TAWC made  
9       this change in 2024. I have been in my current position since February of 2024, and have  
10      worked at the Company since 2013, and again, I have never heard any directive or  
11      instruction to not properly inspect valves.

## 12 **VIII. WATER MAINS & OTHER INFRASTRUCTURE ISSUES**

13   **Q.    WHILE MR. GARVEY ACKNOWLEDGES THAT ITS NORMAL FOR A WATER**  
14       **UTILITY TO HAVE A BACKLOG OF OPEN WORKORDERS FOR WATER**  
15       **INFRASTRUCTURE LEAKS, HE STATES THAT IT'S HIS VIEW THAT ANY**  
16       **SIZEABLE BACKLOG OF OPEN WORK ORDERS OLDER THAN FOUR**  
17       **MONTHS INDICATES A LACK OF AVAILABLE STAFF TO PROMPTLY**  
18       **ADDRESS LEAKS.<sup>33</sup> PLEASE RESPOND.**

19    A.    Mr. Garvey's testimony is correct that a backlog is normal in a utility. However, Mr.  
20       Garvey's argument is about the number of backlogged work orders rather than the  
21       underlying work related to those work orders. It is more appropriate to consider work

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<sup>33</sup> Garvey 21:4-16.



1 orders in the context of the type and scope of work to be performed rather than the number  
2 of work orders that may be outstanding. For example, referring to work orders on main  
3 breaks, TAWC completed 100% of the main break workorder types in all years (2020-  
4 2023) excluding the ongoing year (2024). The other type of workorder is customer service  
5 line work, accounting for 95% (377/395) of our backlog work. Looking back on the service  
6 line work TAWC has completed, almost one-third of the workorders (408/1268) resulted  
7 in no issue found. We found that these types of workorders lead to either no issue found  
8 or small leaks, leading them to be lower priority workorders. However, if a customer has  
9 a service disruption, that issue is addressed as an emergency and completed quickly. The  
10 point is that at any given time the operational data can only tell part of the story, and it is  
11 important for a utility to focus on type of work and how we respond. It's normal to have a  
12 backlog of work and the DR responses shows we are prioritizing our work correctly.

13 **Q. MR. GARVEY STATES THAT THE COMPANY HAS A BACKLOG OF**  
14 **INCOMPLETE WORK ORDERS FOR NEW CUSTOMER INSTALLATION.<sup>34</sup> DO**  
15 **YOU AGREE?**

16 **A.** The Company has seen increased organic growth levels and currently does have a backlog  
17 of new customer installations. This is one of the drivers of our headcount ask of 117 as  
18 requested. We set expectations for customers when they apply for a service that the entire  
19 process could take up to 16 weeks. We have been quicker than this timeline 100% of the  
20 time since 2020 (5867 installs) with the exception of one 6" meter request, which was  
21 delayed due to supply chain issues. The average customer wait time between an open new

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<sup>34</sup> Garvey 22:1-23:6.

1 service work order and work order completion in 2024 for 5/8” residential meters has been  
2 20 days.

### 3 **IX. CUSTOMER-OWNED LEAD SERVICE LINE REPLACEMENT**

4 **Q. DOES ANY PARTY OFFER A RECOMMENDATION REGARDING THE**  
5 **COMPANY’S PROPOSAL TO REPLACE CUSTOMER-OWNED LEAD SERVICE**  
6 **LINES AND RECOVER THE COSTS THROUGH THE QIIP RIDER?**

7 A. Yes. Mr. Bradley, on behalf of CAD, recommends that the Commission not adopt the  
8 Company’s proposal because the Tennessee Legislature has not authorized the Commission  
9 to approve the replacement of customer-owned service lines and because the Company’s  
10 proposal creates a customer cross-subsidy.<sup>35</sup> Mr. Bradley also states that removing the  
11 customer owned portion of a lead service line would not entirely eliminate the risk of lead  
12 exposure for all customers.<sup>36</sup>

13 **Q. DO YOU AGREE WITH THIS RECOMMENDATION BY THE CAD?**

14 A. No, I do not. Company witness Lane explains in his Rebuttal Testimony why Mr. Bradley’s  
15 arguments related to the Commission’s authority and customer cross-subsidy are not  
16 persuasive and should be rejected; I will address the need for replacing customer-owned  
17 lead service lines. As I explain in my Direct Testimony, at pages 19-25, the proposal to  
18 replace customer-owned lead service lines in tandem with main replacements is the most  
19 cost-effective, efficient and responsible way to continue the Company’s main replacement  
20 program while addressing risks associated with partial lead service line replacements. As  
21 further discussed below, partial replacements do not adequately mitigate the potential

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<sup>35</sup> Bradley 18:16-21.

<sup>36</sup> Bradley 17:8-15.

1 exposure to lead in drinking water and may even heighten the risk of lead exposure by  
2 disturbing the lead service line that remains on the customer side. Eliminating lead pipe  
3 from the system, together with the Company's corrosion control water treatment measures,  
4 are a prudent and effective means to maintain regulatory compliance and protect public  
5 health. The Company's recommended rate treatment is a critical component of the  
6 Company's ability to eliminate a potential source of lead in drinking water.

7 **Q. PLEASE EXPAND UPON WHY YOU BELIEVE THE COMPANY SHOULD**  
8 **COMPLETE FULL (I.E., COMPANY-OWNED AND CUSTOMER-OWNED)**  
9 **LEAD SERVICE LINE REPLACEMENTS AS PART OF ITS CAPITAL**  
10 **PROGRAM.**

11 A. While Mr. Bradley concedes that lead service lines is a country-wide problem that needs  
12 to be addressed, he states that the Company's proposal to replace customer-owned lead  
13 service lines is not in the overall public interest.<sup>37</sup> What Mr. Bradley ignores, however, is  
14 that a growing body of research indicates that partial lead service line replacements where  
15 only the utility-owned portion is replaced and the customer-owned portion is left intact,  
16 have not been effective in reducing potential lead exposure and may, in some cases,  
17 potentially *elevate* the risk of lead exposure through drinking water after the replacement  
18 occurs.<sup>38</sup> The recently finalized Lead and Copper Rule Improvements from the EPA issues

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<sup>37</sup> Bradley 18:1-21.

<sup>38</sup> The National Resources Defense Council recently reported: The EPA's Science Advisory Board noted that partial replacements "have not been shown to reliably reduce drinking water lead levels in the short term, ranging from days to months, and potentially even longer."

In the same article: "According to the Centers for Disease Control and Prevention, partial replacements "may be linked to increased incidence of high blood levels in children." The EPA's Science Advisory Board noted that partial replacements are "frequently associated with short-term elevated drinking water lead levels for some period of time after replacement, suggesting the potential for harm, rather than benefit during that time period." The Science Advisory Board found that, even while the lead levels might stabilize over time, they could remain at levels consistent with

1 a ban on most partial replacements.<sup>39</sup> Utilities such as TAWC, however, are responding  
2 to the ever-increasing need to upgrade aging infrastructure and cannot avoid replacing  
3 aging infrastructure simply because it is connected to lead service lines, which only  
4 accelerates the need to coordinate the replacement of customer-owned lead service  
5 lines. Replacing customer-owned lead service lines when the corresponding main or  
6 service lines are replaced will eliminate a potential source of lead exposure following a  
7 “partial” replacement for the Company’s customers. Thus, the Company strongly believes  
8 that the removal of the entire lead service line is important to avoid the risk of potential  
9 exposure to lead through drinking water.

10 **Q. COULD A POTENTIAL SOLUTION TO DISTURBING CUSTOMER-OWNED**  
11 **LEAD SERVICE LINES BE FOR THE COMPANY TO DELAY OR DEFER**  
12 **PROJECTS WITH KNOWN CUSTOMER-SIDE LEAD SERVICE LINES?**

13 A. This is not a solution that I would recommend. There is a need to replace aging water  
14 infrastructure, and doing so both improves customer service and is ultimately more cost  
15 effective than leaving aging infrastructure in the ground. Planned pipe replacements are  
16 much less costly on a unit cost basis than the costs of increasing pipe breaks, service

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those prior to the partial replacement. See <https://www.nrdc.org/experts/cyndi-roper/hidden-costs-dangers-partial-lead-pipe-replacements>

<sup>39</sup> See page 97 for the EPA’s prepublication of the Final LCRI: [prepublicationfrn\\_national-primary-drinking-water-regulations-for-lead-and-copper\\_improvements.pdf \(epa.gov\)](#) (“The final rule requires replacement of the entire service line, such that no portion of a lead or GRR service line remains. Partial lead or GRR service line replacements do not prevent known or anticipated adverse health effects and may cause adverse health effects; however, water systems may, in limited circumstances, need to conduct partial service line replacements as part of an emergency repair or to facilitate the completion of planned infrastructure work (separate from service line replacement activities, such as water main replacement) that would disturb the service line. Accordingly, the rule (1) prohibits water systems from conducting a partial lead or GRR service line replacement, except in the mentioned limited circumstances, and (2) requires water systems that conduct partial service line replacement to comply with notification requirements and other measures to mitigate the potential increased levels of lead as a result of the partial replacement (section IV.B.5).)

1 disruptions, property damages, health risks from potential drinking water contamination  
2 exposure during pipe breaks, related community opportunity costs related to community  
3 health and economic development, and the steep increase in future pipe replacements  
4 resulting from prior deferral of the replacements. Moreover, lead service lines on the  
5 customer-side continue to pose some risk even if not disturbed by Company main and  
6 service replacements. Customers have a similar risk related to service lines that may be  
7 disturbed through the work of other utilities as well. For example, telephone, electric, or  
8 cable companies directionally drilling to install new services or new cable can also disturb  
9 the lead service line and may or may not require relocation by the Company. Ultimately,  
10 the risk to the public is significantly lowered if we are able to replace these lines and  
11 remove the source of the potential exposure.

12 **X. NON-REVENUE WATER LIMITATION FACTOR**

13 **Q. MR. DITTEMORE RECOMMENDS THAT A PORTION OF THE COMPANY’S**  
14 **FORECASTED PURCHASED POWER COSTS AND CHEMICAL COSTS BE**  
15 **DENIED BASED ON A “NON-REVENUE WATER LIMITATION FACTOR.”<sup>40</sup> DO**  
16 **YOU AGREE WITH THIS RECOMMENDATION?**

17 **A.** No, I do not. The Commission does not have a 15% Non-Revenue Water (“NRW”)  
18 limitation factor, and it would be inappropriate for the Commission to adopt this standard  
19 in this case.

20 **Q. PLEASE EXPLAIN.**

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<sup>40</sup> Dittemore 30:6-32:17.

1 A. Mr. Dittmore states that the Commission adopted a NRW limitation factor in TRA Docket  
2 Number 10-00189; however, when you review the Order in that case, you see that the  
3 Commission adopted a lost and unaccounted for water limitation.<sup>41</sup> Lost and unaccounted  
4 for water, more commonly referred to as simply unaccounted-for-water, or “UFW”, is not  
5 synonymous with NRW. UFW and NRW are separate and distinct standards for measuring  
6 water loss. UFW is a portion of Non-Revenue Water that the company is unable to  
7 track/measure from our systems of record, for example meter inaccuracies, data errors, or  
8 unauthorized non-metered usage. NRW is the difference between the amount of water that  
9 is produced by a water utility for consumption, and the amount of water that is billed to  
10 customers. Non-revenue water includes authorized but unbilled water use (such as for  
11 firefighting) while unaccounted for water does not.

12 **Q. DOES THE COMPANY CALCULATE A UFW PERCENTAGE? IF SO, WHAT IS**  
13 **THAT PERCENTAGE FOR THE TEST YEAR 2023 AND 2024 YEAR-TO-DATE?**

14 A. TAWC calculates the UFW percentage on a monthly basis, year to date and annual basis.  
15 For the Test Period (2023), TAWC’s UFW was 13.9%. For 2024 year to date (for the eight  
16 months ending August 2024), the UFW was 14.3%.

17 **Q. HOW DOES THE COMPANY’S UFW PERCENTAGE COMPARE WITH THE**  
18 **STANDARD ESTABLISHED IN TRA DOCKET NO. 10-00189?**

19 A. Both the annual 2023 UFW percentage of 13.9 and the 2024 year-to-date (through August  
20 2024) percentage of 14.3 are below the 15% UFW standard applied in TRA Docket No.  
21 10-00189.

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<sup>41</sup> Dittmore 31:10-11.

1   **Q.     DOES THE TERM “NON-REVENUE WATER” INCLUDE WATER THAT IS NOT**  
2       **LOST BUT RATHER PUT TO PRODUCTIVE USE?**

3   A.    Yes. NRW is limited to water for which revenue was not collected. In other words, NRW  
4       is the difference between the system delivered water and the amount that was billed to  
5       customers. NRW does not necessarily equate to lost unaccounted for water. Nor does it  
6       represent water that was not put to productive use. For example:

- 7       • Non-revenue water includes water that is used for firefighting and while this water is  
8       not billed or metered, it is an important use of water and the Company should not be  
9       penalized for its use. Adoption of a 15% NRW limitation factor unreasonably penalizes  
10      the Company for this use of water.
- 11      • Non-revenue water includes water that is put to productive use for water quality  
12      purposes such as flushing pipes to maintain the quality of the water in pipes. To  
13      maintain water quality, it is important that water in the system, in some locations and  
14      under some conditions, be flushed. This is a necessary use of water that keeps the water  
15      safe to drink and of the quality that our consumers expect.
- 16      • Non-revenue water includes water released in the process of performing flow tests used  
17      by developers and the Company in hydraulic modeling. The Company, under a NRW  
18      limitation standard would be unfairly penalized for performing these necessary tests.  
19      Such flow tests are a key tool in assuring reliable water supply to TAWC’s customer  
20      and are a necessary function performed by the Company.
- 21      • Non-revenue water includes water that is released when fire hydrants are tested to  
22      ensure the proper function of the hydrant and to test for sufficient pressure for effective

1 firefighting. Again, the Company would be unfairly penalized for this reasonable and  
2 necessary use of water if the NRW limitation standard is adopted in this case.

- 3 • Non-revenue water includes water that is metered and used by customers but not billed.  
4 This water is not lost, nor is it unaccounted for it is simply unbilled. Such unbilled  
5 water includes water that is used within our facilities that, while measured, is not billed.  
6 For TAWC, this water also includes meter water used by the Fire Academy. These uses  
7 of water are legitimate uses of water, but still increase the Company's NRW percentage.

8 **Q. MR. DITTEMORE ASSERTS THAT BECAUSE NRW IS NOT METERED IT IS**  
9 **NOT POSSIBLE TO MAKE A DISTINCTION BETWEEN LOST AND**  
10 **UNACCOUNTED FOR WATER AND NRW.<sup>42</sup> PLEASE RESPOND.**

11 A. I disagree with Mr. Dittimore's assertion that it is not possible to make a distinction  
12 between lost water and NRW. As I previously stated above beginning, NRW is the  
13 difference between the amount of water that is produced by a water utility, and the amount  
14 of water that is billed to customers. "Unaccounted for Water" is the amount of NRW that  
15 has not been measured or tracked. For example, I can calculate the amount of water used  
16 to fight a fire based on the system hydraulic model, amount of fire hydrants used, and  
17 duration of hydrant use. This water used to fight a fire is counted on that year's NRW, but  
18 is not counted towards the company's UFW. Just because a portion of the NRW (that is a  
19 productive use) isn't billed, doesn't mean the volume of water used can't be accounted for.

20 **Q. ARE THERE OTHER REASONS MR. DITTEMORE'S PROPOSED**  
21 **ADJUSTMENT IS UNREASONABLE?**

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<sup>42</sup> Dittimore 31:9-10.



1 A. Mr. Dittmore's proposed adjustment assumes that there is a direct 1-to-1 linear  
2 relationship between the amount of lost and unaccounted for water and the level of  
3 purchase power costs and chemical costs. This unproven and unsupported assumption is  
4 the cornerstone of Mr. Dittmore's adjustment to these two expenses. Mr. Dittmore's  
5 adjustment assumes that an 8.23% reduction in the volume water pumped out of the water  
6 source, treated, and into the system would result in an equal percentage 8.23%, reduction  
7 in purchased power costs. While the amount of water is one factor determining the costs,  
8 it is not the only cost driver. Another factor is related to when that power is produced.  
9 TAWC is charged a "Demand Charge" based on when TAWC's electric demand, measured  
10 in Kilowatts, calculated based on TAWC's monthly peak demand (Non-Coincident  
11 Demand), the demand of TAWC during the peak demand period (Coincident Demand) for  
12 the month and an "Excess Demand Charge" for demand in excess of the Company's  
13 contract demand amount. Non-of these charges depend on the level of electricity  
14 consumed, measured in kilowatt hours (kwh), but rather are a factor of the maximum  
15 Kilowatts (KW) needed at a single point in time. Thus, these demand charges are not  
16 driven by how much water is being treated or pumped, but rather by when that activity  
17 occurs. Therefore, this component of the Purchased Power is not linearly related with the  
18 amount of water throughout the year. Additionally, TAWC is subject to a Customer Charge  
19 and an Administrative Charge for its various accounts that are fixed monthly charges and  
20 do not vary at all with the amount of electricity used by the TAWC. Another reason that  
21 there is not a direct correlation between the amount of electricity used is that there is a  
22 certain base level of purchased power in the production, transmission and distribution of  
23 water by the Company. Electricity for Lighting, HVAC, computer systems, equipment

1 used to monitor the system and certain functions of the treatment process. For example,  
2 Monitoring Equipment and SCADA operate regardless of the amount of water being  
3 produced and pumped. Another example is, within the settling basins, flocculators turn  
4 continuously at prescribed speeds regardless of water production levels.

5 Similarly, Mr. Dittmore adjustment ignores that water chemistry and temperature at the  
6 time it the water is taken from its source drives the type, mix and amount of chemicals  
7 needed to meet water quality standards for safety as well as for taste, smell and clarity.  
8 Thus, while the amount of water produced is a factor, chemical expenses also vary by when  
9 and where the water consumed is sourced. Therefore, it is not appropriate to use a lost or  
10 unaccounted for water standard or limitation to reduce costs as proposed by Mr. Dittmore.

11 **Q. IS MR. DITTMORE’S PROPOSAL FOR A NON-REVENUE WATER**  
12 **LIMITATION FACTOR REASONABLE?**

13 A. No, for the following reasons:

- 14 • Mr. Dittmore does not propose a reasonable measure of water loss. This is a  
15 necessary prerequisite for such a limitation to be reasonable. The measure he  
16 proposes is not a measure of lost water, but rather only a measure of water that is  
17 not billed for. As I explain above, there are many productive, needed and  
18 reasonable uses of water that are included in non-revenue water. Such water should  
19 not be considered “lost”.
- 20 • Mr. Dittmore does not provide any evidence that the proposed NRW measure of  
21 15% is a reasonable standard. Because Mr. Dittmore is proposing a standard not  
22 previously adopted by the Commission, he must show that both the NRW is a

1 reasonable standard to measure the Company's water loss as well as the 15% level  
2 he proposes as the acceptable level of NRW. Again, because NRW and UFW  
3 measure different things, it should not be assumed that 15% is an appropriate  
4 threshold for NRW simply because the Commission has used a 15% threshold for  
5 UFW in the past. Other than pointing back to commission decisions reached in  
6 2012, Mr. Dittmore provides no support for the reasonableness of the limitation  
7 factor he proposes.

8 **Q. ARE YOU AWARE OF ANY STANDARD FOR NON-REVENUE WATER USED BY**  
9 **THE STATE OF TENNESSEE AND IF SO, CAN YOU PLEASE EXPLAIN?**

10 A. Yes. Excessive Water Loss in Tennessee has been defined as any system with non-revenue  
11 water above 40%, in accordance with Tennessee Code Annotated § 7-82-702. This  
12 definition of Water Loss was established by the Tennessee Board of Utility Regulation  
13 (TBOUR) and applies to those publicly owned water systems subject to TBOUR's  
14 jurisdiction. When a utility exceeds 40% threshold, the utility is required to develop a  
15 water loss mitigation plan that identifies the steps the utility will undertake to remedy its  
16 water loss. There is no provision for a financial penalty for exceeding the standard.

17 There were 375 Annual Information Report submissions filed with the Tennessee  
18 Comptroller of the Treasury covering Fiscal Year 2023. The state average NRW reported  
19 to the Comptroller was 31.10 % and the median NRW was 30.19%. See  
20 TAW\_RT\_STOUT\_3.

1   **Q.    IN CONCLUSION, WHAT IS YOUR OVERALL RECOMMENDATION WITH**  
2       **RESPECT TO THE COMMISSION ADOPTING A NRW LIMITATION FACTOR**  
3       **IN THIS CASE?**

4    A.    I recommend that the Commission reject adopting a 15% NRW limitation factor to the  
5       Company's production costs. Mr. Dittmore does not provide the support necessary for  
6       the Commission to find that his NRW limitation factor is appropriate or reasonable.

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


8    A.    Yes.



**Memo of Understanding**  
Between  
Tennessee American Water Company  
And  
Utility Workers Union of America, AFL-CIO, Local 121

Tennessee American Water encourages all employees to work safely. All employees are encouraged to stop any work they deem possibly unsafe at any time for any reason and notify a supervisor immediately. If an immediate supervisor is not readily available, the employee should reach out to any member of the management staff. This key communication between union and management assures continued safe work practices within the department. Management and Union employees will continue to strive for safe work practices as a team.

  
Union Representative

  
Supervisor

**09/28/2017**

*Tennessee American Water & UWUA Local 121*  
**Partnership with Purpose**

January 17-18, 2024 - Chattanooga, Tennessee

***Joint Commitment***

**Background:** Tennessee American Water and UWUA Local 121 engaged in a comprehensive two-day program designed and facilitated by the Federal Mediation and Conciliation Service (FMCS). This program, titled "Partnership with Purpose," aimed at conducting a thorough assessment of the existing labor-management relationship, identifying and understanding historical and contemporary conflicts and challenges, and collaboratively designing a strategic direction for the future that fosters improved communication, collaboration, and the systematic prevention and resolution of conflicts.

**Summary:** Through a series of dynamic and in-depth dialogues and activities, the parties openly acknowledged and candidly discussed the existing climate and issues, the impact and toll on all groups/individuals, and their respective contributions and responsibilities. This systematic approach resulted in the joint recognition of a genuine necessity for substantial and influential change.

**Keys to Success:** The collaborative endeavors of program participants resulted in the conception of a successful relationship model, including critical success factors, outlined as follows:

1. Communication
  - a. Genuine; Early and Often; Forth Coming; Intentional and Strategic
  - b. Effective Listening; Willingness to be Impacted and Desire to Resolve
2. Information-Sharing
  - a. Pro-Active; Thorough; Transparent; Effective Dissemination and Education
  - b. Perspective Appreciation and Empathy
3. Collaboration/Partnership
  - a. Interest-Driven; Solution-Oriented; Win-Win
  - b. Input Valued and Considered; Problem Prevention and Management
4. Integrity
  - a. Self-Awareness as Parties and Individuals; Humility; Words & Action Align
  - b. Prioritize Mutual Respect, Trust-Building, and Approachability
5. Empowerment and Expectations
  - a. Encouraged and Supported to lead, engage, and act; Equipped & Prepared
  - b. Realistic Expectations; Consider Others; Manage Unmet Expectations

**Next Steps:** The program yielded several significant developments, paving the way for concrete next steps:


1. Quarterly Joint Leadership Meetings (beginning March 6, 2024)
2. Monthly Exec Leadership Small Group Meetings (beginning January 24, 2024)
3. Weekly Working Group Meetings (beginning January 23, 2024)
4. FMCS Follow-Up and Support (ongoing)

## 5. Conflict Resolution (around all outstanding grievances)

**Commitment:** This document signifies the joint commitment of Tennessee American Water and UWUA Local 121 to nurture a positive and constructive labor-management relationship. By prioritizing open and early communication, collaboration, and a proactive approach to conflict, all parties commit to creating a workplace environment conducive to mutual understanding, productivity, improved morale, and overall success.


  
Grant Evitts


  
Doug Wagner

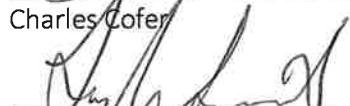
  
Keith Hillard

  
Leah Morrison


  
Will Blevins

  
Martin Berndt


  
Charles Cofer

  
Taylor Simms

  
Logan Hindman

  
Danny Seebeck

  
Payton Reece

  
Chris Odom

  
Roy Hindman

  
Melvin Walker

  
Erik Woodward



JASON E. MUMPOWER  
Comptroller

December 12, 2023

**MEMORANDUM**

**To:**

**From:** Ross Colona, Assistant Director, Local Government Finance  
Designated Manager of the Tennessee Board of Utility Regulation

A handwritten signature in black ink, appearing to read "Ross Colona".

**Subject:** Water Loss Filing per section 7-82-401(i), *Tennessee Code Annotated*

In accordance with TCA 7-82-401(i), this report summarizes the water loss reported to the Comptroller of the Treasury by utilities under the jurisdiction of the Tennessee Board of Utility Regulation ("TBOUR").

Utilities are required to submit an Annual Information Report to the Comptroller of the Treasury every fiscal year. As part of the Annual Information Report submission, utilities must report the water produced or purchased, water sold to customers, and active water customer count.

There were 375 Annual Information Report submissions for fiscal year 2023 for water systems that are reflected in the data below.

	Utility Count	Average Water Loss	Median Water Loss	Median Water Customer Count
Upper East	66	34.56%	34.39%	3,350
Lower East	57	32.13%	30.83%	4,756
Upper Middle	57	26.73%	26.07%	3,175
Lower Middle	64	30.11%	29.15%	2,876
Upper West	76	33.13%	33.35%	1,181
Lower West	55	28.76%	29.24%	1,434
Total	375	31.10%	30.91%	2,534

The TBOUR set the regulatory threshold for excessive water loss to be 40% water loss by volume or higher. When a utility violates the 40% threshold, the utility is required to develop a water loss mitigation plan that provides the steps the utility will undergo to remedy its water loss. TBOUR staff then periodically review the utility's water loss submission for progress that the utility is improving its water loss.

The included table lists the utilities with water loss cases under the TBOUR as of December 1, 2023 for violating the 40% regulatory requirement and the respective water loss





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percentages. There are some utilities on this list that have water loss less than 40%. These are indicative of cases that have improved their water loss percentage, but the cases have not been officially closed by the TBOUR.

Utility Name	Water Loss Percentage
Adamsville	57.5%
Alamo	40.5%
Alpha-Talbott Utility District	42.9%
Arthur-Shawnee Utility District	50.1%
Bean Station Utility District	44.2%
Benton	62.5%
Big Sandy	67.4%
Bloomingtondale Utility District	43.0%
Byrdstown	65.8%
Camden	43.2%
Cedar Grove Utility District	49.8%
Celina	42.6%
Centerville	45.1%
Cherokee Hills Utility District	36.4%
Claiborne Utilities District	35.4%
Clearfork Utility District	54.4%
Clinton	40.5%
Collinwood	45.1%
Copper Basin Utility District	54.8%
County Wide Utility District	46.5%
Cross Anchor Utility District	48.1%
Cumberland Utility District of Roane and Morgan Counties	58.6%
Dover	37.9%
Dunlap	37.9%
Dyersburg Suburban Consolidated Utility District	44.3%
East Sevier County Utility District	63.2%
Elizabethton	52.6%
Erin	58.0%
Etowah	40.7%
First Utility District of Carter County	58.3%
First Utility District of Hardin County	49.1%



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First Utility District of Hawkins County	44.0%
Friendsville	42.0%
Gibson County Municipal Water District	54.4%
Gleason	47.9%
Grand Junction	51.6%
Graysville	40.1%
Hallsdale-Powell Utility District	38.0%
Harriman	57.1%
Henry	44.0%
Hollow Rock	57.8%
Iron City Utility District	57.8%
Jackson County Utility District	52.1%
Jasper	43.1%
Jefferson City	55.5%
LaFollette	45.6%
Lakeview Utility District	48.6%
Lawrenceburg	47.2%
Lenoir City	44.9%
Lexington	45.9%
Linden	46.2%
Livingston	44.1%
Lobelville	59.5%
Lynnville	98.8%
Madison Suburban Utility District of Davidson County	29.7%
Madisonville	44.3%
Mason	63.6%
McEwen	48.4%
McKenzie	57.6%
McLemoresville	40.6%
Metropolitan Government of Lynchburg and Moore County	47.3%
Mount Pleasant	45.4%
Mountain City	51.1%
North Stewart Utility District	42.2%
North West Utility District	43.3%
Northwest Dyersburg Utility District	39.2%
Northwest Henry Utility District	61.6%



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Ocoee Utility District	51.3%
Oliver Springs	76.8%
Oneida	48.6%
Perryville Utility District	51.3%
Portland	41.5%
Puryear	40.9%
Red Boiling Springs	29.3%
Ridgely	40.1%
Roan Mountain Utility District	52.3%
Rockwood	49.4%
Rocky Top	23.0%
Rogersville	36.8%
Samburg Utility District	43.2%
Sardis	29.9%
Savannah Valley Utility District	44.3%
Smithville	42.6%
Sneedville Utility District	45.5%
South Carroll Utility District	54.8%
South Elizabethton Utility District	49.4%
South Fulton	40.3%
Spencer	38.3%
Spring City	42.8%
Spring Creek Utility District of Hardeman County	69.5%
Surgoinsville Utility District	43.5%
Tellico Plains	62.4%
Tennessee Ridge	52.9%
Trenton	47.7%
Troy	52.9%
Watertown	45.8%
Waverly	40.7%
Waynesboro	52.7%
White Pine	41.8%
Woodbury	50.7%

**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**


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**VERIFICATION**

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**STATE OF** Tennessee )  
)  
**COUNTY OF** Hamilton )

I, GRADY STOUT, 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.

  
\_\_\_\_\_  
GRADY STOUT

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

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 2-28-28



## 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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Office of the Tennessee Attorney  
General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Shilina.Brown@ag.tn.gov](mailto:Shilina.Brown@ag.tn.gov)

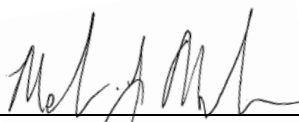
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This the 22<sup>nd</sup> day of October 2024.

  
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