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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
TPUC.DocketRoom@tn.gov

Electronically Filed in TPUC Docket Room on October 22, 2024 at 2:22 p.m.

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

Dear Chairman Jones:

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

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

Very truly yours,

BUTLER SNOW LLP

Melvin J. Malone

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

55TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

REBUTTAL TESTIMONY

OF

JOHN WATKINS

ON

SUPPORT SERVICES; CUSTOMER ACCOUNTING; CONTRACTED SERVICES; TELECOMMUNICATIONS; MISCELLANEOUS EXPENSE

REBUTTAL TESTIMONY
JOHN WATKINS
TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-00032

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS

A. My name is John Watkins.

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

A. Yes. I filed direct testimony on DATE, 2024.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to rebut testimony provided by the Consumer Advocate Division's ("CAD") witnesses Mr. Dittemore and Mr. Bradly:

1. Support Services
2. Customer Accounting
3. Contract Services
4. Telecommunications
5. Miscellaneous

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. No.

II. SUPPORT SERVICES

Q. DID THE CONSUMER ADVOCATE DIVISION OF THE TENNESSEE ATTORNEY GENERAL'S OFFICE ("CAD") PROPOSE ANY ADJUSTMENTS TO SUPPORT SERVICES?

A. Yes, Mr. Bradley and Mr. Dittemore both proposed adjustments to Support Services.

Q. WHAT ADJUSTMENTS DID MR. DITTEMORE PROPOSE?

A. Mr. Dittemore proposed to disallow 55% of APP and 100% of LTPP related to support services. He also proposed eliminating 100% of Business Development and 20% of External Affairs related to APP and LTPP before the overall adjustment to those expense categories. The above adjustments are summarized on Exhibit DND-5. In Exhibit DND-11, Mr. Dittemore proposes to eliminate 100% of Business Development costs, 20% of External Affairs costs, 50% of the Chief ID&E Officer position and 100% of the two ID&E related positions.

Q. PLEASE ADDRESS THE PROPOSED ADJUSTMENTS TO APP AND LTPP.

A. Mr. Mustich, Mr. Stout, and Mr. Pendergast address this topic in their rebuttal testimonies. I would note here that Mr. Mustich, in his Direct Testimony, stated on page 4, lines 2-6:

> Tennessee-American Water's compensation philosophy and performance compensation plan design were in accord with utilities specifically, and industry generally and that the levels of total direct compensation were reasonable and consistent with market-based total compensation levels, both on a regional and national level.

I would also like to point out that Mr. Baryenbruch's direct testimony and exhibits support the reasonableness of the Service Company expenses as specifically identified in his responses to questions 2 through 5 in his testimony. In fact, Mr. Baryenbruch points out on page 29, lines 14-15 that if the Company had outsourced the services provided by the Service Company, which include performance compensation, that "its customers would have incurred approximately $3.8 million in additional expenses". Table 16 on page 30 of Mr. Baryenbruch' s testimony details out the $3.8 million. It should also be noted that no party in this case took any issue with Mr. Baryenbruch's testimony, exhibits or conclusions.

Q. IF THE COMPANY WERE TO OUTSOURCE THE SERVICE COMPANY SERVICES, WOULD THOSE ADDITIONAL EXPENSES INCLUDE TOTAL MARKET-BASED COMPENSATION, REGARDLESS OF ITS COMPONENTS?

A. I believe they would, as the Company pays for outside services without considering how the underlying outside service provider compensates its employees. Not to mention the customers of the Company would be incurring an additional $3.8 million dollars over the 2023 actuals incurred by the Service Company which included APP and LTPP in the analysis.

Q. DID MR. DITTEMORE RECENTLY FILE TESTIMONY IN AN IOWA-AMERICAN WATER COMPANY GENERAL RATE CASE WHERE HE DID NOT SUGGEST REDUCING COST RECOVERY OF APP ASSOCIATED WITH THE PORTION DESIGNED TO ENCOURAGE WORKFORCE DIVERSITY?

A. Yes. On September 6, 2024, Mr. Dittemore filed direct testimony in Docket No. RPU-2024-0002 pending before the Iowa Utilities Commission where he made largely the same arguments that he has made in the instant case. However, he did not suggest reducing cost recovery of the APP associated with the portion designed to encourage workforce diversity in the Iowa case.

Q. WHAT WERE THE REASONS MR. DITTEMORE PROPOSED TO ELIMINATE THE BUSINESS DEVELOPMENT EXPENSES?

A. Mr. Dittmore stated on page 36, lines 4-5 that "The Company has failed to forecast any benefits associated with the Business Development function during the attrition year." He later states on line 14 that the customer growth through acquisitions is targeted at 2%.

Q. DOES THE COMPANY AGREE WITH MR. DITTEMORE'S STATEMENTS?

A. No, while American Water has a target of 2% customer growth it has not achieved such a level as noted in Table 1 below. It should also be noted that in Table 2 below, the Tennessee-America growth has exceeded the American Water growth. What this would indicate is that the costs allocated to Tennessee-American should increase as their share of the overall customers has increased at a faster rate.

	Table 1		
		Customers	
	AWW	Increase	% Inc
2015	2,988,601		
2016	3,006,138	17,537	0.59%
2017	3,031,419	25,281	0.84%
2018	3,062,239	30,820	1.02%
2019	3,086,053	23,814	0.78%
2020	3,125,592	39,539	1.28%
2021	3,165,192	39,600	1.27%
2022	3,192,710	27,518	0.87%
2023	3,234,474	41,764	1.31%
2024	3,259,567	25,093	0.78%

	Table 2		
		Customers	
	TN	Increase	% Inc
2015	78,298		
2016	79,101	803	1.03%
2017	79,602	501	0.63%
2018	80,291	689	0.87%
2019	80,491	200	0.25%
2020	81,036	545	0.68%
2021	82,067	1,031	1.27%
2022	83,260	1,193	1.45%
2023	85,270	2,010	2.41%
2024	87,099	1,829	2.14%

Q. DID THE COMPANY FORECAST AN INCREASE IN SERVICE COMPANY EXPENSES IN THE ATTRITION YEAR FOR THE HIGHER GROWTH RATE OF TENNESSEE CUSTOMERS?

A. No, the Company did not forecast any increase in expenses related to Tennessee-American having a larger percentage of the total customers.

Q. SHOULD THE EXPENSES FOR BUSINESS DEVELOPMENT BE RECOVERABLE?

A. Yes, Business Development expenses should be recoverable. Business Development does more in the communities the Company serves than simply facilitate acquisitions. The Business Development Department builds relationships with community leaders and businesses that can lead to better communications in emergencies, share best practices, and provide support for their local community needs. American Water's Business Development activities also benefit customers of Tennessee-American, in both the short-term and long-term, by mitigating the costs to be recovered per customer, enhancing purchasing power and spurring activities that contribute to their local economies.

Q. DO YOU AGREE WITH MR. DITTEMORE'S 20% REDUCTION TO EXTERNAL AFFAIRS?

A. No, I do not. Mr. Dittemore's recommendation to disallow 20% of the labor costs associated with External Affairs is not only arbitrary, but also fails to recognize that the activities undertaken by the Company that are necessary to continue to provide customers with safe, reliable, and affordable service are very broad and include activities that go beyond water treatment, field operations and customer billing and related services. For example, in addition to customer education and other service related external communications, the Senior Vice President of Communications and External Affairs, which is one of the positions identified by Dittemore, is responsible for ensuring that the laws that are enacted are in the best interest of the Company and its customers (for example, working with legislators to prevent bills from passing that will increase operating costs for the Company without added benefit to the Company or customers, or advocating for laws that protect employees while working in the field). It should be noted that in the response to CAD 3-12, the confidential job descriptions include 53 pages that cover 19 jobs and account for 23 employees.

Q. HOW DOES MR. DITTEMORE DETERMINE THE 20% ALLOCATION FACTOR?

A. Mr. Dittemore states on page 38, line 12 that he took a "conservative approach" and "assumed" that twenty percent of the department's costs were related to lobbying activities. He admits on line 14 of page 38 that "this is admittedly a subjective approach".

Q. IF THE COMMISSION WERE TO DISALLOW A PORTION OF THE EXTERNAL AFFAIRS FUNCTION, IS 20% THE CORRECT AMOUNT?

A. No. Mr. Dittemore points to 7 job descriptions covering 8 employees that have some wording he choose to define as "significant references to lobbying and relate efforts" on page 38, line 7. Notwithstanding the arguments above, the department has 23 positions and only 8 positions have some or minimal wording that Mr. Dittemore highlights in his Appendix 3 out of the 53 pages of job descriptions included in the response to CAD 3-12. That accounts for 34.78% (8/23) of the department's budget. For this to account for the proposed disallowance of 20%, those 8 employees would have to work approximately 57.5% (20%/34.78%) of their daily job on lobbying and related activities. This is obviously too high of a percentage for any of the 7 job descriptions. This "subjective approach" also ignores that the Company already identified $4,357 in labor and related expenses that was related to lobbying and removed from the revenue requirement.

Q. DID MR. DITTEMORE MAKE AN ADJUSTMENT TO INCLUSION, DIVERSITY AND EQUITY ("ID&E") EXPENSES?

A. Yes, Mr. Dittemore proposed to eliminate 50% of the Chief ID&E officer and 100% of the two ID&E employees.[1] As noted by Mr. Dittemore, these roles also support the Company's goals related to inclusion and diversity in the workforce, which he incorrectly contends is not essential to the provision of water service.[2]

Q. HOW DO THE COMPANY'S ID&E EXPENSES SUPPORT THE PROVISIONS OF WATER SERVICE?

A. The Company's ID&E efforts are an important tool for enabling the Company to recruit and retain the workforce servicing TAWC's customers. The Company's ID&E efforts are integrated into the Company's employment recruitment and retention efforts as Mr. Dittemore recognizes, through his 50% reduction in the VP of Talent Acquisition and ID&E officer position.[3] ID&E efforts increase a company's ability to attract and retain talent because these efforts build and strengthen a company's reputation when potential candidates and employees feel that they belong. A recent study by Seramount found that 76% of job seekers report that a diverse workforce is an important factor when evaluating companies and job offers.[4] Further, the Company believes that ID&E efforts improve employee retention by improving employee job satisfaction and increasing employee trust

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1 CAD Direct Testimony of Dittemore at 39:1-14.
2 CAD Direct Testimony of Dittemore at 39:1-9.
3 CAD Direct Testimony of Dittemore at 39:7-9.
4 Murray Stefani, "Why Maintaining an Inclusive Workplace Culture is Better for Business", Seramont, September 25, 2023, available at https://seramount.com/articles/why-maintaining-an-inclusive-workplace-culture-is-better-for-business/.

in their leaders which makes employees 61% more likely to stay with their company and not look for another job.[5]

Q. HOW DO THE COMPANY'S ID&E EFFORTS BENEFIT TAWC'S CUSTOMERS?

A. Contrary to Mr. Dittemore's position, ID&E efforts directly benefit customers as inclusion and diversity initiatives enable the Company to find and hire talent from a larger talent pool to serve its customers and this allows the Company to have a workforce that better understands and is representative of the diverse makeup of its customers. A diverse workforce brings multiple perspectives to meet the evolving needs of our customers, other stakeholders, and the communities where we operate. TAWC, with over 95% of its customers in the City of Chattanooga, serves a diverse customer base and it is important for the Company to be able to understand and anticipate the needs and concerns of its customers. Also, because ID&E efforts improve employee satisfaction by feeling valued and respected, they also increases employee engagement and productivity. Through its ID&E efforts, the Company believes that service to customers is improved.

Inclusion is a key aspect of the Company's ID&E strategy. Inclusion is creating a culture where employees feel a sense of belonging and can bring their whole selves to work. By creating a culture of inclusion, organizations have the ability to take full advantage of the many and varied skills and experience of the Company's workforce, including their talents fully into the organization and taking full advantage, to the benefit of consumers. For example, inclusion is understanding the benefits the unique experience former members of our Armed Service brings to the organization and fully including these Veterans into how our organization functions is a benefit to the Company and its customers.

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5 *Id*.

This example also connects how individuals are diverse and how this diversity can be used as a competitive advantage for American Water. Diversity is inclusive of more than just race, ethnicity or gender. Diversity also includes individual characteristics, values, beliefs, life experiences, backgrounds, thoughts and other areas that make each person unique.

Equity is the third part of the ID&E trident. Equity ensures that our employees and customers are treated with respect and dignity regardless of their individual backgrounds. Treating people fairly is a key aspect of our strategy. By incorporating equity into our strategy, we have the opportunity to provide access and eliminate barriers that may prevent individuals from full participation in any of our initiatives. This value is extended to the communities that we serve and the various stakeholders that we partner with.

Our ID&E vision strives for an inclusive, equitable, respectful organization where our employees positively impact and reflect the communities we serve.

III. CUSTOMER ACCOUNTING

Q. DID THE CAD MAKE ANY PROPOSED ADJUSTMENTS TO CUSTOMER ACCOUNTING?

A. Yes, Mr. Bradley makes two adjustments per page 10, lines 5-14 of his direct testimony. The first is related to his proposed non-production growth factor. The second is related to the inclusion of the proposed electronic payment fees as proposed by Company Witness Lane.

Q. WILL YOU ADDRESS THE PROPOSED NONPRODUCTION COSTS GROWTH FACTOR.

A. Yes, in part. Company Witness DeGrazia will also discuss the inflation factors proposed by the Company.

Q. DID THE COMPANY FIND ANY ISSUES WITH THE PROPOSED NONPRODUCTION COST GROWTH FACTOR?

A. Yes, in CAD Discovery Request No 14, the Company pointed out that the under the Miscellaneous line, specifically the Building Maintenance line (AB-1 Attrition Year Adjustments, tab Miscellaneous, line 2) was also included in line 7 which was labeled as Maintenance Supplies, Services, Building Maintenance and Services. Specifically, this overstated the data in the 2019 column as it counted the $200,508 twice (once in line 2 and once in line 7). This overstated Mr. Bradley's starting point for his compound annual growth rate ("CAGR") for 2019.

Q. DID THE COMPANY FIX THIS ERROR?

A. Yes, in part j of Discovery Request No. 14, the Company removed the double count of the Building Maintenance which revised the CAGR to 1.18% from 0.02% as proposed by Mr. Bradley.

Q. DID MR. BRADLEY AGREE WITH THE COMPANY'S CLAIM THAT THERE WAS AN ISSUE REGARDING BUILDING MAINTENANCE?

A. Yes, Mr. Bradley confirmed all 10 parts of the Discovery Request 1-14.

Q. DID MR. BRADLEY REVISE THE CAD'S REVENUE REQUIREMENT?

A. Yes, Mr. Bradley submitted revised testimony and submitted the file entitled Revised AB-1 Attrition Adjustments 10-9-24.

Q. DOES THE REVISED FILE RESOLVE THIS ISSUE REGARDING BUILDING MAINTENANCE?

A. Yes, Mr. Bradley increased the CAD's O&M expense by $98,504 which is directly related to the double counting of the Building Maintenance adjustment. The $98,504 is derived from taking the revised CAD O&M of $27,194,414 (Revised AB-1 tab Attrition Period-Comp cell G28) and subtracting the as filed CAD O&M amount of $27,095,910 (as filed AB-1 tab Attrition Period-Comp cell G28). Both numbers can also be confirmed on page 4 of the respective testimonies filed by Mr. Bradley.

Q. WAS THIS THE ONLY ISSUE WITH THE PROPOSED CAGR BY THE CAD?

A. No, the Company pointed out in Discovery Request No. 15 that the detailed information for Customer Accounting would need to be adjusted. The detailed information is listed on the Consumer Advocates file entitled AB-1 Attrition Year Adjustments, tab Customer Accounting, lines 12-17.

Q. PLEASE EXPLAIN WHY AN ADJUSTMENT TO THE DATA WOULD BE NEEDED IN THE CUSTOMER ACCOUNTING TAB?

A. As pointed out in the Discovery Request No. 15 parts c and d, there is an amount of $332,182 on the line for Collection Agencies that appears in 2019. This accounts for 72.58% of the total expense in 2019 for Customer Accounting. Yet in the years 2020-2023 the amounts on the line for Collection Agencies is ($1,563), ($348), ($379) and ($1,077), respectively. The amounts for years 2020 through 2023 represent (1.17%), (0.35%) (0.43%) and (1.27%), respectively, of the total Customer Accounting expenses. Obviously, not adjusting 2019 and including over $332,000 is going to skew the proposed CAGR that Mr. Bradley supports.

Q. HAS THE COMPANY CORRECTED THE ISSUE IN CUSTOMER ACCOUNTING?

A. Yes, the Company removed the $332,182 from 2019 in Customer Accounting and showed the results in part f of Discovery Request No. 15. The CAGR would be 3.27% for nonproduction costs if the adjustment to Customer Accounting and the removal of the double counting of Building Maintenance were made.

Q. DID MR. BRADLEY CONFIRM THAT THE COMPANY'S REMOVAL OF THE COLLECTION FEES FROM 2019 WOULD RESULT IN A CAGR OF 3.27%?

A. Yes, in part f of Discovery Request 1-15, Mr. Bradley confirmed that the Company's adjustment to his CAGR would result in a 3.27% factor.

Q. DID MR. BRADLEY'S REVISED AB-1 REFLECT THIS ADJUSTMENT?

A. No, Mr. Bradley did not use the 3.27% CAGR in the revised file AB-1. Mr. Bradley used the 1.18% discussed above.

Q. DID MR. BRADLEY DISCUSS WHY HE DID NOT USE THE 3.27% CAGR?

A. No, his revised testimony was silent on this issue. In the Discovery Request 1-15 response to part a, Mr. Bradley stated that "CAGR is a method of financial forecasting; like all financial methods it has strengths and weaknesses. No forecasting method is 100% accurate". He goes on to state in that response "Mr. Bradley believes the use of CAGR is an appropriate forecasting methodology for determining future levels of expenditures as it" is "based on the per books results of the Company". In part c of the response Mr. Bradley stated that his "analysis was not an attempt to audit the prior period expenses but merely provide the Company's own results from prior periods as recorded on their books to compare against the current Test Period level of expenses".

Q. DOES MR. BRADLEY "MERELY" "COMPARE" AGAINST THE TEST PERIOD LEVEL OF EXPENSES WITH THE USE OF THE CAGR?

A. No, he is using the CAGR to obtain the Attrition Year level of expenses, not to compare against current levels of expense. He does this on several tabs within the Revised AB-1 file which uses the CAD proposed Test Period which includes adjustments proposed by Mr. Dittemore which lowers the O&M expense level. Since adjustments are being made to the Company's proposed Test Period then in regards to the $332,182 in Customer Accounting expenses in 2019, an adjustment should be made to lower the Customer Accounting number as it is obviously not at that level moving forward as the Company's 2023 amount was ($1,077) as reflected in the file Revised AB-1 Attrition Adjustments 10-9-24, tab Customer Accounting, column 2023, cell K17.

Q. HOW WOULD MOVING THE CAGR FROM THE CAD REVISED PROPOSED AMOUNT OF 1.18% TO THE COMPANY'S REVISED AMOUNT OF 3.27%?

A. Changing the CAGR from 1.18% to 3.27% would increase the CAD O&M level by $179,583. The adjustment would impact the lines labeled as Maintenance, Contract Services Rents, Customer Accounting, Telecom and Miscellaneous on page 4 of Mr. Bradley's revised Direct Testimony in the amounts of $66,598, $33,969, $1,139, $3,632, $13,364 and $60,881, respectively.

Q. PLEASE EXPLAIN WHY THE COMPANY'S FORECASTING METHOD SHOULD BE USED VERSUS THE CAGR PROPOSED BY CAD.

A. The Company believes that starting with the Test Period amounts and adjusting for known and measurable changes is the best forecasting method that can be used. For example, the Test Period expenses for the Non Production Costs, as compiled by Mr. Bradley, is $3,846,782. Which the Company then projects to the Attrition Year using known and measurable changes and inflating cost using data from the US Bureau of Labor Statistics ("BLS"). Mr. DeGrazia discusses this in more detail in his Rebuttal but the categories used by the Company are reflective of the expense categories used by the BLS. This provides a more accurate forecast for future expenses than a historical CAGR. The starting point for Mr. Bradley's analysis is 2019 which had an expense level of $4,239,717 which is a starting point of $392,935 higher than the actuals from 2023.

Q. DOES THE COMPANY BELIEVE THAT THE CAGR SHOULD BE USED?

A. No, as Company Witness DeGrazia points out in his Rebuttal Testimony, the Company believes that its forecasts for inflation are more accurate as they are specific to each expense category. Mr. Bradley's proposal should be rejected as it is comingling expenses and also has issues in his calculation as reflected in the discussion above.

Q. IF THE COMMISSION DECIDES TO USE THE CAGR IN THIS CASE, SHOULD IT MAKE ANY ADJUSTMENTS?

A. Yes, if the Commission decides to use the CAGR instead of the Company's specific category inflation factors, then it should adjust the Nonproduction factor to the 3.27% which adjusts a known anomaly in the 2019 data.

IV. <u>CONTRACTED SERVICES</u>

Q. DID THE CAD PROPOSE ANY ADJUSTMENTS TO CONTRACTED SERVICES?

A. Yes, Mr. Dittemore proposed to eliminate legal expenses related to Docket No. 19-00103 which was included in the test period, page 29, lines 6-12 and Exhibit DND-6.

Q. PLEASE EXPLAIN THE RATIONALE THAT MR. DITTEMORE USES TO EXCLUDE THE LEGAL EXPENSE FROM CONTRACT SERVICES.

A. Mr. Dittemore recommended removing the legal costs associated with Docket No. 19-00103 because he states that these costs should not be recurring. Docket No. 19-00103 was related to the proceeding to Investigate and Consider Potential Issues and Modifications to the Collective Capital Riders of Tennessee-American Water Company. While this particular docket may not regularly repeat, the Company's Capital Rider filings do. In making his recommendation, Mr. Dittemore failed to mention that the Company did not file any new Capital Riders during 2023 and therefore the legal costs from Capital Riders were not included in the test period.

Q. WHAT ARE THE TYPICAL EXPENSES RELATED TO THE FILING OF THE CAPITAL RIDERS?

A. The legal expense related to filing the Capital Rider and reconciliation have average \$84,223.[6] Therefore, filing the annual Capital Riders per year would cost approximately \$84,223 based on the average from 2021-2022. The Company recorded \$47,429.50 in 2023 related to the Capital Rider and reconciliation file (See chart on the next page which shows \$4,078.50 from CCRs and \$43,351.00 from the reconciliation). Therefore, any adjustment to remove costs related to Docket No. 19-00103 should be offset by \$36,793.50 (\$84,223-\$47,429.50).

[6] 2021 expenses were \$77,590.50 and 2022 expenses were \$90,855.50.

Q. HAS THE COMPANY MADE ANY ADJUSTMENTS TO CAD DISCOVERY REQUEST 1-74?

A. Yes, the Company filed a Supplemental response to CAD 1-74 on October 14, 2024.

Q. PLEASE EXPLAIN WHY THE COMPANY FILED A SUPPLEMENTAL RESPONSE.

A. As stated in the response, the Company discovered that the invoices provided in the original response included expenses for the Capital Recovery Riders ("CRRs"), the CCR Reconciliation ("Recon") and the Production Cost and Other Pass Throughs ("PCOB") as well as Docket No. 19-00103.

Q. PLEASE PROVIDE THE BREAKDOWN BETWEEN THE FOUR DIFFERENT LEGAL FEE CATEGORIES.

A. Below is the chart that breaks down the legal fees into the four categories. The related legal expense for Docket No. 19-00103 is $56,368. The remaining amounts are for recurring legal fees that the Company will incur in future periods and should be allowed as ongoing expenses.

2023	19-00103	CRRs	Recon	PCOP	TOTALS
January	$8,372.00	$0.00	$0.00	$6,391.75	**$14,763.75**
February	1,196.00		4,341.00	3,276.00	**8,813.00**
March	2,392.00	1,790.50	646.50	1,790.50	**6,619.50**
April	2,496.00		6,188.00	2,080.00	**10,764.00**
May	8,788.00	2,288.00	9,724.00	4,004.00	**24,804.00**
June	6,032.00		10,907.50	260.00	**17,199.50**
July	5,148.00		4,160.00	260.00	**9,568.00**
August	7,176.00		3,432.00		**10,608.00**
September	8,528.00		572.00		**9,100.00**
October	2,288.00		208.00		**2,496.00**
November			3,172.00		**3,172.00**
December	3,952.00				**3,952.00**
TOTALS	**$56,368.00**	**$4,078.50**	**$43,351.00**	**$18,062.25**	**$121,859.75**

Q. WHAT DOES THE COMPANY PROPOSE?

A. The Company proposes that Mr. Dittemore's adjustment to Contracted Services be rejected and the Company's proposed costs be included. If the Commission wishes to adjust the amount, then it should make an adjustment of $27,544.50 which is the variance between Docket No. 19-00103 amount of $56,368 and the adjustment to the annual Capital Rider amount of 28,823.50 calculated above. This would properly reflect the filing of the annual Capital Rider from the base year and then inflate this by the Company's proposed inflationary amounts.

V. <u>TELECOMMUNICATIONS</u>

Q. DID THE CAD PROPOSE ANY ADJUSTMENTS TO TELECOMMUNICATIONS EXPENSE?

A. Yes, Mr. Bradley proposes to use his nonproduction costs growth factor, page 10, lines 15-21.

Q. DOES THE COMPANY AGREE WITH THIS ADJUSTMENT?

A. No, for reasons already stated in this Rebuttal Testimony in Section III Customer Accounting above, the nonproduction costs growth factor should be rejected and the Company's inflationary percentages used. If the Commission decides to use the nonproduction costs growth factor, then it should use the revised factor as proposed by the Company which corrects the double counting of the Building Maintenance expenses and also corrects the Customer Accounting data.

VI. <u>MISCELLANEOUS EXPENSE</u>

Q. DID THE CAD PROPOSE ANY ADJUSTMENTS TO MISCELLANEOUS EXPENSE?

A. Yes, Mr. Dittemore proposes to eliminate $108,820 in test year expenses related to Community Partnership expenses, page 32, lines 19-21 and page 33 lines 1-5. Mr. Bradley proposes to use his nonproduction costs growth factor of 0.02%, page 11, lines 6-15.

Q. DOES THE COMPANY AGREE WITH MR. DITTEMORE'S PROPOSED ADJUSTMENT?

A. No, the Company does not agree with this proposed adjustment. As stated by Company witness Evitts in his Direct Testimony, page 23, lines 7-8, the Company gives back to the communities it serves "by supporting innovative programs that improve, protect or restore drinking water supplies and surrounding watersheds". Mr. Evitts discusses the benefits in his Direct Testimony starting at page 23, line 7 through page 25, line 15.

Q. DOES THE COMPANY AGREE WITH MR. BRADLEY'S PROPOSED ADJUSTMENT?

A. No, for reasons already stated in this Rebuttal Testimony in Section III Customer Accounting above, the nonproduction costs growth factor should be rejected and the Company's inflationary percentages used. If the Commission decides to use the nonproduction costs growth factor, then it should use the revised factor as proposed by the Company which corrects the double counting of the Building Maintenance expenses and also corrects the Customer Accounting data.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

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:

Shilina B. Brown, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Shilina.Brown@ag.tn.gov

Victoria B. Glover, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Victoria.Glover@ag.tn.gov

Phillip A. Noblett, Esq.
City Attorney
Valerie Malueg, Esq.
Kathryn McDonald
Assistant City Attorneys
100 East 11th Street, Suite 200
City Hall Annex
Chattanooga, TN 37402
pnoblett@chattanooga.gov
vmalueg@chattanooga.gov
kmcdonald@chattanooga.gov
Attorneys for the City of Chattanooga

Frederick L. Hitchcock, Esq.
Cathy Dorvil, Esq.
Chambliss, Bahner & Stophel, P.C.
Liberty Tower
605 Chestnut Street, Suite 1700
Chattanooga, TN 37450
rhitchcock@chamblisslaw.com
cdorvil@chamblisslaw.com
Attorneys for the City of Chattanooga

Scott P. Tift, Esq.
David W. Garrison, Esq.
Barrett Johnston Martin & Garrison, PLLC
200 31st Avenue North
Nashville, TN 37203
stift@barrettjohnston.com
dgarrison@barrettjohnston.com
Union Counsel

This the 22nd day of October 2024.

Melvin J. Malone