

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

DIRECT TESTIMONY

OF

GRANT ALLEN EVITTS

ON

**Reasons for Relief Requested, Value of Water and Affordability,
Additional Ratemaking Proposals, Improving Water Efficiency, and Economic
Development, Community Partnerships and Customer Education**

**DIRECT TESTIMONY
GRANT ALLEN EVITTS
TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-XXXXXX**

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1 **I. INTRODUCTION**

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

3 A. My name is Grant Allen Evitts and my business address is 109 Wiehl Street, Chattanooga
4 Tennessee, 37403.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the President of Tennessee-American Water Company (“Tennessee-American
7 Water,” “TAWC” or the “Company”).

8 **Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?**

9 A. As President of TAWC, I am responsible for all aspects of its business, including financial,
10 operations, production, distribution, customer service, engineering and capital investment
11 planning, employee relations, environmental, and regulatory affairs. I lead a team of
12 dedicated professionals who are devoted to providing safe and reliable service to more than
13 87,000 customers, or approximately 420,000 people, in about 14 communities in Tennessee
14 and northern Georgia. My goal is to ensure that all activities of the Company are carried
15 out in compliance with all local, state and federal laws and regulations, and standards of
16 good business practice.

17 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**
18 **EXPERIENCE.**

19 A. I have 34+ years of experience in the water and wastewater industry, all with American
20 Water, in various roles of increasing responsibility. In November of 2020, I was named

1 president of Tennessee-American Water. Prior to that I served as Vice President of
2 Operations for Missouri American Water Company (“MAWC”) with leadership
3 responsibility for over 700 employees in Field Operations, Production, Distribution and
4 Water Quality. My team and I worked tirelessly to provide high-quality, reliable water and
5 wastewater services to approximately 1.5 million people across Missouri and were
6 responsible for the operation, maintenance, and upgrades of 11 water treatment facilities,
7 70 wastewater systems, 9 water distribution systems and more than 60 tanks and booster
8 pump stations.

9 Prior to my role as Vice President for MAWC, I served as the Senior Director of Operations
10 for the St. Louis County service area for MAWC. In this role, my team and I were
11 responsible for over 450 employees in Field Operations, Production, Distribution and
12 Water Quality. This system consisted of 4 treatment plants with a combined production
13 capacity of over 400 million gallons per day that served high-quality and reliable water
14 service to over 350,000 metered customers in St. Louis County, Missouri.

15 From 2011 to 2016, I served as the senior manager of field operations and production in
16 the Southern Division of Illinois American Water Company (“ILAWC”). In this role I had
17 leadership responsibility for approximately 140 employees in Field Operations,
18 Production, Distribution and Water Quality departments that provided high quality and
19 reliable water service to approximately 105,000 metered customers in over 12 communities
20 across southern Illinois. Prior to the senior manager role, in 2004, I served as the field
21 operations manager of the Southern Division of ILAWC. In this role I had leadership
22 responsibility for approximately 100 employees in the areas of Field Operations and

1 Distribution. I also had a shared / secondary responsibility for the Water Quality and
2 Production areas of the operation.

3 Between 2002 and 2004, I served as the operations superintendent in Lincoln, Illinois for
4 ILAWC. In this role I was the sole management employee in the district and had leadership
5 responsibility for 9 employees in Field Operations, Production, Distribution and Water
6 Quality that served high-quality and reliable water to approximately 6,500 metered
7 customers.

8 From 1994 to 2002 I served as a Maintenance Service Specialist / Supervisor in the
9 Southern Division of ILAWC. In this role I had leadership responsibilities for an internal
10 maintenance team and external service providers that performed electrical, mechanical and
11 instrumentation maintenance. Additional responsibilities included being the operations /
12 engineering liaison and project manager for large water treatment and distribution system
13 piping improvement projects across the Southern Division service area.

14 I began my career in 1989 in the Interurban District of ILAWC as a Filter/Chemical
15 Operator & Maintenance employee. In this role I performed operational duties and
16 maintenance tasks at surface water treatment plants, river intake stations and outlying
17 distribution pump stations.

18 I have certifications in Instrumentation & Process Control, Industrial
19 Electricity/Electronics, and Industrial Maintenance, from Ranken Technical College in St.
20 Louis, Missouri. Individually, each course of study is a two-year program. In addition,
21 I've fulfilled many of the requirements of the Bachelor of Applied Management (BSAM)

1 program at Ranken Technical College and continue to work towards completion. While
2 working in Illinois and Missouri, I have held a Class C water operator's license from the
3 Illinois Environmental Protection Agency, for 20+ years.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
5 **TENNESSEE PUBLIC UTILITY COMMISSION?**

6 A. No.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. There are several reasons why I am offering testimony in this case. First, I explain the
9 major drivers of TAWC's request for rate relief in this proceeding, the primary of which is
10 the significant capital investments that the Company has made and that it plans to make
11 through December 31, 2025. Next, I address the affordability of the Company's water
12 service notwithstanding that significant level of capital investment. Third, I explain
13 TAWC's and American Water's ongoing efforts to improve water efficiency, which efforts
14 further contribute to the affordability of the services that the Company provides. Next, I
15 provide an overview of the Company's key regulatory and ratemaking proposals in this
16 proceeding. Finally, I discuss the Company's corporate citizenship, economic
17 development and community outreach efforts, which are emblematic of Tennessee-
18 American Water.

19 **Q. ARE YOU SUBMITTING ANY EXHIBITS WITH YOUR TESTIMONY?**

20 A. No.

1 **Q. PLEASE IDENTIFY TAWC’S WITNESSES IN THIS CASE AND A PROVIDE**
2 **BRIEF SUMMARY OF THEIR TESTIMONIES.**

3 **A.** In addition to my Direct Testimony, the following witnesses provide testimony in support
4 of the Company’s Petition:

5 Grady Stout: will testify on the Company’s operations and its commitment
6 to water quality, environmental compliance, safety, improving
7 water efficiency, and the Company’s customer-owned lead
8 service line replacement program proposal. Mr. Stout also
9 supports the Company’s proposed staffing levels and total
10 market-based compensation.

11 Kevin Kruchinski: will testify on the Company’s capital investment planning and
12 governance process, describe the capital projects the Company
13 plans to place into service between January 1, 2024 through
14 December 31, 2025, and describes the risks associated with
15 furnishing water service.

16 Robert Lane: will testify on the development of the Company’s attrition year
17 and historic base period, minimum filing guidelines, the
18 Company’s revenue requirement, general rate case impacts on
19 capital recovery riders, the Company’s regulatory treatment
20 proposal related to replacing customer-owned lead service
21 lines and proposed tariff modifications. Mr. Lane will also
22 testify to operations and maintenance (“O&M”) expenses
23 associated with rate case regulatory expense, pension and
24 other post employment benefits (“OPEB”) expense,
25 uncollectible expense and income tax expense, as well as
26 credit card fees and accounting treatment for certain expenses.

27 John Watkins: will testify to O&M expenses associated with Service
28 Company, Insurance Other Than Group, customer accounting,
29 contract services, transportation, telecommunications and
30 miscellaneous.

31 Robert Prendergast: will testify to O&M expense associated with labor and labor
32 related, and rents.

33 Charles B. Rea: will testify on TAWC’s affordability analyses for water
34 service, the Company’s proposal to offer a universal
35 affordability tariff, the Company’s analysis of customers’

1		water usage.
2	Heath J. Brooks:	will testify to the methods used to forecast water billing
3		determinants and revenues, TAWC's cost of service study and
4		TAWC's rate design proposal.
5	Nick Furia:	will testify on the Company's capital structure and cost of debt
6		and equity.
7	Ann E. Bulkley:	will testify on the Company's recommended cost of equity and
8		the reasonableness of its capital structure.
9	Patrick L. Baryenbruch:	will testify on the reasonableness of Service Company costs.
10	Robert V. Mustich:	will testify on the reasonableness of the Company's
11		compensation program and benchmarks the Company's
12		compensation expense against national and regional peer
13		groups, including performance compensation.
14	Harold Walker, III:	will testify on the lead lag study and the appropriate cash
15		working capital allowances for inclusion in rate base.
16	Larry E. Kennedy:	testify on the comprehensive depreciation study of the
17		distribution and general plant in service of the Company
18		performed as of December 31, 2023.

19 **Q. WHAT AMOUNT OF RATE RELIEF IS THE COMPANY SEEKING IN THIS**
20 **CASE?**

21 A. The Company is seeking a rate increase to produce additional annual revenues of
22 approximately \$14.1 million per year, or a 19.7% increase over current water service
23 revenues.

24 **Q. WHEN WERE TAWC'S CURRENT BASE RATES APPROVED?**

25 A. TAWC's current base rates were adopted in November of 2012 in TPUC Docket Number
26 12-00049, which will be more than 12 years ago by the time new base rates are approved
27 in this proceeding. It has been more than 12 years in part due to the effectiveness of the

streamlined alternative regulatory mechanisms approved by the Commission in TPUC Docket No. 13-00130, namely the Qualified Infrastructure Investment Rider (“QIIP”), the Economic Development Investment Rider (“EDI”), and Safety and Environment Compliance Rider (“SEC”), along with the Production Costs and Other Pass-Throughs Rider (“PCOP”). The QIIP, EDI and SEC Riders are commonly referred to as the “Capital Recovery Riders” or “Capital Riders.”

II. REASONS FOR RELIEF REQUESTED

Q. WHY IS THE COMPANY REQUESTING RATE RELIEF AT THIS TIME?

A. TAWC’s customers rely on the Company to provide them with safe and reliable water service. We take very seriously our obligation to meet our customers’ needs and expectations, but water service is not without increasing cost. It requires us to incur a substantial amount of O&M expense, as well as make ongoing, significant capital investments. This filing, however, is primarily driven by the investments we are making to maintain and improve our infrastructure, which accounts for approximately 51.4% of our total requested rate increase. With the Company’s longstanding history of operation, in most cases our infrastructure is between 50 and 100 years old. As explained by Mr. Kruchinski, maintaining the Company’s facilities requires substantial and constant capital investment. The Company’s aged infrastructure must be continuously replaced so that TAWC can continue to provide its customers safe, adequate, and reliable utility service.

Q. ARE THERE OTHER FACTORS CONTRIBUTING TO THE REQUESTED RATE RELIEF IN THIS CASE?

1 A. Yes, there are, but none approaches the magnitude of our capital investment program as a
2 driver to submit this case. In the area of O&M expense, the Company has been quite
3 successful in controlling our costs. As explained by Company Witnesses Bob Lane and
4 Grady Stout, both overall and on a per customer basis the Company has been able to keep
5 its O&M expense increases below the rate of inflation. While the Company has effectively
6 controlled its O&M expenses, the high inflation we've seen and supply chain disruptions
7 recently experienced have adversely affected all businesses. Tennessee-American Water is
8 no exception. The Company must seek its prudently incurred and reasonable O&M costs
9 which reflect, among other things, increases in the cost of insurance other than group and
10 production costs as supported by John Watkins and Mr. Lane and the full recognition in
11 rates of the total market-based compensation the Company pays its employees to attract
12 and keep a highly-skilled and qualified work force. As Mr. Stout and Robert Mustich
13 demonstrate, the Company's total market-based employee compensation is a reasonable,
14 prudently incurred expense designed to keep the organization focused on delivering safe,
15 reliable, and affordable water service while improving performance at all levels of the
16 organization.

17 In addition to moderately increasing O&M expenses discussed above, the
18 Company's cost of capital has increased, as Company Witness Ann Bulkley explains, due
19 to the rise in interest rates driven by the Federal Reserve Board's anti-inflation campaign,
20 which has increased the cost of debt and equity. The Company must maintain its ability to
21 attract capital to continue its investment in infrastructure and have timely recovery of these
22 expenditures. We continue to maintain adequate sources of supply, treatment, pumping,
23 transmission, distribution and collection facilities, as well compliance with applicable laws

1 and regulations – that is our public service obligation. But the funding level needed to
2 simply maintain the safety and integrity of the systems is not the same as the funding levels
3 that best serve the long-term interests of our customers. From the perspective of long-term
4 sustainable customer service and pricing, the Company’s goal is to continue providing high
5 quality water service in the most cost-effective way through the replacement, operation,
6 maintenance, and rehabilitation of assets for present and future customers. As Witness
7 Stout explains, the Company’s smart and prudent investments have helped to contain costs
8 and, as Company Witness Rea explains, kept our service affordable.

9 **Q. WHAT DO YOU MEAN?**

10 A. Tennessee-American has managed its operations responsibly and effectively and will
11 continue to uphold its commitment to make the investments needed to continue to provide
12 safe and reliable water service to our customers at reasonable rates. The benefits of our
13 infrastructure investment are not only vital to the health and welfare of our customers and
14 the state, but they improve our economy and provide much needed jobs because every \$1
15 million we spend in capital is expected to create or sustain over 15 jobs in Tennessee.¹
16 These investments include improving the resiliency of the Company’s distribution system
17 and treatment plants, treatment changes to maintain regulatory compliance, technology
18 investments that will integrate with existing systems to enhance service to customers, and
19 management of source of supply and system demands. As noted by Company Witness
20 Robert Lane, the Company’s rate base has grown by over \$173 million since the

¹ For every \$1 million spent, 15.5 jobs are created (6.1 direct jobs and 9.4 indirect jobs).
https://uswateralliance.org/wp-content/uploads/2023/09/Economic-Impact-of-Investing-in-Water-Infrastructure_VOW_FINAL_pages_0.pdf

1 Company's last rate case, which is primarily due to the capital improvements that the
2 Company has made to its system. By doing so, the Company has created or sustained over
3 2,600 jobs during that time period. It is both our management initiatives as explained by
4 Mr. Stout and our prudent capital investments described by Mr. Kruchinski that have
5 enabled us to work smarter and more efficiently, thereby promoting affordability. I discuss
6 the importance of affordability further below.

7 **III. VALUE OF WATER AND AFFORDABILITY**

8 **Q. IN GENERAL, WHY IS TAWC'S PROPOSED RATE REQUEST**
9 **REASONABLE?**

10 A. The proposed rate increase is reasonable and appropriate because, as I previously
11 discussed, it is driven primarily by the need to make the investments necessary to keep our
12 water service safe and reliable. Such investments cannot be avoided indefinitely and are
13 in the long-term best interests of our customers. If such investment is not made, our
14 customers will be adversely impacted in the long run as costs will increase even more. For
15 example, when mains are not replaced in a timely fashion, or equipment neglected, our
16 costs rise, as unanticipated main breaks create water quality issues, unexpected expenses,
17 and disruption to our communities. Similarly, equipment in need of replacement makes
18 workers less efficient and can create safety issues.

19 **Q. HAS THE COMPANY EVALUATED THE IMPACT OF THE PROPOSED RATE**
20 **INCREASE ON ITS CUSTOMERS?**

21 A. Yes, we have. We know our water service is critical, and we know how important it is for
22 that service to remain affordable. At proposed rates, under our rate design proposal, a

1 typical² residential customer using 125 gallons of water per day would pay \$381 per year
2 for water. Put another way, under the Company's proposed rates and rate design, an annual
3 bill for a typical residential customer of \$381 equates to about \$1.04 per day. Therefore,
4 for about \$1.04 per day an average residential customer has all the water he or she and their
5 family need to drink, cook, wash, and maintain their general health and well-being. For
6 residential customers currently served under the Chattanooga rate specifically, the average
7 monthly bill will be impacted by \$4.24.

8 **Q. HAS THE COMPANY PERFORMED AN ANALYSIS OF THE AFFORDABILITY**
9 **OF ITS SERVICE UNDER THE PROPOSED RATES?**

10 A. Yes. Company Witness Charles Rea has conducted a detailed analysis of the affordability
11 of our historical and proposed rates and relates the median household income for customers
12 in our service territory to our water bills over time. Even with the rate increases necessitated
13 by our capital program, Mr. Rea's analysis demonstrates that our water service, overall,
14 remains affordable under the Company's proposed rates. His testimony compares historical
15 average monthly water bills to monthly household income for TAWC customers from 2012
16 through 2023, both in absolute terms and in terms of bill to income ("BTI") ratios. Mr. Rea
17 then analyzed the Company's proposed bills in this case and estimated median household
18 income ("MHI") for our residential customers during the attrition year. His analysis shows
19 that BTI Ratios for the residential customer base have consistently been in the 0.55% to
20 0.65% of MHI range from 2012 to 2023 and are expected to be 0.63% under the Company's

² A typical residential customer is a customer who will take service under the Company's Rate Zone 1. Company witness Brooks' Direct Testimony provides further details related to the Company's proposed rate design for residential customers.

1 proposed rates in this case. This is a tangible demonstration that our customer bills will
2 remain affordable even with the Company's requested rate increase.

3 **Q. IS THIS TREND IN AFFORDABILITY REFLECTIVE OF THE VALUE OF**
4 **SERVICE THAT TENNESSEE-AMERICAN WATER'S CUSTOMERS ENJOY**
5 **FROM THE COMPANY?**

6 A. Yes. This trend in affordability is a result of the long-term investment and management
7 practices of the Company and is a positive reflection of the fact that the investment
8 strategies the Company has undertaken over time and the way that the Company has
9 proactively managed the system is in the long-term best interests of our customers.
10 Nevertheless, the Company's service will remain affordable, largely due to the Company's
11 ability to manage its O&M expense and its targeted and timely infrastructure investments.
12 The combination of proactive investment, steady O&M, and strong affordability
13 demonstrates that the Company's management of the business and investment in the
14 business delivers a high-value service to customers at affordable rates, which is in the long-
15 term best interest of our customers.

16 **Q. HOW DOES TENNESSEE-AMERICAN WATER MAINTAIN THE**
17 **AFFORDABILITY OF ITS WATER SERVICE?**

18 A. As I noted previously, an important way that we maintain affordability is by continuously
19 seeking to improve our business processes and make investments that improve operational
20 efficiencies, and we have been successful in doing so. As Mr. Kruchinski and Mr. Stout
21 explain, we use targeted investments to permit us to work smarter and more efficiently as

1 well as leveraging the power of our organization to both share learning on best practices
2 and purchase equipment and supplies at advantageous terms. All of these help us manage
3 and contain cost increases.

4 **Q. NOTWITHSTANDING THE OVERALL AFFORDABILITY OF TENNESSEE-**
5 **AMERICAN WATER’S RATES, ARE THERE CUSTOMERS WHO MIGHT**
6 **FACE AFFORDABILITY ISSUES?**

7 A. Yes, some of our customers face challenging economic circumstances. Thus, Mr. Rea also
8 examined the affordability of our rates for our more vulnerable customers. His assessment
9 compares annualized bills for “basic water service” (i.e., service that is necessary and
10 reasonable to meet basic household needs for drinking, cooking, sanitation, and general
11 health service that does not include seasonal discretionary water use) to measures of
12 household income for lower income groups. The Company estimates that there are
13 approximately 16,700 residential customers in our service areas with household incomes
14 at or below 150% of Federal Poverty Level (“FPL”), or approximately 22% of the
15 Company’s residential water customer base. For these more vulnerable customers, the
16 Company continues to offer various assistance programs, which I describe below. The
17 Company is also proposing in this case a new, universal affordability tariff rate to further
18 address the affordability of water service for vulnerable customers, as explained in more
19 detail by Mr. Rea.

20 **Q. WHAT CUSTOMER ASSISTANCE PROGRAMS DOES THE COMPANY OFFER**
21 **ITS MORE VULNERABLE CUSTOMERS TO MAINTAIN THE**
22 **AFFORDABILITY OF ITS SERVICE?**

1 A. Tennessee-American Water offers customer assistance programs to help our most
2 vulnerable customers. The Company supports community low-income customers through
3 TAWC's Project Help program. The Project Help program is an emergency bill-paying
4 assistance program funded by TAWC and donations from customers who want to help
5 other customers in need. Customers who qualify may receive grants toward their
6 Tennessee-American Water bill. This emergency assistance program is administered by
7 the United Way of Chattanooga. Tennessee-American Water's residential customers have
8 the option of paying bills under the Company's budget billing plan, whereby the total
9 service for the succeeding twelve-month period is estimated in advance, and bills are
10 rendered monthly based on one-twelfth of the twelve-month estimate. In addition, the
11 Company offers its customers flexible payment arrangements through installment
12 agreements if they are financially unable to pay a water service bill when due. The length
13 of a payment arrangement can vary, and there is no limit to the number of installment
14 agreements available to our customers provided that prior installment agreements terms
15 have been fully met.

16 **Q. YOU MENTIONED TENNESSEE-AMERICAN WATER IS PROPOSING A**
17 **UNIVERSAL AFFORDABILITY TARIFF TO ASSIST ITS MOST VULNERABLE**
18 **CUSTOMERS. WHAT IS TAWC'S PROPOSAL?**

19 A. The Company is proposing a multi-tiered universal affordability tariff that offers discounts
20 on both the basic 5/8" meter charge and the volumetric charges for water service to help
21 the estimated 16,700 residential water service customers with household incomes at or
22 below 150% of the FPL. As explained by Mr. Rea, the Company's proposed tariff will

1 make water service more affordable for this group of customers by offering a 70% discount
2 on applicable volumetric base rates for qualifying customers between 0% and 50% of the
3 FPL, a 40% discount on such rates for qualifying customers between 51% and 100% of the
4 FPL and a 10% discount on such rates for qualifying customer between 101% and 150%
5 of the FPL. The Company's proposed tiered discounts under this tariff will provide
6 customers at each interval of FPL the opportunity to have Basic Water Service bills in the
7 1% to 2% range of household income.

8 **IV. ADDITIONAL RATEMAKING PROPOSALS**

9 **Q. ARE THERE ANY REGULATORY OR RATEMAKING PROPOSALS BEING**
10 **REQUESTED BY TENNESSEE-AMERICAN WATER THAT YOU WANT TO**
11 **HIGHLIGHT?**

12 A. There are four I would like to highlight. We are requesting (1) to recover costs associated
13 with replacing customer-owned lead service lines through QIIP, (2) to use the PCOP Rider
14 to reconcile the forecasted costs for rate case expense and Pension and OPEB expenses
15 with the actual amount of these expenses, (3) to record and defer actual costs associated
16 with the discounts and administration of the Universal Affordability Program to a future
17 regulatory proceeding, and (4) to include electronic payment fees assessed by TAWC's
18 vendor for customer payments processed via credit card and electronic check as an
19 operating expense.

1 **Q. PLEASE BRIEFLY DESCRIBE TAWC'S PROPOSAL TO RECOVER THE**
2 **COSTS TO REPLACE CUSTOMER-OWNED SERVICE LINES CONTAINING**
3 **LEAD THROUGH THE QIIP.**

4 A. The Company is using this proceeding as an opportunity to address lead on customer-
5 owned service lines. As explained in greater detail by Mr. Stout, when lead is identified
6 on a customer-owned service line, it is at the customer's discretion and expense if the
7 service line is replaced. Tennessee-American Water believes that lead on service lines
8 presents a significant safety issue and that a service line that contains lead should be
9 replaced in its entirety, and as such the Company is proposing to replace the entire service
10 line, both Company and customer-owned, when the Company identifies a service line
11 containing lead, and recover the costs associated with doing so through QIIP.

12 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE TO RECOVER COSTS**
13 **ASSOCIATED WITH REPLACING CUSTOMER-OWNED SERVICE LINES**
14 **CONTAINING LEAD THROUGH THE QIIP.**

15 A. The Company's investment in replacing service lines containing lead, regardless of
16 ownership, is a prudent expenditure incurred on behalf of its customers to maintain safety
17 and public health. As discussed by Company Witness Robert Lane, the QIIP already
18 allows the Company to recover the cost of main and service line replacement, *and*
19 restoration costs for non-Company property such as sidewalks, curbing, driveways and
20 landscaping. Thus, the Company's proposal is consistent with practices already in use for
21 the QIIP and is in the public interest.

1 **Q. PLEASE DESCRIBE TENNESSE-AMERICAN'S PROPOSED REGULATORY**
2 **TREATMENT FOR RATE CASE EXPENSE AND PENSION AND OPEB**
3 **EXPENSES .**

4 A. The Company is proposing to use the PCOP Rider to reconcile the forecasted amount of
5 rate case expense and Pension and OPEB expense (all of which will be recovered in base
6 rates) with the actual costs of these expenses, and any difference between the forecasted
7 amount and actual amount would then be returned to or recovered from customers via the
8 PCOP Rider. Company Witness Lane discusses this request in his Direct Testimony.

9 **Q. PLEASE DESCRIBE TENNESSE-AMERICAN'S PROPOSED REGULATORY**
10 **TREATMENT FOR UNIVERSAL AFFORDABILITY PROGRAM EXPENSES.**

11 A. As Company Witness Lane explains in his Direct Testimony, the Company's forecasts for
12 expense or revenue do not include costs associated with administering the Universal
13 Affordability Program or an amount of discounts that will be provided to participating
14 customers. Because no costs are embedded in base rates for the Universal Affordability
15 Program, the Company is requesting that actual costs associated with the discounts and
16 administration of this program be recorded and deferred to a future regulatory proceeding.

17 **Q. PLEASE BRIEFLY DESCRIBE TAWC'S PROPOSAL TO RECOVER THE COST**
18 **OF ELECTRONIC PAYMENT FEES.**

19 A. The Company is proposing to recover costs associated with electronic payment fees
20 assessed by TAWC's vendor for customer payments processed via credit card and
21 electronic check, which are currently borne directly by customers. The Company's goal is

1 to provide customers with convenient options to pay their bill. Company Witness Lane
2 discusses this request in his Direct Testimony.

3 **V. IMPROVING WATER EFFICIENCY**

4 **Q. PLEASE EXPLAIN THE CONCEPT OF WATER EFFICIENCY.**

5 A. Water efficiency means using improved practices and technologies to deliver safe, reliable
6 and adequate water service more effectively. The Company's water efficiency efforts
7 include supply-side practices, such as reducing non-revenue water losses, using more
8 efficient motors and pumps, pursuing purchasing economies and employing GIS
9 technology, as well as demand-side strategies, such as rate design and public education
10 programs. For example, the leak detection efforts described by Mr. Stout can reduce the
11 amount of water, pressure, and energy required to deliver the same amount of water to
12 consumers and the more efficient pumps and motors he describes reduce power costs. The
13 expanded use of technology helps our crews to be more efficient in locating water facilities
14 and quickly accessing system and customer information on a real-time basis. Improving
15 efficiency saves customers money in the long run, enhances the economy, and protects the
16 environment.

17 **Q. HOW IS THE CONCEPT OF IMPROVING WATER EFFICIENCY RELEVANT**
18 **TO THIS CASE?**

19 A. Improving water efficiency requires achieving a cost-effective mix of prudent investments
20 and improved operations and maintenance management capabilities targeting safety,
21 customer satisfaction, environmental compliance, sustainability, asset performance and
22 operational efficiency. Tennessee-American Water continually strives to develop and

1 implement efficiency measures that deliver steady or improved levels of service to
2 consumers while mitigating cost increases. As discussed by Mr. Stout and Mr. Kruchinski,
3 the investments we are making to better serve our customers are primarily in non-revenue
4 producing investments – replacing aging infrastructure, compliance with environmental
5 regulations, and efficiency investments. Mr. Stout, for example, discusses how the
6 Company’s use of GIS technology and MapCall makes our employees more efficient, also
7 helping to contain costs and improve customer satisfaction. Mr. Kruchinski notes how
8 replacing aging infrastructure can improve efficiencies. As we plan our investments,
9 however, we know how important it is to balance the need for system improvements with
10 what our customers pay for water service. Consequently, the Company continually strives
11 to find more efficient and cost-effective ways to operate and maintain its business. Our
12 focus on controlling expenses produces direct benefits to our customers.

13 **Q. DOES TENNESSEE-AMERICAN WATER GAIN EFFICIENCIES FROM ITS**
14 **AFFILIATION WITH AMERICAN WATER?**

15 A. Yes. Our affiliation with the American Water family of companies allows us to leverage
16 the expertise, purchasing power and financial strength of the larger organization. For
17 example, the Service Company provides a wide spectrum of necessary, cost-effective,
18 value-added services that enable TAWC to fulfill its responsibilities in a more cost-
19 effective manner. These services include water quality testing at the Central Laboratory in
20 Belleville as well as customer service, human resources, supply chain, legal, corporate
21 finance, environmental safety, engineering, communications, and information technology
22 systems, among others. By providing services on a shared basis at cost, the Service

1 Company allows the Company to provide its customers with these necessary services and
2 expertise more cost-effectively than the Company could on its own. Company Witness
3 Patrick Baryenbruch explains why the services that Tennessee-American Water obtains
4 from the Service Company are cost effective and reasonable. In addition, American Water
5 Capital Corp. (“AWCC”) provides the Company with access to short-term loans, long-term
6 borrowings, and cash management services at very competitive rates, rates that TAWC
7 would not be able to obtain on its own due to our relatively small size.

8 **Q. WHAT IS THE COMPANY’S ULTIMATE GOAL WITH REGARD TO WATER**
9 **EFFICIENCY?**

10 A. Our goal is to provide quality water services as efficiently as possible, and by doing so, to
11 increase the value of the services that we provide our customers.

12 **VI. ECONOMIC DEVELOPMENT, COMMUNITY PARTNERSHIPS & CUSTOMER**
13 **EDUCATION**

14 **Q. CAN YOU HIGHLIGHT A FEW OF THE PROJECTS IN WHICH TAWC HAS**
15 **PARTNERED WITH COMMUNITIES TO SUPPORT ECONOMIC**
16 **DEVELOPMENT?**

17 A. Yes. Since our last rate case, we have partnered with the City of Chattanooga and other
18 local municipalities in our service territory to support growth, which creates jobs and
19 enhances the tax base. When you factor in the growth and jobs attached to these efforts,
20 losing any of these projects would have been a huge disappointment to these communities.
21 TAWC is delighted to be a meaningful and significant contributor to the overall economic
22 development success in our communities. As a representative sample, these projects

1 include the following:

- 2 • The 2021 Nippon Paint Project. TAWC undertook the Nippon Paint Project to support
3 Nippon Paint USA's plan to build a LEED-certified site on 29 acres of the former
4 Harriet Tubman public housing site in Chattanooga. The company will invest \$61
5 million into the development and bring 150 new jobs to the area. According to
6 Chattanooga's Mayor, this is the first major economic development in that area since
7 1917.
- 8 • The 2020 River Gorge Booster Station and the River Gorge Drive Transmission Mains
9 Projects. The booster station is located at the base of Aetna Mountain at the edge of the
10 existing Black Creek Community. The booster station is intended to pump water to the
11 top of the mountain to support business and residential development. The new
12 development is planned to include a conference and resort center, a large town center,
13 a public school and a fire station. The development will create an estimated 100 to 300
14 new jobs and contain 1,200 new residences. The City of Chattanooga has annexed the
15 proposed development.
- 16 • A 2016 main extension near Camp Jordan Parkway, which supported the 50-acre
17 development in East Ridge that encompasses the Bass Pro Shop Project. This Bass Pro
18 Shop Project was estimated to bring an additional \$2 million in tax revenue to the
19 County and serves as another example of how one redevelopment has spurred the
20 opportunity for additional growth, including several new hotels and restaurants in the
21 area of East Ridge. These investments brought a host of jobs and additional tax revenue
22 flow to an area of southeastern Tennessee that was struggling just a few years ago. The
23 East Ridge Bass Pro Shop Project is projected to employ an estimated 225-240 full and

part-time employees. It also projected to generate a new revenue stream in taxes and has been, at least in part, responsible for a tremendous amount of growth to that area. The overall development represented a capital investment of \$100 million.

- The Pratt & Associates Climate Controlled Storage Project. This 2016 project was another economic development project in the town of Red Bank that created an estimated 50 jobs and allowed for the redevelopment of a previously abandoned area.
- The Olan Mills Project to support Coca-Cola. In 2015, TAWC undertook the Olan Mills Project, via its EDI Rider, which allowed for the development of the Coca-Cola Bottling Company Distribution Center to support Chattanooga Coca-Cola Bottling Company's \$62 million, state-of-the-art distribution and sales facility on the former Olan Mills site. With the essential infrastructure investment, Coca-Cola Bottling estimated the creation of 43 new jobs and the retention of 270 existing jobs that would have been moved elsewhere without the new facility.

Through these representative and other economic development efforts, the Company is an integral and vital part of supporting sustainable growth in the communities where our customers live and work.

Q. PLEASE DESCRIBE TAWC'S OUTREACH EFFORTS IN THE COMMUNITIES THAT IT SERVES.

A. At Tennessee-American Water we believe in being a meaningful partner by working with community-based organizations throughout our service areas to help strengthen the communities where our customers, neighbors and employees live and work. We focus our community investments in four key areas: water and the environment, water and healthy living, environmental education, and community sustainability. Through community

1 giving, in-kind donations, partnerships and volunteering, TAWC demonstrates our
2 commitment to programs that address community-specific needs. It takes more than a one-
3 time grant or volunteer effort to make a lasting difference – so we seek out and support
4 organizations that understand how to best meet the needs of the community.

5 **Q. PLEASE DESCRIBE SOME OF TAWC’S COMMUNITY ENGAGEMENT**
6 **INITIATIVES.**

7 A. One way we give back to the community is by supporting innovative programs that
8 improve, protect or restore drinking water supplies and surrounding watersheds. Since
9 2012, we have awarded over \$100,000 total in environmental grants to organizations like
10 the Lookout Mountain Conservancy (a land trust) and The Howard School (a high school
11 located in the City of Chattanooga). Through our initial environmental grant in 2012, we
12 brought together this land trust and school to create a unique partnership that today includes
13 not only watershed protection activities, but also leadership and internship programs as
14 well as ongoing land preservation with natural spaces for community use such as
15 bouldering and hiking.

16 At TAWC, we believe that supporting local education efforts is an important aspect
17 of strengthening our communities, and as such, have provided educational opportunities to
18 students at schools and organizations within the communities that we serve, with an
19 emphasis on environmental education. These educational opportunities include hands-on
20 activities at schools, summer camps and recreation centers, tailored to the age group
21 participating. We also provide tours at our water plant for learners of all ages – from 3rd
22 grade on up to adults in civic organizations. For over 10 years, we have partnered with
23 Chattanooga State Community College and Hamilton County Schools to provide an

1 Elementary Science Olympiad after recognizing the need to instill in children interest in
2 STEM at an earlier age. Pre-COVID, this Olympiad drew in over 600 students from
3 Hamilton County and will be restarting in 2024. We also have videos on our YouTube
4 channel on various water quality topics and the treatment process, to help customers
5 understand what we do to provide clean water. Some videos include Spanish subtitles or
6 narration to reach the growing population of Spanish-speaking customers.

7 We have supported various scholarship and academic programs with a particular
8 focus on underserved students. For example, we are the longest-standing corporate sponsor
9 of the Chattanooga Hamilton County Branch of the NAACP's ACT-SO, a national, year-
10 long enrichment program for high school students offering 33 categories of academic and
11 performance competition. When possible, we enrich our partnership with student groups
12 beyond a monetary donation with activities like mentoring, teaching about water
13 conservation, source water protection and hands-on experiments.

14 Other support for schools has come in the way of water-bottle filling stations in
15 schools that lacked these. According to the Center for Disease Control and Prevention,
16 convenient access to drinking water for students is important to improve memory and
17 attention and contributes to overall health. In 2022, we provided funding to nine Hamilton
18 County schools for the purchase of water bottle filling stations. Through the American
19 Water Charitable Foundation ("AWCF"), we provided \$10,000 in order for Whitwell High
20 School in Marion County to replace aging fountains with water-bottle filling stations.

21 **Q. ARE THERE OTHER COMMUNITY ENGAGEMENT EFFORTS THAT YOU**
22 **WANT TO HIGHLIGHT?**

1 A. Yes, a couple. In addition to the community initiatives related to the environment,
2 education, and schools, TAWC also offers grants to local fire departments recognizing our
3 role in partnering with these first responders in providing fire protection. With increasing
4 pressure on local government budgets, our \$1000 grants provide supplemental assistance
5 for much-needed personal protection equipment, training, communications and other
6 materials for volunteer and professional firefighting organizations.

7 TAWC also shares with nonprofit organizations in its service area the grant
8 programs offered by the AWCF so that they can apply for funds, if interested and eligible.
9 Among the organizations, programs and projects to have received AWCF grant funds since
10 2019 are the City of Chattanooga's Eastlake Park for the installation of new play equipment
11 as part of its transformative renovation; a handicapped-accessible fishing pier at the City
12 of East Ridge's Camp Jordan pond; several food banks during the pandemic and, after
13 through the AWCF state strategic grants; Teach for America to recruit and support
14 educators who are impacting Chattanooga's most vulnerable students; and an outdoor
15 classroom at Whitwell Elementary School in Marion County.

16 **Q. DO TAWC EMPLOYEES HAVE THE OPPORUNITY TO VOLUNTARILY GET**
17 **INVOLVED IN THE COMPANY'S COMMUNITY ENGAGEMENT EFFORTS?**

18 A. Yes. TAWC employees themselves also play an active role in the communities where they
19 live and serve. For example, employees at our Sequatchie Valley District assist with the
20 distribution of the Marion County satellite site of the Chattanooga Area Food Bank on a
21 quarterly basis. Through the AWCF employee match grant, employees are able to apply
22 for up to \$1000 total in one calendar year, for either monetary donations they have made
23 or for their volunteer time, to eligible non-profits.

1 **Q. HAS THE COMPANY’S COMMUNITY ENGAGEMENT EXTENDED TO**
2 **NEIGHBORING WATER SYSTEMS?**

3 A. Yes. Tennessee-American serves as a strong community partner to our neighboring water
4 systems when in need. In 2020, Tennessee-American Water joined the Tennessee
5 Department of Environment and Conservation (“TDEC”) and Tennessee
6 Water/Wastewater Agency Response Network (“TN-WARN”) in a statewide effort to
7 distribute cloth masks to water and wastewater utilities. The masks were provided by the
8 Federal Emergency Management Agency (“FEMA”) to provide water and wastewater
9 utility workers with necessary protection during the COVID-19 public health emergency.
10 During historic tornadoes in 2020 in middle Tennessee, we loaned generators to the City
11 of Lebanon. The equipment assisted the City’s wastewater system to get back up and
12 running and to move raw sewage out of neighborhoods damaged by the storms. Severe
13 drought in 2016 created issues for some water systems like the community of Luminary in
14 Bledsoe County. We delivered a water buffalo (small portable water tank) to the local
15 volunteer fire department for distribution to residents.

16 As you can see, we are very proud of our community and charitable involvement;
17 however, first and foremost, TAWC is uncompromisingly and unwaveringly committed to
18 providing safe and reliable drinking water and fire protection to our customers. This
19 commitment is fulfilled by our very cost-efficient, prudent and reasonable operations. We
20 respectfully submit that approval of the programs and additional revenues requested in our
21 Petition, and supported by testimony and other documentation, be approved giving us the
22 necessary resources to continue providing this high-quality service. It is in the public
23 interest to do so.

1 **VII. CONCLUSION**

2 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

3 **A. Yes.**

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-
AMERICAN WATER COMPANY TO
CHANGE AND INCREASE CERTAIN
RATES AND CHARGES**

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DOCKET NO. 24-_____

VERIFICATION

STATE OF Tennessee)
)
COUNTY OF Hamilton)

I, GRANT ALLEN EVITTS, 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.

Grant A. Evitts
GRANT ALLEN EVITTS

Sworn to and subscribed before me
this 25th day of April, 2024.

Tara Watson
Notary Public

My Commission Expires: 2-28-28

