

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

DIRECT TESTIMONY

OF

ROBERT C. LANE

ON

**RECOVERY OF RATE CASE EXPENSES INCURRED IN TPUC DOCKET NO 24-
00032, PROPOSED AMORTIZATION PERIOD AND COST RECOVERY
MECHANISM**

SPONSORING PETITIONER'S EXHIBITS:

1. Petitioner Exhibit 1 – Rate Case Expense Summary
2. Petitioner Exhibit 2 – Rate Case Expense Detail
3. Petitioner Exhibit 3 – Proposed Tariff

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

2 A. My name is Robert (Bob) C. Lane, and my business address is 109 Wiehl Street,
3 Chattanooga, Tennessee 37403.

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

5 A. I am employed by American Water Works Service Company (“Service Company”).
6 Service Company is a wholly owned subsidiary of American Water Works Company, Inc.
7 (“American Water”) that provides services to American Water’s subsidiaries, including
8 Tennessee-American Water Company (“TAWC” or “Company”). My current role is Sr.
9 Manager, Rates and Regulatory for TAWC.

10 **Q. PLEASE STATE YOUR PROFESSIONAL AND EDUCATIONAL**
11 **BACKGROUND.**

12 A. I received both a Bachelor of Arts in Economics and Master of Arts in Economics from
13 New Mexico State University.

14 Prior to my current position at TAWC, I was the Director of Rates and Regulatory
15 Affairs for New Mexico Gas Company from 2020 to 2022, where I led the Rates and
16 Analysis and Regulatory Affairs Group and was responsible for all filings made before the
17 Public Regulation Commission. Prior to joining New Mexico Gas Company, I served in
18 various capacities for Sempra Energy, San Diego Gas and Electric (“SDG&E”) and SoCal
19 Gas. From 2015 to 2018, I served as the Manager – Compliance in the Enterprise Risk
20 Management and Compliance Department leadings SDG&E’s and SoCal Gas’s enterprise
21 compliance program and as liaison with Sempra Energy Corporate Compliance. From 2010
22 to 2014, I served as the Director, FERC, CAISO and Regulatory Compliance for SDG&E
23 and SoCal Gas, where I managed regulatory affairs with the Federal Energy Regulatory

1 Commission (FERC), coordinated policy interactions with the California Independent
2 System Operator (CAISO), and led SDG&E's federal reliability standards compliance
3 assurance program. In 2010, I was the Director of Regulatory Strategy for SDG&E and
4 SoCal Gas, where I developed and implemented regulatory strategies to advance SDG&E's
5 and SoCal Gas's regulatory agenda before state and federal regulators. From 2007 to 2010,
6 I was the Manager of Corporate Regulatory Strategy for Sempra Energy and provided
7 regulatory and policy analysis and advice for the Sempra Energy family of Companies,
8 including regulated electric and gas utilities, renewable businesses and natural gas
9 infrastructure business units.

10 Prior to 2007 I was staff at the California Public Utilities Commission ("CPUC")
11 where I served in the following positions: (1) as the Chief Staff to CPUC Commissioner
12 John Bohn from 2005 to 2007; (2) as the Advisor for Policy and Planning for Governor
13 Schwarzenegger from 2004 to 2005; and (3) as Senior Policy Advisor to CPUC
14 Commissioner Jessie J. Knight from 1993 to 2000. In addition, from 1988 to 1993 I held
15 several positions as a Regulatory Analyst in the CPUC's Division of Ratepayer Advocates,
16 Advisory and Compliance Division, as well as in the Division of Strategic Planning.

17 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
18 **TENNESSEE PUBLIC UTILITY COMMISSION?**

19 A. Yes, I have submitted testimony before the Tennessee Public Utility Commission ("TPUC"
20 or the "Commission") in several matters, including Docket Nos. 22-00021 (2022 CRRs
21 Recon), 22-00072 (2022 Annual CRRs), 23-00007 (2023 PCOP), 23-00018 (2023 CRRs
22 Recon), 19-00103 (Capital Riders Review) 24-0001 (2024 Financing Authority), 24-

1 00002 (2024 PCOP). 24-00011 (2024 ICR), 24-00032 (TAWC General Rate Case), 25-
2 00002 (2025 PCOP) and 25-00016 2025 ICRR).

3 **Q. WHAT ARE YOUR DUTIES AS SENIOR MANAGER RATES AND**
4 **REGULATORY FOR TENNESSEE AMERICAN WATER?**

5 A. I am responsible for managing and coordinating regulatory issues in Tennessee, and I am
6 the rates and regulatory lead for TAWC. This includes coordinating all reports and filings,
7 working with regulatory staff to make sure that all information produced addresses the
8 requirements or requests, and overseeing the preparation and filing of rate cases and tariff
9 changes. I work with senior management of TAWC. I am also responsible for keeping
10 abreast of changes in regulation, and trends in public utility regulations across the United
11 States that may impact TAWC.

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

13 The purpose of my testimony is to support the recovery of \$1,544,000 in rate case expenses
14 incurred by the Company in TPUC Docket 24-00032, TAWC's general rate case, and to
15 propose a three-year amortization of those costs and a mechanism for the recovery of those
16 costs. As well, I am supporting the recovery of unanticipated and incremental legal costs
17 incurred as a result of this separate proceeding to recover rate case expenses.

18 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

19 A. Yes, I am. I am sponsoring the following exhibits:

- 20 1. Petitioner Exhibit 1 – Rate Case Expense Summary
- 21 2. Petitioner Exhibit 2 – Rate Case Expense Detail
- 22 3. Petitioner Exhibit 3 – Proposed Tariff

23 I will discuss these exhibits in further detail in my testimony below.
24

1 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
2 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

3 A. Yes.

4 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**
5 **PETITIONER'S EXHIBITS LISTED ABOVE?**

6 A. The data used to prepare the exhibits was acquired from the books of account and business
7 records of TAWC and other internal sources which I examined in the course of my
8 investigation of the matters addressed in this testimony.

9 **Q. DO YOU CONSIDER THIS DATA TO BE DEPENDABLE AND OF A TYPE THAT**
10 **IS NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**
11 **PURPOSES?**

12 A. Yes.

13 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
14 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
15 **DATA?**

16 A. Yes, they do.

17 **Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR TESTIMONY**

18 A. My testimony is in support of TAWC's Petition to recover the costs of the Company's most
19 recent rate case consistent with the findings of the Commission in TPUC Docket No. 24-
20 00032. TAWC seeks recovery of \$1,544,000 in reasonable and prudently incurred costs
21 associated with Docket No. 24-00032, Tennessee American Water's 2025 Attrition Year
22 Rate Case, which costs are hereafter referred to as the "2025 Rate Case Expenses." In its
23 *Order Setting Utility Rates*, the Commission directed TAWC to file a petition to establish:

1 “a separate proceeding to determine the actual amount of
2 regulatory costs, the time period for recovery, and the
3 mechanism for allowing TAWC to recover these costs.”¹
4

5 Further, the Commission also capped the amount of regulatory costs to be recovered for
6 the rate case at \$1,554,000, the amount of estimated costs projected by TAWC in Docket
7 No. 24-00032.²

8 My testimony will provide the underlying support for the 2025 Rate Case Expenses,
9 will propose a 3 year amortization consistent with what was proposed by the Company in
10 TPUC Docket 24-00032, and will propose a specific recovery mechanism that will recover
11 the rate case expenses via an expense surcharge on customers’ bills until such time as the
12 2025 Rate Case Expenses are fully amortized. Under the proposed recovery mechanism,
13 the expense surcharge associated with rate case recovery would be set to zero and end after
14 the expenses are fully amortized.

15 **Q. WHAT IS THE TOTAL AMOUNT OF 2025 RATE CASE EXPENSES TAWC**
16 **SEEKS TO RECOVER?**

17 A. TAWC seeks to recover \$1,544,000 in rate case expenses authorized by the Commission
18 in TPUC Docket No. 24-00032. The actual prudent and reasonable costs incurred by the
19 Company and recorded in our books was \$1,600,169. However consistent with the *2025*
20 *Order*, the Company is seeking recovery of \$1,544,000, which is \$56,169³ less than the
21 actual reasonable and prudent costs identified by the Company. However consistent with

¹ *Order Setting Utility Rates*, p. 35 TPUC Docket No. 24-00032 (April 21, 2025 (“*2025 Order*”).

² *Id.* at 34-35.

³ The \$56,169 amount over the original cost estimate does not include any legal expense, as the legal expense for the rate case was within the rate case expense estimate provided by the Company in its May 1, 2024, petition in Docket No. 24-00032.

1 the 2025 Order, the Company is seeking recovery of only \$1,544,000, which is \$56,169⁴
2 less than the actual reasonable and prudent costs identified by the Company.

3 **Q. PLEASE IDENTIFY THESE COSTS BY CATEGORY OF RATE CASE**
4 **ACTIVITIES.**

5 A. Exhibit 1 Summary displays the broad categories of the 2025 Rate Case Expenses,
6 including fees and costs incurred for (1) Rate of Return analysis; (2) Legal expenses; (3)
7 Compensation Study; (4) Support Services Study; (5) Cash Working Capital Study; (6)
8 Depreciation Study; and (7) Miscellaneous and Internal TAWC and American Water
9 Costs. As this table shows, total incurred costs exceeded our original estimated costs by
10 \$56,169, which is 3.6% above the costs estimated prior to the filing of the case.

11 **Q. ARE THE ACTUAL \$1,600,169 MILLION OF COSTS INCURRED BY THE**
12 **COMPANY IN RELATION TO DOCKET NO. 24-00032 PRUDENT AND**
13 **REASONABLE?**

14 A. Yes. The costs included in this filing are all just and reasonable, and we have thoroughly
15 reviewed all invoices and have included only prudent and reasonable costs directly
16 associated with TPUC Docket 24-00032.

17 **Q. CAN YOU EXPLAIN THE INTERNAL PROCESS UNDERTAKEN TO IDENTIFY**
18 **THE REASONABLE AND PRUDENTLY INCURRED EXPENSES?**

19 A. The Company reviewed all of the invoices and general ledger transactions to ensure that
20 all of the costs were reasonable and prudently incurred. We reviewed the Companies P-
21 Card transactions to ensure that only expenses related specifically to TPUC Docket No.

⁴ The \$56,169 amount over the original cost estimate does not include any legal expense, as the legal expense for the rate case was within the rate case expense estimate provided by the Company in its May 1, 2024, petition in Docket No. 24-00032.

1 24-00032 were included in this request for recovery. The extensive discovery and full
2 litigation of this proceeding drove the costs incurred by the Company, including both the
3 expense of outside independent expert witnesses and the costs associated with internal
4 company witnesses and other employees involved in the case's travel-related expenses
5 related to this proceeding.

6 **Q. WHAT ARE THE COSTS ASSOCIATED WITH THE COMPANY'S RETURN ON**
7 **EQUITY AND CAPITAL STRUCTURE WITNESS PROPOSAL AND**
8 **SUPPORTING EXPERT WITNESS AND HER TESTIMONY?**

9 A. The Company retained Ms. Anne Bulkley of the Brattle Group to perform this analysis and
10 prepare written Direct and Rebuttal Testimony in TPUC Docket No. 24-00032. Drafting
11 rebuttal testimony to the Consumer Advocate's extensive testimony required extensive
12 review and rebuttal of the conclusions presented by the Consumer Advocate's witness, Mr.
13 Rothschild. In addition, Ms. Bulkley and her analytical team assisted in the Company's
14 responses to numerous discovery requests. She also appeared and participated in the
15 hearing on the merits, including cross-examination by the intervenors in Nashville,
16 Tennessee. For her expert professional testimony and the analytical support of the Brattle
17 Group, TAWC incurred a cost of \$109,010.53. This amount includes professional fees,
18 travel, food, and lodging.

19 **Q. WHAT ARE THE LEGAL COSTS INCURRED BY THE COMPANY IN**
20 **RELATION TPUC DOCKET NO. 24-00032?**

21 A. TAWC retained the law firm of Butler Snow LLP for specialized legal services related to
22 TPUC Docket No. 24-00032. Total billings for Butler Snow's professional services are
23 \$1,008,072.77. This amount includes the costs invoiced to TAWC by Butler Snow for its

1 legal and related support services, including but not limited to assisting TAWC in filing
2 the case petition, including compliance with the minimum filing guidelines, preparation of
3 Pre-filed Direct Testimony and Pre-filed Rebuttal Testimony, responding to no less than
4 440 discovery requests, not including a hosts of multiple subparts, hearing preparation,
5 settlement discussions, representing the Company at Hearing, preparation of the post-
6 hearings brief, analysis of the Commission’s order in TPUC Docket No. 24-00032, and
7 filing various motions, including a Motion for Reconsideration of the *2025 Order*.

8 **Q. WHAT IS THE AMOUNT OF THE COSTS TAWC INCURRED AS RATE CASE**
9 **EXPENSES IN TPUC DOCKET NO. 24-00032 ASSOCIATED WITH ANALYSIS**
10 **OF THE COMPANY’S EMPLOYEE COMPENSATION AND ASSOCIATED**
11 **EXPERT TESTIMONY?**

12 A. The Company retained Robert Mustich from Willis Towers Watson (“WTW”) as an expert
13 on employee compensation and the reasonableness of the Company’s total compensation
14 package for employees. The cost for this expert analysis and testimony incurred by TAWC
15 was \$97,427.49.

16 WTW services included expert analysis of the Company’s total compensation
17 package for its employees and expert testimony about the reasonableness of that
18 Compensation. To accompany this expert analysis, WTW prepared Pre-Filed Direct and
19 Rebuttal Testimony, participated in discovery, and appeared in Nashville for evidentiary
20 hearings, among various other required tasks. This amount also reflects the reasonable
21 expenses incurred by WTW, including travel, lodging, and meals, in the performance of its
22 work for the Company.

1 **Q. REGARDING THE NECESSITY AND REASONABLENESS OF THE SERVICE**
2 **COMPANY COSTS ALLOCATED AND ASSIGNED TO TAWC, DID THE**
3 **COMPANY RETAIN AN EXPERT TO PROVIDE THIS ANALYSIS AND**
4 **TESTIMONY IN SUPPORT OF THE COMPANY’S PROPOSED SERVICE**
5 **COMPANY COSTS?**

6 A. Yes. The Company retained Mr. Baryenbruch as an expert to evaluate the necessity of
7 services provided by AWSC to TAWC and the reasonableness of the associated charges.
8 Mr. Baryenbruch presented his evaluation and expert conclusions to the Commission in
9 Pre-Filed Direct and Rebuttal Testimony filed in TPUC Docket No. 24-00032 and testified
10 in person before the TPUC. The total costs for Mr. Baryenbruch’s expert analysis,
11 testimony, and participation in the Company’s rate case were \$72,564.

12 **Q. DID THE COMPANY RETAIN THE SERVICES OF AN EXPERT TO PROVIDE**
13 **ANALYSIS OF THE COMPANY’S WORKING CASH NEEDS AND TO PRESENT**
14 **THIS AS EVIDENCE TO THE COMMISSION? IF SO, WHAT WAS THE COST**
15 **BILLED TO THE COMPANY OF THIS EXPERT AND INDEPENDENT**
16 **ANALYSIS AND TESTIMONY?**

17 A. Yes. The Company’s expert witness retained to perform this analysis and provide
18 conclusion in expert testimony was Mr. Harold Walker from Gannett Fleming. The total
19 cost incurred by the Company for his participation in this proceeding was \$53,769, which
20 included his analysis of the Company’s working cash needs, preparation of Pre-Filed Direct
21 and Rebuttal Testimony, and his appearance before the Commission and participation at
22 the Hearing. This amount also includes reasonable and prudent costs for travel, lodging,
23 and meals.

1 **Q. DID TAWC COMMISSION A DEPRECIATION STUDY IN CONJUNCTION**
2 **WITH TPUC DOCKET NO. 24-00032?**

3 A. Yes. The Company retained Concentric to perform a Depreciation Study and provide, via
4 Pre-Filed Direct Testimony of Mr. Larry Kennedy, the results of that study as part of TPUC
5 Docket 24-00032. Among other things, Mr. Kennedy and his team analyzed historic plant
6 account data, met with Company management and operations representatives, and
7 reviewed average service life and net salvage indications from water industry to perform
8 the Depreciation Study submitted by Concentric. In sum, Concentric incurred costs of
9 \$179,652 for this analysis, written work, and participation in the proceeding. This amount
10 includes reasonable and necessary travel, food, lodging, and other expenses.

11 **Q. DID TAWC INCUR ANY INTERNAL COSTS ASSOCIATED WITH ITS**
12 **EMPLOYEES THAT PARTICIPATED OR SUPPORTED THE COMPANY IN**
13 **CONJUNCTION WITH TPUC DOCKET NO. 24-00032?**

14 A. Yes. The Company incurred \$79,672.19 of rate case expenses. This amount includes
15 reasonable and necessary travel, food, lodging, and other miscellaneous expenses for
16 TAWC Employees to participate in-person in rate case preparation meetings, meetings
17 related to hearing preparation, attendance at settlement conferences with intervenors, and
18 in-person attendance at TPUC hearings in TPUC Docket No. 24-00032.

19 **Q. WHAT WAS THE TOTAL AMOUNT OF REASONABLE AND PRUDENT**
20 **EXPENSES INCURRED BY THE COMPANY IN ITS RATE CASE 24-00032?**

21 A. The Company incurred \$1,600,169 in prudent and reasonable expenses related to its 2025
22 General Rate Case (TPUC Docket No. 24-00032) as detailed in Exhibit 1 Summary. The

1 Company, however, is only seeking recovery of \$1,544,000 due to the cap on spending
2 eligible for recovery imposed in the Commission's *2025 Order*.

3 **Q. IS THERE ANY INCENTIVE FOR THE COMPANY TO TAKE**
4 **UNREASONABLE POSITIONS IN FURTHERANCE OF DRIVING UP THE**
5 **REVENUE REQUIREMENT IN A RATE CASE?**

6 A. No. The Commission's concern articulated in the *2025 Order* are not warranted with
7 respect to TAWC.⁵ There is no incentive for the Company to take unreasonable positions
8 in furtherance of driving up the revenue requirement sought in a rate case.

9 First of all, one hundred (100) percent of the \$1,600,169 in rate case costs incurred
10 by the Company are costs paid directly by the Company for costs incurred by TAWC to
11 adjudicate the general rate case. With regard to the Expert Witnesses and Outside Counsel,
12 the Company's recovery is limited by the amount the Company was directly billed by them.
13 The internal costs associated with this are entirely for travel-related expenses (i.e., meals,
14 transportation, lodging, etc.). These internal costs associated with TPUC Docket No. 24-
15 00032 account for just 4.9% of the total costs incurred by the Company. There are no
16 allocated salaries or overhead included in the rate case expenses. Thus, there is no benefit
17 to the Company to take unreasonable positions in order to drive up rate case expenses. In
18 fact, driving up costs simply to increase Revenue does not benefit shareholders in any
19 fashion, as the rate case costs are simply a pass-through of actual, prudently incurred costs.

20 Second, all of the outside Witnesses that participated in the Company's rate case
21 proceeding covered topics that are typical in a rate case. In TPUC No. 24-00032, these
22 topics included Cost of Capital (Ms. Buckley), Working Capital (Mr. Walker), Employee

⁵ See *2025 Order* p. 34.

1 Compensation (Mr. Mustich), Depreciation (Mr. Kennedy), and Reasonableness of Service
2 Company Allocated Costs (Baryenbruch).

3 Third, because the Company had not had a rate case since 2012, it was necessary
4 for the Company to provide the Commission with updated studies in many areas, including
5 Return of Capital, Depreciation, Working Capital, and Employee Compensation. Rate case
6 expenses were driven by these routine regulatory activities. Thus, it was necessary for the
7 Company to incur the costs of performing these studies and presenting them as part of the
8 general rate case.

9 **Q. DOES THE COMPANY PLAN ON AMORTIZING THESE EXPENSES AND IF SO**
10 **FOR HOW LONG.**

11 A. Yes, the company proposes to amortize the requested amount over 36 months for a total
12 recovery of \$1,544,000, which is \$514,667 each year for the three years.

13 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THESE RATE CASE**
14 **EXPENSES?**

15 A. The Company proposes that a temporary, three-year, Commission-approved surcharge be
16 used to recover these costs. After three years, this surcharge would be set to zero and
17 terminated.

18 **Q. HOW IS THIS RATE CASE EXPENSE SURCHARGE CALCULATED?**

19 A. The Rate Case Surcharge is calculated by dividing the proposed annual Amortized Rate
20 Case Expenses, \$514,667 by the Water Service Revenues approved by the Commission in
21 TPUC Docket No. 25-00032 of \$71,219,854. This results in a 0.72% Rate Case Expense
22 Rider. Please see Petitioner Exhibit 3 - Proposed Tariff. After 36 months of recovery, this
23 surcharge would automatically terminate.

1 **Q. WHAT IMPACT DID THE COMMISSION’S DECISION IN TPUC DOCKET NO.**
2 **24-00032 TO SEPARATELY ADDRESS THE LEVEL OF RATE CASE EXPENSES**
3 **INCURRED BY TAWC AND TO DETERMINE A METHOD OF RECOVERY**
4 **HAVE ON LEGAL COSTS INCURRED BY THE COMPANY?**

5 A. The Company has incurred and will continue to incur additional legal expenses as a result
6 of that determination by the Commission. The Commission’s decision to have this issue
7 addressed in a separate proceeding has resulted in legal costs that were not anticipated in
8 our original estimate of costs submitted in the rate case petition filed May 1, 2024. The
9 Company originally estimated the costs for its general rate case (Docket No. 24-00032) as
10 \$1,544,000. This estimate did not include the filing a petition, reviewing testimony,
11 possibly reviewing data requests and responses, potentially reviewing intervenor testimony
12 and rebuttal testimony, and possibly preparing for hearing and/or settlement discussions,
13 which may result due to this separate proceeding to recover rate case expenses.

14 **Q. HOW DOES THE COMPANY PROPOSE THESE UNANTICIPATED**
15 **INCREMENTAL LEGAL COSTS BE ADDRESSED AND WHAT WOULD BE**
16 **THE PROCESS OF RECOVERY?**

17 A. The Company proposes that these incremental legal costs, the extent to which is not
18 finalized at this time, be included in a tariff filing to be made within 90 days of a final order
19 in this proceeding seeking to adjust the Commission approved surcharge to include the
20 unanticipated costs associated with this proceeding. At that time, the Commission and
21 intervenors can review these costs. TAWC proposes that the unanticipated costs of this
22 Rate Cas Expense proceeding be deferred until that time and recovered over a three-year
23 period.

1 **Q. WHAT DOES THE COMPANY RECOMMEND REGARDING THE RECOVERY**
2 **OF THE UNANTICIPATED RATE CASE EXPENSES IN TPUC DOCKET NO. 24-**
3 **00032?**

4 A. The Company proposes that the cap on 2025 Rate Case Expenses be increased by the
5 amount of the actual legal fees incurred as a result of this new proceeding. As stated above,
6 within 90 days of a final order in this proceeding, the Company will file an accounting of
7 the expenses related to this separate proceeding for the Commission's review and if
8 authorized included in the temporary Commission approved surcharge.

9 With respect to the recovery of unanticipated incremental legal expenses associated
10 with this proceeding, the Company proposes that within 90 days of the final order in this
11 proceeding that the Company will file an amended tariff to increase the temporary
12 Commission approved surcharge for recovery of the \$1,544,000 to also include the
13 recovery of these incremental, and previously unanticipated legal costs. As stated above,
14 at the time the Company files this proposed tariff for recovery of the unanticipated
15 incremental legal expenses, the Company will also provide an accounting of the expenses
16 for the Commission and intervenors in this case to review prior to any change in the
17 effective tariff rate.

18 To summarize:

- 19 • Upon approval by the Commission, the Company will begin collecting a
20 temporary surcharge to collect the \$1,544,000 in costs associated with TPUC
21 Docket No. 24-00032.
- 22 • Within 90 days of the final order in this proceeding, the Company will file a
23 new proposed tariff, along with a detailed accounting of the unanticipated

1 expenses, to add these costs, once authorized, to the temporary Commission-
2 approved surcharge to be effective at a later date, but at least 30 days after filing
3 of a revised tariff reflecting the additional legal expenses.

4 **Q. WHAT IS THE ESTIMATED IMPACT OF RECOVERING RATE CASE**
5 **EXPENSES OF \$1, 544,000 OVER THREE YEARS ON CONSUMER BILLS?**

6 **A.** Bills will go up 0.72% as a result of recovering \$1,544,000 over three years. This is \$0.19
7 cents per month increase for three years on an average customer in Chattanooga customer
8 using 3,800 gallons per month. This increase results in the average bill increasing from
9 \$26.63 to 26.82 per month.

10 **Q. DOES THIS COMPETE YOUR TESTIMONY?**

11 **A.** Yes.

Petitioner Exhibit 1
Rate Case Expense Summary

**Tennessee American Water Company
Case No. 24-00032
Rate Case Expense Summary Exhibit**

Line Number	Description	Consultant	Rate Case Expense
1	Rate of Return	Brattle Group	\$109,011
2			
3	Legal	Butler Snow LLP	1,008,073
4			
5	Compensation Study	Willis Towers Watson	97,427
6			
7	Support Services Study	Baryenbruch & Company, LLC	72,564
8			
9	Cash Working Capital Study	Gannett Fleming	53,769
10			
11	Depreciation Study	Concentric	179,653
12			
13	Miscellaneous and Internal TAWC and Amrican Water Costs		79,672
14			
15	Total Rate Case Expense		<u>\$1,600,169</u>
16			
17	Rate Case Expense Limitation Set by TPUC Docket No. 24-00032 Rate Order		\$1,544,000
18			
19	Annual Amortization of Rate Case Expenses		\$514,667
20			
21	Incremental Legal Costs from Docket No. 24-00032		
22			
23	Approved Revenue Requirment TPUC 24-00032		\$71,219,856
24			
25	Temporary Surcharge		<u>0.72%</u>
26			
27			

Petitioner Exhibit 2
Rate Case Expense Detail

Tennessee-American Water
Case No. 24-00032
Rate Case Expense Detail Exhibit

		Fees	Travel	Hotel	Meals	Other	Total Rate Case Expense
<u>Outside Counsel Costs</u>							
	Butler Snow	\$978,107	\$0	\$0	\$0	\$29,966	\$1,008,073
<u>Outside Expert Witness/Consultant</u>							
	The Brattle Group	107,906	214	548	36	306	109,011
	Gannett Fleming	51,535	1,070	1,072	92	0	53,769
	WTW	96,017	1,410	0	0	0	97,427
	Baryenbruch & Company	70,890	1,024	567	82	0	72,564
	Concentric	169,307	7,370	2,745	231	0	179,653
<u>Internal Expenses</u>							
	Total Internal Expense	0	27,418	42,563	9,500	191	79,672
Total TPUC 24-00032 Rate Case Expense						\$1,600,169	
Total to be Included in TPUC 24-00032 Rate Case Expense Rider						\$1,544,000	

Petitioner Exhibit 3

Proposed Tariff

Rate Case Expense Surcharge

RATE CASE EXPENSE SURCHARGE ”

APPLICABILITY

Applicable to All Residential and Non-Residential Service Classifications

Rate Case Expense Surcharge

The Commission approved surcharge to allow for the recovery of reasonable and prudent Rate Case Expenses.

Temporary Rate Case Expense Surcharge Percentage 0.72%

Issued: November 7, 2025
Issued by:

Effective:

Grant A. Evitts, President
109 Wiehl Street
Chattanooga, Tennessee 37403

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-)
AMERICAN WATER COMPANY TO)
MODIFY TARIFF, CHANGE AND)
INCREASE CHARGES, FEES, AND)
RATES, AND FOR APPROVAL OF A)
GENERAL RATE INCREASE)

DOCKET NO. 24-00032

VERIFICATION

STATE OF Tennessee)
COUNTY OF Hamilton)

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



ROBERT C. LANE

Sworn to and subscribed before me
this 7th day of November, 2025.



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:

Shilina B. Brown, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney
General
Consumer Advocate Division
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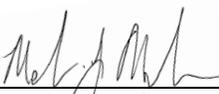
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This the 7th day of November 2025.



Melvin J. Malone