

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

**DOCKET NO. 24-00032**

**DIRECT TESTIMONY**

**OF**

**ROBERT J. PRENDERGAST**

**ON**

**LABOR AND LABOR RELATED EXPENSES**

**SPONSORING PETITIONER'S EXHIBITS:**

Petitioner's Exhibit EXP-5-Labor-RP  
Petitioner's Exhibit EXP-6-Group Insurance-RP  
Petitioner's Exhibit EXP-7-Other Benefits-RP  
Petitioner's Exhibit EXP-7A-401k-RP  
Petitioner's Exhibit EXP-7B-DCP-RP  
Petitioner's Exhibit EXP-7C-ESPP-RP  
Petitioner's Exhibit EXP-7D-Retiree Medical Expense-RP  
Petitioner's Exhibit EXP-10-Pensions-RP  
Petitioner's Exhibit EXP-22B-Payroll Tax-RP  
Petitioner's Exhibit EXP-15-Rents-RP

**DIRECT TESTIMONY  
ROBERT J. PRENDERGAST  
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 Robert J. Prendergast. My business address is 1 Water Street, Camden, NJ  
4       08102.

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

6   A. I am employed by American Water Works Service Company (the “Service Company”) as  
7       Principal Regulatory Analyst.

8   **Q. PLEASE STATE YOUR PROFESSIONAL AND EDUCATIONAL**  
9       **BACKGROUND?**

10   A. I have been employed by the Service Company since July of 2019. From 2019 through  
11       2023, I worked as a Senior Financial Analyst for the Acquisitions Department. Before  
12       coming to the Service Company, I was employed as a Global FP&A Financial Analyst at  
13       a logistics company. Prior to that, I worked as a Senior Revenue and Controls Analyst for  
14       a telecommunications company. I am a graduate of Rutgers University with a Bachelor of  
15       Science Degree in Accounting and a Bachelor of Arts in Political Science. I also received  
16       a Masters in Business Administration, with a concentration in Finance, from Rutgers  
17       University.

18   **Q. WHAT ARE YOUR DUTIES AS PRINCIPAL REGULATORY ANALYST FOR**  
19       **TENNESSEE AMERICAN?**

20   A. As Principal Regulatory Analyst, my duties consist of reviewing, preparing, and assisting  
21       in regulatory filings and related activities for all of the regulated subsidiaries of American  
22       Water, including Tennessee-American Water Company (“Tennessee-American” or “the

Company”). I am also responsible for collaborating with state operations and other areas of the Service Company to ensure accurate expense and capital information for regulatory activity in my purview.

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

A. No, I have not previously filed testimony with the Tennessee Public Utilities Commission.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

A. The purpose of my direct testimony is to support and explain Tennessee-American’s level of expenses associated with and related to labor, labor related, and rents.

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

A. Yes, I am sponsoring the following exhibits:

- Petitioner’s Exhibit EXP-5-Labor-RP,
- Petitioner’s Exhibit EXP-6-Group Insurance-RP,
- Petitioner’s Exhibit EXP-7-Other Benefits-RP,
- Petitioner’s Exhibit EXP-7A-401k-RP,
- Petitioner’s Exhibit EXP-7B-DCP-RP,
- Petitioner’s Exhibit EXP-7C-ESPP-RP,
- Petitioner’s Exhibit EXP-7D-Retiree Medical Expense-RP,
- Petitioner’s Exhibit EXP-10-Pensions-RP,
- Petitioner’s Exhibit EXP-22B-Payroll Tax-RP, and
- Petitioner’s Exhibit EXP-15-Rents-RP.

**Q. WERE THE EXHIBITS LISTED ABOVE PREPARED BY YOU OR UNDER**

1           **YOUR DIRECTION AND SUPERVISION?**

2       A.     Yes.

3       **II.     LABOR AND LABOR RELATED EXPENSES**

4       **Q.     PLEASE DESCRIBE THE COMPANY'S LABOR AND LABOR RELATED**  
5           **EXPENSES.**

6       A.     Tennessee-American's labor and labor related expenses concern the employees who  
7           support Tennessee-American exclusively. The Company's labor force operates to produce  
8           high quality drinking water by maintaining production facilities and distribution systems,  
9           monitoring water quality, providing engineering services, and supporting the efficient  
10          management of local operations.

11           There are three classifications of employees at Tennessee-American: (1) union  
12          hourly employees, (2) non-union hourly employees, and (3) exempt employees. Union  
13          hourly employees receive base pay, overtime pay, and in some cases other compensation  
14          (such as wage premiums). They also are eligible for performance pay. Non-union hourly  
15          employees receive base pay, overtime pay, and are eligible for performance pay. Exempt  
16          employees receive base pay and are eligible for performance pay. Therefore, total salaries  
17          and wages for each classification of employees includes fixed pay (base pay) and variable  
18          pay.

19           The costs associated with Tennessee-American's employees, which are discussed  
20          more fully in my testimony below, include:

- 21           1.     Salaries and Wages  
22               a.     Base Pay  
23               b.     Overtime  
24               c.     Wage Premiums

- d. Performance Pay
2. Group Insurance
3. Other Benefits, including:
  - a. 401k
  - b. Defined Contribution Plan (“DCP”)
  - c. Retiree Medical Expense
  - d. Employee Stock Purchase Plan (“ESPP”)
  - e. Other Benefits
4. Payroll Taxes
5. Pension and Other Post-Employment Benefits (“OPEB”)

**Q. PLEASE DESCRIBE THE OVERALL APPROACH TO CALCULATING LABOR AND LABOR RELATED EXPENSES.**

A. The Attrition Year (12-months ending December 31, 2025) labor and labor related expenses were calculated on a position-by-position basis, based on 117 full-time positions Company Witness Grady Stout addresses the Company’s employee levels in his Direct Testimony.

Attrition Year labor is an expense based on the planned staffing level at wage rates that reflect forecasted pay increases. Therefore, the Attrition Year labor is calculated by multiplying each Full Time Equivalent (“FTE”) by their forecasted 2025 wage rates. Because some labor and labor related costs are capitalized with capital projects and programs, a capitalization percentage is used to assist in calculating net expense as described below. As a result, operations and maintenance (“O&M”) labor expense, as reflected in the filing, represents costs related to water operations that are charged as an expense on the Company’s income statement.

1           **A.       Salaries and Wages**

2   **Q.     PLEASE DESCRIBE HOW THE COMPONENTS OF SALARIES AND WAGES**  
3       **ARE CALCULATED FOR THE ATTRITION YEAR.**

4   A.     Salaries and wages have four components: (a) base pay, (b) overtime expense, (c) wage  
5       premiums required by union contract, and (d) annual and long-term performance  
6       compensation for eligible employees. I will now discuss each component:

7           Base Pay: To calculate gross regular time cost (*i.e.* Base Pay), wage rates projected  
8       to be in effect for the Attrition Year were applied to the number of working hours for each  
9       year, for a total of 2,088 base hours for all full-time hourly employees. Wage rates for  
10      union employees were based on current wages included in collective bargaining  
11      agreements (“CBAs”), with projected rate increases provided for in Exhibit  
12      EXP-5-Labor-RP and CONFIDENTIAL associated workpapers.. Attrition Year  
13      wages for non-union employees were based on actual rates effective as of  
14      January 8, 2024, with an increase of 3.42% for 2025, which was determined based on a  
15      3-year average (2021-2023) increase.

16          Overtime: The second component of labor expense is overtime expense.  
17      Overtime hours for the Attrition Year are based on the Company’s most recent  
18      forecast for each eligible position using a 3-year average (2021-2023) of hours incurred  
19      for each position. Overtime hours are paid at three different multiples to base rates  
20      (1.5x, 2.0x, or 2.5x), which are determined based on the timing of the work  
21      performed (normal overtime, weekend, holiday, etc.). The overtime multiplier for the  
22      attrition year is based on a 3-year average 2021-2023. Each employee’s overtime gross  
    expense is calculated by multiplying the employee’s hourly rate of pay by the overtime  
    multiplier, then by the overtime hours.

1           Wage Premiums – Union employees’ CBAs include provisions for certain wage  
2 premiums for work completed on second or third shifts, per the negotiated CBA. The  
3 average annual gross shift premium for groups of positions was calculated over the three  
4 years of 2021-2023 and allocated by position according to payroll history.

5           Performance Pay – The last component of labor expense is the annual and long-  
6 term performance compensation expense. Performance pay is part of an employee’s total  
7 market-based compensation as discussed by Company Witnesses Stout and Robert Mustich  
8 and was calculated on a position-by-position basis for each employee. It was based on each  
9 position’s target percent for both the Annual Performance Plan (“APP”) and Long-Term  
10 Performance Plan (“LTPP”). The target percentage was multiplied by each eligible  
11 employee’s base salary in the Attrition Year to determine APP and LTPP costs for that  
12 period. The testimonies of Company Witnesses Stout and Mustich support the Company’s  
13 performance pay program and demonstrate why it is just, necessary, and reasonable for the  
14 Commission to recognize the related expenses of this program in base rates.

15 **Q.   ONCE THE GROSS COSTS ARE CALCULATED, HOW IS THE SALARIES**  
16 **AND WAGES O&M EXPENSE CALCULATED FOR THE ATTRITION YEAR?**

17 A.   To calculate the salaries and wages O&M expense, each position’s gross costs are  
18 multiplied by an “O&M percentage.” This O&M percentage is applied because, as  
19 discussed above, some labor and labor related costs are capitalized through capital projects  
20 and programs; a capitalization percentage is also used to calculate net expense, as applied  
21 based on the position type. The O&M percentage (calculated as one minus the  
22 capitalization percentage) is based on the average ratio of dollars charged to capital versus  
23 O&M for each position type over the three years of 2021-2023. This eliminates from



1 expenses the labor and labor related costs which are appropriately charged to capital  
2 projects and programs. In other words, the total cost deducts the capitalized dollars to  
3 appropriately determine the O&M labor and related expenses. (Calculation: Total Salaries  
4 & Wages – Capitalized Salaries & Wages = O&M Salaries & Wages)

5 The Attrition Year salaries and wages expense can be found in Petitioner’s Exhibit EXP-  
6 5-Labor-RP and associated workpapers.

7 **B. Group Insurance**

8 **Q. PLEASE DESCRIBE THE COMPONENTS OF GROUP INSURANCE.**

9 A. Group insurance includes certain coverages that Tennessee-American provides its  
10 employees. These can be grouped into two primary categories: (1) basic life, short-term  
11 disability, long-term disability, and “AD&D” (accidental death and disability) insurance;  
12 and (2) medical, dental, and vision insurance.

13 **Q. PLEASE DESCRIBE THE ATTRITION YEAR CALCULATION FOR THE**  
14 **GROUP INSURANCE EXPENSE.**

15 A. Calculations are performed on a position-by-position basis, using the latest available  
16 premium rates. Following a methodology similar to salaries and wages, each employee’s  
17 group insurance costs are multiplied by their O&M percentage (one minus the  
18 capitalization percentage) to arrive at an O&M-related expense for each employee.

19 Basic life, short- and long-term disability and AD&D: The 2024 rates are applied  
20 on a position-by-position basis, according to the insurance plans for both union and non-  
21 union positions. The 2024 rate was carried forward for the Attrition Year.

1           Medical, dental, and vision insurance: This category of insurance involves a  
2           Company cost net of employee contributions. The costs and contributions vary by plan  
3           type (e.g. family, employee, or employee plus spouse). Costs and contributions are  
4           calculated on a position-by-position basis, taking into account actual employee plan  
5           selections using actual premium rates for 2024 and inflating those rates to estimated 2025  
6           rates using an inflation factor based on a 3-year average (2022-2024) of insurance cost  
7           adjustments.

8           The attrition year group insurance expense can be found in Petitioner's Exhibit EXP-6-  
9           Group Insurance-RP and associated workpapers.

10       **C.     Other Benefits**

11       **Q.     PLEASE DESCRIBE THE COMPONENTS OF OTHER BENEFITS AND HOW**  
12       **THEY ARE CALCULATED.**

13       A.     The Other Benefits expense includes savings programs such as 401k, DCP, Retiree  
14       Medical and the ESPP. It also includes other employee-related costs such as tuition aid  
15       and training. The 401k, DCP, Retiree Medical and ESPP costs were calculated on a  
16       position-by-position basis. Following a methodology similar to salaries and wages, each  
17       employee's gross benefits costs are multiplied by their O&M percentage (one minus the  
18       capitalization percentage) to arrive at an O&M-related expense for each employee. The  
19       calculations are described in further detail below. The Attrition Year expense for each can  
20       be found in Petitioner's Exhibits EXP-7-Other Benefits-RP, EXP-7A-401k-RP, EXP-7B-  
21       DCP-RP, EXP-7C-ESPP-RP, EXP-7D-Retiree Medical Expense-RP, and associated  
22       workpapers.

1           401k: Tennessee-American incurs a 401k expense when it matches employee  
2           contributions to 401k retirement accounts. The matching amounts are determined by each  
3           employee's benefit group or hire date. For union employees hired before 2001 and non-  
4           union employees hired before 2006, the Company matches 50% of the first 5% of the  
5           employee's contribution (for a maximum of 2.5%). For the remaining employees, the  
6           Company matches 100% of the first 3%, and 50% of the next 2% of the employee's  
7           contributions (for a maximum of 4%). Attrition Year 401k costs were calculated for each  
8           position based on attrition year 2025 wages, current employee contribution levels, and the  
9           level of match for the benefit group.

10           DCP: The Defined Contribution Plan is a retirement savings program for employees  
11           not eligible for the defined benefit pension program. Under the DCP, Tennessee-American  
12           contributes an amount equal to 5.25% of an employee's base pay into a retirement account.  
13           The Attrition Year DCP expense was calculated by multiplying the Attrition Year regular  
14           time pay of each eligible position by 5.25%.

15           Retiree Medical Expense: Union employees who are not eligible for OPEBs are  
16           entitled to Company-provided retiree medical benefits. A trust (referred to as the  
17           Voluntary Employee Benefits Association, or VEBA) exists to fund this benefit in the  
18           amount of \$600 per eligible employee.

19           ESPP: The Employee Stock Purchase Plan expense relates to the Company funded  
20           discount on American Water stock purchases made by participating employees through  
21           voluntary payroll deductions. Under the ESPP, participants currently acquire shares of  
22           American Water common stock at a 15% discount. This expense was calculated based on

1 the Attrition Year base wages for each employee who participates in the ESPP, times their  
2 individual contribution amount, applied to the fifteen percent company discount.

3 Other Benefits: Various other expenses (e.g. training, tuition assistance, etc.) are  
4 forecasted based upon a 3-year average (2021-2023) level of actual expenses.

5 **D. Payroll Taxes**

6 **Q. PLEASE DISCUSS THE ADJUSTMENT TO GENERAL TAX EXPENSE FOR**  
7 **PAYROLL TAXES.**

8 A. Payroll taxes are related to Salaries and Wages. Taxes must be paid to fund the Federal  
9 Insurance Contributions Act, which is divided into two pieces: Old Age Survivors &  
10 Disability Insurance (“OASDI,” or more commonly “FICA”), and Hospital Insurance (or  
11 more commonly “FICA Medicare”). Payroll taxes must also be paid for Federal  
12 Unemployment Tax (“FUTA”) and State Unemployment Tax (“SUTA”). Attrition Year  
13 payroll taxes were calculated on a position-by-position basis, using the Attrition Year  
14 wages and 2024 tax rates. Following a methodology similar to salaries and wages, each  
15 employee’s gross payroll taxes are multiplied by their O&M percentage (one minus the  
16 capitalization percentage) to arrive at an O&M payroll tax expense for each employee.

17 The Attrition Year payroll tax expense can be found in Petitioner’s Exhibit EXP-22B-  
18 Payroll Tax-RP and associated workpapers.

19 **E. Pension and OPEBs**

20 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO O&M EXPENSES RELATED TO**  
21 **PENSION EXPENSE.**

1 A. Generally, union employees hired before January 1, 2001, and non-union employees hired  
2 before January 1, 2006 are eligible for pension benefits. Pension expense is recorded  
3 according to Employee Retirement Income Security Act of 1974 or more commonly  
4 referred to as ERISA. The ERISA amount, or cash contribution, is forecasted by the  
5 Company's professional third party actuary, WTW. As of January 2024, the estimated  
6 cash contribution is \$730,400 for Tennessee-American. The annual service cost for  
7 Tennessee-American is \$296,173. A portion of the service cost is capitalized according to  
8 the Company's Attrition Year capitalization percentage. The non-service costs for  
9 Tennessee-American are \$434,227. The Company's Attrition Year cost for the twelve  
10 months ending December 31, 2025 was calculated by using the 2024 estimates after  
11 applying the capitalization percentage to the service costs.

12 The Attrition Year pension expense can be found in Petitioner's Exhibit EXP-10-Pensions-  
13 RP and associated workpapers.

14 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**  
15 **RELATED TO OPEB EXPENSE.**

16 A. OPEBs, such as retiree medical benefits, are offered to some Tennessee-American  
17 employees. Generally, this includes union employees hired before January 1, 2006, and  
18 non-union employees hired before January 1, 2002. OPEB expense is recorded according  
19 to ASC 715 (formerly Statement of Financial Accounting Standards 106). The OPEB cost  
20 is forecasted by the Company's professional third party actuary, WTW. As of January  
21 2024, the estimated annual service cost for Tennessee-American is \$60,364. A portion of  
22 the service cost is capitalized according to the Company's Attrition Year capitalization  
23 percentage. The non-service costs for Tennessee-American are (\$886,036). The

1 Company's Attrition Year service cost for the twelve months ending December 31, 2025,  
2 was calculated by using the current 2024 estimates after applying the capitalization  
3 percentage to the service costs.

4 The Attrition Year expense for OPEB can be found in Petitioner's Exhibit EXP-6-Group  
5 Insurance-RP and associated workpapers.

6 **III. RENTS**

7 **Q. PLEASE DESCRIBE THE O&M EXPENSES RELATED TO, AND ANY**  
8 **ADJUSTMENTS FOR, RENTS EXPENSE.**

9 A. Tennessee-American incurs costs to rent copy machines and other miscellaneous items, as  
10 well as office space, and easements. An adjustment was made to the test period rent  
11 expense to normalize the expense to the 3-year average spend The Attrition Year  
12 adjustments made to rent expense is for inflation based on the Consumer Price Index  
13 ("CPI") data from the Bureau of Labor Statistics. The Attrition Year expense for each can  
14 be found in Petitioner's Exhibit EXP-15-Rents-RP and associated workpapers.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Labor Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$5,719,662</u>			\$5,719,662
2					
3	Test Year Adjustments: of Labor Expense				
4					
5	No Adjustments		\$0		
6					
7	Total Test Year Adjustments: of Labor Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of Labor Expense (Line 1 + Line 7):				5,719,662
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Severance Adjustment for 3 Year Average			\$27,276	
14	Pay Rate Changes & Changes to Organizational Structure			1,214,916	
15					
16	Total Attrition Year Adjustments at Present Rates:			<u>\$1,242,192</u>	<u>1,242,192</u>
17					
18					
19	Attrition Year at Proposed Rates (Line 9 + Line 16):				<u>\$6,961,854</u>
20					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Group Insurance Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Group Insurance	\$1,017,800			
2	Other Post Employment Benefits (OPEB's)	(767,063)			
3	<b>Test Year for the 12 Months Ended December 31, 2023</b>	<u>\$250,737</u>			\$250,737
4					
5	<b>Test Year Adjustments: Group Insurance Expense:</b>				
6					
7	No adjustments		\$0		
8					
9	<b>Total Test Year Adjustments: of Group Insurance Expense:</b>		<u>\$0</u>		<u>0</u>
10					
11	<b>Normalized Test Year of Pension Expense (Line 3 + Line 9):</b>				250,737
12					
13	<b>Attrition Year Adjustments at Present Rates:</b>				
14					
15	Adjustment for Group Insurance Rates & Changes to Organization			\$312,160	
16	Adjustment for OPEB Costs & O&M Rate			(81,214)	
17					
18	<b>Total Attrition Year Adjustments at Present Rates:</b>			<u>\$230,945</u>	<u>230,945</u>
19					
20	Attrition Year Group Insurance (Non-OPEB)				1,329,960
21	Attrition Year OPEB Expense				(848,277)
22	<b>Attrition Year at Proposed Rates (Line 11 + Line 18):</b>				<u>\$481,683</u>
23					



Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Other Benefits Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Other Welfare <sup>1</sup>	\$51,424			
2	Employee Awards	5,196			
3	Emp Physical Exams	4,545			
4	Safety Incentive Awards	0			
5	Tuition Aid	15,937			
6	Training	25,528			
7	Referral Bonus	1,421			
8					
9	Test Year for the 12 Months Ended December 31, 2023	<u>\$104,050</u>			\$104,050
10					
11	Test Year Adjustments: Group Insurance Expense:				
12					
13	No Adjustments		\$0		
14					
15	Total Test Year Adjustments of Other Benefits Expense:		<u>\$0</u>		<u>0</u>
16					
17	Normalized Test Year of Other Benefits Expense (Line 9 + Line 15):				104,050
18					
19	Attrition Year Adjustments at Present Rates:				
20					
21	Inflation Adjustment			\$3,562	
22					
23	Total Attrition Year Adjustments at Present Rates:			<u>\$3,562</u>	<u>3,562</u>
24					
25					
26	Attrition Year at Proposed Rates (Line 17 + Line 23):				<u>\$107,612</u>
27					
28					
29	<sup>1</sup> Other Welfare consists of Pre-Employment screenings, Stipends, Taxable Relocation Payments, and the MyWellness program allocation				

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of 401k Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$146,168</u>			\$146,168
2					
3	Test Year Adjustments for 401k Expense:				
4					
5	No adjustments		\$0		
6					
7	Total Test Year Adjustments of 401K Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of 401K Expense (Line 1 + Line 7):				146,168
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Adjustment for Pay Rate Changes & Changes to Organizational Structure			\$59,102	
14					
15	Total Attrition Year Adjustments at Present Rates:			<u>\$59,102</u>	<u>59,102</u>
16					
17					
18	Attrition Year at Proposed Rates (Line 9 + Line 15):				<u>\$205,270</u>
19					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of DCP Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$214,616</u>			\$214,616
2					
3	Test Year Adjustments for DCP Expense:				
4					
5	No adjustments		\$0		
6					
7	Total Test Year Adjustments of DCP Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of DCP Expense (Line 1 + Line 7):				214,616
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Adjustment for Pay Rate Changes & Changes to Organizational Structure			\$76,351	
14					
15	Total Attrition Year Adjustments at Present Rates:			<u>\$76,351</u>	<u>76,351</u>
16					
17					
18	Attrition Year at Proposed Rates (Line 9 + Line 15):				<u>\$290,967</u>
19					
20					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of ESPP Expense

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$11,311</u>			\$11,311
2					
3	Test Year Adjustments for ESPP Expense:				
4					
5	No adjustments		\$0		
6					
7	Total Test Year Adjustments of ESPP Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of ESPP Expense (Line 1 + Line 7):				11,311
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Adjustment for Pay Rate Changes & Changes to Organizational Structure			\$7,348	
14					
15	Total Attrition Year Adjustments at Present Rates:			<u>\$7,348</u>	<u>7,348</u>
16					
17					
18	Attrition Year at Proposed Rates (Line 9 + Line 15):				<u>\$18,659</u>
19					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Retiree Medical Expense

Witness Responsible: Robert Prendergast  
Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$18,726</u>			\$18,726
2					
3	Test Year Adjustments for Retiree Medical Expense				
4					
5	No adjustments		\$0		
6					
7	Total Test Year Adjustments of Retiree Medical Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of Retiree Medical Expense (Line 1 + Line 7):				18,726
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Adjustment for Pay Rate Changes & Changes to Organizational Structure			\$2,257	
14					
15	Total Attrition Year Adjustments at Present Rates:			<u>\$2,257</u>	<u>2,257</u>
16					
17					
18	Attrition Year at Proposed Rates (Line 9 + Line 15):				<u>\$20,983</u>
19					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Pensions

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year (12 months ending December 31, 2023)	\$587,398			\$587,398
2					
3	Test Year Adjustment of Pension Expense:				
4					
5	No adjustment		\$0		
6					
7	Total Test Year Adjustment of Pension Expense:		\$0		0
8					
9	Normalized Test Year of Pension Expense (Line 1 + Line 7):				587,398
10					
11	Attrition Year Adjustment at Present Rates:				
12					
13	Adjustment for WTW Calculated Pension Contributions			\$32,092	
14					
15	Total Attrition Year Adjustment at Present Rates:			\$32,092	32,092
16					
17					
18	Attrition Year at Present Rates (Line 9 + Line 15):				\$619,489
19					
20					
21					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Payroll Tax Expense

Witness Responsible:

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year for the 12 Months Ended December 31, 2023	<u>\$422,483</u>			\$422,483
2					
3	Test Year Adjustments for Payroll Tax Expense:				
4					
5	No adjustments		\$0		
6					
7	Total Test Year Adjustments of Payroll Expense:		<u>\$0</u>		<u>0</u>
8					
9	Normalized Test Year of Payroll Expense (Line 1 + Line 7):				422,483
10					
11	Attrition Year Adjustments at Present Rates:				
12					
13	Adjustment for Pay Rate Changes & Changes to Organizational Structure			\$93,967	
14					
15	Total Attrition Year Adjustments at Present Rates:			<u>\$93,967</u>	<u>93,967</u>
16					
17					
18	Attrition Year at Proposed Rates (Line 9 + Line 15):				<u>\$516,450</u>
19					

Tennessee American Water Company  
Docket No. 24-XXXXX  
Pro Forma Adjustment of Rents

Witness Responsible: Robert Prendergast

Type of Filing: ☒ Original ☐ Updated ☐ Revised

Line No.	Description	Test Year (12 months ending December 31, 2023)	Test Year Adjustments	Attrition Year Adjustments	Attrition Year (12 months ending December 31, 2025)
1	Test Year (12 months ending December 31, 2023)	\$8,429			\$8,429
2					
3	Test Year Adjustment of Rents Expense:				
4					
5	3 Year Average Adjustment		\$18,288		
6					
7	Total Test Year Adjustment of Rents Expense:		\$18,288		18,288
8					
9	Normalized Test Year of Rents Expense (Line 1 + Line 7):				26,717
10					
11	Attrition Year Adjustment at Present Rates:				
12					
13	2024 Inflation Adjustment			\$1,587	
14	2025 Inflation Adjustment			1,681	
15					
16	Total Attrition Year Adjustment at Present Rates:			\$3,268	3,268
17					
18					
19	Attrition Year at Present Rates (Line 9 + Line 16):				\$29,985
20					
21					
22					



BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE

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

DOCKET NO. 24-\_\_\_\_\_

VERIFICATION

STATE OF New Jersey )  
COUNTY OF Camden )

I, ROBERT J. PRENDERGAST, 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 J. Prendergast  
ROBERT J. PRENDERGAST

Sworn to and subscribed before me  
this 29<sup>th</sup> day of APRIL, 2024.

Ann G. Alfano  
Notary Public

My Commission Expires: 4/15/2025

