

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

**IN RE:** )  
 )  
**PETITION OF TENNESSEE-AMERICAN** )  
**WATER COMPANY TO MODIFY TARIFF,** ) **DOCKET NO. 24-00032**  
**CHANGE AND INCREASE CHARGES, FEES,** )  
**AND RATES, AND FOR APPROVAL OF A** )  
**GENERAL RATE INCREASE** )

## CITY OF CHATTANOOGA'S PETITION TO INTERVENE

The City of Chattanooga, Tennessee, a municipal corporation, by and through counsel, pursuant to Tenn. Code Ann. §§ 4-5-310 and 65-2-107 and Rule 1220-1-2-.08 of the *Rules of the Tennessee Public Utility Commission, Division of Practice and Procedure*, petitions to intervene in this Docket, because the legal rights, duties, privileges, immunities, or other legal interests of the City of Chattanooga and its citizens may be adversely affected by revisions to the tariffs, charges, fees, and rates of the Tennessee-American Water Company ("TAWC").

For cause, the City of Chattanooga would show as follows:

1. This is a contested case within the meaning of Tenn. Code Ann. § 65-2-101(2), as it will involve the determination of the legal rights, duties, or privileges of specific parties.
2. TAWC is a Tennessee Corporation regulated by the Tennessee Public Utility Commission (the "Commission"). TAWC is a public utility and is engaged in providing residential, commercial, industrial, and municipal water service, including public and private fire protection service to the City of Chattanooga and surrounding areas.
3. TAWC's present base rates were set by the Commission in an order that approved a settlement agreement in Docket No. 12-00049, following the Company's Petition for a rate

increase filed on June 1, 2012. TAWC's Petition asserts that, in addition to the substantial rate increase granted in Docket No. 12-00049, TAWC's current revenues also reflect rate increases totaling 36.3% under TAWC's Capital Recovery Rider surcharge, approved in Commission Docket Nos. 19-00103 and 23-00018; adjustment for the Tax Cuts and Jobs Act of 2016, totaling 3.82%; and rate increases totaling 4.39% under the Production Costs and Other Pass-Through Rider, pending in Commission Docket No. 24-00002.<sup>1</sup>

4. In its Petition, filed with virtually no advance notice to the Consumer Advocate, to the City of Chattanooga, or to other customers, TAWC seeks an unreasonable rate increase of 19.7%, even after receiving consistent annual increases through its authorized rate riders.<sup>2</sup> Such a dramatic rate increase requires extensive inquiry and analysis to determine whether costs allegedly incurred were the result of prudent management decisions and whether rate increases sought by TAWC would be just and reasonable.

5. Additionally, TAWC is requesting a 10.75% return on common equity, which, with a debt/equity ratio favorable to TAWC, would produce an overall rate of return of 7.94% on a rate base of \$305.1 million.<sup>3</sup> The TAWC request, if granted, would place TAWC's rate of return at levels that would not be just and reasonable, particularly in light of TAWC's inevitable future use of the Capital Recovery Rider mechanism to seek substantial annual increases for capital investments, even as interest rates again fall.

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<sup>1</sup> TAWC Petition, ¶ 5.

<sup>2</sup> Direct Testimony of Grant Allen Evitts, at p. 6.

<sup>3</sup> TAWC Petition, ¶ 8.

6. Importantly for Chattanooga ratepayers, TAWC proposes that it consolidate its customer rate structure, moving from seven rate schedules based on geographic locations to a single rate schedule for six of those seven areas. In its Petition, TAWC asserts that the monthly bill for an average Chattanooga residential customer using 3,800 gallons would increase by 15.4%, or \$4.24 per month.<sup>4</sup> However, rates published by TAWC indicate a much higher percentage residential rate increase in Chattanooga of 18.6%<sup>5</sup>. TAWC also reports that the average bill for all of its residential customers would increase by an even larger 20.82%.<sup>6</sup> These disparate projections provide further illustration of the need for extensive inquiry and analysis. The City of Chattanooga can only protect itself and its citizens from TAWC's unjust and unreasonable rate proposals by intervention and participation in this Docket.

7. TAWC is proposing to dramatically raise residential rates in the City of Chattanooga in order to subsidize and dramatically lower residential rates in outlying areas served by TAWC. TAWC says that average residential bill in Chattanooga would increase by approximately 20%, while bills in outlying zones would fall by as much as 49%.<sup>7</sup>

8. A simple example illustrates the unreasonableness of TAWC's proposal. Customers in Chattanooga's Orchard Knob community, located about two miles from TAWC's raw water pumping and treatment plant, have been contributing through their rates to TAWC's

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<sup>4</sup> Direct Testimony of Heath J. Brooks, Table 6, Page 26.

<sup>5</sup> See TAWC summary proposed 2024 rates, available May 24, 2024 at <https://www.amwater.com/tnaw/resources/pdf/Customer-Service/Your-Water-Rates/tennessee-amwater-summary-of-proposed-2024-rates.pdf>.

<sup>6</sup> Direct Testimony of Heath J. Brooks, Table 5, Page 26.

<sup>7</sup> Direct Testimony of Heath J. Brooks, Table 6, Page 26.

water system assets for TAWC's 155 years of existence. Customers in Whitwell, Tennessee, located more than 23 miles and one large mountain away, require the same pumps and treatment facilities, plus mains and other pipes, tanks, and pumps needed to move water more than 20 miles further, over or around a mountain. But the customers in Whitwell have been contributing through their rates to TAWC's water system assets for less than 11 years.<sup>8</sup> Nevertheless, TAWC proposes to increase charges to Chattanooga residents by approximately 20% to finance the subsidies needed to decrease bills to Whitwell residents by 22.4% to 33.5%.<sup>9</sup> TAWC's rate subsidy proposals would result in an unprecedented, unreasonable, and unjust subsidization of TAWC's newest, most distant, and most costly customers by TAWC's core customers in Chattanooga. TAWC would impose this unjust rate structure on its Chattanooga customers to make its service appear less expensive to prospective new customers, permitting it to continue to expand its service areas outside of Chattanooga, consistent with its decades-long strategy to generate revenue growth through territorial expansion.

9. Not only would TAWC's subsidy proposals result in an extraordinary, immediate rate increase, the rate disparity faced by Chattanooga ratepayers would continue to increase in future years, as TAWC would seek annual increases above unjustly inflated base rates. The City of Chattanooga can only protect itself and its citizens from TAWC's unreasonable proposals by intervention and participation in this Docket.

10. TAWC is proposing new initiatives, including special rates for low-income customers and broad replacement of lead pipes. The City of Chattanooga should be afforded the

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<sup>8</sup> TAWC Tariff, TRA No. 19, Original Sheet No. 4-RW (effective June 17, 2013) (Whitwell service tariff).

<sup>9</sup> Direct Testimony of Heath J. Brooks, Table 6, Page 26.

opportunity to fully explore these proposals and to offer comments and recommendations concerning them. The City of Chattanooga can only do so by intervention and participation in this Docket.

11. The increased rates proposed by TAWC will create an economic hardship upon residents and businesses in Chattanooga and adversely impact economic development in the City. The City of Chattanooga should be afforded the opportunity to offer testimony concerning the nature and scope of the economic hardship posed by TAWC's proposals.

12. The City of Chattanooga is a proper party to intervene in this case as a major customer of TAWC that would pay much higher rates for necessary water services. The City is also a proper party to intervene to protect its legal rights and those of its citizens. The city can protect these legal rights only through permitted intervention.

WHEREFORE, the City of Chattanooga respectfully requests that the Commission grant the Petition to Intervene.

Respectfully Submitted,

CITY OF CHATTANOOGA

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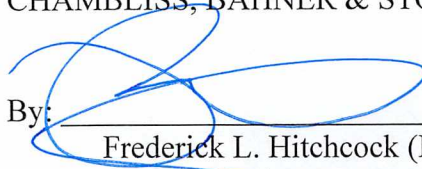
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Petition to Intervene was served via U.S. Mail, with a courtesy copy by electronic mail provided upon:

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This the 29<sup>th</sup> day of May, 2024.

**CHAMBLISS, BAHNER & STOPHEL, P.C.**

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