

April 25, 2025

**VIA ELECTRONIC FILING**

Electronically Filed in TPUC Docket  
Room on April 25, 2025 at 10:47 a.m.

Hon. David Jones, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

**RE: *Petition of Tennessee-American Water Company Regarding The 2025 Production Costs and Other Pass-Throughs Rider*, TPUC Docket No. 25-00002**

Dear Chairman Jones:

Attached for filing is a substitute page 6 to the *Rebuttal Testimony of TAWC Witness Robert C. Lane*, which was filed on April 22, 2025, in the above-captioned matter.

For ease of reference, on substitute page 6, footnote 7 of the *Rebuttal Testimony of Mr. Lane*, it shows that the referenced presentation slides are attached, and the presentation slides are also being submitted with the substitute page.

As required, copies will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Bob Lane, TAWC  
Karen H. Stachowski, Consumer Advocate Unit  
Vance Broemel, Consumer Advocate Unit

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1           The testimony the Commission cited as its factual basis for adopting a water loss  
2           limitation of 15% was Mr. Gorman’s testimony on behalf of the Chattanooga  
3           Manufacturers Association (“CMA”).<sup>3</sup> It is clear, therefore, that the factual support for the  
4           15% water loss information is premised on a measure of unaccounted-for water and not on  
5           NRW.<sup>4</sup> TAWC’s unaccounted-for water loss percentage is 12.6%. This is below the  
6           unaccounted-for water loss percentage standard set by the Commission of 15% in TPUC  
7           Docket No. 08-00039.

8           On page 136 of the AWWA’s document entitled “Benchmarking Performance  
9           Indicators or Water and Waste Water Utilities: Survey Data and Analysis Report,” upon  
10          which CMA’s witness Mr. Gorman relied for his recommendation, and cited by the  
11          Commission as the basis for its unaccounted-for water loss limitation of 15%,<sup>5</sup> defines  
12          unaccounted-for water as:  $(\text{Distributed water} - (\text{volume billed} + \text{authorized water use})) /$   
13           $\text{Distributed water}$ ).<sup>6</sup> Conversely, the definition of non-revenue water as defined by and  
14          calculated by the Tennessee Comptroller of the Treasury and Tennessee Board of Utility  
15          Regulation is:  $(\text{Water Produced}) - (\text{Water Sold}) / (\text{Water Produced}) = \text{Water Loss Percent}$ .<sup>7</sup>  
16          Consistent with my Pre-filed Direct Testimony, comparing these two formulas makes it  
17          clear that the two terms “Unaccounted for Water” and “Non-revenue Water” are not  
18          interchangeable and are completely different measures of water loss.

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<sup>3</sup> 2008 Rate Case Order at 14-15.

<sup>4</sup> See, e.g., 2008 Rate Case Order at 14 (“The CMA proposed that an acceptable lost and unaccounted-for water percentage should be no greater than 15% for an annual period for use in the calculation of Fuel and Power Expense.”) (citing Michael Gorman, Pre-filed Direct Testimony, pp. 14-15 (July 18, 2008)).

<sup>5</sup> 2008 Rate Case Order at 15.

<sup>6</sup> See *Rebuttal Testimony of TAWC Witness Mr. Michael A. Miller*, pp. 69-73, Exhibit MAM-9, TPUC Docket No. 08-00039 (Aug. 13, 2008).

<sup>7</sup> See, *Presentation of Ross Colona, Assistant Director: Tennessee Comptroller of the Treasurer Presentation to the Tennessee House of Representatives Budget and Utilities Subcommittee*, Tennessee General Assembly House Business & Utilities Subcommittee (Feb. 26, 2025) (slides to presentation attached) (See [Link to Audio and Video Utility Regulation](#) at 1::11:23).

# Tennessee Board of Utility Regulation

Ross Colona

Assistant Director

*Local Government Finance*

TENNESSEE COMPTROLLER OF THE TREASURY



# Utility Staff

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Nate Fontenot, Financial Analyst (West)

Charlie Lester, Financial Analyst (East)

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# Roadmap

1. TBOUR Introduction
2. TBOUR Regulatory Oversight
3. Financial Distress
4. Mergers
5. Customer Complaints
6. Administrative Review
7. Conclusion

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# Tennessee Board of Utility Regulation

PC0463 in 2023 combined the:

Water and Wastewater Financing Board

Roughly 280 Utilities

Municipal, County, Authority Systems

Utility Management Review Board

Roughly 170 Utility Districts

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# Who makes up the Board?

Greg Moody, Chair- Comptroller or Comptroller Designee

Tom Moss, Vice-Chair- TDEC Commissioner or Designee

Edwin Carter, Comptroller Appointee

Steve Stone, Middle TN Natural Gas UD, House Speaker Appointee

David Purkey, Morristown Utility System, Senate Speaker Appointee

6 Governor Appointees

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# Who makes up the Board?

## Governor Appointees

Candace Vannasdale, Harriman Utility Board

Alex Smith, Humboldt Utility Authority

Bruce Giles, First UD of Knox

Eugene Hampton, Metro Nashville

Britt Dye, Fayetteville Public Utility

Anthony Pelham, Warren County Utility District

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# What do we regulate?

Water, Sewer, and Natural Gas Local Government Utility Compliance  
with State Laws surrounding:

Financial Distress

Water Loss, 40% by Volume

Training

Managerial, Technical, and Financial Capacities

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# Financial Distress

Two Years of Loss

Law Change in 2017 sparked a massive influx of cases

Deficit Net Position and Deficit Unrestricted Net Position\*

Default on Debt

2 Years of Delinquent Audits\*

Illicit Transfer of Funds\*

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# Merger Authority

UMRB could order mergers.

Previously limited to only utility districts.

TBOUR can order mergers to any type of utility.

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# Financial Distress Process

Questionnaire

Order Rate Study and Policy Review

Order Implementation- 37 Utilities

Update Cycle- 41 Utilities

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# Customer Complaints

Must first be heard by the local board.

Board staff receives complaint first.

Complainant and Utility present case to TBOUR.

TBOUR can order corrective actions after an informal hearing.

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# Informal Hearings

“The justness and reasonableness of a utility system's rates, fees, or charges”

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# Informal Hearings

“The justness and reasonableness of a utility system's requirement that a customer or developer build infrastructure or fixtures to be dedicated to the utility system; ”

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# Informal Hearings

“The failure of a utility system to adopt and enforce policies or rules necessary for the efficient and financially responsible operation of the utility system, including policies regarding ethics or financial controls, or for water loss, water leak adjustment, purchasing, or other industry standard policies; ”

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# Informal Hearings

“The inadequacy of a utility system's policies regarding ethics or financial controls, or for water loss, water leak adjustment, purchasing, or other industry standard policies; ”

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# Failure to Extend Service

“The failure of a utility system to offer or extend utility service to a customer:

- (a) Located within the utility system's covered area;
- (b) Located within an area in which the utility system offers similar services;
- (c) Located within an area in which the utility has the infrastructure to offer similar services; or ”

# Failure to Extend Service

“The utility system has the affirmative burden to show that:

(a) It does not have the capacity to serve the customer;

(b) Service to the customer is not economically feasible;

or

(c) Service is not in the best interest of the utility and its existing customers.”

# Administrative Review

Previously known as “Board Investigations”

Investigate the financial, managerial, or technical capacities of a utility.

Can order corrective actions.

Can result from Comptroller Investigations

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# Water Loss

Water Utilities Must Meet 40% Water Loss Threshold

$\text{Water Produced} - \text{Water Sold} = \text{Water Lost}$

$\text{Water Lost} / \text{Water Produced} = \text{Water Loss \%}$

Median roughly 31%

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# Future Focus

Dedicate more time to Water Loss Regulation

Prioritize Proactive Practices

Spotlight Inflow and Infiltration

Advocate for Mergers and Consolidation

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# Conclusion

- TBOUR Structure
- Financial Distress
- Administrative Review
- Water Loss

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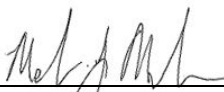
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 25<sup>th</sup> day of April 2025.

  
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Melvin J. Malone