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May 27, 2025

VIA ELECTRONIC FILING

Electronically Filed in TPUC Docket
Room on May 27, 2025 at 3:11 p.m.

Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *Tennessee-American Water Company's 2025 Incremental Capital Recovery Rider Tariff Petition, Docket No. 25-00016*

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Supplemental Testimony of Robert C. Lane* in the above-captioned matter.

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 Division
Vance Broemel, Consumer Advocate Division

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TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 25-00016

SUPPLEMENTAL TESTIMONY

OF

ROBERT C. LANE

IN

**TENNESSEE-AMERICAN WATER COMPANY'S
2025 INCREMENTAL CAPITAL RECOVERY RIDER PETITION**

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. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

5 A. The Consumer Advocate Division of the Office of the Tennessee Attorney General
6 (“Consumer Advocate” or “CAD”) and Tennessee-American Water Company (the
7 “Company” or “TAWC”) have had several cooperative discussions since the conclusion of
8 both the discovery and pre-filed testimony phases of this proceeding. Our fruitful
9 discussions have resulted in the parties resolving the contested issues in Docket No. 25-
10 00016. I am testifying in support of the resolution and settlement between the parties of the
11 contested issues pending in Docket No. 25-00016, the Company’s Incremental Capital
12 Recovery Rider (“ICRR”) Petition proceeding in which the Consumer Advocate has
13 intervened.

14 **Q. CAN YOU OUTLINE THE RESOLUTION AND SETTLEMENT REACHED**
15 **BETWEEN TAWC AND THE CAD?**

16 A. Yes. The Company supports the two (2) adjustments to the Incremental Capital Rider
17 Revenue Requirement (“ICRRR”) sponsored by Consumer Advocate’s witness Mr.
18 Dittmore at page 5 of his pre-filed testimony.

19 The first adjustment is to include the Acquisition Adjustment of (\$935,260) that the
20 Company provided to CAD during discovery. The Company agrees with this adjustment.
21 As a result of the discovery process, the Company realized that it had mistakenly omitted
22 this adjustment within its initial ICRRR calculation. The Company has made this

1 adjustment, and it is reflected in the revised exhibits that I submitted along with my Pre-
2 filed Rebuttal Testimony.

3 The second adjustment identified by Mr. Dittemore corrects the depreciation rates
4 used by the Company within the ICRRR calculation. The depreciation rate originally
5 employed by the Company is its initial calculation filed with the Petition, and my pre-filed
6 direct testimony omitted the removal cost component. In response to Consumer Advocate's
7 DR 1-22, the Company provided support for the depreciation rates adjustment that Mr.
8 Dittemore proposed. Likewise, the Company has made this adjustment, and it is reflected
9 in the revised exhibits that I submitted along with my Pre-filed Rebuttal Testimony.

10 **Q. WHAT IS THE RESULTING ICRRR?**

11 A. **Exhibit Revised Petitioner Exhibit TAWC 2025 ICRRR & ROE Test** to my Pre-filed
12 Rebuttal Testimony details the revised calculation of the ICRRR in the amount of
13 (\$597,200). The Company's original ICRRR calculation was (\$1,174,067).

14 **Q. ARE YOU SPONSORING ANY EXHIBITS ACCOMPANYING THIS**
15 **SUPPLEMENTAL TESTIMONY?**

16 A. No.

17 **Q. HAVE THE PARTIES FURTHER AGREED THAT THE COMPANY WILL NOT**
18 **SUBMIT ITS ICRR TARIFF FILING IN 2026, APPLYING TO INVESTMENTS**
19 **MADE IN 2025 PROPOSED BY THE CAD?**

20 A. Yes. The parties have agreed that TAWC will not submit its ICRR Tariff filing in 2026,
21 with an automatic restart in 2027. In the Company's recent base rate case, Docket No. 24-
22 00032, the Company utilized a future test year covering investments through 2025.
23 Because the ICRR Tariff filing in 2026 would seek recovery of the costs associated with

1 Rider eligible capital expenses for the historic calendar year of 2025 (the same period
2 covered in the base rate proceeding), the ICRR Tariff is less necessary in 2026 as that
3 exercise would, in practice, simply be a reconciliation between actual and forecasted
4 capital investments.

5 So, as resolved by the parties, the Company will not submit an ICRR Tariff filing
6 in 2026, with an automatic restart in 2027. This means that no ICRR filing would be made
7 in March of 2026 to address costs associated with ICRR eligible infrastructure investment
8 made in 2025. The parties further agree that with the subsequent ICRR Tariff filing, the
9 CAD may submit, and the Company will not object to, discovery requests related to the
10 Company's infrastructure investments made in 2025.

11 **Q. DID THE CONSUMER ADVOCATE PROPOSE ANY ADJUSTMENTS TO THE**
12 **ROE CALCULATION IN THIS PROCEEDING?**

13 A. Yes. Mr. Dittmore proposed a 15% Non-Revenue Water (NRW) limitation on two
14 components of production costs purchased power and fuel and chemical costs.

15 **Q. DOES THE COMPANY SUPPORT THIS ADJUSTMENT FOR A 15% NRW**
16 **LIMITATION?**

17 A. The Company does not believe that a 15% NRW% limitation is reasonable or supported by
18 industry practice and norms.

19 **Q. HAVE THE PARTIES RESOLVED THIS ISSUE IN THIS PROCEEDING BY**
20 **AGREEING TO APPLY CAD'S 15% NRW RECOMMENDATION IN THIS CASE?**

21 A. Yes. Recognizing the resolution of this issue by the parties in TPUC Docket No. 25-00002,
22 for the purposes of this proceeding, the parties have agreed to apply the CAD's
23 recommendation of a 15% NRW water loss limitation factor. As noted in my Pre-filed

1 Rebuttal Testimony, the Company hopes to have meaningful opportunities going forward
2 to explore this issue further, including current industry practices, with the CAD and the
3 Commission.

4 **Q. DOES THE OVERALL RESOLUTION BY THE PARTIES IN THIS**
5 **PROCEEDING CONTEMPLATE OR PROPOSE ANY CHANGES OR**
6 **MODIFICATION TO THE ICRR TARIFF APPROVED BY THE COMMISSION**
7 **IN DOCKET NO. 19-00103?**

8 A. No.

9 **Q. AS A RESULT OF THIS SETTLEMENT WHAT IS THE ICRR PERCENTAGE?**

10 A. The ICRR percentage remains 0.0%.

11 **Q. DOES YOUR SUPPLEMENTAL TESTIMONY REPRESENT THE RESOLUTION**
12 **AND AGREEMENT BETWEEN THE CAD AND THE COMPANY TO RESOLVE**
13 **THE PENDING CONTESTED ISSUES IN TPUC DOCKET NO. 25-00016?**

14 A. Yes.

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

16 A. Yes.