

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

**IN RE:** )  
 )  
**PETITION OF TENNESSEE-AMERICAN** )  
**WATER COMPANY TO ADOPT ANNUAL** ) **DOCKET NO. 25-00089**  
**REVIEW MECHANISM AND ARM TARIFF** )  
**PURSUANT TO TENN. CODE ANN. § 65-5-** )  
**103(d)(6)** )

---

**CITY OF CHATTANOOGA'S RESPONSES TO TENNESSEE-AMERICAN  
WATER COMPANY'S DISCOVERY REQUESTS**

---

Intervenor, the City of Chattanooga ("Chattanooga"), by and through counsel, submits its Response to Discovery Requests propounded by the Tennessee-American Water Company ("TAWC").

**GENERAL OBJECTIONS**

1. Chattanooga objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.
2. Chattanooga objects to the instructions accompanying the requests to the extent the instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission ("TPUC").
3. The specific responses set forth below are based on information now available to Chattanooga, and Chattanooga reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. Chattanooga objects to each request to the extent it seeks information outside Chattanooga's custody or control.

### **REQUESTS**

#### **DISCOVERY REQUEST NO. 1:**

At 6:25-26 of COC Witness Mark E. Garrett's Pre-filed Testimony, Mr. Garrett recommends "normalization adjustments for unusual expenditures[.]"<sup>1</sup>

- (a) Please provide examples of unusual expenses that would require normalization adjustments as you propose.
- (b) Please explain why the normalization adjustments that Mr. Garrett recommends are necessary in an Annual Review of Rates Mechanism that resets rates prospectively based on an annual test period?

#### **RESPONSE:**

**Witness: Mark Garrett**

(a) Mr. Garrett's recommendation that "normalization adjustments for unusual expenditures" should be a feature of the proposed ARM is based upon the longstanding ratemaking principle that special regulatory treatment remains necessary for certain expense items — that is, unusual or extraordinary costs which either should not be recovered in a single year, or perhaps not be recovered at all. As explained in the widely recognized treatise, *The Process of Ratemaking*,

---

<sup>1</sup> *Pre-filed Testimony of CAD Witness Mark E. Garrett*, 6:25-26, TPUC Docket No. 25-00089 (Feb. 3, 2026) (hereinafter "*Garrett*"). See also *Garrett* at 35:19, 36:5-10.

a regulatory agency may adjust test period data “to remove abnormalities, extraordinary expenses or revenues, or effects of non-recurring events to set reasonable rates.”<sup>2</sup> The treatise further states:

An agency routinely adjusts its data for abnormal weather, abnormal or otherwise unreasonable changes in expense levels, projected inflation unrepresentative nuclear capacity factors, customer growth, or whether a reasonable level of expense is being paid for individual parts of company capacity.<sup>3</sup>

\*\*\*

Ratepayers must be protected from permanent rates that include unusual or one-time items of expense. Many commissions, therefore, amortize casualty expenses over periods that approximate the average interval of their occurrence, or at least spread the expense forward over a reasonable future period.<sup>4</sup>

In the area of labor-related costs, some examples include costs associated with a re-organization, severance pay packages, or upfront costs associated with a large-scale workforce reduction. These are non-recurring expenses that require nuanced regulatory treatment. Some of these costs should be amortized over several years and some may not be recoverable at all, but under TAWC’s proposed ARM, they would be automatically imbedded in rates.

Other examples of costs that should be normalized include extraordinary storm-related costs which should not be recovered in a single year, as well as costs associated with management imprudence, gross negligence, or willful misconduct, which the Commission may determine are not recoverable from ratepayers at all. Regulators’ ability to apply the necessary evaluation and nuanced ratemaking solutions would be impaired if there is no mechanism to track expenditures and make appropriate normalization adjustments for unusual or extraordinary items.

---

<sup>2</sup> Goodman, Leonard Saul, *The Process of Ratemaking*, Vol. I, 1998 Public Utilities Reports, Inc., p. 287.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*, at 299.

(b) The Company's discovery request is itself revealing. Implicit in the question is the view that since rates automatically reset each year, there is no reason to track historical trends, identify the underlying cost causation, or apply special treatment for extraordinary expenditures. It appears the Company's view is that any expense incurred in a year—whatever the cause and whatever the amount — should automatically be flowed to ratepayers.

Mr. Garrett's recommendation is that an ARM without normalization review would be a poor regulatory policy that would diminish the authority and tools available to the Commission. He is also concerned that such policy would inevitably lead to higher than necessary rates. With a shortened review process of an ARM, expenditures that would ordinarily be disallowed or mitigated become difficult to detect and manage through ratemaking policy. If such costs become automatically imbedded in rates without the opportunity for normalization adjustments, the regulators not only lose an important tool for incentivizing cost control, but the monopoly utility gains an unfair advantage at the expense of ratepayers.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN )  
WATER COMPANY TO ADOPT ANNUAL )  
REVIEW MECHANISM AND ARM )  
TARIFF PURSUANT TO TENN. CODE )  
ANN. § 65-5-103(d)(6) )

DOCKET NO. 25-00089

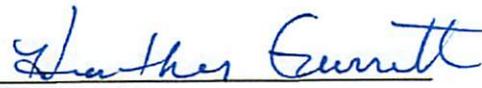
STATE OF OKLAHOMA)

COUNTY OF OKLAHOMA)

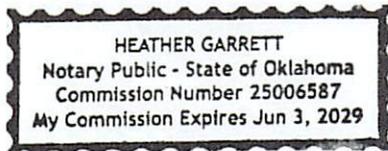
I, MARK GARRETT, being duly sworn, state that I am authorized to testify on behalf of the City of Chattanooga in the above-referenced docket and that if present before the Commission and duly sworn would verify that the discovery responses are accurate to the best of my knowledge.

  
MARK GARRETT

Sworn to and subscribed before me  
This 12th day of February, 2026.

  
Notary Public

My commission expires: 6/3/2029



Respectfully Submitted,

CITY OF CHATTANOOGA

By: Phillip Noblett by FLH w/ permission

Phillip A. Noblett (BPR No. 10074)

City Attorney

Valerie Malueg (BPR No. 23763)

Kathryn McDonald (BPR No. 30950)

Assistant City Attorneys

100 East 11th Street, Suite 200

City Hall Annex

Chattanooga, TN 37402

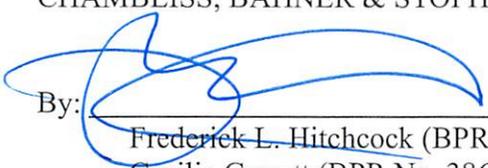
Telephone: (423) 643-8250

[pnoblett@chattanooga.gov](mailto:pnoblett@chattanooga.gov)

[vmalueg@chattanooga.gov](mailto:vmalueg@chattanooga.gov)

[kmcdonald@chattanooga.gov](mailto:kmcdonald@chattanooga.gov)

CHAMBLISS, BAHNER & STOPHEL, P.C.

By:  Frederick L. Hitchcock (BPR No. 5960)

Cecilia Garrett (BPR No. 38658)

Liberty Tower

605 Chestnut Street, Suite 1700

Chattanooga, TN 37450

Telephone: (423) 757-0222

Facsimile: (423) 508-1222

[rhitchcock@chamblisslaw.com](mailto:rhitchcock@chamblisslaw.com)

[cgarrett@chamblisslaw.com](mailto:cgarrett@chamblisslaw.com)

CERTIFICATE OF SERVICE

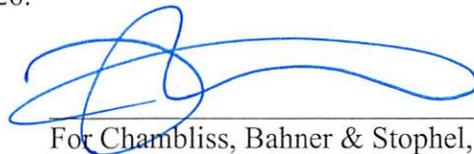
I hereby certify that a true and correct copy of the foregoing was served upon the following persons via U.S. Mail, with a courtesy copy by electronic mail:

Robert (Bob) C. Lane  
Ryan A. Freeman, Esq., Corporate Counsel  
Tennessee-American Water  
109 Wiehl Street  
Chattanooga, TN 37403  
[bob.lane@amwater.com](mailto:bob.lane@amwater.com)  
[ryan.freeman@amwater.com](mailto:ryan.freeman@amwater.com)

Melvin J. Malone  
Butler Snow LLP  
The Pinnacle at Symphony Place  
150 3<sup>rd</sup> Avenue South, Suite 1600  
Nashville, TN 37201  
[melvin.malone@butlersnow.com](mailto:melvin.malone@butlersnow.com)

Shilina B. Brown  
Office of the Tennessee Attorney General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202  
[shilina.brown@ag.tn.gov](mailto:shilina.brown@ag.tn.gov)

This the 12<sup>th</sup> day of February, 2026.



For Chambliss, Bahner & Stophel, P.C.