

BUTLER | SNOW

November 16, 2020

**VIA ELECTRONIC FILING**

Hon. Kenneth C. Hill, 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 for Approval of the Establishment of a Regulatory Asset; Docket No. 20-00126***

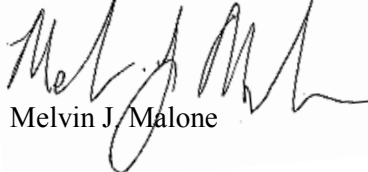
Dear Chairman Hill:

Attached for filing please find the *Petition of Tennessee-American Water Company for Approval of the Establishment of a Regulatory Asset*, along with sworn testimony and exhibits.

As required, one (1) hard copy will be mailed to your office. A check in the amount of \$25.00 for the required filing fee will also be delivered. 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: Elaine K. Chambers, TAWC

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

**November 16, 2020**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF TENNESSEE-</b>	)	
<b>AMERICAN WATER COMPANY FOR</b>	)	<b>DOCKET NO. <u>20-00126</u></b>
<b>APPROVAL OF THE</b>	)	
<b>ESTABLISHMENT OF A</b>	)	
<b>REGULATORY ASSET</b>	)	

---

**TENNESSEE-AMERICAN WATER COMPANY’S  
PETITION FOR APPROVAL OF THE ESTABLISHMENT  
OF A REGULATORY ASSET**

---

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-4-117 and the Tennessee Public Utility Commission’s *Order Lifting Suspension of Disconnections of Service for Lack of Payment with Conditions, Effective on August 29, 2020* in TPUC Docket No. 20-00047, Tennessee-American Water Company (“Tennessee American,” “TAWC” or “Company”), respectfully submits this Petition for Approval of the Establishment of a Regulatory Asset (the “*Petition*”). In support of its *Petition*, Tennessee American respectfully states as follows:

**I. TENNESSEE AMERICAN**

1. Tennessee American is a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, is a public utility as defined in Tenn. Code Ann. § 65-4-101, and provides residential, commercial, industrial and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including Powell Crossroads and Suck Creek in Marion County and Whitwell, Tennessee. Tennessee American also serves customers in North Georgia. The rates for those customers are not regulated by the Public

Service Commission of the State of Georgia but are instead regulated by the Tennessee Public Utility Commission (“Commission” or “TPUC”). Tennessee American provides water service to approximately 80,670 customers.

2. Tennessee American is subject to the jurisdiction of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A.

3. Tennessee American is a wholly-owned subsidiary of American Water Works Company, Inc., which is the largest water holding company in the United States, providing water and wastewater services to sixteen (16) million people in thirty-five (35) states.

4. Tennessee American’s principal place of business is located at 109 Wiehl Street, Chattanooga, Tennessee 37406.

5. All correspondence and communication with respect to this *Petition* should be sent to the following:

Elaine K. Chambers  
Director of Rates and Regulatory – Tennessee and Kentucky  
Kentucky American Water Company  
2300 Richmond Road  
Lexington, KY 40502  
elaine.k.chambers@amwater.com  
(859) 268-6309 (office)  
(859) 268-6327 (fax)

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  
(615) 651-6700 (office)  
(615) 651-6701 (fax)

## II. BACKGROUND

6. In December 2019, a novel coronavirus known as COVID-19 was detected in Wuhan, China, causing outbreaks of the coronavirus disease COVID-19 that has now spread globally. On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic. The ongoing public health emergency related to the spread of COVID-19 has resulted in declarations of emergency being issued at both the state and federal levels.

7. On or about March 5, 2020, it was publicized that COVID-19 had arrived in Tennessee when the first case of the virus was diagnosed in Williamson County, Tennessee.<sup>1</sup> On March 12, 2020, Tennessee Governor Bill Lee declared a state of public health emergency due to the COVID-19 pandemic. Recognizing the challenging circumstances related to the COVID-19 pandemic, and aware that access to water and wastewater services is essential to combating the spread of COVID-19 and protecting public health, TAWC proactively activated its business continuity plan and implemented several essential measures for the health and safety of its customers, employees, and the public on March 13, 2020. Among those measures, which applied to both residential and commercial customers, were a moratorium on any billing related disconnections of service, the timely re-connection of any previous disconnections of service and the suspension of late fees until further notice. Further, Tennessee American instituted additional communications to its customers, such as courtesy letters and courtesy phone calls, with past due balances to inform them of the amount of their past due balances (but making no mention of

---

<sup>1</sup> *Order Requiring All Jurisdictional Utilities to Suspend Actions to Disconnect Service for Lack of Payment During the State of Public Health Emergency*, In Re: Emergency Petition of the Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General, p. 2, TPUC Docket No. 20-00047 (Mar. 31, 2020) (hereinafter the “*March 31, 2020 Order*”).

disconnection or late fees and interest penalties).<sup>2</sup> TAWC notified the Commission that these measures had been undertaken and implemented in a letter dated March 16, 2020. These measures remained in place until October 1, 2020.

8. On March 19, 2020, the Commission issued an *Ongoing Request for Information Related to Measures Taken During Coronavirus COVID-19 Public Health Emergency* (“March 19, 2020 Order”) to its gas, electric, water, and wastewater jurisdictional utilities. In response to the Commission’s *March 19, 2020 Order*, TAWC submitted its first report on March 24, 2020 and has submitted subsequent reports to the Commission as well. In its reports, TAWC, among other things, outlined the essential operational and responses measures previously and voluntarily implemented, along with subsequent action, to promote the safety of its customers and the public. On March 22, 2020, the Commission issued a *Public Notice of Voluntary Suspension of Service Disconnections for Non-Payment by TPUC-Regulated Utilities During the Coronavirus COVID-19 Public Health Emergency*, both acknowledging that many utilities had already implemented voluntary suspensions of service disconnections for nonpayment during the declared emergency and urging all jurisdictional utilities to commit to voluntarily suspending disconnections for nonpayment.

9. On March 31, 2020, the Commission issued its *Order Requiring All Jurisdictional Utilities to Suspend Actions to Disconnect Service for Lack of Payment During the State of Public Health Emergency* (“March 31, 2020 Order”) in Docket No. 20-00047. In response to the Commission’s *March 31, 2020 Order*, TAWC submitted its Post-Emergency Declaration Report on April 30, 2020. In its report, TAWC, among other things, further outlined the essential

---

<sup>2</sup> See *Informational Filing of Tennessee-American Water Company Related to Measures Taken During the Coronavirus COVID-19 Public Health Emergency*, TPUC Docket No. 20-00047 (April 2, 2020).

operational and response measures it had taken and respectfully submitted that it believed it was too early to definitively outline post-emergency declaration measures related to temporary grace periods, payment plans, and other options that will be implemented or will continue following the expiration or lifting of the public health emergency declaration.

10. In a *June 22, 2020 Notice*, the Commission invited comments in Docket No. 20-00047 on what additional measures may be appropriate upon the expiration of the state of public health emergency, which, if not further extended by Governor Bill Lee, was scheduled to expire on June 30, 2020. Tennessee American submitted such comments on June 26, 2020. In its comments, TAWC opined that the most appropriate course of action was one that allowed discretion for utilities to continue the service disconnection and late fee moratorium on a voluntary basis. Voluntary extensions would allow utilities to implement their own individual programs designed to assist customers in need and to encourage payment by customers, helping mitigate cost shifting to other customers. TAWC also requested that the Commission provide guidance to utilities subject to its *March 31, 2020 Order* regarding tracking and recovery for COVID-19 incremental costs and consider and implement diverse and flexible strategies for cost recovery, including rate case treatment or rider mechanisms. On August 10, 2020, the Commission lifted the suspension of disconnections of service for lack of payment, with conditions, effective August 29, 2020. TAWC has complied with the conditions set forth in the Commission's *Order Lifting Suspension of Disconnections of Service for Lack of Payment with Conditions, Effective on August 29, 2020*.<sup>3</sup>

---

<sup>3</sup> See *Informational Filing of Tennessee-American Water Company Related to Measures Taken During the Coronavirus COVID-19 Public Health Emergency*, TPUC Docket No. 20-00047 (Oct. 14, 2020).

### III. FINANCIAL IMPACT TRACKING AND RECOVERY

11. As outlined above, the Commission has issued orders taking notice of the ongoing public health emergency related to the spread of COVID-19, and the declarations of emergency issued at both the state and federal levels. Water and wastewater services are arguably the most essential utility services during the COVID-19 state of emergency. From the time TAWC voluntarily instituted a moratorium on any billing related disconnections of service and late fees and timely re-connected any previous disconnections of services due to the COVID-19 pandemic until the Commission's lifting of its suspension of disconnections of service for lack of payment, a period covering March 13 through October 1, 2020, TAWC has incurred incremental financial impacts related to the same and continues to incur such costs. Our moratorium and the Commission's suspension were very appropriate under the circumstances presented, as the health and safety of our customers, our employees and the public required these measures. Still, as the Commission has acknowledged, "a suspension of cut offs for lack of payment is not a long-term solution."<sup>4</sup> Consistent with the transitional approach instituted by the Commission in its *September 16, 2020 Order*, it is now appropriate to address the financial impacts and costs associated with COVID-19.

12. Tennessee American has incurred significant financial impacts due to COVID-19. These costs primarily relate to the disconnection moratorium, suspension of fees, related customer communications, and additional debt carrying costs. Tennessee American also expects uncollectible accounts expense to increase due to the economic impacts of the COVID-19 emergency on customers.

---

<sup>4</sup> *Order Lifting Suspension of Disconnections of Service for Lack of Payment with Conditions, Effective on August 29, 2020*, In Re: Emergency Petition of the Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General, p. 4, TPUC Docket No. 20-00047 (Sept. 16, 2020) (hereinafter the "*September 16, 2020 Order*").

13. The COVID-19 regulatory asset will be reduced partially by decreases to other expenses caused by, or associated with, COVID-19.

14. It is appropriate to approve regulatory asset treatment when a utility incurs extraordinary and nonrecurring financial impacts that could not have been reasonably foreseen or included in the utility's planning. As the Commission has issued notices and orders concerning the ongoing public health emergency related to the spread of COVID-19, coupled with the declarations of emergency issued at both the state and federal levels, it is both appropriate and prudent that the unique and unanticipated financial impacts of this pandemic be tracked and the amounts deferred recovered as a COVID-19 regulatory asset.

As set forth herein, TAWC has identified the primary categories of COVID-19 related to financial impacts. The Company has also tracked savings, such as reduced travel expenses, resulting from COVID-19, which should be used to offset the regulatory asset. In support of this *Petition*, TAWC submits the itemized amounts and calculations supporting the amounts set forth in the accompanying Direct Testimony of Tennessee American Witness Elaine K Chambers, which are current as of October, 2020, expected to grow, and for which it seeks regulatory asset treatment:



**Tennessee-American Water Company**  
**DOCKET NO. 20-00XXX**  
**Regulatory Asset - COVID-19 Deferral**  
**YTD October 2020**

Description	Amount
<b>Foregone Late Payment Fees</b>	\$306,626
<b>Costs</b>	
Incremental Operating Expenses	62,391
Uncollectible Expense	154,757
Term Loan Interest Expense	112,090
<b>Direct Offsets</b>	
Travel/Conference Savings	(121,398)
Total	\$514,465

15. Therefore, TAWC respectfully requests that the Commission authorizes the Company to accumulate in a regulatory asset and defer for future recovery the total amount identified above and any additional incremental COVID-19 related financial impacts incurred going forward. In addition to approving the incremental COVID-19 costs as a regulatory asset, allowing Tennessee American to implement a more flexible strategy for cost recovery, in the next general rate case or other appropriate proceeding, will ensure that TAWC is well-positioned to continue to serve customers.

**IV. CONCLUSION**

16. As the State of Tennessee and the Commission continue to provide guidance during the COVID-19 pandemic, Tennessee-American has maintained its focus on three major priorities – the health and safety of its customers, its employees and the public. TAWC continues working cooperatively with its customers impacted by COVID-19 and assisting those who are experiencing economic challenges by providing both relevant and helpful consumer information, along with

various payment options. Addressing the incremental costs incurred by TAWC due to the pandemic will further support such efforts.

17. Utilities are unique, and thus one-size fits all approaches are often not feasible or even desirable in this context. For this reason, the Commission noted in its *September 16, 2020 Order* that “all issues concerning potential recovery of COVID-19 related expenses and lost revenues shall be reserved and addressed within appropriate individual company dockets, either upon request of the company or order of the Commission.”

**WHEREFORE**, Tennessee-American Water Company respectfully requests that the Tennessee Public Utility Commission:


(1) Approve the *Petition* and authorize the establishment of a regulatory asset for the financial impacts of COVID-19;

(2) Issue an order, which will permit Tennessee American to establish a regulatory asset for the financial impacts of COVID-19 for as long as the Company continues to realize financial impacts from the COVID-19 emergency, and allow the Company to include for recovery the amounts recorded as a regulatory asset in its next general base rate case or other appropriate proceeding; and

- (3) Grant such other relief as may be required, and all on in expedited basis.

Respectfully submitted,

TENNESSEE-AMERICAN WATER COMPANY

By:  \_\_\_\_\_

MELVIN J. MALONE (BPR #013874)

Butler Snow LLP

150 3<sup>rd</sup> Avenue South, Suite 1600

Nashville, TN 37201

[melvin.malone@butlersnow.com](mailto:melvin.malone@butlersnow.com)

(615) 651-6705

*Attorneys for Tennessee-American Water  
Company*

Dated: November 16, 2020

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

**DOCKET NO. 20-\_\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**ELAINE K. CHAMBERS**

**ON**

**PETITION FOR APPROVAL OF THE ESTABLISHMENT OF A REGULATORY  
ASSET**

**SPONSORING PETITIONER'S EXHIBIT:**

**PETITIONER'S EXHIBIT - 1**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Elaine K. Chambers and my business address is 2300 Richmond Road,  
3 Lexington, Kentucky 40502.

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

5 A. I am employed by American Water Works Service Company (“AWW”) as Director, Rates  
6 and Regulatory for Tennessee-American Water and Kentucky-American Water.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY  
8 OTHER COMMISSION?**

9 A. Yes. I submitted an affidavit in support of Federal Energy Regulatory Commission  
10 proceeding EL05-55-001, while employed by the Midcontinent Independent System  
11 Operator (“MISO”). I also submitted testimony for Indianapolis Power and Light  
12 Company’s case in chief in the following Cause Nos.: 44576, 44893, and 45029. I have  
13 also submitted testimony for various Tennessee Public Utility Commission (“TPUC” or  
14 “Commission”) dockets.

15 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL  
16 BACKGROUND.**

17 A. I have a Bachelor of Science degree from the University of Indianapolis in Accounting. I  
18 also have a Master of Business Administration from the University of Indianapolis, and I  
19 am a Certified Public Accountant in the State of Indiana. I have twenty-one years of  
20 experience at Indianapolis Power and Light Company, twelve of which have been in the  
21 Rates area. I also have experience in energy consulting with Andersen and Black & Veatch.  
22 While employed by MISO, I managed the transmission and market settlement functions,

1 along with dispute resolution. At Exelon, I managed various Information Technology  
2 initiatives, which included merger and acquisition responsibilities.

3 **Q. WHAT ARE YOUR DUTIES AS DIRECTOR, RATES AND REGULATORY?**

4 A. My primary responsibilities encompass the coordination of regulatory issues in Tennessee  
5 and Kentucky. This includes coordinating all reports and filings, working with regulatory  
6 staff to make sure that all information produced addresses the requirements or requests,  
7 and overseeing the preparation and filing of rate cases and tariff changes. I work with the  
8 senior management in both states on planning. I am also responsible for keeping abreast of  
9 changes in regulation, or trends in regulatory oversight across the United States that may  
10 impact our local operations. I report to the Presidents of Kentucky American Water and  
11 Tennessee American Water (“Tennessee American,” “TAWC,” or “Company”). I am  
12 located in Kentucky but work closely with the TAWC staff in Tennessee as well.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my testimony is to support the Company’s Petition for Approval of the  
15 Establishment of a Regulatory Asset as a result of the COVID-19 pandemic.

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

17 A. Yes, I am. I am sponsoring the following exhibit:

18 **Petitioner’s Exhibit – 1**  
19  
20

21 I will discuss this exhibit in further detail in my testimony below.

22 **Q. WAS THE PETITIONER'S EXHIBIT LISTED ABOVE PREPARED BY YOU OR**  
23 **UNDER YOUR DIRECTION AND SUPERVISION?**

24 A. Yes.

1 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**  
2 **PETITIONER'S EXHIBIT LISTED ABOVE?**

3 A. The data used to prepare the exhibit was acquired from the books of account and business  
4 records of Tennessee American and other internal sources which I examined in the course  
5 of my investigation of the matters addressed in this testimony.

6 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**  
7 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**  
8 **PURPOSES?**

9 A. Yes.

10 **Q. DOES THE PETITIONER'S EXHIBIT LISTED ABOVE ACCURATELY**  
11 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**  
12 **DATA?**

13 A. Yes, it does.

14 **Q. CAN YOU SUMMARIZE THE UNDERLYING BASIS OF THIS PETITION?**

15 A. Yes. The Secretary of Health and Human Services declared a public health emergency on  
16 January 31, 2020, as a result of the novel coronavirus known as COVID-19, and the  
17 President declared a national emergency on March 1, 2020. On March 11, 2020, the World  
18 Health Organization classified the COVID-19 outbreak as a pandemic. On March 12, 2020,  
19 Tennessee Governor Bill Lee declared a state of public health emergency due to the  
20 COVID-19 pandemic. This Petition is a result of the COVID-19 public health emergency.

1 **Q. WHAT ACTIONS DID TENNESSEE AMERICAN AND TPUC TAKE IN**  
2 **RESPONSE TO THE COVID-19 PUBLIC HEALTH EMERGENCY?**

3 A. Recognizing that access to water and wastewater services is essential to combating the  
4 spread of COVID-19 and protecting public health, on March 13, 2020, TAWC proactively  
5 and voluntarily activated its business continuity plan and implemented several essential  
6 measures for the health and safety of its customers, employees, and the public on March  
7 13, 2020. Among those measures, which applied to both residential and commercial  
8 customers, were a moratorium on any billing related disconnections of service, the timely  
9 re-connection of any previous disconnections of service and the suspension of late fees  
10 until further notice. Moreover, Tennessee American instituted additional communications  
11 to its customers, such as courtesy letters and courtesy phone calls, with past due balances  
12 to inform them of the amount of their past due balances. In these communications,  
13 however, the Company made no mention of disconnection or late fees and interest  
14 penalties. Tennessee American notified the Commission that these measures had been  
15 undertaken by letter dated March 16, 2020.<sup>1</sup>

16 On March 19, 2020, the Commission issued an *Ongoing Request for Information Related*  
17 *to Measures Taken During Coronavirus COVID-19 Public Health Emergency* (“March 19,  
18 2020 Order”) to its gas, electric, water, and wastewater jurisdictional utilities. On March  
19 22, 2020, the Commission issued a *Public Notice of Voluntary Suspension of Service*  
20 *Disconnections for Non-Payment by TPUC-Regulated Utilities During the Coronavirus*  
21 *COVID-19 Public Health Emergency*, both acknowledging that many utilities had already  
22 implemented voluntary suspensions of service disconnections for nonpayment during the

---

<sup>1</sup> See *Informational Filing of Tennessee-American Water Company Related to Measures Taken During the Coronavirus COVID-19 Public Health Emergency*, TPUC Docket No. 20-00047 (Oct. 14, 2020).



1 declared emergency and urging all jurisdictional utilities to commit to voluntarily  
2 suspending disconnections for nonpayment. On March 31, 2020, the Commission issued  
3 its *Order Requiring All Jurisdictional Utilities to Suspend Actions to Disconnect Service*  
4 *for Lack of Payment During the State of Public Health Emergency* (“*March 31, 2020*  
5 *Order*”) in Docket No. 20-00047. On August 10, 2020, the Commission lifted the  
6 suspension of disconnections of service for lack of payment, with conditions, effective  
7 August 29, 2020. TAWC has complied with the conditions set forth in the Commission’s  
8 *Order Lifting Suspension of Disconnections of Service for Lack of Payment with*  
9 *Conditions, Effective on August 29, 2020.*

10 **Q. HAVE THE MEASURES UNDERTAKEN BY TENNESSEE AMERICAN AS A**  
11 **RESULT OF THE COVID-19 PUBLIC HEALTH EMERGENCY HAD A**  
12 **FINANCIAL IMPACT ON THE COMPANY?**

13 A. Yes. The moratorium on any billing related disconnections of service for residential and  
14 commercial customers, the re-connections of any previous disconnections of service and  
15 the suspension of late fees had a substantial impact. These measures resulted in the  
16 Company providing water services to many customers without payment.

17 Tennessee American implemented additional communications to customers as a result of  
18 the pandemic to ensure that customers were aware of the emergency measures  
19 implemented by the Company and to advise customers of balances and related options and  
20 avenues that might be available to help them. Further, there were other incremental  
21 operating expenses incurred by Tennessee American as a result of the pandemic, including  
22 increased facility preparedness expenses, increased PPE and supplies expenses, and

1 signage expenses. Additionally, uncollectible expenses increased and term loan interest  
2 expense was incurred.

3 **Q. ARE ANY OF THE COVID-19 RELATED FINANCIAL IMPACTS INCURRED**  
4 **BY TENNESSEE AMERICAN ONGOING?**

5 A. Yes. Even though the moratorium on any billing related disconnections of service for  
6 residential and commercial customers, the re-connections of any previous disconnections  
7 of service and the suspension of late fees has been lifted, some financial impacts related to  
8 the pandemic are ongoing, such as uncollectible accounts expense by way of example. The  
9 Company will continue to track and identify the COVID-19 related financial impacts that  
10 the Company incurs to continue to provide safe, reliable and adequate water and  
11 wastewater service to its customers during this time. The Company believes that the full  
12 scope of incremental COVID-19 costs cannot be known with complete certainty at this  
13 time and will continue to update its deferral as more data and information becomes  
14 available.

15 **Q. WHAT IS TENNESSEE AMERICAN SEEKING IN THIS PETITION?**

16 A. The Company is asking the Commission to approve regulatory asset treatment for the  
17 COVID-19 related incremental financial impacts. TAWC believes that its request is  
18 appropriate due to the extraordinary circumstances that could not have been reasonably  
19 foreseen or included in the Company's planning. The financial impacts incurred to date  
20 primarily relate to the disconnection moratorium, suspension of fees, related customer  
21 communications, and additional debt carrying costs. The Company believes, however, that  
22 the full scope of incremental COVID-19 costs cannot be known with complete certainty at  
23 this time and will continue to update its deferral as more data and information becomes

1 available. For example, Tennessee American expects uncollectible accounts expense to  
2 increase due to the economic impacts of the COVID-19 emergency on customers. The  
3 COVID-19 regulatory asset will be reduced partially by decreases to other expenses caused  
4 by, or associated with, COVID-19.

5 **Q. HAVE THE COVID-19 RELATED FINANCIAL IMPACTS BEEN IDENTIFIED**  
6 **BY TENNESSEE AMERICAN?**

7 A. Yes. As set forth in the Petition, TAWC has identified the primary categories of COVID-  
8 19 related financial impacts, including: (1) suspended disconnects/reconnects and late fees  
9 as a result of the disconnection moratorium; (2) costs of additional customer  
10 communications; (3) additional debt carrying costs; (4) increased uncollectible accounts  
11 expense and (5) other incremental operating expenses. The Company has also tracked  
12 savings, such as reduced travel expenses, resulting from COVID-19, which should be used  
13 to offset the increased expenses. In support of this Petition, TAWC submits the following  
14 itemized amounts (calculations supporting the amounts are attached and also provided in  
15 the attached **Petitioner's Exhibit - 1**, which are current as of October, 2020, expected to  
16 grow, and for which it seeks regulatory asset treatment.

Tennessee-American Water Company  
DOCKET NO. 20-00XXX  
Regulatory Asset - COVID-19 Deferral  
YTD October 2020

Description	Amount
<b>Foregone Late Payment Fees</b>	306,626
<b>Costs</b>	
Incremental Operating Expenses	62,391
Uncollectible Expense	154,757
Term Loan Interest Expense	112,090
<b>Direct Offsets</b>	
Travel/Conference Savings	(121,398)
<b>Total</b>	<u>\$514,465</u>

1

2

3

4

5

6

7

8

TAWC respectfully requests that the Commission authorizes the Company to accumulate in a regulatory asset and defer for future recovery the incremental COVID-19 related financial impacts for as long as such financial impacts are realized and the actual incremental amounts identified above. In addition to approving the incremental COVID-19 costs as a regulatory asset, allowing Tennessee American to implement a more flexible strategy for cost recovery, including in the next general rate case or other appropriate proceeding, will ensure that TAWC is well-positioned to continue to serve customers.

9

**Q. WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**

10

A. I recommend that the Petition be approved.

11

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

12

A. Yes. I reserve the ability to submit further testimony as is appropriate.

**Tennessee-American Water Company  
DOCKET NO. 20-00XXX  
Regulatory Asset - COVID-19 Deferral  
YTD October 2020**

<b>Description</b>	<b>Amount</b>
<b>Foregone Late Payment Fees</b>	306,626
<b>Costs</b>	
Incremental Operating Expenses	62,391
Uncollectible Expense	154,757
Term Loan Interest Expense	112,090
<b>Direct Offsets</b>	
Travel/Conference Savings	(121,398)
<b>Total</b>	<u><u>\$514,465</u></u>

STATE OF Kentucky )  
COUNTY OF Fayette )

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Elaine K. Chambers, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.

*Elaine K. Chambers*

\_\_\_\_\_  
Elaine K. Chambers

Sworn to and subscribed before me  
this 10<sup>th</sup> day of November, 2020.

*Sharon Miller*  
\_\_\_\_\_  
Notary Public

My Commission Expires: 7/25/24  
ID# KYNP9273