

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 24, 2019

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN WATER)	
COMPANY FOR APPROVAL OF AND)	
AUTHORITY TO BORROW UP TO \$50,000,000)	DOCKET NO. 19-00041
TO FINANCE ADDITIONS AND IMPROVEMENTS)	
TO FACILITIES AND ACQUISITIONS AND TO)	
REPAY SHORT-TERM INDEBTEDNESS)	
PURSUANT TO T.C.A. § 65-4-109)	

ORDER APPROVING FINANCING ARRANGEMENT

This matter came before Chairman Robin L. Morrison, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones of the Tennessee Public Utility Commission (the "Commission" or "TPUC"), the voting panel assigned to this docket, during the regularly scheduled Commission Conference held on May 20, 2019, for hearing and consideration of the *Petition* ("Petition") filed on March 25, 2019 by Tennessee-American Water Company ("Petitioner," "TAWC" or "Company") requesting approval to participate in certain financing arrangements.

RELEVANT BACKGROUND

TAWC is a public utility that provides residential, commercial, industrial and municipal water service in Chattanooga, Tennessee and surrounding areas and is subject to the regulatory jurisdiction of the TPUC. TAWC is a wholly-owned subsidiary of American Water Works Company ("AWK"). On March 25, 2019, TAWC filed the *Petition* requesting approval of its

proposed financing arrangements to refinance outstanding indebtedness and to finance the acquisition of additional facilities.¹

TAWC entered into a nonexclusive Financial Services Agreement (“Services Agreement”) on June 15, 2000, with American Water Capital Corp. (“AWCC”), also a wholly-owned subsidiary of AWK.² As TAWC needs additional long-term financing from time to time, AWCC sells portions of the AWCC Securities in the U.S. public/private capital markets, or to an investor or lender, and loans the proceeds of the sale of said securities to TAWC. In addition, the Services Agreement provides that the Company may utilize AWCC to meet short-term borrowing requirements through advances funded by a syndicated credit facility arranged by AWCC and its cash management needs. Through the Services Agreement, TAWC is obligated to pay all of its allocated portion of AWCC’s costs related to the AWCC Securities issued to fund the loan to TAWC, as well as its proportionate share of AWCC’s overhead. TAWC is not prohibited from borrowing from third parties by the Services Agreement and may terminate the Services Agreement upon ten (10) days’ notice.³ The Commission has approved financing transactions for TAWC in previous dockets.⁴

¹ *Petition*, pp. 6-7 (March 25, 2019).

² *Id.* at 3.

³ *Id.* at 3-4.

⁴ *Id.* at 4-5. See *In re: Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up To \$30,100,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-4-109*, TPUC Docket No. 00-00637, *Order Approving Debt Issuance* (October 10, 2000); *In re: Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up To \$44,900,000*, TPUC Docket No. 06-00305, *Order Approving Financing Transaction* (June 14, 2007); *In re: Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up To \$45,000,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-4-109*, TPUC Docket No. 09-00073, *Order Approving Financing Transactions* (September 28, 2009); and, *In re: Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up To \$60,000,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-5-109*, TPUC Docket No. 14-00061, *Order Approving Financing Arrangements* (September 3, 2014).

In its *Petition*, TAWC proposes to continue its participation in the AWCC program and to issue Company Securities in an aggregate principal amount of up to \$50,000,000 in order to refinance outstanding indebtedness and to finance the acquisition of additional facilities. The Company states that it expects that maturity of the Company Securities will be from one (1) to thirty-five (35) years, depending upon market conditions, but will not mature more than fifty (50) years from the nominal date of issue. Further, the Company states that the interest rates will be the same as those borne by the AWCC Securities, from which the Company Securities were funded, and will be determined by market conditions at the time of issuance. The Company may employ hedging tools in order to reduce borrowing costs in rising interest rate environments.⁵ No party requested to intervene in this case.

STANDARD FOR COMMISSION APPROVAL

Commission approval is required for these financing programs pursuant to Tenn. Code Ann. § 65-4-109, which provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the commission for such proposed issue. It shall be the duty of the commission after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the commission.

THE MAY 20, 2019 HEARING

A Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on May 20, 2019, as noticed by the Commission on May 10, 2019. Appearing for the Company were Melvin J. Malone, counsel, and Elaine K. Chambers, Director of Rates and Regulatory for Tennessee and Kentucky for American Water

⁵ *Petition*, pp. 6-8.

Works Service Company, Inc.⁶ During the Hearing, Ms. Chambers ratified and subsequently summarized her pre-filed testimony, and was subject to questioning before the panel and by TPUC staff. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

The Commission's review of financing programs or transactions focuses on whether such financing programs or transactions are in accordance with applicable law and whether the purpose of the financing programs or transactions is in the public interest. During the Commission Conference held on May 20, 2019, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed financing transaction is subject to Commission approval pursuant to Tenn. Code Ann. § 65-4-109.
2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.
3. The proposed financing transaction is in the public interest, as it assists TAWC in securing long-term financing for its operations.

IT IS THEREFORE ORDERED THAT:

1. The *Petition* filed by Tennessee-American Water Company on March 25, 2019 is approved.
2. Tennessee-American Water Company is authorized to enter into the proposed financing transaction as described in the *Petition* and discussed herein.

⁶ Ms. Chambers appeared and provided testimony telephonically by request of the Company and pursuant to an order of the Hearing Officer establishing the conditions and parameters by which telephonic attendance and testimony is presented. See *Motion to Appear and Participate At Hearing Telephonically*, (May 14, 2019); and, *Order Granting Electronic Participation in Hearing*, (May 16, 2019).

3. The authorization and approval of these financing programs given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved.

4. This decision is not intended to create any liability on the part of the Tennessee Public Utility Commission, the State of Tennessee, or any political subdivision thereof.

5. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

6. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

Chairman Robin L. Morrison, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones concur. None dissent.

ATTEST:



Earl R. Taylor, Executive Director