

BUTLER | SNOW

January 3, 2024

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Room on January 3, 2024 at 2:30 p.m.

VIA ELECTRONIC FILING

Hon. Herbert H. Hilliard, 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: *Petition of Tennessee-American Water Company for Approval of and Authority to Borrow up to \$107,000,000 to 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. 24- 00001*

Dear Chairman Hilliard:

Attached for filing please find the *Petition of Tennessee-American Water Company for Approval of and Authority to Borrow up to \$107,000,000 to Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-4-109*, along with exhibits. Also attached for filing is *Tennessee-American Water Company's Protective Order*.

As required, the original plus four (4) hard copies will be mailed to your office along with a check in the amount of \$25.00 for the required filing fee. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Sincerely,

BUTLER SNOW LLP



Katherine Barnes

clw

Attachments

cc: Bob Lane, TAWC

Vance L. Broemel, Consumer Advocate Division

Karen H. Stachowski, Consumer Advocate Division

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

KATHERINE B. BARNES
615.651.6797
katherine.barnes@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

BUTLER SNOW LLP

85138329.v1

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

IN RE:

**PETITION OF TENNESSEE-AMERICAN
WATER COMPANY FOR APPROVAL
OF AND AUTHORITY TO BORROW UP
TO \$107,000,000 TO FINANCE
ADDITIONS AND IMPROVEMENTS TO
FACILITIES AND ACQUISITIONS AND
TO REPAY SHORT-TERM
INDEBTEDNESS PURSUANT TO T.C.A.
§ 65-4-109**

DOCKET NO. 24- 00001

PETITION

Comes the Petitioner, Tennessee-American Water Company (“Tennessee American” or “Company”) and respectfully represents and shows to the Tennessee Public Utility Commission (“Commission”) as follows:

1. Tennessee American is a public utility as defined in T.C.A. § 65-4-101, and as of October 1, 2023, provides residential, commercial, industrial, and municipal water service, including public and private fire protection service, to approximately 87,200 customers in Chattanooga and surrounding areas. 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 this Commission.

2. Tennessee American is a wholly owned subsidiary of American Water Works Company, Inc. (“AWK”), which is the largest water holding company in the United States, providing water and wastewater services to fourteen (14) million people in twenty-four (24) states.

3. Tennessee American is a Tennessee corporation with its principal office and place of business located at 109 Wiehl Street, Chattanooga, Tennessee 37403.

4. The Company owns, operates, manages, and controls plants, property, equipment, and facilities having an original cost of \$452.7 million as of September 30, 2023, within and adjacent to the City of Chattanooga which are used and useful in the collection, purification, pumping, distribution and furnishing of potable water for residential, commercial, industrial and governmental users in its service territory. The Company is subject to the jurisdiction, regulation, and supervision of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A.

5. The capitalization of the Company at September 30, 2023, is shown on **Exhibit 1**, attached hereto.

6. The long-term debt of the Company at September 30, 2023, includes one outstanding series of general mortgage bonds (“General Mortgage Bonds”) issued under and secured by an Indenture of Mortgage dated as of May 1, 1968, from The City Water Company of Chattanooga (now the Company) to The Fidelity Bank (now U.S. Bank, National Association), as Trustee (“Trustee”), as supplemented and amended by thirteen supplemental indentures thereto dated, respectively, as of February 1, 1971; August 1, 1972; November 1, 1975; June 1, 1978; October 1, 1979; March 1, 1982; January 1, 1983; May 1, 1988; December 1, 1989; September 1, 1990; June 1, 1992; June 1, 1993; and September 1, 1996 (hereinafter collectively “the Indenture”), as follows:

<u>DATE OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>AMOUNT OUTSTANDING</u>
October 4, 1996	7.84% Series	September 1, 2026	\$ 5,700,000

7. The series of General Mortgage Bonds and all classes of capital stock of the Company outstanding at September 30, 2023, were duly authorized by Orders of the Commission (or its predecessors, the Tennessee Public Service Commission or the Tennessee Regulatory Authority) heretofore entered on the basis of previous proceedings conducted by it relative thereto.

8. As an alternative to the General Mortgage Bond financing described above, on June 15, 2000, the Company entered into a nonexclusive Financial Services Agreement (the “Services Agreement”) with American Water Capital Corp. (“AWCC”), also a wholly owned subsidiary of AWK, with Commission approval, in the form attached hereto as **Exhibit 2**. Pursuant to the Services Agreement, AWCC periodically solicits from the Company and each of AWK’s other utility subsidiaries estimates of their needs for short-term and long-term financing. On the basis of that information, AWCC registers its own debt securities (the “AWCC Securities”) for sale in the U.S. public/private capital markets. These debt securities are obligations of AWCC, but AWK issues a “support letter” for the benefit of the holders of such debt securities. From time to time thereafter, as the Company needs additional long-term financing, 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 those AWCC Securities to the Company. The loans from AWCC to the Company are on terms (e.g., interest rate, redemption premium, sinking fund requirement, maturity) equal to or less than equal to the terms of the securities sold in the public/private markets by AWCC and will be evidenced by a written note. In addition, the Services Agreement obligates the Company to pay all of its allocated portion of AWCC’s costs related to the AWCC Securities issued to fund the loan to the Company, plus, along with the other participating operation subsidiaries, its proportionate share of AWCC’s overhead.

9. The Services Agreement also provides that the Company may utilize AWCC to meet its short-term (maturity of less than one year) borrowing requirements through advances funded by a syndicated credit facility arranged by AWCC and its cash management needs.

10. The Company’s participation in the AWCC borrowing program does not preclude it from borrowing from third parties. The Company is not required to borrow any amount from

AWCC. Further, the Company may terminate its participation in the AWCC borrowing program upon ten days written notice.

11. Pursuant to the Company's petition, by order dated October 10, 2000, in Docket No. 00-00637, a copy of which is attached hereto as **Exhibit 3** (the "*Original Commission Order*"), the Commission approved the issuance by the Company to AWCC of notes or debentures (the "Company Securities") in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which were used to (a) refinance outstanding General Mortgage Bonds, (b) finance additions and improvements to the Company's plant, property, equipment and facilities and acquisitions and to (c) repay short-term borrowings.

12. Subsequent to the *Original Commission Order* in Docket No. 00-00637, the Company in Docket No. 06-00305 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$44,900,000 between January 1, 2007, and December 31, 2008. The Commission authorized the Company's request in its Order dated June 14, 2007 ("*2007 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 4**.

13. Subsequent to the *2007 Long-Term Debt Financing Order* in Docket No. 06-00305, the Company in Docket No. 09-00073 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$45,000,000 between fourth quarter of 2009 and December 31, 2013. The Commission authorized the Company's request in its Order dated September 28, 2009 ("*2009 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 5**.

14. Subsequent to the *2009 Long-Term Debt Financing Order* in Docket No. 09-00073, the Company in Docket No. 14-00061 requested authorization to continue its participation in the

AWCC program and to issue additional Company Securities not to exceed in aggregate \$60,000,000 between third quarter of 2014 and December 31, 2018. The Commission authorized the Company's request in its Order dated September 3, 2014 ("*2014 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 6**.

15. Subsequent to the *2014 Long-Term Debt Financing Order* in Docket No. 14-00061, the Company in Docket No. 19-00041 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$50,000,000 between second quarter of 2019 and December 31, 2023. The Commission authorized the Company's request in its Order dated June 24, 2019 ("*2019 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 7**.

16. Pursuant to the *Original Commission Order* and the *2019 Long-Term Debt Financing Order*, the Company has heretofore issued the following long-term Company Securities to AWCC:

DATE OF ISSUE	INTEREST RATE	MATURITY DATE	AMOUNT ISSUED
March 29, 2001	6.87%	March 29, 2011	\$ 2,040,000
March 1, 2004	4.75%	March 1, 2014	\$ 19,000,000 ¹
February 15, 2007	5.39%	December 21, 2013	\$ 15,000,000
March 29, 2007	5.62%	March 29, 2019	\$ 19,000,000 ²
December 4, 2009	6.00%	December 1, 2039	\$ 10,571,023 ³
December 15, 2010	6.00%	December 1, 2040	\$ 10,000,000 ⁴
May 19, 2011	5.90%	October 15, 2037	\$ 2,500,000
December 17, 2012	4.30%	December 1, 2042	\$ 2,000,000
November 20, 2013	3.85%	March 1, 2024	\$ 11,000,000
August 14, 2014	4.30%	December 1, 2042	\$ 10,500,000
August 13, 2015	4.30%	September 1, 2045	\$ 14,000,000

¹This issue was refinanced on March 29, 2007

²This issue was refinanced on September 11, 2018.

³This issue was refinanced on August 14, 2014.

⁴This issue was refinanced on August 13, 2015.

November 17, 2016	4.00%	December 1, 2046	\$ 8,000,000
August 9, 2018	4.20%	September 1, 2048	\$ 5,000,000
September 11, 2018	3.75%	September 1, 2028	\$ 19,280,321
May 20, 2019	4.15%	June 1, 2049	\$ 6,000,000
April 14, 2020	3.45%	May 1, 2050	\$ 4,000,000
May 14, 2021	3.25%	June 1, 2051	\$ 15,000,000
May 5, 2022	4.45%	June 1, 2032	\$ 5,000,000
August 15, 2023	3.625%	June 15, 2026	\$ 15,000,000

17. Subject to the authorization of the Commission, the Company proposes to continue its participation in the AWCC program and to issue Company Securities in an aggregate principal amount of up to \$107,000,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities. The terms of the Company Securities will include the following:

- (a) Title of the Securities: AWCC Securities.
- (b) Aggregate Principal Amount to be Issued: Up to an aggregate amount of \$107,000,000.
- (c) Expected Date of Issue: It is anticipated that the first issue of Company Securities will occur during 2024 and as required thereafter through December 31, 2028.
- (d) Date of Maturity: The maturity of the Company Securities will not be more than 50 years from the nominal date of issue, with the expectation that the maturity dates will be from 1 to 35 years, depending upon market conditions.
- (e) Interest Rate(s): The interest rates on the Company Securities will be equal to or less than equal to 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. Based upon current market conditions, it is anticipated that the AWCC Securities will be sold carrying an interest rate spread of approximately 100-200 basis points above the interest rate borne by corresponding United States Treasury securities.
- (f) Hedging Arrangements: To reduce borrowing costs in a rising interest rate environment, TAWC may, subject to the approval of this Petition, enter into one or more interest rate swap, hedge or other derivative agreements or arrangements ("Derivative Agreements") with respect to the Company Securities. TAWC may enter into these Derivative Agreements to lock in a

specific interest rate and thereby manage the risk associated with interest rate fluctuations that may occur prior to the issuance of the Company Securities. If TAWC enters into a Derivative Agreement, the most likely technique the Company would utilize is a pre-issuance hedge. This hedge would lock the forward yield on a specific United States Treasury security prior to the planned issuance, eliminating the risk that the Treasury yield may rise significantly between the date that the yield is locked and the issuance date. This technique could be used to lock in the base rate(s) on all or part of the up to \$107,000,000 principal amount.⁵ There is interest rate risk and counterparty credit risk inherent in all Derivative Agreements between financial providers and TAWC. The actual interest rate at the time of the debt issuance may be higher or lower than the locked in rate, causing either a gain or loss on the transaction.

- (g) Interest Payment Dates: Interest on the Company Securities will be payable to coincide with the dates that AWCC must make its corresponding interest payment on the related AWCC Securities.
- (h) Callability and Conversion Provisions: The Company Securities will have the same callability and conversion features as AWCC obtains in connection with related AWCC Securities, including provisions for redemption of the option of AWCC (and, therefore, of the Company) or tender at the option of the purchasers as may be negotiated with the agent or purchaser(s) of the AWCC Securities. The Company Securities will have no conversion features.
- (i) Sinking or Other Fund Provisions: The Company Securities will reflect whatever terms AWCC can obtain in connection with the sale of the related AWCC Securities.
- (j) Purpose: The purpose for which TAWC proposes to issue the Company Securities is to refinance existing debt obligations, finance additions and improvements to the Company's plants, property, equipment and facilities and acquisitions, and to pay down short-term borrowings.

Specific to existing debt obligations that will need to be refinanced:

- i. \$11,000,000 of 3.85% long-term debt due March 2024;
- ii. \$15,000,000 of 3.625% long-term debt due June 2026;
- iii. \$5,700,000 of 7.84% long-term debt due September 2026; and
- iv. \$19,280,321 of 3.75% long-term debt due September 2028

Specific to short-term borrowing, as of September 30, 2023, the Company has outstanding short-term debt of \$1,398,622, which will be refinanced with long-term debt subsequent to approval of this petition by the Commission. The remaining balance of the \$107,000,000 borrowing

⁵The technique noted here is identical to that proposed by TAWC in its previous financing petition in Docket No. 19-00041.

authority requested in this case represents the internal cash requirement of the Company, which will be driven primarily by capital improvement spending for utility plant additions.

18. The program for financing set out in this petition:
- (a) the purposes for which the funds derived therefrom will be used are in the best interests of the Company and the customers that it serves;
 - (b) provides terms and conditions for the financing that are the best available at this time; and
 - (c) is in accordance with and within the authority of the Commission pursuant to T.C.A. Section 65-4-109 and should, therefore, be approved.

PREMISES CONSIDERED, PETITIONER PRAYS THAT THE COMPANY BE
AUTHORIZED TO:

- 1. Issue the Company Securities to AWCC from time to time, as described in this
Petition;
- 2. Use the cash proceeds arising from such issuance for the purposes set forth in this
Petition; and
- 3. Have such other relief as it might be entitled to in this cause.

RESPECTFULLY SUBMITTED,



MELVIN J. MALONE (BPR #013874)
KATHERINE BARNES (BPR #032456)
Butler Snow LLP
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com
katherine.barnes@butlersnow.com
(615) 651-6700

ATTORNEYS FOR PETITIONER, TENNESSEE-
AMERICAN WATER COMPANY

Dated: January 3, 2024

EXHIBIT 1

**FINANCIAL STATEMENT
OF
TENNESSEE-AMERICAN WATER COMPANY**

(as of September 30, 2023 except where noted)

(1) The Applicant's amount and type of stock authorized are as follows:

Common Stock, \$1 par value	20,000,000 Shares
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(2) The Applicant's amount and type of stock issued and outstanding are as follows:

Common Stock, \$1 par value	13,754,234 Shares
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Note: The Applicant's 5% Class Cumulative Preferred Stock, par value \$100 per share, was retired on July 6, 2012. At the time of retirement, 13,816 shares were issued and outstanding, for a total face amount of \$1,381,600.

(3) The following are the only mortgages on the property of the Applicant:

General Mortgage Indenture dated as of May 1, 1968, executed by the Applicant to The Fidelity Bank (now US Bank), as Trustee, and supplemental indentures thereto dated as of December 1, 1970 (as supplemented on December 17, 1970); September 1, 1974; November 1, 1977; December 1, 1982; June 1, 1983; August 1, 1985; January 1, 1987; September 1, 1988; October 1, 1989; November 1, 1990; December 1, 1991; December 1, 1992; December 1, 1993; September 1, 1995; February 1, 1997, and June 1, 1998.

The Indenture of Mortgage provides for the issue of General Mortgage Bonds which together with all other long-term debt cannot exceed 65% of Applicant's total capitalization, which percentage is 43.98% as of September 30, 2023¹. The amount of indebtedness actually secured by a lien on all the property owned or hereafter acquired by the Company is \$5,700,000. There are no sinking fund provisions associated with the General Mortgage Bonds.

(4) At September 30, 2023, \$5,700,000 in General Mortgage Bonds were issued and outstanding.

¹ As of December 31, 2022, this percentage was 41.76% of total capitalization.

General Mortgage Bonds:

Principal amount authorized by Indenture:

No maximum limit of bonds fixed

Name of utility issuing bonds:

All bonds were issued by Tennessee-American Water Company

Principal amount issued and outstanding:

<u>GMB:</u>	<u>Issued</u>	<u>Outstanding</u>
7.84% Series	\$5,700,000	\$5,700,000

Date of issue (nominal date):

7.84% Series	October 4, 1996
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Rate of interest:

7.84% Series	7.84%
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Date of maturity:

7.84% Series	September 1, 2026
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Security: All outstanding General Mortgage Bonds are secured by the lien of the General Mortgage Indenture upon all property of the Company.

Interest paid during the 12 months ended September 30, 2023:

7.84% Series	\$446,880.00
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Interest paid during the 12 months ended December 31, 2022:

7.84% Series	\$446,880.00
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(5) Notes are payable to AWCC, bear interest as listed below.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>Amount Outstanding at 9/30/2023</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 9/30/2023</u>
AWCC	January 1, 2023	Variable	\$1,398,622	Revolver	\$391,328

* Interest is calculated at the market rate at which AWCC obtained the short-term debt. The interest expense for the period 1/1/22 – 12/31/22 was \$93,416.

Inter-Company Long-Term Debt:

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding At 9/30/23</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 9/30/23</u>
AWCC	May 19, 2011	5.90%	\$ 2,500,000	Oct 15, 2037	\$147,500
AWCC	Dec 17, 2012	4.30%	\$ 2,000,000	Dec 1, 2042	\$ 86,000
AWCC	Nov 20, 2013	3.85%	\$11,000,000	Mar 1, 2024	\$423,500
AWCC	Aug 14, 2014	4.30%	\$10,500,000	Dec 1, 2042	\$451,500
AWCC	Aug 13, 2015	4.30%	\$14,000,000	Sept 1, 2045	\$602,000
AWCC	Nov 17, 2016	4.00%	\$ 8,000,000	Dec 1, 2046	\$320,000
AWCC	Aug 9, 2018	4.20%	\$ 5,000,000	Sep 1, 2048	\$210,000
AWCC	Sep 11, 2018	3.75%	\$19,280,321	Sep 1, 2028	\$723,012
AWCC	May 20, 2019	4.15%	\$ 6,000,000	Jun 1, 2049	\$249,000
AWCC	Apr 14, 2020	3.45%	\$ 4,000,000	May 1, 2050	\$138,000
AWCC	May 14, 2021	3.25%	\$15,000,000	Jun 1, 2051	\$487,500
AWCC	May 5, 2022	4.45%	\$ 5,000,000	Jun 1, 2032	\$222,500
AWCC	Aug 15, 2023	3.625%	\$15,000,000	Jun 15, 2026	\$ 69,479

(6) There is no other indebtedness of the Applicant, but there are liabilities shown on its Balance Sheet attached hereto, consisting of, as of September 30, 2023, current and accrued items on which no interest is payable.

- (7) Dividends were paid by the Applicant during the most recent five fiscal years as follows:

Common Stock

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2018	.50	13,754,234	\$ 6,877,117
2019	.50	13,754,234	\$ 6,877,117
2020	.53	13,754,234	\$ 7,289,744
2021	.61	13,754,234	\$ 8,390,083
2022	.70	13,754,234	\$ 9,627,964

- (8) Applicant's Balance Sheet as of September 30, 2023 and a statement of Applicant's earnings and expenses for the twelve months ended on such date are attached hereto. For comparison, the calendar year December 31, 2022 and previous twelve-month period is also shown.

(Dollars in thousands)

	Capitalization and Liabilities		
	September 30, 2023	December 31, 2022	September 30, 2022
Capitalization			
Common stock	\$ 13,754	\$ 13,754	\$ 13,754
Paid-in capital	86,809	75,754	75,715
Retained earnings	52,323	46,701	47,835
Common stockholder's equity	\$ 152,887	\$ 136,209	\$ 137,304
Long-term debt, excluding current portion	111,670	107,656	107,651
Total capitalization	264,557	243,865	244,955
Current liabilities			
Notes payable - affiliated company	1,432	11,956	6,734
Current portion of long-term debt	11,000	-	-
Accounts payable	5,192	6,025	4,843
Payables - affiliated company	244	232	1,554
Other accrued taxes	4,460	4,449	4,090
Interest accrued	1,001	1,007	948
Refunds due to customers	685	500	430
Other	3,391	3,253	3,400
Total current liabilities	27,405	27,422	21,999
Regulatory and other long-term liabilities			
Regulatory liabilities	13,507	13,624	13,554
Advances for construction	8,717	7,798	7,978
Deferred income taxes	42,358	40,964	38,335
Deferred investment tax credits	13	17	19
Other tax liabilities	699	623	792
Operating lease liability	-	1	1
Total regulatory and other long-term liabilities	65,294	63,027	60,679
Contributions in aid of construction	19,916	19,284	19,330
Commitments and contingencies	-	-	-
Total capitalization and liabilities	\$ 377,172	\$ 353,598	\$ 346,965

TENNESSEE-AMERICAN WATER COMPANY

Income Statement (Unaudited)

For the 12 Months Ended September 30, 2023 and 2022, and December 31, 2022

(Dollars in thousands)

	12 Months Ended September 30, 2023	12 Months Ended December 31, 2022	12 Months Ended September 30, 2022
Operating revenues	<u>\$ 65,349</u>	<u>\$ 60,819</u>	<u>\$ 59,577</u>
Operating expenses			
Operation and maintenance	26,054	25,853	25,537
Depreciation	10,732	10,338	10,270
Amortization	812	768	766
General taxes	6,222	5,652	5,532
(Gain) loss on asset dispositions	-	-	-
Total operating expenses, net	<u>43,820</u>	<u>42,611</u>	<u>42,105</u>
Operating income	<u>21,529</u>	<u>18,208</u>	<u>17,472</u>
Other income (expenses)			
Interest on long-term debt	(5,015)	(4,571)	(4,608)
Allowance for other funds used during construction	204	146	148
Allowance for borrowed funds used during construction	220	161	145
Amortization of debt issuance costs	(112)	(98)	(93)
Non-operating benefits costs, net	598	1,306	1,318
Other, net	(163)	(76)	(30)
Total other expenses	<u>(4,268)</u>	<u>(3,131)</u>	<u>(3,120)</u>
Income before income taxes	<u>17,261</u>	<u>15,076</u>	<u>14,352</u>
Provision for income taxes	<u>4,175</u>	<u>2,088</u>	<u>1,404</u>
Net income	<u>\$ 13,086</u>	<u>\$ 12,988</u>	<u>\$ 12,948</u>

TENNESSEE-AMERICAN WATER COMPANY**Capital Structure****September 30, 2023 (Actual) and December 31, 2028 (Estimated)**

(Dollars in thousands)

Component	Actual at September 30, 2023		Estimated at December 31, 2028	
	Balance	Weighting	Balance	Weighting
Short-Term Debt	\$ 1,399	0.51%	\$ 9,625	2.36%
Long-Term Debt	121,141	43.98%	177,495	43.45%
Common Equity	152,888	55.51%	221,365	54.19%
Total Capitalization	\$ 275,428	100.00%	\$ 408,485	100.00%

EXHIBIT 2

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Tennessee-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

B A C K G R O U N D

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

A G R E E M E N T

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

TENNESSEE-AMERICAN WATER COMPANY

By: 

Herbert A. Miller, Jr.
Secretary

By: 

William F. L'Ecuier
President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: 

W. Timothy Pohl
Vice President and Secretary

By: 

Joseph F. Hartnett, Jr.
Vice President and Treasurer

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$xx,xxx,xxx

Date Effective

FOR VALUE RECEIVED, Tennessee-American Water Company, a Tennessee corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$xx,xxx,xxx) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Tennessee-American Water Company

By:_____

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
x.xxx% Maturity due xxx xx, 20xx

\$xx,xxx,xxx

Date Effective

FOR VALUE RECEIVED, Tennessee-American Water Company, a Tennessee corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$xx,xxx,xxx), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Tennessee-American Water Company

By:_____

EXHIBIT 3

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

October 10, 2000

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**

**DOCKET NO.
00-00637**

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Petition (the "Petition") of Tennessee-American Water Company ("TAWC" or the "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 Tenn. Code Ann. § 65-4-109. TAWC filed its Petition with the Authority on July 18, 2000. The Directors of the Authority considered the Petition at a regularly scheduled Authority Conference held on August 15, 2000. Upon consideration of the Petition and the exhibits thereto, the Directors made the following findings of fact and conclusions of law:

1. TAWC is a Tennessee corporation with its principal office and place of business in the City of Chattanooga, Hamilton County, Tennessee. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC").

2. TAWC is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in the business of providing water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas in Catoosa, Dade, and Walker Counties in Georgia.

3. The Petition states that the long-term debt of the Company as of May 31, 2000 is represented by seven outstanding series of general mortgage bonds (the "General Mortgage Bonds") issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from the City Water Company of Chattanooga (now TAWC) to The Fidelity Bank (now First Union National Bank), as Trustee, as supplemented and amended by thirteen supplemental indentures thereto. As of May 31, 2000, TAWC had no outstanding indebtedness other than the General Mortgage Bonds and a capital lease for TAWC's offices, except current liabilities (including short-term bank debt.)

In its Petition, TAWC seeks authority approval to issue securities to American Water Capital Corp., also a wholly-owned subsidiary of AWWC, in the form of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which will be used to (a) refinance the following General Mortgage Bonds: (i) the 9.43% Series maturing on September 1, 2000, in the principal amount of \$5,000,000; (ii) the 8.28% Series maturing June 1, 2002 in the principal amount of \$10,000,000; and (iii) the 6.77% Series maturing on June 1, 2003 in the principal amount of \$9,000,000; and (b) finance additions and improvements to the TAWC's plants, property, equipment and facilities, and acquisitions; and (c) repay short-term borrowing.

4. Under Tenn. Code Ann. § 65-4-109, the Authority shall approve the proposed assumption of debt obligations if it finds that it will be made in accordance with law and that the Authority approves the purpose of the assumption of debt obligations.

5. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Petition should be approved. The Authority finds that this assumption of debt obligations is in accordance with law and is for a proper purpose.

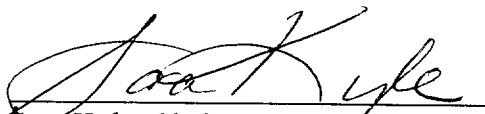
IT IS THEREFORE ORDERED THAT:

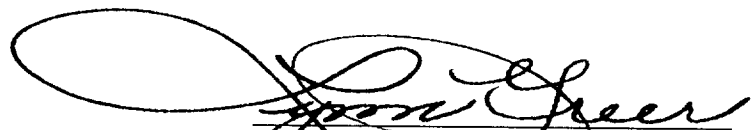
1. Tennessee-American Water Company is authorized to assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$30,100,000;

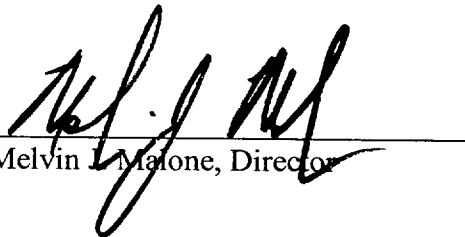
2. The terms of said debt obligations shall be as described in the Petition of Tennessee-American Water Company and exhibits thereto on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any notes or debentures issued as described in the Petition of Tennessee-American Water Company. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein;

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin L. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary

EXHIBIT 4

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 14, 2007

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN WATER)	DOCKET NO.
COMPANY FOR APPROVAL OF AND AUTHORITY)	06-00305
TO BORROW UP TO \$44,900,000)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 5, 2007 for consideration of the petition of Tennessee-American Water Company for approval of and authority to borrow up to \$44,900,000 (“*Petition*”) pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The *Petition*

Tennessee-American Water Company (“TAWC” or “Company”), a Tennessee corporation with principal offices in Chattanooga, Tennessee, provides water utility services to municipalities in Hamilton and Marion Counties, Tennessee, and certain areas in Catoosa, Dade and Walker Counties, Georgia. TAWC has a rate case proceeding pending before the Authority in Docket No. 06-00290

On December 7, 2006, TAWC filed its *Petition* requesting authorization to borrow up to \$44,900,000 to refinance outstanding indebtedness and finance additions and improvements to

its facilities and acquisitions. Specifically, TAWC requests approval to issue up to an aggregate of \$44,900,000 in securities to American Water Capital Corporation ("AWCC"). Both TAWC and AWCC are wholly-owned subsidiaries of American Water Works Company, Inc. ("AWWC").

On October 10, 2000, TAWC obtained Authority approval in Docket No. 00-00637 to enter into a non-exclusive Financial Services Agreement with AWCC pursuant to which AWCC periodically solicits from TAWC estimates of its needs for long-term financing. On the basis of that information, AWCC registers its debt securities for sale in the US public/private capital markets.

From time to time thereafter, as TAWC needs a portion of its long term financing needs funded, AWCC sells portions of its securities in the capital markets or to an investor or lender, and loans the proceeds of the sale to TAWC. The loans from AWCC to TAWC are on terms identical to the terms of the securities sold in public markets by AWCC and are evidenced by written notes. The Financial Services Agreement obligates TAWC to pay all of AWCC's costs related to the AWCC securities issued to fund loans to TAWC. The Company will also bear its proportionate share of AWCC's overhead, along with other participating operating subsidiaries. The Agreement is non-exclusive and provides TAWC with cash management and short-term debt financing services.

Pursuant to the October 10, 2000 Authority Order in Docket No. 00-00637, the Authority approved the issuance by TAWC to AWCC of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005. The proceeds were used to refinance outstanding general mortgage bonds, finance additions and improvements to the company's plants, equipment and facilities and to repay short term borrowings.

In the present *Petition*, TAWC proposes to continue its participation in the AWCC program and issue Company securities in an aggregate principal amount of up to \$44,900,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities.

The February 5, 2006 Authority Conference

Tenn. Code Ann. § 65-4-109 (2004) states:

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 authority for such proposed issue. It shall be the duty of the authority 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 authority.

On February 2, 2007, the City of Chattanooga, a municipal corporation, filed a petition to intervene in this docket. At a regularly scheduled Authority Conference held on February 5, 2007, staff advised that some issues raised in this docket overlap issues pending in Docket No. 06-00290. The panel recessed the docket in order for TAWC representatives and City of Chattanooga representatives (“Parties”) to discuss the issues. Upon reconvening the docket, the panel was advised that the Parties had agreed to the following:


1. Any questions regarding the reasonableness and cost of refinancing of the total debt of TAWC still remains an open issue in Docket No. 06-00290.
2. An approval for the issuance of this debt will have no res judicata, claim preclusion or issue preclusion, with respect to any concerns the City of Chattanooga may desire to raise in the ratemaking case, Docket No. 06-00290.
3. The City of Chattanooga will withdraw its request to intervene and pursue the issues of concern in Docket No. 06-00290.

Thereafter, the panel voted unanimously to approve the *Petition* and made the following findings:

1. the proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. the transaction is being made in accordance with laws enforceable by this agency; and
3. the purpose of this transaction is in the public interest because it allows TAWC to finance additions and improvements to its water system.

IT IS THEREFORE ORDERED THAT:

1. Tennessee-American Water Company is authorized to enter into the financing transaction as described in the *Petition* and discussed herein.
2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved nor is this decision intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Sara Kyle, Chairman


Pat Miller, Director



Ron Jones, Director

EXHIBIT 5

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 28, 2009

IN RE:

**PETITION OF TENNESSEE-AMERICAN WATER
COMPANY FOR APPROVAL OF AND AUTHORITY
TO BORROW UP TO \$45,000,000 TO REFINANCE
ADDITIONS AND IMPROVEMENTS TO FACILITIES
AND ACQUISITIONS AND TO REPAY SHORT-TERM
INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109**

**DOCKET NO.
09-00073**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 4, 2009 for consideration of the *Petition* filed on May 28, 2009 by Tennessee-American Water Company (the “Company”) for approval to borrow up to \$45,000,000 to refinance outstanding indebtedness, finance additions and improvements to facilities, and to repay short-term indebtedness.

The Company is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWWC”) and is engaged in the business of rendering water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas of Catoosa, Dade, and Walker counties in Georgia. The Company also owns, operates, manages, and controls plants, property, equipment, and facilities within and adjacent to the City of Chattanooga which are used and useful in the collection, purification, pumping, distribution, and furnishing of potable water for residential, commercial,

industrial, and governmental users in Tennessee and Georgia. The Company currently serves approximately 75,000 customers in Tennessee and Georgia.

THE PROPOSED TRANSACTION

The Company proposes to continue its participation in AWCC's borrowing program and to issue Company Securities in an aggregate principal amount of up to \$45,000,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities. It is expected that the first issue of Company Securities will occur during the third or early fourth quarter of 2009 and as required thereafter through December 31, 2013.

The *Petition* asserts the maturity of the Company Securities will not be more than fifty years from the nominal date of issue, with the expectation that the maturity dates will be from one to thirty-five years, depending upon market conditions. The interest rates on the Company Securities 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's participation in the AWCC borrowing program does not preclude it from borrowing from third parties. The Company is not required to borrow any amount from AWCC. Further, the Company may terminate its participation in the AWCC borrowing program upon ten days written notice.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) provides

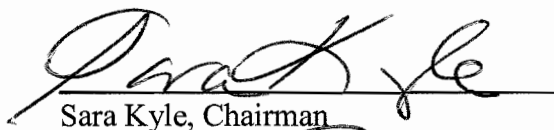
No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after 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 authority.

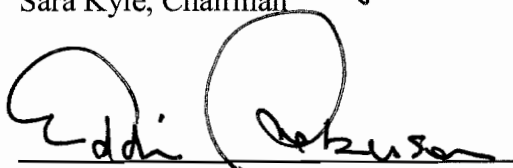
At a regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
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 because it will allow the Company to finance additions and improvements to its water system.

IT IS THEREFORE ORDERED THAT:

1. Tennessee-American Water Company is authorized to enter into the financing transactions described in the *Petition*.
2. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risks involved.
3. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Sara Kyle, Chairman


Eddie Roberson, Director


Kenneth C. Hill, Director

EXHIBIT 6

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 3, 2014

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 IMPROVEMENT TO FACILITIES
AND ACQUISITIONS AND TO REPAY SHORT-TERM
INDEBTEDNESS PURSUANT TO 65-5-109**

DOCKET NO.
14-00061

ORDER APPROVING FINANCING ARRANGEMENTS

This matter came before Director Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Bennett of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on July 22, 2014, for consideration of the *Petition* filed by Tennessee American Water Company (“TAWC” or the “Company”) on June 4, 2014 seeking approval to borrow up to \$60,000,000 to refinance outstanding indebtedness, finance additions and improvements to facilities, acquisitions and to repay short-term indebtedness.

TAWC is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWK”) and provides water service to approximately 75,918 customers in Chattanooga and surrounding areas. TAWC also provides water service to customers in North Georgia.

THE PETITION

On June 15, 2000, the Company entered into a nonexclusive Financial Services Agreement (the “Services Agreement”) with American Water Capital Corp. (“AWCC”), also a wholly-owned subsidiary of AWK, that registers its own debt securities (the “AWCC Securities”) for sale in the U.S. public/private capital markets. From time to time, as the Company needs additional long-term financing, 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 those AWCC Securities to the Company. In addition, the Services Agreement also provides that the Company may utilize AWCC to meet its short-term (maturity of less than one year) borrowing requirements through advances funded by a syndicated credit facility arranged by AWCC and its cash management needs. The Services Agreement obligates TAWC to pay all of its allocated portion of AWCC's costs related to the AWCC Securities issued to fund the loan to the Company, plus, along with other participating operation subsidiaries, its proportionate share of AWCC's overhead. TAWC's participation in the AWCC borrowing program does not preclude it from borrowing from third parties. TAWC is not required to borrow any amount from AWCC and may terminate the Services Agreement upon ten days written notice.

TAWC proposes to continue its participation in the AWCC program and to issue Company Securities in an aggregate principal amount of up to \$60,000,000 from time to time to refinance or repay outstanding indebtedness and to finance the acquisition of additional facilities. The *Petition* states that the maturity of the Company Securities will not be more than fifty years from the nominal date of issue, with the expectation that the maturity dates will be from one to thirty-five years, depending upon market conditions. The interest rates on the Company Securities 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. It is anticipated that the AWCC Securities will be sold carrying an interest rate spread of approximately 100-200 basis points above the interest rate borne by corresponding United States Treasury securities, based upon current market conditions. To reduce borrowing costs in rising interest rate environments, the Company may use hedging tools like interest rate swaps or other derivative agreements.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) 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 authority for such proposed issue. It shall be the duty of the authority 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 authority.

At a regularly scheduled Authority Conference held on July 22, 2014, the panel voted unanimously to approve the *Petition* and made the following findings:


1. The proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transactions are being made in accordance with laws enforceable by this agency.
3. The purpose of the transactions is in the public interest because it allows TAWC to finance additions and improvements to its water system.

IT IS THEREFORE ORDERED THAT:

1. Tennessee American Water Company is authorized to enter into the financing arrangements described in the *Petition*.
2. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party for the purpose of inferring an analysis or assessment of the risks involved.
3. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.

Director Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Bennett concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 7

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

STATE OF TENNESSEE)
)
COUNTY OF Hamilton)

Sonal Modi, upon oath, states that she is the Director/Finance & Treasurer of Tennessee-American Water Company, a Tennessee corporation and Petitioner in the above-referenced matter; that as such officer of said corporation, she has approved the foregoing Petition and has authority to do so; that she has read said Petition and knows the contents thereof; and that the statements therein contained are true to the best of her knowledge, information, and belief.

Sonal C. Modi
Sonal Modi

Subscribed and sworn to before me this 2nd day of January, 2024.

Notary Public: Kassie Jo Weeks

County: Hamilton

My commission will expire: 06/23/2025



Kassie Jo Weeks
Notary Public

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:

Vance L. Broemel, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Vance.Broemel@ag.tn.gov

Karen H. Stachowski, Esq.
Deputy Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

This the 3rd day of January 2024.



Katherine Barnes