

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

IN RE:)
)
PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY TO MODIFY TARIFF,) **DOCKET NO. 24-00032**
CHANGE AND INCREASE CHARGES, FEES,)
AND RATES, AND FOR APPROVAL OF A)
GENERAL RATE INCREASE)

**CITY OF CHATTANOOGA’S MEMORANDUM IN SUPPORT OF MOTION FOR
LEAVE TO FILE LIMITED DISCOVERY**

Intervenor, the City of Chattanooga (“Chattanooga”), by and through counsel, pursuant to Tenn. Code Ann. § 65-2-102, TPUC Rule 1220-01-02-.11, and Rules 26, 33, and 34 of the *Tennessee Rules of Civil Procedure*, files this Memorandum in Support of its Motion for Leave to File Limited Discovery (the “Motion”). Given the magnitude of the rate case expenses sought by Tennessee-American Water Company (“TAWC”), and the direct impact on ratepayers, discovery is appropriate and necessary to determine the reasonableness of such expenses. Chattanooga would show as follows:

1. Rules and Principles Governing Discovery Before the Commission

Chattanooga respectfully incorporates by reference and agrees with the legal principles set forth in the Consumer Advocate Division’s (“CAD”) Memorandum in Support of its Motion for Limited Discovery filed December 23, 2025, regarding the applicable rules governing discovery before the Commission. *See* Consumer Advocate’s Memorandum at pp. 1-3. Those principles are equally applicable here and need not be repeated at length. In summary, TPUC Rule 1220-1-2-.11 provides that parties may petition for discovery to be conducted in accordance with the Tennessee Rules of Civil Procedure, which allow for broad discovery of any matter, not privileged, which is

relevant to the subject matter and appears reasonably calculated to lead to the discovery of admissible evidence.

Tennessee case law mandates that in evaluating rate case expenses, the Commission is to conduct a close examination of “. . .the costs associated with the rate case to determine the portion to be recovered from rate payers and the portion to be born [sic] by the shareholders.” *Tennessee Am. Water Co. v. Tennessee Regul. Auth.*, No. M2009-00553-COA-R12-CV, 2011 WL 334678, at *27 (Tenn. Ct. App. Jan. 28, 2011). The discovery sought by Chattanooga will support that close examination.

2. Chattanooga has Good Cause to Request Limited Discovery

Chattanooga echoes the CAD in stating that the unique posture of this case warrants limited discovery on TAWC’s rate case expenses. TAWC is requesting over \$1.5 million in rate case expenses—to be paid by consumers—an amount far in excess of its ultimate recovery in the underlying rate case.

TAWC seeks to recover the Commission-capped amount of \$1,554,000, through a customer surcharge imposed over a three-year period, plus additional expenses arising from this separate proceeding. *See* Petition for Recovery of Rate Case Expenses, filed November 7, 2025, at p. 3, ¶ 8. Chattanooga, representing the interests of the City and its residents who are ratepayers of TAWC, has a substantial interest in ensuring that the rate case expenses sought for recovery are reasonable, prudent, necessary, and properly documented. As the Commission stated in its Order Setting Utility Rates in this proceeding:

For some time, the Commission has weighed whether additional incentives and/or deterrents are necessary with respect to ensuring rate case expense is reasonable. Rate case expense is a necessary expenditure in the provision of utility service and, if reasonable, is generally recovered from ratepayers. Ratepayers benefit because the Company receives additional revenues to make

necessary facility repairs and upgrades so that the system remains safe and reliable, and to cover reasonable operating expenses to help ensure efficiency of operations. Stockholders also benefit from the increased revenues, which generally result in higher equity returns and, ultimately, increased stock prices. Yet, regulators must be circumspect and consider whether too little review or a complete lack of consequences for management and stockholders could embolden a public utility to take unreasonable positions in furtherance of driving up the revenue requirement sought in a rate case. In this case, the Company submitted an estimate of \$1.554 million in rate case expense, covering legal, internal costs, and outside consultants, for a rate case that ultimately ended with a relatively modest rate increase of \$1,073,930.

Order Setting Utility Rates, filed April 21, 2025, at p. 34.

In keeping with the above principles, Chattanooga seeks discovery related to TAWC's rate case expenses not only to ensure that ratepayers are only paying for expenses that ultimately benefitted them rather than TAWC's stockholders, but also to contribute to the Commission's formation of a framework for use in the consideration of additional incentives and/or deterrents that are necessary to ensure that rate case expenses are reasonable.

Chattanooga's request to conduct limited discovery is reasonable and necessary. The discovery is essential for Chattanooga to fulfill its duty to represent its interests and the interests of its residents who are TAWC ratepayers. Without it, Chattanooga cannot develop the factual record necessary to permit the Commission's evaluation of whether TAWC's rate case expenses are reasonable and prudent. Denying limited discovery at this stage would effectively preclude Chattanooga from meaningfully protecting itself and its residents from unjustified charges that will be passed through to them as ratepayers.

3. Chattanooga's Discovery Requests Are Not Abusive or Oppressive

Under Tenn. R. Civ. P. 26.02(1), “[p]arties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action” and discovery shall be limited only under the following circumstances:

[if] the discovery sought is unreasonably cumulative or duplicative or is obtainable from some other source that is more convenient, less burdensome or less expensive; (ii) the party seeking discovery has had ample opportunity by discovery in the action to obtain the information sought; or, (iii) the discovery is unduly burdensome or expensive, taking into account the needs of the case, the amount in controversy, limitations on the parties’ resources, and the importance of the issues at stake in the litigation.

See Tenn. R. Civ. P. 26.02(1). Chattanooga submits that none of these three scenarios are at play here.

Chattanooga will coordinate with the CAD to ensure that its limited discovery is not cumulative, duplicative, or unduly burdensome. As noted in the CAD’s Memorandum, TAWC is a subsidiary of the largest water and wastewater holding company in the United States and clearly has the resources to respond to the discovery requests. Chattanooga is acting diligently in the pursuit of the information sought. TAWC's Petition was filed on November 7, 2025, but it has not provided to the Commission's staff, to the CAD, or to the City any of the underlying documentation for the more than \$1.5 million in rate case expenses sought by TAWC.

The parties to this case understood its complexity and have cooperated in the efficient and ordered presentation of the rate case to the Commission. In the formulation of its limited discovery, Chattanooga will continue its practice of consultation and cooperation with the other parties to avoid unnecessary expense or burden.

4. Conclusion

For the foregoing reasons, Chattanooga respectfully requests that the Commission grant its Motion for Limited Discovery in this proceeding, as to the rate case expenses sought by TAWC.

Respectfully Submitted,

CITY OF CHATTANOOGA

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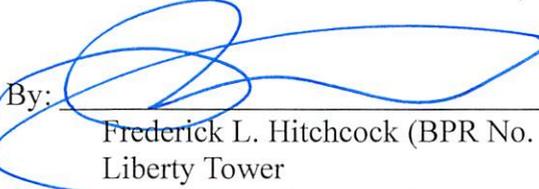
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CERTIFICATE OF SERVICE

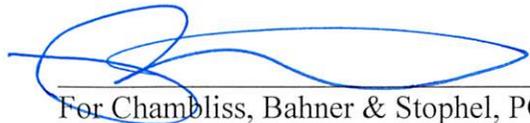
I hereby certify that a true and correct copy of the foregoing was served upon the following persons via U.S. Mail, with a courtesy copy by electronic mail:

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This the 30 day of December, 2025.



For Chambliss, Bahner & Stophel, PC