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November 23, 2026

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VIA ELECTRONIC FILING

Hon. Herbert H. Hilliard, Chairman
c/o Ectory Lawless, Docket Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: ***Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase [Legal Fees],*** **TPUC Docket No. 24-00032**

Dear Chairman Hilliard:

Attached for filing please find the *Supplemental Testimony of Philip J. Drennan on Behalf of Tennessee-American Water Company* in the above-captioned matter, which presents and supports the settlement reached by the parties.

As required, copies will follow. Should you have any questions concerning this filing or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP

Melvin J. Malone

clw
Attachments
cc: Phil Drennan, TAWC
Kelsey Piro, TAWC
Shilina Brown, Consumer Advocate Division
Phillip Noblett, City of Chattanooga
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TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

SUPPLEMENTAL TESTIMONY

OF

PHILIP J. DRENNAN

ON

SETTLEMENT AGREEMENT IN TENNESSEE-AMERICAN WATER COMPANY PETITION FOR RECOVERY OF RATE CASE EXPENSES

SPONSORING PETITIONER'S EXHIBITS:

Exhibit PJD-1 Rate Case Expense Surcharge Calculation

Exhibit PJD-2 Proposed Rate Case Expense Surcharge Tarff

SUPPLEMENTAL TESTIMONY

PHILIP J. DRENNAN

TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-00032

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SUPPLEMENTAL TESTIMONY

PHILIP J. DRENNAN

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Philip J. Drennan, and my business address is 153 N. Emerson Avenue, Greenwood, IN 46143.

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

A. I am employed by American Water Works Service Company, Inc. ("Service Company") as Director, Rates & Regulatory. The Service Company is a subsidiary of American Water Works Company, Inc. ("American Water") that provides support services to American Water's subsidiaries, including Tennessee-American Water Company, Inc. ("Tennessee American," "TAWC" or "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED PRE-FILED TESTIMONY IN THIS MATTER BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION ("TPUC" OR THE "COMMISSION")?

A. Yes. I submitted Pre-filed Rebuttal Testimony on November 10, 2026, in which I adopted the November 7, 2025, Pre-filed Direct Testimony of TAWC Witness Robert C. Lane in this case.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. The purpose of my Supplemental Testimony is to present and support the settlement agreement reached among the Consumer Advocate Divisions ("Consumer Advocate" or

"CAD"), the City of Chattanooga ("City" or "COC"), and Tennessee-American Water Company ("Company" or "TAWC"), in the matter of the Company's *Petition for Recovery of Rate Case Expenses* filed on November 7, 2025, in Docket No. 24-00032.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes, I am sponsoring the following Exhibits:

- Exhibit PJD-1 Rate Case Expense Surcharge Calculation
- Exhibit PJD-2 Proposed Rate Case Expense Surcharge Tarff

II. SUPPORT OF THE SETTLEMENT AGREEMENT

Q. CAN YOU PLEASE SUMMARIZE THE COMPANY'S SETTLEMENT AGREEMENT REACHED WITH THE CAD AND CITY?

A. Subsequent to the submission of the CAD's Pre-filed Testimony and the Company's Pre-filed Rebuttal Testimony, TAWC, the CAD, and the City held cooperative, good faith settlement discussions and eventually reached a unanimous settlement on November 20, 2026, regarding recovery of the Company's rate case expenses incurred in Docket No. 24-00032. The parties agreed to a total settlement amount of $999,000 to be collected from customers through a surcharge over a 3-year period. Pursuant to the settlement agreement, the parties did not, and the settlement does not, break down how the parties arrived at the $999,000 amount, nor does settlement identify any specific rate case expenses recoverable under the agreement. The Company believes that resolving this matter through settlement is in the best interest of the parties and of its customers because it reduces the additional expense, time, and uncertainty of further litigation over rate case costs.

Q. HOW WILL THE AGREED UPON RATE CASE EXPENSE SURCHARGE BE CALCULATED AND HOW WILL IT FUNCTION?

A. The rate case expense surcharge agreed upon by the parties will be calculated as a percentage of each customer's fixed and volumetric water service charges. This design ensures that all customers, including the Company's sale-for-resale special contract customers, who are charged only volumetric rates, contribute to the recovery of the surcharge. The surcharge will function in the same manner as the Company's PCOP rider. As shown in *Exhibit PJD-1 Rate Case Expense Surcharge Calculation*, the Company proposes a 0.47% surcharge, should the Commission approve the parties' settlement agreement. The surcharge is designed to recover the $999,000 settlement amount over three years. The Company will track the surcharge collections and will remove the surcharge once the full $999,000 has been collected from customers. The Company will notify the Commission and parties in writing in approximately three years when the Company expects the surcharge to be reset to zero. The Company will submit new tariffs to the Commission and a reconciliation of the collected surcharges when the final amount collected is known. To the extent there is any over- or under-collected amount, the final amount will be addressed and resolved in a subsequent ARM filing. Under the settlement, the bill impact for an average TAWC customer using 3,800 gallons will be approximately $0.13 (thirteen cents) per month.

Q. WILL THE TENNESSEE WATER SERVICE CUSTOMERS IN THE CHALET VILLAGE NORTH SYSTEM IN SEVIER COUNTY, ACQUIRED FROM NEXUS WATER GROUP ON JUNE 1, 2026, RECEIVE THE RATE CASE EXPENSE SURCHARGE?

A. No. The Company is proposing to exclude the Chalet Village North customers from the rate case expense surcharge. The Company acquired these customers from Nexus Water Group on June 1, 2026, and they were not customers of the Company, or a party, in Docket No. 24-00032. Moreover, the Company adopted the existing rates charged to these customers, which were set by the TPUC in a prior rate proceeding that included Tennessee Water Service and the customers in the Chalet Village North system.

Q. HOW WILL THE COMPANY ACCOUNT FOR THE UNRECOVERED BALANCE OF ITS RATE CASE EXPENSES INCURRED IN DOCKET NO. 24-00032?

A. The Company will reclassify the unrecovered balance of rate case expenses out of the regulatory asset that holds its rate case expense balance and will record them as an expense. The unrecovered balance of rate case expenses not a part of the settlement amount will not be recovered from the Company's customers.

Q. WILL THE COMPANY'S RATE CASE EXPENSE SURCHARGE AND TREATMENT OF THE UNRECOVERED RATE CASE EXPENSES AFFECT THE COMPANY'S ANNUAL REVIEW OF RATES MECHANISM ("ARM")?

A. No. Surcharge collections will be posted directly to the regulatory asset established to defer the $999,000 of the Company's rate case expenses. Therefore, applying the surcharge will have no impact on revenues or expenses. The unrecovered rate case expenses above the $999,000 settlement amount will be identified in the Company's next ARM filing and removed from the annual earnings test, ensuring that these expenses are not recovered from customers through the ARM.

III. CONCLUSION

Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL TESTIMONY AND RECOMMENDATION.

A. The Company, the CAD, and the City reached a unanimous settlement allowing the Company to recover $999,000 of its rate case expenses incurred in Docket No. 24-00032 through a surcharge over three years. The Parties agreed on the final amount without agreeing on how each component should be determined, and the settlement does not identify specific rate case expenses as prudent and recoverable. Rate case expenses above $999,000 will not be recovered from customers. I respectfully request that the Commission approve the settlement, which resolves the matter without further litigation and associated costs and conserves regulatory resources.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

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

VERIFICATION

STATE OF Illinois)
)
COUNTY OF Cook)

I, PHILIP J. DRENNAN, being duly sworn, state that I am authorized to testify on behalf of Tennessee-American Water Company in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.

PHILIP J. DRENNAN

Sworn to and subscribed before me
this 23 day of November, 2026.

Notary Public

Official Seal
EDUARDO MARTINEZ
Notary Public, State of Illinois
Commission No. 887926
My Commission Expires July 17, 2027

My Commission Expires: 07/17/2027

Tennessee American Water Company
Docket No. 24-00032
Rate Case Expense Surcharge Calculation

Line Number	Description	Rate Case Expense
1	Rate Case Expense Settlement Amount; TPUC Docket No. 24-00032	$999,000
2	Total Rate Case Expense	$999,000
3	Annual Amortization of Rate Case Expenses (3 Years)	$333,000
4	Approved Revenue Requirement TPUC 24-00032	$71,219,854
5	**Rate Case Expense Surcharge (3-Year Amortization Period)**	**0.47%**

CLASSIFICATION OF SERVICE

RATE CASE EXPENSE SURCHARGE

1. Applicability

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, Sale for Resale – Special Contract, and Private Fire. This surcharge shall not apply to customers in Chalet Village North in Sevier County.

2. The Surcharge Percentage Applied to Monthly Billed Water Service

Rate Case Expense Surcharge TPUC Docket No. 24-000032: 0.47% (I)

(D) Indicates Decrease
(I) Indicates Increase