

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

November 4, 2025

IN RE:)	
)	
TENNESSEE WATER SERVICE, INC. PETITION)	DOCKET NO.
TO ESTABLISH A DOCKET AND EXTEND THE)	25-00031
DUE DATE FOR FILING ITS PETITION FOR)	
APPROVAL OF 2025 ANNUAL RATE REVIEW)	
FILING ANNUAL)	

ORDER APPROVING PETITION AS AMENDED

This matter came before Chairman David F. Jones, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner Clay R. Good, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on September 15, 2025. The panel convened to consider the *Petition for Approval of 2025 Rate Review Filing* (“*Petition*”) filed on May 30, 2025, by Tennessee Water Services, Inc. (“TWS” or the “Company”).

I. BACKGROUND AND PETITION

TWS is a public utility engaged in the provision of water utility service in the Chalet Village Subdivision in Sevier County, Tennessee. TWS serves approximately 440 water customers. TWS is a Tennessee corporation with a business address located in Jasper, Georgia.¹

TWS’s most recent rate case was considered in Docket No. 19-00028.² The Company’s *2019 Rate Case Petition* was approved by an order issued on January 20, 2020, which was subsequently

¹ *Petition*, pp. 1-2 (May 30, 2025).

² See *In re: Petition of Tennessee Water Service, Inc. for Adjustment of Rates and Charges, approval of a Qualified Infrastructure Investment Program, and Modification to Certain Terms and Conditions for the Provision of Water Service*, Docket No. 19-00028, *Petition* (February 28, 2019) (hereinafter “*2019 Rate Case*”).

amended to make technical corrections by the Commission’s *Amended Order* issued on March 9, 2020.³ TWS had previously sustained significant loss of its water infrastructure during the wildfires of November 2016.⁴ TWS sought approval of the Annual Rate Review Mechanism (“ARRM”) in Docket No. 23-00046. The Commission subsequently approved a settlement between TWS and the Consumer Advocate Division of the Attorney General’s Office (“Consumer Advocate”) which established the ARRM that was substantially similar to that proposed by the Company but with several initial restrictions.⁵

The Company’s base rates may be reduced, but no base rate increases are permitted until the third ARRM filing. For the first two ARRM filings, no regulatory asset deferral will be created due to any computed revenue deficiency. If the non-revenue water (“NRW”) rate exceeds 15% for the Historic Period Excess or Deficiency Calculation or the Attrition Period Rate Reset, the Company will proportionately adjust Purchased Water Expense, Chemicals Expense, and Purchased Power Expense.⁶ Recovery of ARRM costs related to the filing and processing of each ARRM filing is limited to \$15,000 annually, inclusive of incremental internal costs.⁷

The approved ARRM is based upon a historic base period, defined as the 12-month period ending December 31st of each calendar year, and will not include any forecasted or forward-looking data. The ARRM is to be filed on or before April 30th each year, and the rates adopted will become effective on September 1st. The ARRM is required to include a true-up procedure to eliminate any under or over-recovery of costs.⁸ In Docket No. 24-00028, the Commission approved the Company’s

³ *2019 Rate Case*, Docket No. 19-00028, *Order* (January 20, 2020); *2019 Rate Case*, Docket No. 19-00028, *Amended Order* (March 9, 2020).

⁴ *Id.*

⁵ *See In Re: Petition of Tennessee Water Service, Inc. to Adopt Annual Review Mechanism and Tariff Pursuant to Tenn. Code Ann. § 65-5-103(D)(6)*, Docket No. 23-00046, *Order Approving Stipulation and Settlement Agreement on Annual Rate Review Mechanism and Tariff*, pp. 5-8 (November 16, 2023).

⁶ *Id.* at 6.

⁷ *Id.* at 7.

⁸ *Id.*, Exhibit 1, Tennessee Water Service ARM Tariff, Original Sheet 20.

2024 ARRM filing.⁹

On April 25, 2025, the Company filed its *Petition to Establish a Docket and Extend the Due Date for the Filing of the Petition for Approval of 2025 Annual Rate Review Filing* (“*Motion for Extension*”) seeking an extension of time, until May 31, 2025, to file the ARRM. The basis of the Company’s *Motion for Extension* was a delay in the completion of the Company’s audited financials for the full year 2024.¹⁰ The Consumer Advocate had no objection. The Administrative Judge subsequently granted the *Motion for Extension*.¹¹

On May 30, 2025, TWS filed the *Petition*. Pursuant to the settlement agreement approved in Docket No. 23-00046, the Company did not request a rate increase.¹² Ms. Tiffany Van Horn, president of TWS, provided pre-filed testimony in support of the *Petition*. According to Ms. Van Horn, the Company serves approximately 75% of the premises that were present prior to the 2016 Great Smoky Mountains wildfire, which is double the active premises at the time of the Company’s last rate case in 2019.¹³

Mr. Andrew Dickson, the regional Vice President of Finance for Water Service, a subsidiary of Nexus Water Group, Inc. (“NWG”), provided pre-filed testimony in support of the *Petition*. Mr. Dickson is responsible for overseeing all the financial and regulatory activities for NWG’s South Region, which includes Tennessee.¹⁴

According to Mr. Dickson, the Company’s filing adheres to methodologies contained within the settlement agreement approved in Commission Docket No. 23-00046.¹⁵ The *Petition* has no rate

⁹ *In Re: Tennessee Water Service, Inc. Petition for Approval of its 2024 Annual Rate Review Filing Pursuant to Tenn. Code. Ann. 65-5-103(d)(6) and Request for Rate Structure Modification*, Docket No. 24-00028, *Order Approving 2024 ARRM Filing as Amended*, p. 8 (November 5, 2024).

¹⁰ *Order Granting Motion for Extension of Time*, pp. 1-2 (April 29, 2025).

¹¹ *Id.*

¹² *Petition*, p. 3 (May 30, 2025).

¹³ Tiffany Van Horn, Pre-Filed Direct Testimony, p. 3 (May 30, 2025).

¹⁴ Andrew Dickson, Pre-Filed Direct Testimony, pp. 2-3 (May 30, 2025).

¹⁵ *Id.* at 5.

increase, includes a 15% threshold for NRW, and a \$15,000 limitation on annual filing costs. Based upon the Company's calculations, there was a \$60,566 earnings deficiency during its historic test period.¹⁶ After applying carrying costs and grossing up this deficiency for taxes, that amount translated to an \$84,147 historic test period revenue deficit; that shortfall was included for recovery in the attrition period's rate reset. After applying the prescribed methodologies to derive the attrition period's rate reset amounts, an original \$98,528 revenue shortfall resulted.¹⁷ However, the Company's proposed revenue reset shortfall was revised to \$56,714 in its August 1, 2025, filing. TWS submitted revised exhibits at that time due to adjustments made after discussions with the Consumer Advocate.¹⁸

Mr. Dickson noted that the reconciliation and correction to the Company's Accumulated Deferred Income Tax ("ADIT") balances for federal and state taxes was needed in the Company's last ARRM filing. The Company had not yet completed this work; as a result, TWS removed the federal net operating loss component of ADIT from its book balances on Schedule A for both the historic and attrition periods.¹⁹ Mr. Dickson described changes made to simplify the TWS's cost allocation methodology ("CAM"). According to Mr. Dickson, these changes have been incorporated into the Company's new CAM manual, which became effective April 1, 2024. The revised manual allocates costs to affiliate companies in accordance with the *Guidelines for Cost Allocations and Affiliate Transactions*, published by the National Association of Regulatory Utility Commissioners.²⁰

II. TRAVEL OF THE CASE

The Consumer Advocate filed the *Consumer Advocate's Petition to Intervene* on July 3, 2025. The Administrative Judge granted the intervention of the Consumer Advocate by order entered on

¹⁶ *Id.* at 6.

¹⁷ *Id.* at 6-7.

¹⁸ TWS's Updated Exhibits (August 1, 2025).

¹⁹ Andrew Dickson, Pre-Filed Direct Testimony, p. 7 (May 30, 2025).

²⁰ *Id.* at 8-9.

July 10, 2025. Following discovery and review of the record, the Consumer Advocate filed a letter expressing its intent not to file pre-filed testimony and indicated that there were no outstanding issues in the docket.²¹

III. THE HEARING

A Hearing in this matter was held before the voting panel of Commissioners during a regularly scheduled Commission Conference on September 15, 2025, as noticed by the Commission on September 5, 2025. Participating in the Hearing were the following parties and their respective counsel:

Tennessee Water Service, Inc. – Ryan A. Freeman, Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Suite 1900 Republic Centre, 633 Chestnut Street, Chattanooga, TN 37450; Dante DeStefano, 500 W. Monroe Street, Suite 3600, Chicago, IL 60661-3779.

Consumer Advocate Division – Vance Broemel, Esq., Office of the Tennessee Attorney General, Consumer Advocate Unit in the Financial Division, P.O. Box 20207, Nashville, Tennessee 37202-0207.

The panel heard testimony from Tiffany Van Horn, via Webex, on behalf of the Company.²² Ms. Van Horn was made available for questions from the Commissioners or Commission Staff. Following testimony, the panel solicited comments from the public, but no member of the public sought to be heard.

IV. CRITERIA FOR ESTABLISHING JUST AND REASONABLE RATES

The Commission has jurisdiction to set the rates of public utilities operating in the State of Tennessee.²³ The Commission is “authorized to implement alternative regulatory methods to allow for public utility rate reviews and cost recovery in lieu of a general rate case proceeding...”²⁴ A

²¹ Letter to Chairman David F. Jones from Vance L. Broemel, Consumer Advocate Re Consumer Advocate Expresses Its Intent not to File Testimony as There are no Outstanding Issues in this Docket (August 4, 2025).

²² *Order Granting Electronic Participation in Hearing*, pp. 1-2 (September 10, 2025).

²³ Tenn. Code Ann. §§ 65-4-101(6); 65-4-104; 65-5-101, *et seq.* (2019 Supp.).

²⁴ Tenn. Code Ann. § 65-5-103(d)(1)(A) (2019 Supp.).

public utility may elect to opt into an annual rate review of its rates that is based upon the methodology adopted in the public utility's most recent rate case, occurring within the five years prior to the opt-in.²⁵ Further, the Commission must determine whether the annual review mechanism is in the public interest.²⁶

Applying these principles and criteria, and upon consideration of the entire record, including all exhibits and the testimony of the witnesses, the panel made the following findings and conclusions regarding the *Petition*.

V. FINDINGS AND CONCLUSIONS

Based on the evidentiary record in this case, the panel found unanimously that the methodologies, adjustments, and procedures related to TWS's ARRM for the historic period January 2024 through December 2024 and attrition period September 2025 through August 2026 are consistent with prior Commission Orders and TWS's approved tariff. The panel approved the Company's proposed \$56,714 overall revenue deficiency per revised Exhibit 1, Schedule C, as filed on August 1, 2025. The panel unanimously approved the rate design as presented by the Company in its revised Exhibit 1, Schedule B-1. As per the parties' settlement in Docket No. 23-00046, no rate increase or deferred earnings deficit for future recovery shall result from this proceeding.

The panel concluded the Company's revised cost allocation methodology to be reasonable, appropriate, and should simplify both allocation and subsequent analysis and review of indirect costs to TWS. Finally, the TWS ARRM provides for timely recovery of prudent expenditures by the Company and precludes customers from paying for more costly rate cases the Company might otherwise have to pursue. Consequently, the panel found that the Company's ARRM continues to be in the public interest.

²⁵ Tenn. Code Ann. § 65-5-103(d)(6) (2019 Supp.).

²⁶ *Id.*

IT IS THEREFORE ORDERED THAT:

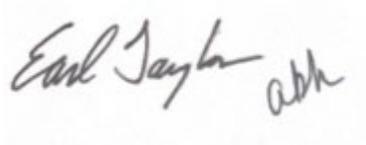
1. The *Petition* filed on May 30, 2025, and amended on August 1, 2025, is approved.
2. Any person aggrieved by the Commission's decision in this matter may file a *Petition* for Reconsideration with the Commission within 15 days from the date of this Order.
3. Any person aggrieved by the Commission's 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 60 days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman David F. Jones,
Commissioner Herbert H. Hilliard,
Commissioner Robin L. Morrison,
Commissioner Clay R. Good, and
Commissioner David Crowell concurred.**

None dissented.

ATTEST:



Earl R. Taylor, Executive Director