

Necessity (“CCN”) to TAWC for the ownership and operation of the TWS water system to be acquired and to serve the entire TWS service territory.

I. BACKGROUND, JOINT PETITION, AND TRAVEL OF THE CASE

TAWC is a Tennessee corporation subject to TPUC jurisdiction, providing municipal water service to the city of Chattanooga, Tennessee, including public and private fire protection services. The Company also provides water service to the City of Whitwell, the Jasper Highlands development, and certain areas in northern Georgia, serving approximately 88,000 customers. TAWC is a wholly owned subsidiary of AWWC.¹ AWWC is a Delaware corporation with its principal place of business in Camden, New Jersey. AWWC provides water and wastewater services to approximately 3.5 million customer connections across 14 states.²

TWS is a Tennessee corporation and a wholly owned subsidiary of Nexus. TWS owns and operates a publicly regulated water system located north of Gatlinburg in Sevier County, Tennessee. The system serves Chalet Village North, which includes approximately 440 connections. The system consists of two public water supply wells, an interconnection with the City of Gatlinburg, 60 hydrants, two water treatment plants, two storage tanks, two pump stations, and 14 miles of main.³ Nexus is a limited liability company organized under the laws of the State of Illinois. Nexus is the corporate parent of TWS.⁴

The Joint Petitioners have entered into a Stock Purchase Agreement and a Plan of Merger Agreement that, upon Commission approval, will merge TWS with and into TAWC, with TAWC as the surviving company. As presented in the *Joint Petition*, TAWC will acquire all of TWS’s assets and obligations.⁵ The *Joint Petition* states that the total purchase price for all equity interests acquired

¹ *Joint Petition*, p. 3 (May 30, 2025).

² *Id.*

³ *Id.* at 2.

⁴ *Id.* at 3.

⁵ *Id.* at 3-5.

by AWWC from Nexus is approximately \$315 million. AWWC allocated \$3,865,574 of this purchase price to TAWC for the purchase of TWS, resulting in an associated rate base of \$2,010,732. According to the *Joint Petition*, the Company will not seek recovery of the amount of the allocated purchase price above the rate base's net book value ("acquisition adjustment"), and it will account for the acquired system's expenses and revenues separately and distinctly from those of TAWC's existing systems.⁶ In support of the *Joint Petition*, the Joint Petitioners filed the Pre-Filed Direct Testimonies of Tiffany Van Horn, President of TWS, and Grady Stout, Vice President of Operations for TAWC.

On June 25, 2025, the Consumer Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate") filed its *Petition to Intervene*.⁷ The Administrative Judge granted the Consumer Advocate's intervention by order entered July 15, 2025.⁸ Following the exchange of discovery, the Consumer Advocate filed the Pre-Filed Direct Testimonies of Clark D. Kaml, Financial Analyst for the Consumer Advocate, and David N. Dittmore, utility regulatory consultant. Mr. Kaml and Mr. Dittmore raised ten issues for consideration concerning the proposed transaction:

1. Rate Base and Accumulated Deferred Income Taxes ("ADIT");⁹
2. Acquisition Adjustment/Goodwill;¹⁰
3. Acquisition Costs;¹¹
4. Post-Acquisition Depreciation and Contribution in Aid of Construction ("CIAC") Amortization Rates;¹²
5. Post-Acquisition Fees and Charges;¹³
6. TAWC Rider Applicability;¹⁴
7. TWS Rate Moratorium;¹⁵
8. TWS Annual Rate Review Mechanism ("ARRM") Termination;¹⁶

⁶ *Id.* at 5.

⁷ *Petition to Intervene* (June 25, 2025).

⁸ *Order Granting the Petition to Intervene Filed by the Consumer Advocate* (July 15, 2025).

⁹ David N. Dittmore, Pre-Filed Direct Testimony, pp. 3-7 (September 19, 2025).

¹⁰ Clark D. Kaml, Pre-Filed Direct Testimony, p. 3 (September 19, 2025).

¹¹ *Id.* at 13-17.

¹² David N. Dittmore, Pre-Filed Direct Testimony, pp. 13-15 (September 19, 2025).

¹³ Clark D. Kaml, Pre-Filed Direct Testimony, p. 21 (September 19, 2025).

¹⁴ *Id.* at 22-23.

¹⁵ David N. Dittmore, Pre-Filed Direct Testimony, pp. 9-11 (September 19, 2025).

¹⁶ Clark D. Kaml, Pre-Filed Direct Testimony, p. 10 (September 19, 2025).

9. TAWC Technical, Managerial, and Financial Capabilities;¹⁷ and
10. Public Interest.¹⁸

The Consumer Advocate did not directly oppose the Joint Petitioners' positions on Acquisition Adjustment/Goodwill, TWS ARRM Termination, or TAWC's Technical, Managerial, and Financial Capabilities. However, the Consumer Advocate's witnesses opposed the Joint Petitioners' positions on the remaining issues.¹⁹ The Joint Petitioners filed the Pre-Filed Rebuttal Testimonies of Tiffany Van Horn, President of TWS; Linda Schlessman, Director – Tax and Regulatory for AWWC; Robert C. Lane, Senior Manager of Rates and Regulatory for TAWC; and Grady Stout, Vice President of Operations for TAWC, in response to the positions taken by the Consumer Advocate.

The docket was scheduled for hearing during the November 3, 2025, Commission Conference, as was noticed on October 23, 2025.²⁰ At the request of the Parties, the November 3, 2025, hearing was canceled to allow further discussions on the disputed issues.²¹

II. AGREEMENT OF THE PARTIES

On November 17, 2025, the Parties filed a letter stating that they had engaged in cooperative discussions and exchanged information regarding the *Joint Petition*. The letter further stated that the Parties have no outstanding procedural matters or disputed issues and that the *Joint Petition* “should be resolved in favor of the positions set forth in the Joint Petition, as amended by and consistent with the Pre-filed Supplemental Testimony of TAWC Witness Mr. [Robert C.] Lane.”²² In his Pre-Filed

¹⁷ *Id.* at 25-27.

¹⁸ David N. Dittmore, Pre-Filed Direct Testimony, pp. 9-10 (September 19, 2025).

¹⁹ See David N. Dittmore, Pre-Filed Direct Testimony (September 19, 2025); Clark D. Kaml, Pre-Filed Direct Testimony (September 19, 2025).

²⁰ *Notice of Hearing* (October 23, 2025).

²¹ *Notice of Cancellation of Hearing* (October 24, 2025).

²² Letter to Chairman David F. Jones Re: No Outstanding Procedural Matters Requiring Resolution by the Hearing Officer from Melvin J. Malone, Butler Snow LLP (November 17, 2025).

Supplemental Testimony, Mr. Lane described the agreements the Parties reached on the issues addressed by the Consumer Advocate.

A. RATE BASE AND ADIT

With regard to Rate Base and ADIT, Mr. Lane testified that TAWC has stipulated to establish a \$176,942 rate base offset to be amortized over 48 years. Amortization will commence as of this transaction's closing date.²³ The resulting Rate Base offset serves as a proxy for TWS's ADIT balance at closing and, therefore, mirrors the Consumer Advocate's recommendation for a regulatory liability of \$176,000 amortized over the life of 48 years.²⁴

B. ACQUISITION ADJUSTMENT/GOODWILL

The Parties were in essential agreement on the issue of Acquisition Adjustment/Goodwill.²⁵ Mr. Lane reiterated that "neither the Company [TAWC] nor American Water nor another operating subsidiary in Tennessee is or will seek cost recovery of goodwill or an acquisition adjustment related to this transaction in this, or any future, proceeding. This continued affirmation in my rebuttal testimony reflects the resolution of this issue by agreement of the CAD [Consumer Advocate] and TAWC, and I am authorized by the CAD [Consumer Advocate] to make this statement."²⁶

C. ACQUISITION COSTS

Mr. Lane testified that TAWC will not seek deferral or future recovery of any of its due diligence, transition, or other non-legal transaction costs related to this proceeding. However, he maintained that TAWC shall be permitted to defer all legal costs related to this matter and seek recovery of those costs in future dockets, and that the Consumer Advocate reserves the right to allow or object to such recovery in future dockets.²⁷

²³ Robert C. Lane, Pre-Filed Supplemental Testimony, p. 4 (November 17, 2025).

²⁴ David N. Dittmore, Pre-Filed Direct Testimony, pp. 3-7 (September 19, 2025).

²⁵ See Tennessee-American Water Company's Response to Consumer Advocate's First Discovery Requests, p. 4, DR 1-1(c)(i) (August 8, 2025); Clark D. Kaml, Pre-Filed Direct Testimony, p. 3 (September 19, 2025).

²⁶ Robert C. Lane, Pre-Filed Rebuttal Testimony, p. 7 (October 10, 2025).

²⁷ Robert C. Lane, Pre-Filed Supplemental Testimony, p. 3 (November 17, 2025).

D. POST-ACQUISITION DEPRECIATION AND CIAC AMORTIZATION RATES

Mr. Lane stated that the Parties and the Consumer Advocate have agreed that TAWC's depreciation and CIAC amortization rates shall be applied to the TWS system upon acquisition. As part of the Parties' agreement on this issue, TAWC shall: (a) provide the Consumer Advocate with a reconciliation of the TWS system's assets by TWS account with these same assets by TAWC account after closing; and (b) not conduct or incur costs for a depreciation study during the five-year period following the closing of this transaction.²⁸

E. POST-ACQUISITION FEES AND CHARGES

With regard to the Post-Acquisition Fees and Charges, Mr. Lane testified in his Rebuttal Testimony that the Parties had reached an agreement. Mr. Lane reported that the Parties continued exchanging information on this issue, discussing the costs and benefits of applying the same charges to TWS customers as to all other TAWC customers. TWS agreed to provide additional notice of these fees and charges to its customers via direct mailer and its website. As a result, the Consumer Advocate agreed not to oppose the application of TAWC's fees and charges to TWS customers.²⁹

F. TAWC RIDER APPLICABILITY

The Parties have agreed that any existing alternative cost recovery mechanisms approved by the Commission for TAWC, as well as future Commission-approved alternative cost recovery mechanisms for TAWC, shall be applicable to TWS customers. Because TAWC will not file an alternative cost recovery docket in 2026 in accordance with Docket No. 25-00016, TWS customers will have no rate impact associated with these riders earlier than August 1, 2027.³⁰

²⁸ *Id.* at 4.

²⁹ Robert C. Lane, Pre-Filed Rebuttal Testimony, pp. 20-21 (October 10, 2025).

³⁰ Robert C. Lane, Pre-Filed Supplemental Testimony, p. 4 (November 17, 2025).

G. TWS RATE MORATORIUM

While they initially disagreed as to whether the Commission should apply a moratorium on TWS customer rates for one year,³¹ the Parties' agreement concerning the applicability of TAWC riders to TWS customers resolved this issue. As a result of the TAWC rider agreement, TWS customers will have no rate impact earlier than August 1, 2027.³²

H. TWS ARRM TERMINATION

TAWC's initial position was that the TWS ARRM would terminate upon the closing of the proposed transaction because the Commission's order approving the ARRM stated that the mechanism would not be transferable to any future acquirer of TWS.³³ Mr. Kaml addressed this issue in his testimony on behalf of the Consumer Advocate and agreed with TAWC's position that the ARRM should terminate post-acquisition.³⁴ In his Rebuttal Testimony, Mr. Lane affirms the Parties' agreement on the termination of the TWS ARRM upon closing.³⁵

I. TAWC TECHNICAL, MANAGERIAL, AND FINANCIAL CAPABILITIES

The Consumer Advocate addressed this issue in Mr. Kaml's Direct Testimony. Mr. Kaml did not disagree that TAWC has the requisite abilities to successfully own and operate the TWS system, noting that the Company's owner, American Water, has adequate financial resources and strong creditworthiness, and that TAWC's experience of the provision of water services to 88,000 residential, commercial, and municipal customers is evidence of both its managerial and technical competency. Mr. Kaml also emphasized that TAWC intends to operate the TWS system with a contractor, which is the same approach currently employed by TWS in its provision of water

³¹ See David N. Dittmore, Pre-Filed Direct Testimony, pp. 9-11 (September 19, 2025); Robert C. Lane, Pre-Filed Rebuttal Testimony, pp. 15-16 (October 10, 2025).

³² Robert C. Lane, Pre-Filed Supplemental Testimony, p. 4 (November 17, 2025).

³³ Grady Stout, Pre-Filed Direct Testimony, p.16 (May 30, 2025).

³⁴ Clark D. Kaml, Pre-Filed Direct Testimony, p. 22 (September 19, 2025).

³⁵ Robert C. Lane, Pre-Filed Rebuttal Testimony, pp. 10-11 (October 10, 2025).

services.³⁶ On behalf of TAWC, Grady Stout testified that TAWC is a stable, financially strong, and experienced water services provider and has the requisite capabilities to own and operate the TWS system. Mr. Stout also stated that TAWC will likely improve service to existing TWS customers.³⁷

J. PUBLIC INTEREST

The Joint Petitioners asserted that the proposed merger serves the public interest. In his testimony, TAWC witness Mr. Stout stated that, “the transaction will benefit the customers of the [TWS] System through the professional management, long-term planning, and sustained investment by TAWC and will also benefit our existing customers as well.”³⁸ Similarly, Ms. Van Horn noted on behalf of TWS that “this acquisition is in the best interests of TWS customers, and I believe that TAWC will continue to provide the high level of customer service that TWS has established and our customers have grown to expect.”³⁹

The Consumer Advocate expressed concern that the transaction, as proposed, will not properly serve the public interest. Related to his concern that TWS’s existing ADIT balance will not transfer upon closing to TAWC, Mr. Dittmore stated, “[t]he increase in Rate Base resulting from this transaction will increase rates of TWS customers and is not in the public interest.”⁴⁰ Further, regarding his proposed TWS rate moratorium, he explained that the “absence of any analysis of overall operating costs of the TWS system resulting from the transaction means that TAWC has not in fact demonstrated that the transaction is in the public interest as they have not addressed a critical component of the public interest test.”⁴¹

³⁶ Clark D. Kaml, Pre-Filed Direct Testimony, pp. 25-27 (September 19, 2025).

³⁷ Grady Stout, Pre-Filed Rebuttal Testimony, p. 3 (October 10, 2025).

³⁸ Grady Stout, Pre-Filed Direct Testimony, p. 19 (May 30, 2025).

³⁹ Tiffany Van Horn, Pre-Filed Direct Testimony, p. 7 (May 30, 2025).

⁴⁰ David N. Dittmore, Pre-Filed Direct Testimony, p. 5 (September 19, 2025).

⁴¹ *Id.* at 9-10.

The Parties have reached agreement on both issues described in the previous paragraphs. As a result of these agreements, there is no dispute among the Parties regarding whether the merger is in the public interest.⁴²

III. HEARING ON THE MERITS

A hearing in this matter was held before the panel during the regularly scheduled Commission Conference on December 8, 2025, as noticed by the Commission on November 25, 2025.

Participating in the hearing were:

American Water Works Company, Inc. and Tennessee-American Water Company – Melvin J. Malone, Esq., Butler Snow LLP, 1320 Adams Street, Suite 1400, Nashville, Tennessee 37208; Robert C. Lane, TAWC Senior Manager of Rates and Regulatory, 109 Weihl Street, Chattanooga, Tennessee 37421; Linda Schlessman, AWWC Director – Tax and Regulatory, via WebEx.

Nexus Regulated Utilities, LLC and Tennessee Water Service, Inc. – Joe A. Conner, Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz, 1900 Republic Centre, 633 Chestnut Street, Chattanooga, Tennessee 37450; Tiffany Van Horn, President of TWS, via WebEx.

Consumer Advocate – Shilina B. Brown, Esq.; Clark D. Kaml, Financial Analyst; and David N. Dittmore, Regulatory Utility Consultant; Office of the Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37202-0207.

During the hearing, Mr. Robert C. Lane ratified and summarized his Pre-Filed Testimony, including the agreements described in his Supplemental Testimony, and was subject to questions from the panel and Commission Staff. Members of the public were given an opportunity to offer comments, but no one sought recognition to speak.

IV. STANDARD OF REVIEW

The Commission has “general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far

⁴² See Letter to Chairman David F. Jones Re: No Outstanding Procedural Matters Requiring Resolution by the Hearing Officer from Melvin J. Malone, Butler Snow LLP (November 17, 2025).

as may be necessary for the purpose of carrying out the provisions of this chapter.”⁴³ The Tennessee Supreme Court has interpreted the Commission’s supervisory and regulatory powers as “practically plenary authority over the utilities within its jurisdiction.”⁴⁴

In performing its duties regarding issues before the Commission in the current docket, several statutory provisions must be considered. First, Tenn. Code Ann. § 65-4-113(a) provides:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issues by the commission, to any individual, partnership, corporation, or other entity without first obtaining the approval of the commission.⁴⁵

When considering a transfer of authority to provide utility services, the Commission must consider all relevant factors, “including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer.”⁴⁶ Upon finding that the transfer furthers the public interest, the Commission shall approve the transfer.⁴⁷ After the Commission approves the transfer, the transferee is granted full authority to provide the transferred utility services, and the transferor no longer has authority to provide transferred services.⁴⁸

In addition, the Commission must consider whether to grant TAWC a CCN to provide water services within the current TWS service territory. A public utility is not permitted to begin construction or operation of a new utility service without first obtaining a CCN from the Commission, as set forth in Tenn. Code Ann. § 65-4-201(a), which states:

No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the

⁴³ Tenn. Code Ann. § 65-4-104(a) (2022).

⁴⁴ *BellSouth Adver. & Publ’g Corp. v Tenn. Reg. Auth.*, 79 S.W.3d 506, 512-513 (Tenn. 2002).

⁴⁵ Tenn. Code Ann. § 65-4-113(a) (2022).

⁴⁶ Tenn. Code Ann. § 65-4-113(b) (2022).

⁴⁷ *Id.*

⁴⁸ Tenn. Code Ann. § 65-4-113(c) (2022).

commission, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system, or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate; provided, however, that this section shall not be construed to require any public utility to obtain a certificate for an extension in or about a municipality or territory where it shall theretofore have lawfully commenced operations, or for an extension into territory, whether within or without a municipality, contiguous to its route, plant, line, or system, and not theretofore receiving service of a like character from another public utility, or for substitute or additional facilities in or to territory already served by it.⁴⁹

Therefore, the Commission must consider whether TAWC has the requisite financial, technical, and managerial capabilities to provide the water service to the TWS service territory.

V. FINDINGS AND CONCLUSIONS

The Consumer Advocate addressed and contested several issues raised in the proposed transaction presented in the *Joint Petition*. Following additional discussion of these disputed issues, the Parties presented agreements addressing each of these issues in the Pre-Filed Rebuttal Testimony and the Pre-Filed Supplemental Testimony of Robert C. Lane. Upon examination of the terms of the proposed merger of TWS and TAWC, as presented in the *Joint Petition* and amended by Mr. Lane's Supplemental Testimony, the Commission found that such terms are reasonable and fair. As TWS desires to exit the State of Tennessee as a water service provider, and customers of the existing TWS water system would continue to receive water service from TAWC, a regulated water service provider currently providing service to approximately 88,000 customers within the State, the Commission found that the proposed transaction is in the public interest. Therefore, the panel unanimously voted to approve the transaction merging TWS with and into TAWC.

⁴⁹ Tenn. Code Ann. § 65-4-109 (2022).

The Commission also considered whether TAWC has the requisite financial, technical, and managerial capabilities to provide water service to the customers of the TWS water system. The Commission found that TAWC has demonstrated its capabilities through its long history of providing safe, reliable, and affordable water service to the entire Chattanooga area, records on file with the Commission, as well as reports with the Tennessee Department of Environment and Conservation (“TDEC”), and its familiarity with the regulatory processes, including the necessary accounting required pursuant to the Uniform System Of Accounts. Therefore, the panel voted unanimously to grant a CCN to TAWC for the entire TWS service area upon closing of the proposed transaction.

IT IS THEREFORE ORDERED THAT:

1. The proposed merger of Tennessee Water Service, Inc. with and into Tennessee-American Water Company, as presented in the *Joint Petition of Tennessee-American Water Company, American Water Works Company, Inc., Nexus Regulated Utilities, LLC, and Tennessee Water Service, Inc. for Authorization of Change of Control, Approval of the Agreement and Plan of Merger and For the Issuance of a Certificate of Convenience and Necessity* jointly filed by Tennessee-American Water Company, American Water Works Company, Inc., Nexus Regulated Utilities, LLC, and Tennessee Water Service, Inc., and amended by the Pre-Filed Supplemental Testimony of Robert C. Lane, is approved.

2. In accordance with Tenn. Code Ann. § 65-4-201, a Certificate of Public Convenience and Necessity is granted to Tennessee-American Water Company to serve the water system and the entire service territory currently served by Tennessee Water Service, Inc.

3. Any person aggrieved by the Commission’s decision in this matter may file a Petition for Reconsideration with the Commission within 15 days of the date of this Order.

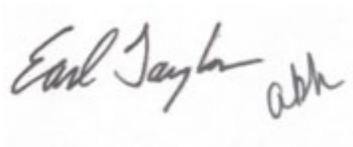
4. Any person aggrieved by the Commission's decision in this matter has the right to seek judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within 60 days of the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman David F. Jones,
Vice Chairman John Hie,
Commissioner Herbert H. Hilliard,
Commissioner Clay R. Good, and
Commissioner Kenneth C. Hill concurred.**

None dissented.

ATTEST:



Earl R. Taylor, Executive Director