

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)
)
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)

Docket No. 25-00040

PETITION TO INTERVENE

The Consumer Advocate Division of the Office of the Attorney General (“Consumer Advocate”), by and through Jonathan Skrmetti, Attorney General and Reporter for the State of Tennessee, pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions the Tennessee Public Utility Commission (“TPUC” or the “Commission”) to grant the Consumer Advocate’s intervention into this proceeding because consumers’ interests, rights, duties, or privileges may be determined or affected by 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* Pursuant to Tenn. Code Ann. § 65-5-103(d)(6) filed jointly by Tennessee American Water Company (“TAWC”), American Water Works Company, Inc. (“AWWC”), Nexus Regulated Utilities, LLC (“Nexus”), and Tennessee Water Service, Inc. (“TWS”). The Consumer Advocate would show as follows:

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers of public utility services by initiating and intervening as a

party in any matter or proceeding before TPUC in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 *et seq.*, and TPUC rules.

2. TAWC is a public utility regulated by TPUC and provides water utility services to consumers located in Chattanooga, Tennessee, and the surrounding areas. TAWC is a wholly owned subsidiary of AWWC, a Delaware corporation. AWWC is the largest water and wastewater holding company in the United States.

3. Nexus is a limited liability company organized in the State of Illinois. Nexus is the direct parent of TWS.

4. TWS is a public utility that owns and operates a water system North of Gatlinburg in Sevier County, Tennessee.

5. On May 19, 2025, AWWC and Nexus entered into a Purchase and Sale Agreement for all the issued and outstanding equity interests in specified entities that own regulated water and wastewater systems, including TWS in Tennessee.

6. Pursuant to the Purchase and Sales Agreement, AWWC will acquire all of TWS' stock and TWS will merge with and into TAWC, with TAWC as the surviving company.

7. Under the terms of the Purchase and Sales Agreement, the purchase price is approximately \$315 million for all equity interests acquired by AWWC from Nexus.¹ The purchase price allocated by AWWC to TAWC for the purchase of TWS is approximately \$3,865,574.² TAWC states that it intends "to record the difference between the purchase price and rate base as a goodwill adjustment on its books."³

¹ *Direct Testimony of Grady Stout* at 9:1-2 (May 30, 2025).

² *Id.* at 8:22.

³ *Id.* at 9:15-16.

8. Upon closing, TAWC states it will keep the TWS system separate and apart from TAWC systems for purposes of accounting and ratemaking.⁴ Therefore, TAWC proposes to “adopt the rates, financials, and rate base of TWS.”⁵ However, TAWC seeks to apply “all other fees as authorized and applied to all other TAWC customers to TWS customers such as late fees, service-activation fees, returned-check fees, and disconnection fees.”⁶ 9. TWS has an Annual Rate Review Mechanism (“ARRM”) which was approved by the Commission.⁷ However, TAWC explains that the ARRM was not transferable;⁸ therefore it proposes to apply the Commission-approved Incremental Capital Recovery Riders and the PCOP to the TWS customers that are acquired in this transaction.⁹ TAWC also proposes the following adjustments:¹⁰

- a. TAWC proposes to utilize the financial statements, records and reports provided by Tennessee Water Service, Inc., and its accountant to support the original cost value of utility plant in service (“UPIS”) as of the closing date.
- b. TAWC proposes to adopt the current TPUC-approved TAWC depreciation rates for Tennessee Water Service, Inc. upon closing.¹¹
- c. TAWC proposes no acquisition adjustment with this transaction.¹²
- d. In conducting the necessary due diligence and prudence evaluation with respect to the System, which preliminary reviews benefit both shareholders and current ratepayers, and in properly documenting the transactions, TAWC has necessarily incurred reasonable and prudent acquisition expenses, including some by external parties, which, under the circumstances presented, are appropriate for recovery. Upon closing, the System’s customers will benefit substantially from the transactions. TAWC proposes that these necessary and reasonable expenses (due diligence, transaction and closing costs) associated with the acquisition be recorded to a regulatory asset to be amortized over ten (10) years beginning with the Company’s first appropriate rate proceeding

⁴ Direct Testimony of Tiffany Van Horn at 7:11-12 (May 30, 2025) and Direct Testimony of Grady Stout at 8:16-17. The TWS system will be operated by TAWC as a separate business unit in the TAWC accounting system. Direct Testimony of Grady Stout at 8:17-18.

⁵ Direct Testimony of Tiffany Van Horn at 7:9-10.

⁶ Petition, pp. 8-9, ¶ 30.

⁷ *Order Approving Stipulation and Settlement Agreement on Annual Rate Review Mechanism and Tariff*, TPUC Docket No. 23-00046 (November 16, 2023).

⁸ Direct Testimony of Grady Stout at 14:6-8.

⁹ Petition, p. 9, ¶ 30.

¹⁰ *Id.* p. 8, ¶ 28.

¹¹ See Direct Testimony of Grady Stout at 11:9-11.

¹² *Id.* at 9:22-23.

following the close of the acquisition, subsequent to Commission review and approval in such rate proceeding.¹³

9. The interests of consumers, both the existing and to be acquired customers of TAWC, may be affected by determinations and orders made by TPUC with respect to (A) the interpretation, application, and implementation of Tenn. Code Ann. § 65-5-103(a), Tenn. Code Ann. § 65-5-103(d), and other relevant statutory and regulatory provisions, and (B) the review and analysis of the Petitioners' documentation, financial spreadsheets, and materials.

10. Only by participating as a party to this proceeding can the Consumer Advocate adequately carry out its statutory duty to represent the interests of Tennessee consumers.

Wherefore, the Consumer Advocate requests TPUC grant this *Petition to Intervene*.

RESPECTFULLY SUBMITTED,



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Attorney General and Reporter
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via electronic mail upon:

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This the 25th day of June, 2025.



SHILINA B. BROWN
Senior Assistant Attorney General