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July 31, 2025

VIA ELECTRONIC FILING

Michelle Mairs, Deputy Director
Utilities Division
c/o Ectory Lawless, Docket Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

Electronically Filed in TPUC Docket
Room on July 31, 2025 at 2:00 p.m.

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*

Dear Ms. Mairs:

Attached for filing please find *Tennessee-American Water Company's Responses to Commission Staff Data Requests* dated July 22, 2025, in the above-captioned matter.

As required, copies of this filing will be mailed to your office. 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: Bob Lane, TAWC
Ryan Freeman, Baker Donelson
Shilina B. Brown, Consumer Advocate Division
Victoria B. Glover, Consumer Advocate Division

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**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 25-00040
FIRST DATA REQUESTS OF THE COMMISSION**

Responsible Witness: Grady Stout

Question 1: Provide a properly signed (by the parties) copy of the *Agreement and Plan of Merger*. Include all attachments, reflecting the terms and provisions of the acquisition transaction.

Response:

The Agreement and Plan of Merger has not been signed at this time. While TWS's merger into TAWC is expected to occur simultaneously with the closing of the transaction, it is technically immediately following the closing of the transaction from a sequencing perspective. Accordingly, the Agreement and Plan of Merger will be executed at a later date, closer to the transaction's closing date. Please see Exhibit A to the Joint Petition for the form Agreement and Plan of Merger ("Agreement"), which reflects the anticipated terms and conditions of the proposed merger. As detailed within the Joint Petition, the executed Merger Agreement will be submitted to the Commission 30 days post-closing or as soon thereafter as it becomes available.

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Question 2: Provide TWS's financial statements for its three (3) most recently completed fiscal years for the record. These financial statements should at a minimum include balance sheets and income statements.

Response:

TAWC has coordinated with TWS and understands that TWS will be filing this information with the Commission.

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Question 3: Provide a detailed schedule listing each expenditure for which TAWC requests deferral and subsequent recovery from customers. For each expenditure listed, this schedule should at a minimum include the invoice number, vendor, date incurred, full description and explanation of each cost, type of cost (transaction, closing, regulatory), date paid, and explanation of how each cost benefits customers. If this information is not currently available, provide current estimates for the various costs requested for deferral and subsequent recovery. A detailed schedule, as noted above, is required for Commission consideration of these costs for potential recovery. As such, this detailed schedule should be filed with this docket as soon as it is available.

Response:

At this time TAWC does not have a detailed schedule listing each expenditure for which TAWC is seeking authority to defer. As set forth in the Pre-filed Direct Testimony of TAWC Mr. Stout at pages 10 and 11, TAWC intends to seek recovery of any deferred cost in the first appropriate rate proceeding after closing this transaction. At that time, the costs will be known, and TAWC can present a detailed list of the actual costs, and the Commission can review these deferred costs prior to determining recoverability.

Please see attached **Revised Exhibit F** to the Joint Petition , which contains the journal entry that includes the estimated closing and transaction costs that TAWC expects to incur. The journal entry contains approximately \$60,000 in estimated legal costs associated with securing Commission approval of this application. TAWC also anticipates some negligible costs associated with American Water's SEC filings to be allocated to TAWC as a result of the proposed merger. Revised Exhibit F is updated to reflect a \$60,000 in Regulatory Assets (Acct 186.3) resulting from deferral of \$60,000 estimated Transactions Costs and a \$60,000 Debit to Cash Acct 131.0) of the same amount.

In preparing an answer to this Data Request and updating the Company's estimate of Transaction Cost to be deferred, the Company discovered the need to revise the amount of Utility Plant and Service purchased downward from those in Exhibit F to the Petition. This change is also reflected in **Revised Exhibit F**.

TENNESSEE-AMERICAN WATER COMPANY			
Acquisition JE			
Account	Description	Debit	Credit
101 - 108	Utility Plant Purchased or Sold	2,855,361	
123.0	Investments in Affiliated Companies	1,824,684	
131.0	Cash		60,000
141.0	Customer Accounts Receivable	59,659	
186.0	Miscellaneous Deferred Debits	276,287	
186.3	Regulatory Assets	60,000	
231.0	Accounts Payable		56,857
232.0	Notes Payable		3,865,574
253.0	Other Deferred Credits		418,185
271.0	Contributions in Aid of Construction (net of accumulated amort.)		675,375
Total		5,075,991	5,075,991

Note: The proposed journal entry to record the merger of TWS into TAWC reflects the general ledger accounts for the posting of the transaction. Dollar amounts are presented using the balances of December 31, 2024, since the amounts are subject to change up through the merger date. This JE also includes estimated transaction and closing costs which will be deferred to NARUC account 186.3.

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TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 25-00040
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Responsible Witness: Robert C. Lane

Question 4: In the event the Commission were to approve TAWC's existing riders to be applicable to TWS's customer rates, provide (a) a comprehensive explanation for why this treatment would be appropriate, (b) a list of reasons detailing how charging for these riders would benefit the newly acquired customers, and (c) the methodology and calculations proposed for incorporating the TWS system into the PCOP and ICRRR rider calculations. Finally, please reference the relevant calculation exhibits and workpapers in your explanations.

Response:

TAWC proposes to handle these costs the same way that the PCOP and the legacy riders were applied to Jasper Highlands subsequent to that acquisition.

The current Incremental Capital Rider Revenue Requirement ("ICRRR") is 0.0% and would remain so until mid-2027, as the Company and CAD agreed to not have a Incremental Capital Recovery Rider ("ICRR") tariff filing made in 2026 looking back at 2025. The current PCOP is 3.02% and is updated annually. The next PCOP proceeding, after the proposed date of the close of the transaction, would be the first PCOP that would be applied to the TWS service area.

For calculating the ICRRR in 2027, TAWC would include the ICRR eligible incremental costs associated with investment in TWS infrastructure with the ICRR eligible incremental costs associated with the existing utility service areas. This incremental revenue requirement will then be recovered from all customers by an equal percentage increase.

The Commission approved the application of this eligible incremental costs for both the Whitwell and Jasper Highlands communities, the two most recent acquisitions by TAWC.

The Commission-approved application of these surcharges across the entire customer base has been in place since 2014. The surcharges were also applied to the customers of the Whitwell acquisition when that transaction was completed and to Jasper Highlands. The "Applicability" section of the Capital Rider tariffs provide that the charges will apply to all customers in all service territories. As the Commission confirmed in TPUC Docket

Number 20-00011 approving the acquisition of Jasper Highlands, this uniform application of the Riders to all customers is reasonable.¹ This treatment remains appropriate.

Applying the Riders to all customers of TAWC provides benefits to the entire customer base by spreading out the cost of significant investments so that the entire system is maintained and upgraded in an efficient manner that avoids rate shock and is consistent with the streamlined regulatory methods permitted by the Tennessee General Assembly pursuant to Tenn. Code Ann. 65-5-103(d) *et seq.*, all under the safeguard oversights set forth in the ICRR tariffs.

Applying the capital and expense surcharges to the System acquisition would be consistent with past practice, thus maintaining stability and predictability in the Tennessee regulatory environment. Exhibit E to the Petition describes the investments expected for the TWS System and many of the investments will be ICRR eligible investments.

With regard to the PCOP, TAWC believes that the current level of production costs currently recovered in existing base rates should be the expenses for Power and Fuel, Chemicals, Purchased Water, Waste Disposal and Regulatory Inspection Fees as provided by TWS to the Commission in TWS's last ARRM filing, TPUC Docket No. 25-00031.

TAWC believes that it is appropriate for these costs to be added to the production costs approved in Docket 24-00032, TAWC's last rate case, in determining the level of authorized production costs in Base Rates. PCOP expenses for Whitwell and Jasper Highlands are handled this way in the current PCOP calculations.

¹ Order Approving Asset Purchase Agreement and Granting a Certificate of Convenience and Necessity; TPUC Docket No. 20-00011, Page 19.

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

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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and Nexus Regulated Utilities, LLC*

This the 31st day of July 2025.



Melvin Malone