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August 8, 2025

## VIA ELECTRONIC FILING

Hon. David Jones, Chairman  
c/o Ectory Lawless, Docket Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

Electronically Filed in TPUC Docket  
Room on August 8, 2025 at 3:00 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 Chairman Jones:


Attached for filing please find *Tennessee-American Water Company's Response to Consumer Advocate's First Set of Discovery Requests* in the above-captioned matter.

Please note that Response No. 1-1 contains **CONFIDENTIAL INFORMATION** and is being submitted **UNDER SEAL** as **CONFIDENTIAL and PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of this response is attached.

As required, copies 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  
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BUTLER SNOW LLP

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

**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**

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**TENNESSEE-AMERICAN WATER COMPANY’S RESPONSE  
TO CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS**

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Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Response to First Set of Discovery Requests propounded by the Consumer Advocate Division of the Attorney General’s Office (“Consumer Advocate”).

**GENERAL OBJECTIONS**

1. TAWC objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.

2. TAWC objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission (“TPUC” or “Authority”).

3. The specific responses set forth below are based on information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. TAWC objects to each request to the extent it seeks information outside TAWC's custody or control.

6. TAWC's decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of TAWC's General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. TAWC objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome and exceed the scope of permissible discovery.

8. TAWC objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. TAWC does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

# PUBLIC VERSION

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-1:** Acquisition Price and Allocation. For this discovery request, refer to the *Joint Petition*, File <Exhibit C - SEC report of acquisition.pdf>, and *Direct Testimony of Grady Stout*. Respond to the following:

- a. For File <Exhibit C - SEC report of acquisition.pdf>:
  - i. Specifically, refer to page 2 of the Form 8-K. Confirm that the purchase price is approximately \$315 million for all equity interests acquired by AWWC from Nexus, that the aggregate rate base at closing is estimated to be \$200 million, for an acquisition premium of approximately \$115 million;
  - ii. Explain how the acquisition price for the entire transaction was determined;
  - iii. Provide a copy of all studies, reports, or related analyses of appraisals or valuations of TWS system as a going concern;
  - iv. Provide a list of entities offering to purchase the TWS system;
  - v. Confirm that the acquisition price allocated to the TWS system is a function of TWS's rate base;
  - vi. What process was used to determine that existing rate base should be used to allocate the acquisition premium? Provide the formula used to allocate the acquisition price to each system being acquired by AWWC; and
  - vii. What other methods for allocating the acquisition were considered.
- b. For the *Direct Testimony of Grady Stout* at 8-9:
  - i. Confirm the current rate base of the TWS system is \$2,010,732;
  - i. Confirm the allocated purchase price to TWS is approximately \$3,865,574;
  - ii. Confirm the acquisition premium to be allocated to TWS is \$1,854,842; and
  - iii. If these values directly above, in (i-iii), are not correct, provide the correct values.

# PUBLIC VERSION

- c. For the *Joint Petition*, p. 8, ¶ 28(c). It states that TAWC proposes no acquisition adjustment with this transaction:
- i. Does TAWC anticipate recovering the goodwill, or acquisition premium, from this transaction, or any other transaction, from Tennessee customers now or in future proceedings?
  - ii. If yes, identify those future proceedings and the expenses for which TAWC will be seeking recovery.

## Response:

- a.
  - i. Confirm.
  - ii. The purchase price was negotiated as part of a broader, arm's length transaction, between two sophisticated utility parties.
  - iii. Neither TAWC nor American Water have performed any appraisals or valuations of TWS. The acquisition of TWS was negotiated as part of a larger arm's length transaction between American Water and Nexus under which American Water agreed to acquire from Nexus all of the issued and outstanding equity interests in specified entities that own regulated water and wastewater systems located in various states, including TWS. As set forth in the Joint Application in Section II, the sale price of the equity and ownership interest is approximately \$315 million, and TAWC will be allocated approximately \$3.9 million of that sale price subject to adjustment at the closing of the purchase based on the calculations and criteria provided in the Stock Purchase Agreement.
  - iv. TAWC objects to this request on the grounds and to the extent that it seeks information that is irrelevant, outside the scope of the proposed transaction, is not likely to lead to discoverable information, and is immaterial to the Commission's review of the proposed transaction. Subject to and without waiver of the foregoing objection, TAWC responds as follows: RBC Capital Markets, LLC ("RBC") facilitated an auction process on behalf of Nexus Water Group to find potential buyers for certain assets, including TWS. Offers to purchase were no longer valid upon acceptance of American Water's bid and execution of the Stock Purchase and Sale Agreement and as such no other entities are "offering" to purchase TWS.
  - v. The purchase price allocated to the TWS system is based on the ratio of TWS's capital structure balance to that of total capital structure balance of the entities acquired through the Stock Purchase Agreement.

# PUBLIC VERSION

- vi. Capital structure balances are being used to allocate the entirety of the purchase price, but TAWC is not seeking cost recovery of an acquisition adjustment for this transaction. The total purchase price for the transaction is \$315 million, subject to adjustment at the closing of the purchase based on the calculations and criteria provided in the Stock Purchase Agreement. American Water intends to allocate TAWC the cost of the assets acquired through the Stock Purchase Agreement and proposed merger based upon the ratio of TWS's capital structure balance to that of total capital structure balance of the entities acquired through the Stock Purchase Agreement. American Water intends to apply this allocation method to all purchased affiliates subject to this transaction.

- vii. American Water did not consider other methods to allocate the purchase price of this transaction. American Water selected this methodology because this transaction is an equity acquisition of Nexus affiliates across several states. Because American Water is purchasing equity interests in the Nexus affiliates rather than assets, American Water is acquiring the respective balance sheet of each affiliate. Therefore, to support reasonable and appropriate allocations to each respective jurisdiction, American Water decided to allocate the purchase price based on each respective affiliate's proportional share of its balance sheet value.

b.

- i. Confirm. December 31, 2024, historic period per books rate base is \$2,010,732, as shown on Exhibit 1 Schedule A of TWS's Annual Review Filing in Docket 25-00031.
- i. Confirm, subject to adjustment as contemplated in the Stock Purchase Agreement.
- ii. The amount of \$1,854,842 is the difference between the allocated purchase price and TWS's rate base as of 12/31/2024.<sup>1</sup> This amount is subject to final adjustment as contemplated in the Stock Purchase Agreement.
- iii. n/a

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<sup>1</sup> Per 12/31/2024 Balance Sheet, provided by Nexus.

## **PUBLIC VERSION**

c.

TAWC objects to this request on the grounds and to the extent that it seeks information that is speculative, hypothetical, and not reasonably calculated to lead to discovery of relevant evidence to the pending proceeding. The request calls for TAWC to provide information related to potential future regulatory filings that have not occurred and which the scope and timing are unknown. Subject to and without waiver of the foregoing objection, TAWC responds as follows:

- i. TAWC is not seeking and will not seek recovery of goodwill or an acquisition adjustment related to this transaction in this or any future proceeding.
- ii. See response to subpart c(i) above.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-2:** Plant Age. Refer to the *Joint Petition* and respond to the following:

- a. For each system being acquired by AWWC, what is the average age of the plant-in-service?
- b. What is the average age of TWS's plant-in-service?

**Response:**

- a. TAWC objects to subpart (a) of this request on the grounds and to the extent that it seeks information that is not relevant to the proceeding and is not likely to lead to the discovery of admissible evidence. Specifically, subpart (a) seeks information related to systems that are not the subject of the Joint Petition before the Commission and have no bearing on the outcome of this proceeding. Without waiver of the foregoing objection, TAWC responds as follows:

Please see TWS's response to CAD 1-2.

- b. See response to subpart a.



**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-3** Transaction Costs. Refer to the *Joint Petition*, p. 8 and respond to the following:

- a. Confirm that TAWC is proposing to recover expenses associated with the acquisition.
- b. Identify the total amount of these transaction costs. If they are not known, provide an estimate of the transaction costs.
- c. Do these transaction costs include costs for the entire process or only costs that are directly attributable to regulation and transaction costs for TWS in Tennessee? Will there be allocated transaction costs?
- d. If transaction costs are allocated, what method will be utilized to allocate those transaction costs?
- e. Confirm that if TAWC is allowed to recover these costs from Tennessee customers, recovery of the transaction costs will result in an increase in rates.

**Response:**

- a. Confirm. TAWC proposes recovering transaction costs that will be incurred by TAWC related to the acquisition of TWS.
- b. At this time, the total amount of these transaction costs are unknown. 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 costs, and the Commission can review these deferred costs prior to determining recoverability. For an estimate of these transaction costs, please see TAWC's responses to the Commission's First Data Request in this proceeding, Response No. 3, submitted on July 31, 2025.
- c. Yes, the transaction costs include costs for the entire process, and include costs that are directly attributable to transaction costs incurred at TAWC's level. At this time, TAWC anticipates negligible costs associated with AWWC's SEC filings to be allocated.

- d. Transaction related costs will be allocated on the same basis as the purchase price is allocated among the entities subject to the stock purchase agreement.
- e. As set forth in the Pre-filed Direct Testimony of TAWC Witness Grady Stout, TAWC plans to include the annual amortized amount as part of the revenue requirement in a future rate proceeding. The impact of this single component on rates depends on many factors. Neither TAWC's or TWS base rates increase until the Commission approves new base rates as a result of TAWC's next rate proceeding.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-4 Allocation.** Refer to the *Joint Petition*, p. 6, ¶ 15. It states that the expenses and revenues of the system will be kept separate and distinct from the operation of TAWC's existing system. Respond to the following:

- a. Does TAWC intend to allocate expenses and costs from TAWC to TWS?
- b. If so, identify the procedures TAWC will use to make such cost allocations.

**Response:**

- a. TAWC will code direct TWS expenses to the TWS profit center. State-wide common costs, generally A&G costs, are not allocated to the individual profit centers or rate areas. Rather, consistent with TAWC's most recent rate case, TPUC Docket No. 24-00032, the net revenue deficiency is recovered from the customers of each rate area based on an equal percentage increase to base rates.
- b. TAWC intends to follow the same methodology approved in TPUC Docket No. 24-00032 by adjusting the rates for each customer by an equal percentage to recover the Company's net revenue deficiency in the next rate proceeding.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-5 Depreciation.** Refer to the *Joint Petition*, p. 11, ¶ 7. What impact will the application of TAWC's depreciation accrual rates have on annual depreciation and revenue requirement for TWS' system? Provide the underlying calculation supporting the impact the TAWC depreciation rates will have on the TWS depreciation expense calculation.

**Response:** Please see the Company's response to Consumer Advocate Question 1-4. Net revenue requirement deficiencies will be recovered from the customers of each rate area based on an equal percentage change to base rates.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-6 Rates.** Refer to the *Direct Testimony of Grady Stout* at p. 10:1-2, 8-9.

“Going forward, customers’ rates will be based on the current regulated rate base of TWS, the depreciated original cost of the assets. . . Existing rates for TWS customers will continue to be based on the current rate base; original cost of the investments less accumulated depreciation.” Respond to the following:

- a. Is the Petitioners’ position that the proposed transaction will not increase rates, now, or in the future?
- b. Confirm that the segments above are reflective of one component of rates and not “total rates.”
- c. Reconcile the statements from the testimony above with the claim that the company is “proposing to recover its due diligence, transition, transaction and closing costs associated with this transaction.”
  - i. Do the Petitioners expect to recover these costs through rates?
  - ii. If yes, will recovery of these costs increase rates?
  - iii. If no, explain how the Petitioners propose to recover these costs.
- d. Does TAWC plan to maintain a separate base rate structure for TWS after the next TAWC base rate proceeding? Or will TAWC seek to consolidate TWS rates in its next base rate proceeding?

**Response:**

- a. TAWC is not proposing an adjustment to the rates currently paid by the TWS customers in this docket. Any future rate adjustments will be addressed in a subsequent rate proceeding. Existing rates for TWS are based on the current rate base and current expenses, as authorized by the Commission.

However, as set forth in Mr. Stout’s Pre-filed Direct Testimony in this proceeding, TAWC has proposed recovery of transaction costs via a regulatory asset in a future rate case.

- b. Confirmed, as TAWC understands this question. The Pre-filed Direct Testimony of Mr. Stout describes the rate base which reflects the original cost of the utility's assets less accumulated depreciation, as authorized by the Commission. Rates are set based on a revenue requirement determination that accounts for a variety of costs, only one of which are the costs associated with rate base.
- c. Please see the response in subpart (a) above. In his Pre-filed Direct Testimony, Mr. Stout discusses that TAWC is not seeking to include an acquisition adjustment or goodwill in the rate base. Instead, TAWC is proposing to recover its transaction-related costs by recording those costs into a regulatory asset and subsequently seeking recovery in a future rate proceeding, specifically through amortizing the regulatory asset over a period of ten years.
  - i. Yes, TAWC will seek to recover the transaction costs through rates, by annually amortizing the costs over a defined period of ten years as part of the revenue requirement in its next rate proceeding.
  - ii. Please see subpart b. As indicated, customer rates are based on a variety of factors. The exact impacts of the transaction are unknown at this time, including what impacts on future rates will be. Please see also TAWC's response to CAD 1-3(c).
  - iii. Not applicable.
- d. At this time, TAWC anticipates maintaining a separate base rate structure for TWS and will evaluate consolidation for proposal in its next base rate proceeding. Any changes to rate design in the future would be subject to Commission review and approval.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-7 Corporate Structure.** Refer to the *Direct Testimony of Grady Stout*, at 8:16-

20. Respond to the following questions in regard to the statement from Mr. Stout's testimony below:

The System will be kept separate and apart from TAWC's existing system for purposes of accounting and ratemaking. Further, the System will be operated by TAWC as a separate business unit in the TAWC accounting system. All labor utilized to operate and maintain the System will be charged accordingly, as will all maintenance and other operational expenses. TAWC is proposing to create a separate cost center for the System.

- a. Confirm that there will not be any legal differentiation between the "System" and TAWC.
- b. Will the "System" be considered as an operating division?
- c. Will cost allocations to the "System" be following the TAWC allocation manual?
- d. Under current operations, what is the annual dollar value of costs and expenses that will be allocated to the "System" from TAWC and/or AWWC?

**Response:**

- a. The Joint Petition defines the "System" as the TWS water system depicted on Exhibit B to the Joint Petition; the System is subject to the Stock Purchase Agreement by and between American Water and Nexus. Upon close of the proposed transaction, TWS (i.e., the System) will be merged into TAWC, and at such time, there will be no legal differentiation between TAWC and TWS.
- b. No.
- c. See response to subpart d below.

- d. Costs allocated from American Water or its affiliates to TAWC after the merger of TWS into TAWC will be in accordance with American Water's Cost Accounting Manual. In setting rates, TAWC, consistent with TPUC decisions (most recently in TPUC Docket No. 24-00032) allocates its revenue deficiency to its various rate areas and its rate classes based on an equal percentage basis. In this most recent case, TPUC Docket No. 24-00032, that equal percentage was applied to the monthly service charge and not the volumetric rate. TAWC is not proposing to increase any rates as a result of this transaction during this proceeding.



**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-8 Benefits.** Refer to the *Joint Petition*, p. 8, ¶ 28 (d). The *Joint Petition* states

“[u]pon closing, the System’s customers will benefit substantially from the transactions.”

Respond to the following and provide documentation to support your responses:

- a. Identify with specificity, the benefits that TAWC will be able to provide that Nexus is not currently able to provide.
- b. Identify the specific consumer benefits to be addressed as part of the decision to sell/acquire the TWS system, and how both TAWC and TWS’ existing customers would benefit from the transaction.
- c. Provide the customer-centric cost/benefit analysis that was conducted as part of the transaction decision process.
- d. List and quantify any efficiencies the merger creates that will benefit the current TWS system.
- e. Given the acquisition premium, transaction costs, and the expectation that service for TWS customers will not substantially change, explain how the sale of the TWS System is in the public interest.

**Response:**

- a. In addition to the Pre-filed Direct Testimony of TAWC Witness Grady Stout, including at pp. 11-14, please see the Pre-filed Direct Testimony of TWS Witness Tiffany Van Horn, including at pp. 6-7. Some of the identified benefits that will accrue to current TWS customers if this transaction is approved by the Commission are:
  - Nexus is seeking to exit the Water Utility business in Tennessee. Therefore, the Customers of TWS will benefit from the purchase and operation of this utility by a willing buyer with extensive expertise and experience in the water utility industry. The public interest of Tennessee is serviced by a water utility committed to serving Tennessee rather than one seeking to exit the state.
  - TAWC will provide well-qualified individuals, with decades of cumulative experience running water utilities in Tennessee and the Nation, to lead and manage the TWS system.

- TAWC has the financial capability to help ensure that optimal infrastructure investments are made, which are supported by TAWC's qualified and experienced engineering team.
  - TAWC, as part of American Water, can offer strong customer service support via its Customer Service operations.
  - TAWC economies of scale, coupled with the size and breadth of American Water, allows TAWC to obtain high quality services at great value.
  - TAWC and American Water have a skilled workforce that can, when called upon, leverage the expertise and skill of the local contractor that will be utilized for most day-to-day operational needs.
  - TAWC's robust cyber-security and physical security programs will fold TWS infrastructure into its requirements and protections.
- b. Please see the Pre-filed Direct Testimony of TAWC Witness Grady Stout at pp. 11-14, and the Pre-filed Direct Testimony of TWS Witness Tiffany Van Horn at pp. 6-7. Both TAWC's existing customers and TWS's current customers when acquired will benefit from the ability to spread certain costs across more customers.
- c. No such study was performed. Nexus operates water utility businesses in many states and was divesting itself of many of its water utilities to focus on fewer geographic locations. American Water, as the largest investor-owned water utility in the Country recognized the importance of providing safe and reliable water service to these areas and understanding its capabilities, track record, and willingness to do so made an offer to acquire this group of utilities as a package in a stock purchase agreement. TAWC is committed to continuing to provide safe, and reliable water service to the people of Tennessee within our service territory, including the area currently service by TWS. Finally, as previously noted by TAWC in various Commission proceedings, the United States Environmental Protection Agency ("EPA") has opined that Tennessee will require more than \$10 billion in combined water and wastewater infrastructure investment over the next 20 years, and a Tennessee Department of Environment and Conservation report (the TN H2O Report) predicts an even greater need – \$15.6 billion – to accommodate Tennessee's projected growth. TAWC is committed to being a vibrant part of helping ensure that Tennessee residents are provided with safe and reliable water service.<sup>1</sup>The opportunity to acquire TWS is such an opportunity to continue our commitment.
- d. The efficiencies include the economies of scale and scope that the acquisition of TWS will benefit from as a result of the acquisition by TAWC. TAWC has not quantified these efficiencies, but please see above responses, including the Pre-filed Direct Testimony of TAWC Witness Grady Stout, and the Pre-filed Direct Testimony of TWS Witness Tiffany Van Horn.

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<sup>1</sup> See, e.g., *Comments of Tennessee-American Water Company*, TPUC Docket No. 20-00025 (July 20, 2025).

- e. Given that TWS is exiting its role as a water service provider in Tennessee, it is in the public interest for a stable, experienced operator like TAWC to assume responsibility for and provide TWS customers with water service. While there are presently no major plans to implement significant changes to existing operations, the continuity of service itself is a benefit in the public interest. TAWC is able to maintain TWS customers' existing service levels, which avoids disruption and uncertainty and provides stability in light of TWS's exit. Please see Mr. Stout's Pre-filed Direct Testimony for additional discussion of the benefits to TWS customers to be served by TAWC.

In addition, TAWC is not seeking recovery of an acquisition adjustment for its purchase of TWS.<sup>2</sup>

TAWC expects that the annual amortized transaction costs will be de minimis when compared to the estimated purchase price of \$3,865,574,<sup>3</sup> a rate base of \$2,010,732<sup>4</sup> and TWS's 2024 revenues of \$544,826.<sup>5</sup> These transaction costs are proposed to be amortized over 10 years.

Please see the response to part a) of this question for some of the many ways the approval for the acquisition of the TWS's system is in the public interest, as well as the Pre-filed Direct Testimony of TAWC Witness Grady Stout, and the Pre-filed Direct Testimony of TWS Witness Tiffany Van Horn.

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<sup>2</sup> Direct Testimony of Mr. Stout 9:20-23.

<sup>3</sup> Direct Testimony Mr. Stout; 8:22.

<sup>4</sup> Direct Testimony of Mr. Stout 9:10.

<sup>5</sup> Direct Testimony of Mr. Dickson, Exhibit 1, Schedule B. TPUC Docket 25-00031.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-9 Benefits.** Refer to the *Direct Testimony of Grady Stout* at 5:15-16; 8:12-13. Mr. Stout states that there are “no major plans to implement significant changes to the existing TWS operation.” Also, he states that TAWC intends “to continue to operate the TWS System with the use of a contractor.” Does TAWC intend to retain the same contractor(s)?

**Response:**

In addition to using its qualified employees where warranted, TAWC will also use a qualified contractor capable of delivering the exceptional level of safe and reliable water services that TAWC provides to all of its existing customers.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-10 Benefits.** Refer to the *Direct Testimony of Grady Stout* at 11:12-14.

Respond to the following:

- a. What are the sizes of Nexus and AWWC by number of customers and total capitalization?
- b. Is Mr. Stout suggesting that Nexus is a small company and that TWS customers will benefit from being served by a larger company?
- c. Is Mr. Stout alleging that Nexus does not have economies of scale that exist for TAWC?
- d. Is Mr. Stout alleging that Nexus does not have “affordable access to capital necessary for infrastructure investments”? If so, provide a list of the capital improvements that have not been made to TWS and quantify that financial savings that would have existed with TAWC’s access to capital that did not exist under Nexus’ ownership.
- e. Is Mr. Stout alleging that TWS has not been providing “the same level of service and expertise” that will exist with a change in ownership to TAWC?
- f. Is Mr. Stout stating that TWS customers will benefit simply by being served by TAWC rather than Nexus? If so, detail how.
- g. Mr. Stout discusses the benefits to the TWS customers from the proposed acquisition. Identify all the “benefits” (including the annual financial value), that Nexus is unable to provide the same or similar service including:
  - i. Size and scale position.
  - ii. Expertise, purchasing power and financial strength of the larger organization.
  - iii. Exclusive access to highly trained professionals and centralized expertise.
  - iv. Economies of scale.
- h. Explain how TAWC’s centralized expertise is consistent with utilizing a contractor to operate TWS.

- i. Explain how the water testing for TWS's system may differ under TAWC ownership than what currently exists with Nexus. Also, provide the reason for such changes.
- j. Confirm that "TWS testing in 2024 revealed no contaminants and no violation of drinking water regulations."<sup>1</sup>

**Response:**

- a. TAWC objects to this request on the grounds and to the extent that it seeks information that is irrelevant, outside the scope of the proposed transaction, is not likely to lead to discoverable information and is immaterial to the Commission's review of the proposed transaction. Subject to and without waiver of the foregoing objection, TAWC responds as follows: AWWC's most recent 10-K states that AWWC's regulated water and wastewater businesses serve approximately 3,546,000 customer locations, as of December 31, 2024. It is TAWC's understanding from Nexus that Nexus serves 1.3 million people across 20 U.S. states and 2 Canadian provinces, via approximately 565,000 customers.
- b. American Water provides water and wastewater services to more than 14 million people,<sup>2</sup> Nexus Water Group provides services to 1.3 million people.<sup>3</sup> TAWC capitalization is approximately one hundred (100) times larger than TWS. Former TWS customers will be served by a company with more employees and resources available within the State of Tennessee. Mr. Stout is drawing a comparison between the relative sizes and resource bases of Nexus and AWWC to illustrate how TWS customers can benefit from enhanced financial stability, access to greater operational resources and regulatory expertise attributable to AWWC and TAWC's greater economies of scale.
- c. Please see the response to subpart (b) above.
- d. No. TAWC as an affiliate of AWWC, has access to more favorable financing. For example, American Water, through the economies of scale provided by American Water Capital Corporation ("AWCC"), accesses the public debt market in a consolidated, cost-effective manner to obtain long-term debt to pass on at cost to American Water's operating subsidiaries, like TAWC. TAWC's current cost of

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<sup>1</sup> *Direct Testimony of Tiffany Van Horn* at 3:14-15

<sup>2</sup> <https://www.amwater.com/corp/About-Us/Corporate/>

<sup>3</sup> <https://nexuswatergroup.com/our-company/>

long-term debt, set in the Company's last rate case is 4.59%<sup>4</sup>, while TWS's cost of long-term debt as reported in its recently filed ARRM Filing is 5.04%. <sup>5</sup>

- e. Mr. Stout's statements simply recognize the benefits and exceptional services that will be extended to previous TWS customers as part of TAWC and AWWC, which are larger organizations.
- f. Yes. Mr. Stout is stating that TWS customers will benefit from being served by TAWC due to the reasons stated in the Joint Petition, Mr. Stout's Pre-filed Direct Testimony, Ms. Van Horn's Pre-filed Direct Testimony, and reiterated in this response. Please also see TAWC's response to CAD 1-8.
- g. TAWC objects to this request on the grounds and to the extent it seeks a quantification or analysis of the "annual financial value" of benefits that has not been previously prepared, kept, or maintained in the ordinary course of business, and to the extent it calls for TAWC to otherwise provide information that it is not obligated to prepare. Subject to and without waiving these objections, TAWC states that while no formal analysis has been conducted to determine the financial value of such benefits, TAWC as an affiliate to AWWC, is able to access greater operational, financial, and technical resources than those available to Nexus. While Nexus may offer similar categories of benefits, TAWC's access to AWWC, given its broader national scale, enhances TAWC's ability to deliver these benefits more efficiently to TWS customers.
- h. See response to CAD 1-9. TAWC would provide contractor oversight, strategic direction, and technical support to ensure that the contractor's operation aligns with TAWC's service obligations and standards.
- i. Presently, TWS's water testing is conducted by a certified third-party laboratory. The local operator receives certified shipping containers from the lab, takes samples, and sends them back via a certified container. The lab then provides TWS with the test results. Under TAWC ownership, water testing will be conducted at cost by American Water's centralized laboratory located in Belleville, Illinois – one of the most advanced water quality laboratories in the United States, which employs chemists, laboratory technicians, analysts, and support employees to perform water quality testing and research. The AW Central Laboratory supports TAWC's research and water compliance efforts through sophisticated testing and analysis. The AW Central Laboratory processes nearly 30,000 sample events each year, is certified in 17 states and territories, and is accredited to perform testing for 35 methodologies for over 220 compounds. This change is driven by TAWC's

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<sup>4</sup> *In 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*, TPUC Docket No. 24-00032, Order Setting Rates (April 21, 2025), at p. 71.

<sup>5</sup> *In re: Tennessee Water Service, Inc. Petition to Establish a Docket and Extend the Due Date for Filing its Petition for Approval of 2025 Annual Rate Review Filing*, TPUC Docket No. 25-00031, Pre-filed Direct Testimony of TWS Witness Andrew Dickson, Exhibit 1, Schedule F.

affiliation and access to American Water's central lab, which enables centralized oversight and efficiencies that are not available to TWS under Nexus's third-party lab arrangement.

- j. TAWC objects to this request on the grounds and to the extent that it seeks information that is outside the scope of TAWC's knowledge and requests information that is not appropriately directed to TAWC. Specifically, the statement originates from TWS's sponsored testimony, and TAWC cannot confirm or adopt this statement because it has no independent knowledge of its accuracy. Subject to and without waiver of the forgoing objection: See page 3:14-19 of TWS Witness Tiffany Van Horn's Pre-filed Direct Testimony ("TWS testing in 2024 revealed no contaminants and no violation of drinking water regulations.").



**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-11** Cost Savings. Itemize financial savings to TWS customers from the proposed transaction.

**Response:** As noted by TWS Witness Tiffany Van Horn in her Pre-filed Direct Testimony, page 7, “The TWS system currently operates alone in Tennessee. By joining the established presence of American Water in Tennessee, TWS customers will benefit by enjoying larger economies of scale and access to the resources and expertise of the American Water organization.” While TAWC has not identified any specific savings attributable to the proposed transaction at the present time, it is anticipated that the transaction will generate operational cost efficiencies over time. These efficiencies are not typically categorized or tracked by TAWC as “savings” but rather as benefits arising from operational efficiencies and greater economies of scale.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-12 System.** Confirm that the TWS system is not interconnected with any other TAWC system, and that it cannot share water sources with any other TAWC system.

**Response:** Confirmed. The TWS system is not interconnected with any other TAWC system.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Grady Stout

**Question 1-13 ICRR.** Refer to the *Direct Testimony of Grady Stout* at 16-17 regarding the applicability of the TAWC Incremental Capital Recovery Rider (“ICRR”). Respond to the following:

- a. Has TAWC assessed the need for capital expenditures on the TWS system, and are these projects ICRR qualifying expenditures?
- b. If part (a) is yes, identify the projects and provide an explanation of the need for the capital expenditure.
- c. If not, what is the rationale for charging an ICRR surcharge to the TWS system when there is no apparent need for ICRR qualifying investments?

**Response:**

- a. Yes. See Exhibit E: 3 Year Capital Budget attached to the Joint Petition. See *also* TAWC’s response to Commission Staff Data Request No. 4 submitted on July 31, 2025. Further, requiring new customers in a new service area to independently bear the full cost of future rider-eligible infrastructure investments within their respective service areas may result in significant and unintended rate shock—especially when such improvements are *essential* to ensure safe and reliable water service. Every TAWC service area, *including newly acquired areas*, will need infrastructure improvements over time. One benefit of the ICRR tariff is that it allows the Company to spread such costs across its systems and *service areas* *and* avoids rate shock, which is consistent with the aims and objectives of the alternative regulatory methods permitted by the Tennessee General Assembly and overseen by the Commission.
- b. See TAW\_R\_CADDR1\_013\_080825 Attachment

- Replacement of existing water mains consistent with useful life.
- Unscheduled water main replacements due to failure.
- Replacement of Hydrants, Valves and Manholes consistent with useful life.
- New Service lines and laterals to service new customers
- New meters to serve new customers.
- SCADA equipment and systems used to monitor and operate the system
- Vehicles
- Production Equipment Replacement
- Upgrading SCADA system to TAW standards for redundancy and cyber security drivers.
- Providing best practices physical security systems to water infrastructure.
- Replacing current meters with advanced AMR/AMI technology.
- Modernization of IT equipment consistent with useful life of such systems.
- Safety signage regarding electrical dangers of high voltage systems -- OSHA Required.
- One time cost of GIS locate specific assets to allow effective asset management
- Replacing Lead and Galvanized Steel Service Lines (Company Side)
- Needed various safety improvements to reduce risk to employees and customers.

LINE	CATEGORY
DV	Projects Funded by Others
A	Mains- New
B	Mains- Replaced/Restored
C	Mains- Unscheduled
D	Mains- Relocated
E	Hydrants, Valves, & Manholes- New
F	Hydrants, Valves, & Manholes- Replaced
G	Services & Laterals- New
H	Services & Laterals- Replaced
I	Meters- New
J	Meters- Replaced
K	ITS Equipment & Systems
L	SCADA Equipment & Systems
M	Security Equipment & Systems
N	Offices & Operations Centers
O	Vehicles
P	Tools & Equipment
Q	Process Plant Facilities & Equipment
R	Capitalized Tank Rehab/Painting
S	Engineering Studies

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness: Robert C. Lane**

**Question 1-14 Rate Base.** Refer to the Direct Testimony of Grady Stout at 9:9-12. Mr. Stout states that TAWC is not asking for any adjustment to rate base in this proceeding, along with the identification of rate base as \$2,010,732. However, in TPUC Docket No. 25-00031 (“2025 ARM”), TWS states that the Rate Base amount includes an ADIT offset to Rate Base of \$67,545 during the Historic Period and \$126,961 in the “as adjusted” Historic Period.<sup>1</sup> Thus, it is clear that the existing Rate Base, as per TWS, incorporates an ADIT offset. Provide an explanation of why Mr. Stout does not reference an ADIT entry contained in the current Docket’s File <Exhibit F - Pro-forma Accounting Entry TAWC.xlsx>.

**Response:** Please see TWS’s response to CAD 1-1. As explained in this response, because the transaction is considered an asset purchase for tax purposes, the ADIT tied to the seller’s historical book-tax differences remains with the seller. The ADIT will not be carried over to TAWC. Accordingly, Exhibit F to the Joint Petition does not reference an ADIT entry .

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<sup>1</sup> *Petition for Approval of 2025 Rate Review Filing* File <ARM Filing Template TWS 2025>, Tab “Rate Base” (Exhibit 1, Schedule A), TPUC Docket No. 25-00031 (May 30, 2025).

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-15** Transaction Costs. Provide a split of the estimated Transaction Costs TAWC expects to incur because of this transaction, split into the following two categories; (a) Direct charges incurred by TAWC in its purchase of TWS, and (b) estimated Transaction Costs allocated to it by AWWC.

**Response:** See TAWC's response to Commission's Data Request No. 3, submitted in this proceeding on July 31, 2025.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-16** Transaction Costs. With respect to the estimated Transaction Costs allocated to TAWC, provide a comprehensive explanation of the allocation methodology TAWC intends to use to allocate such costs to TAWC.

**Response:** At this time, American Water anticipates negligible costs associated with its SEC filings to be allocated to TAWC in the same fashion as the purchase price. See TAWC's response to CAD DR 1-1.

**TENNESSEE AMERICAN WATER COMPANY  
TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 25-00040  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**Responsible Witness:** Robert C. Lane

**Question 1-17 Transaction Costs.** With respect to the Transaction Costs the Company seeks to recover in the future, how does it intend to allocate such costs between the existing TAWC customer base and the acquired TWS customer base?

**Response:**

In TAWC Witness Grady Stout's Pre-filed Direct Testimony in support of this acquisition, the Company proposed that necessary and reasonable transaction costs associated with the acquisition be recorded to a regulatory asset. This regulatory asset will be amortized over ten (10) years, beginning with the Company's first appropriate rate proceeding following the close of the acquisition, and will be subject to Commission review and approval in such rate proceeding.<sup>1</sup>

These transaction costs will be submitted to the Commission in this acquisition proceeding no later than 60 days following the acquisition close. TAWC's proposal is fair to both customers and the Company, while also providing an opportunity for full review of the costs by the Commission, and any interested parties, in a future rate proceeding as well.

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<sup>1</sup> See *Pre-Direct Testimony of TAWC Witness Grady Stout*, pp. 10:18-11:6, TPUC Docket No. 25-00040 (May 1, 2025).



TAWC intends to add the annual amortized costs to the Company's revenue requirement in our next rate proceeding. Based on the TPUC's recent decision in the Company's rate case, TPUC Docket No. 24-00032, any revenue deficiency resulting from the inclusion of these costs in the Company's revenue requirement would be recovered from all customers on an equal percentage basis.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

**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**

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**VERIFICATION**

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**STATE OF** Tennessee )

**COUNTY OF** Hamilton )

I, ROBERT C. LANE, 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, verifies that the data requests and discovery responses are accurate to the best of my knowledge.



**ROBERT C. LANE**

Sworn to and subscribed before me  
this 7<sup>th</sup> day of August, 2025.

  
\_\_\_\_\_  
Notary Public

My Commission expires: 2-28-28



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:

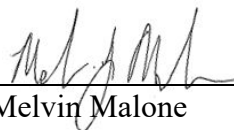
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*Attorneys for Tennessee Water Service, Inc.  
and Nexus Regulated Utilities, LLC*

This the 8<sup>th</sup> day of August 2025.

  
\_\_\_\_\_  
Melvin Malone