

**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**

Electronically Filed in TPUC Docket
Room on August 8, 2025 at 5:02 p.m.

DOCKET NO. 25-00040

**TENNESSEE WATER SERVICE, INC.
AND NEXUS REGULATED UTILITIES, LLC RESPONSES TO THE
CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS**

Tennessee Water Service, Inc. (“TWS”) and Nexus Regulated Utilities, LLC (“Nexus”) together (“Seller”), by and through counsel, hereby submits its Responses to the Second Set of Discovery Requests propounded by the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”).

GENERAL OBJECTIONS

- (1) Seller 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) Seller 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

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or the rules, regulations, or orders of the Tennessee Public Utility Commission (“TPUC” or “Commission”).

- (3) The specific responses set forth below are based on information now available to Seller, and Seller reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.
- (4) Seller 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) Seller objects to each request to the extent it seeks information outside Seller’s custody or control.
- (6) Seller’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 Seller’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) Seller 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) Seller 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.

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- (9) Seller does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

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RESPONSIBLE WITNESS: Victoria Shupak, Assistant Controller, Corporate & Tax

1-1. Deferred Taxes. Provide responses to the following:

- a. Confirm that TWS's Accumulated Deferred Income Taxes ("ADIT") will be retained for calculation of TWS rates in the future;
- b. Confirm that the TWS balance of ADIT will be recorded on the books of TAWC at the closing of the transaction; and
- c. If not, explain how the deferred taxes will be treated after the transaction.

RESPONSE:

- a. The transaction includes an Internal Revenue Code § 338(h)(10) election for the stock purchase to be treated as an asset purchase for tax purposes. Since it is considered an asset purchase for tax purposes, TWS will treat the sale as if it sold the assets and then liquidated. The ADIT tied to the seller's historical book-tax differences remain with the seller. TAWC will get a step-up in tax basis of the acquired assets to their fair market value, with the remaining value of the purchase price captured in goodwill.
- b. As a result of the transaction, ADIT will not be carried over to TAWC.
- c. Since the Internal Revenue Code § 338(h)(10) election results in TWS being treated as though it was selling its assets to AWWC in a single transaction, a taxable gain or loss will be computed with reference to the adjusted tax basis of the assets and reported on the transaction date by TWS and includible in the consolidated taxable income of the seller. The book/tax differences associated with the assets sold by TWS for tax purposes will reverse and ADIT liability (deferred taxes) will become income taxes currently payable - i.e., there is a settlement of TWS's ADIT liability on the transaction and is reset.

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RESPONSIBLE WITNESS: Steve Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

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. IL – Water is 40 years and wastewater is 50 years

IN – Water is 30 years and wastewater is 35 years

KY – Water is 40 years.

MD -Water treatment plant is 35 years and wastewater treatment plants is 60 years.

Distribution is 35 years, and the collection system is 60

NJ - Water treatment plant is 55 years and wastewater treatment plants is 35 years.

Distribution is 40 years, and the collection system is 25

PA – Water treatment plant is 50 years and wastewater treatment plants is 35 years.

Distribution is 35 years, and the collection system is 30

VA – Wastewater is 34 years

- b. The average age of the system is 28 years.

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RESPONSIBLE WITNESS: Tiffany Van Horn, President, TWS

1-3. 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:

The TWS System is not interconnected with any other TAWC system, and it cannot share water sources with any other TAWC system.

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RESPONSIBLE WITNESS: Victoria Shupak, Assistant Controller, Corporate & Tax

1-4. Tax. Is the TAWC/TWS transaction a taxable transaction to Nexus? If so, respond to the following:

- a. Indicate the journal entry that will be recorded on the books of Nexus because of the TAWC portion of the transaction.
- b. What is the rationale for the retention of the gain on the sale for Nexus shareholders?
- c. Identify any TPUC regulatory determinations TAWC & AWWC are relying on to retain the proceeds from the gain on the sale from this transaction.

RESPONSE:

Understanding that the referenced “TAWC/TWS transaction” is the transaction contemplated under the Merger Agreement (Exhibit A to the Joint Petition), wherein Tennessee Water Service, Inc. (“TWS”) will merge with and into Tennessee-American Water Company (“TAWC”), with TAWC as the surviving company, and TAWC acquiring all of the assets and obligations of TWS, TWS and Nexus Regulated Utilities, LLC (“Nexus”) respond that the TAWC/TWS transaction is not a taxable transaction to Nexus.

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RESPONSIBLE WITNESS: Steve Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

1-5. Deferrals. Identify any deferrals TWS plans to record because of its proceeding in TPUC

Docket No. 25-00031.

RESPONSE:

- a. There are no new deferrals.

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RESPONSIBLE WITNESS: Steve Lubertozzi, Senior Vice President, Rates, Regulatory and Legislative Affairs

1-6. ARM Deferral. Refer to the *Joint Petition*, File <Exhibit F - Pro-forma Accounting Entry TAWC.xlsx> (“Journal Entry”) and 2025 ARM, File <TWS ARM - Deferrals 2025.xlsx>.

Respond to the following:

- a. Reconcile the balance of the Deferred Charges contained in the 2025 ARM, File <TWS ARM - Deferrals 2025.xlsx> with the Journal Entry balances identified within accounts 186.0 (Miscellaneous Deferred Debits) and 186.3 (Regulatory Assets) contained in the *Joint Petition*, File <Exhibit F - Pro-forma Accounting Entry TAWC.xlsx>; and
- b. Reconcile the balance of the Regulatory Liabilities in the 2025 ARM, File <TWS ARM - Deferrals 2025.xlsx> with the balance in Account 253, “Other Deferred Credits” contained in the *Joint Petition*, File <Exhibit F - Pro-forma Accounting Entry TAWC.xlsx>.

RESPONSE:

a & b. For NARUC 186, the total used in the Journal Entries schedule reflects the same balance as the Historic Per Books amount for Deferred Charges in TWS's ARM filing, Schedule A. The variance between the Per Books balance and Schedule A-4 of the ARM filing is due to minor timing differences in amortization periods that the books reflect compared to the Schedule A-4 rollforward.

For NARUC 186.3 please see the Revised Exhibit F, which includes estimated transaction and closing costs which will be deferred to NARUC account 186.3. Also, see TAWC’s response to TPUC Staff DR Set 1, Question 3.

For the Reg Liability balance in the Journal Entries schedule, the ARM Filing Schedule A-5 shows a combined balance of the EDIT and Uninsured Property at 12/31/24 of \$418,184, within rounding of the Journal Entries Schedule. The \$418,184 total also ties

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to the Historic Per Books amount for Excess Deferred Taxes plus Regulatory Liability in
TWS's ARM filing, Schedule A.

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**RESPONSIBLE WITNESS: Steve Lubertozi, Senior Vice President, Rates,
Regulatory and Legislative Affairs**

1-7. Cost Allocation - Overhead. Identify and quantify all costs that are currently allocated from Nexus to TWS that will no longer be allocated after the transaction. Identify and quantify all costs that will be allocated from TAWC or AWC to the current TWS system after the transaction is completed.

RESPONSE:

In 2024, TWS's parent company allocated to TWS \$88,274 via its CAM, which will no longer be allocated after the transaction

Nexus and TWS are unaware what, if any, costs will be allocated from TAWC or AWC to the current TWS system after the transaction is completed.

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RESPONSIBLE WITNESS: Tiffany Van Horn, President, TWS

1-8. MFR. Refer to TPUC Rule 1220-04-14-.08 (2)(d). The Rule states:

A schedule detailing the number of customers by customer class served by the selling utility at the time the application for acquisition is filed;

In the *Joint Petition*, Appendix A, page 1, the Petitioner's state the following in response to this rule:

TWS only services one class of customers, residential. The number of such customers is set forth within the pre-filed testimony in support of the Joint Petition. Thus, a separate schedule detailing the number of customers by customer class served by TWS would be cumulative.

Refer to Appendix A at 29 and then the *Direct Testimony of Van Horn* at 3:3-14. Appendix A at 29 indicates that there are approximately 400 connections. The *Direct Testimony of Van Horn* states that there are approximately 440 customers. Respond to the following:

- a. Provide TWS's current connection count; and
- b. What connection count for TWS have the applicants used in their analysis?

RESPONSE:

- a. The current connection count is 464.
- b. See response to 1-8a.

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RESPONSIBLE WITNESS: Tiffany Van Horn, President, TWS

1-9. MFR. Refer to TPUC Rule 1220-04-14-.08 (2)(f). The Rule states:

A forecasted income statement detailing the projected operating revenues, expenses, taxes and net income attributable to the selling utility's operations for the twelve-month period following the estimated closing date of the acquisition transaction;

In the *Joint Petition*, Appendix A, page 1, the Petitioner's state the following in response to this rule:

A twelve-month forecasted income statement for TWS post-closing is unnecessary and cumulative considering the substantive information submitted with the Commission in In Re: Tennessee Water Service, Inc, Petition to Establish Docket and Extend the Due Date for Filing Its Petition for Approval of 2025 Annual Rate Review Filing, TPUC Docket No. 25-000031.

Provide the location of the required information within the cited document.

RESPONSE:

A twelve-month forecasted income statement was included as an updated Schedule B, which was filed as Exhibit K to Appendix A on August 1, 2025 in this docket (25-00040).

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RESPONSIBLE WITNESS: Steve Lubertozzi, Senior Vice President, Rates, Regulatory and Legislative Affairs

1-10. MFR. Refer to TPUC Rule 1220-04-14-.08 (2)(h). The Rule states:

A schedule detailing the computation of regulatory, transaction and closing costs related to the proposed acquisition and the amount of such costs requested for recovery from the acquiring utility's customers;

In the *Joint Petition*, Appendix A, page 2, the Petitioner's state the following in response to this rule:

For presently available information regarding regulatory, transaction and closing costs related to the proposed acquisition and merger and the amount of such costs requested for recovery by TAWC, see the Pre-filed Direct Testimony of TAWC Witness Grady Stout at pp. 7-9.

The Direct Testimony of Grady Stout does not contain a schedule of financial information regarding regulatory, transaction and closing costs related to the proposed acquisition. Provide the following:

- a. Provide a schedule detailing the financial information regarding regulatory, transaction and closing costs related to the proposed transaction that were used to analyze the proposed transaction and/or utilized in any cost/benefit analysis; and
- b. Provide a schedule of estimates of the regarding regulatory, transaction and closing costs related to the proposed acquisition.

RESPONSE:

- a. Seller objects to this request to the extent it is overbroad, unduly burdensome, and seeks information that is not reasonably calculated to lead to the discovery of admissible evidence. This Request improperly seeks to identify all professionals involved in the transaction at issue regardless of their connection to the limited jurisdiction of Tennessee. Seller further objects to this Request to the extent it seeks

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documents that are confidential and/or commercially sensitive, and/or subject to the attorney-client privilege or work product protections, where such requested fees will not be passed onto customers or entities in Tennessee. Notwithstanding and without waiving this objection, Seller engaged the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC to seek approval for the proposed transaction from the Tennessee Public Utility Commission.

- b. See response to 1-10a

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RESPONSIBLE WITNESS: Steve Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

1-11. MFR. Refer to TPUC Rule 1220-04-14-.08 (2)(m). The Rule states:

A schedule identifying any assets that were contributed or donated to the selling utility that are included in the acquisition transaction;

In the *Joint Petition*, Appendix A, the Petitioner's state the following in response to this rule:

With respect to the identification of any assets that were contributed or donated to TWS that are included in the acquisition and merger transactions, Schedule A-6 in TWS's May 31, 2025, ARRM filing shows CIAC by GL account.

Respond to the following:

- a. Provide the location of the required information within the cited document; and
- b. Specify the specific dollar amount that the Joint Petitioner's consider to be contributed or donated; and
- c. Specify GL account and the amount in each GL account.

RESPONSE:

- a. Please refer to docket 25-00031, Exhibit 1, Schedule A-6.
- b. Please refer to Schedule A-6. \$1,127,669.08 in gross plant has been contributed, for which \$452,293.97 in accumulated amortization has been booked as of 12/31/2024. Thus, a net CIAC balance of 675,375.11 exists for TWS.
- c. Please refer to Schedule A-6. GL accounts 271035, 271036, and 271041 have been used to recover gross CIAC, with corresponding accumulated amortization booked in accounts 72035, 272036, and 272041, respectively.

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RESPONSIBLE WITNESS: Tiffany Van Horn, President, TWS

1-12. MFR. Refer to TPUC Rule 1220-04-14-.08 (5). The Rule states:

The acquiring utility shall provide public notice of the proposed acquisition in accordance with applicable statutory law and Commission rules and regulations, as well as any additional public notice requirements ordered by the Commission or the Hearing Officer.

In the *Joint Petition*, Appendix A, the Petitioner's state the following in response to this rule:

Please see pages 6-7 of the Joint Petition, which outlines that TAWC shall provide public notice of the proposed acquisition in accordance with applicable statutory law and Commission rules and regulations. The current customers of the System will be notified of this Joint Petition pursuant to the Commission's existing notice requirements as soon as a proposed hearing date is known to the Joint Applicants. At pages 6-7 of the Joint Petition, Joint Petitioners also outline additional notice steps that the Joint Petitioners will take that exceed existing Commission rules. The Company will also comply with any additional public notice requirements ordered by the Commission or the Hearing Officer.

TPUC promulgated the acquisition rule after it promulgated the general public notice requirement for utilities. As such, the Commission chose to set additional public notice requirements for acquisition dockets above and beyond the general public notice requirements it previously instituted. TPUC Rule 1220-04-14-.08 requires a draft of the public notice to be filed with the filing of a petition for acquisition in order for any intervenor(s) and the Commission to be able to review and consider its sufficiency at the outset of the docket. Provide the requisite public notice of the proposed acquisition.

RESPONSE:

As stated in the Joint Petition, TWS posted a notice to its customers on its website on June 4, 2025 as shown here: <https://www.myutility.us/tennesseewater/news/detail?id=9b025ee5-8533->

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[6283-8a44-ff0000903d3d&index=0](#). The following notice has been updated to reflect the procedural schedule established by the Commission in this case and will be posted online and at: Chalet Village Clubhouse:

LEGAL NOTICE

Notice is hereby given that Tennessee Water Service, Inc. (“TWS”) and Nexus Regulated Utilities, LLC (“Nexus”) filed a Joint Petition along with Tennessee-American Water Company (“TAWC”) and American Water Works Company, Inc. (“AWWC”) to request authorization of change of control, approval of the agreement and plan of merger, and for the issuance of a certificate of convenience and necessity with the Tennessee Public Utility Commission (the “Commission” or “TPUC”) on May 3, 2024. The Joint Petition and supporting documentation are on file with the Commission in Docket No. 25-00040.

The Joint Petition requests the approval of a stock purchase agreement and subsequent merger agreement that will ultimately result in the ownership of TWS being transferred to AWWC followed by the merger of TWS with TAWC, with TAWC as the surviving company. This Joint Petition does not propose any changes to the rates for TWS customers. The revisions to the tariff of TAWC as a result of this proposed transaction are attached to the Joint Petition as Exhibit I and can be viewed at <https://share.tn.gov/tra/orders/2025/2500040.pdf> or at Chalet Village Owners Club, 705 Village Loop Road, Gatlinburg, TN 37738.

The Commission may be reached at 1-800-342-8359. The Commission will hold a public hearing on the Joint Petition on November 3, 2025, beginning at 10:00 a.m. (CST) in Nashville, TN in Hearing Room G.201, Andrew Jackson State Office Building, 500 Deaderick Street to hear testimony and to determine whether the Joint Petition should be approved. The public will have an opportunity to offer comments during the November hearing. In addition, members of the public may file written comments with the Commission in the docket file by sending an email to contact.tpuc@tn.gov with a reference to Docket No. 25-00040 in the subject line of the email.

In the event the November 3, 2025 hearing date is modified by the Commission, the Commission will provide notice of any such change on its website. Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Public Utility Commission ADA-EEO/AA Coordinator/Officer at 502 Deaderick Street, 4th Floor, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD (615) 741-3930, so that reasonable accommodations can be made.

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RESPECTFULLY SUBMITTED,



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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:

Karen H. Stachowski
Shilina B. Brown
Vance L. Broemel
Office of the Tennessee Attorney General
Consumer Advocate Division

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This the 8th day of August, 2025.



Ryan Freeman