

**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)

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DIRECT TESTIMONY

OF

CLARK D. KAML

September 19, 2025

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1 **I. INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
3 **OCCUPATION FOR THE RECORD.**

4 A1. My name is Clark Kaml. My business address is the Office of the Tennessee
5 Attorney General, John Sevier State Office Building, 500 Dr. Martin L. King Jr.
6 Blvd, Nashville, Tennessee 37243. I am a Financial Analyst employed by the
7 Consumer Advocate Division in the Office of the Tennessee Attorney General
8 (“Consumer Advocate”).

9 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A2. I received a Bachelor of Science Degree in Economics from the University of North
12 Dakota in 1987 and a Master of Arts Degree in Economics from the University of
13 North Dakota in 1988. I have more than 30 years of experience working in the
14 regulated utilities industries including electric, natural gas, telephone, and water. I
15 have worked for various agencies including the Public Service Commission of
16 North Dakota, the Kansas Corporation Commission, the Minnesota Public Utilities
17 Commission, the Minnesota Office of the Attorney General, and the Grant County
18 Public Utility District. I have worked with private companies, municipalities, and
19 served on a Rate Committee. I served as Co-Chair of the National Association of
20 State Utility Commissioners (“NARUC”) Staff Subcommittee on Strategic Issues
21 and am currently Co-Chair of the National Association of State Utility Consumer
22 Advocates (“NASUCA”) Gas Committee. In addition, I am the author of the book

1 “Don’t Fear the Cost Study.”¹

2 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
3 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**
4 **“COMMISSION”)?**

5 A3. Yes. I filed testimony in the Tennessee-American Water Company’s (“TAWC”
6 or “Tennessee-American”) recent rate case, TPUC Docket No. 24-00032, the
7 Limestone Water Utility Operating Company’s recent rate case, TPUC Docket No.
8 24-00044, Chattanooga Gas Company’s Annual Rate Review, TPUC Docket No.
9 25-00028, the Kingsport Power Company’s Alternative Rate Mechanisms, TPUC
10 Docket No. 25-00022, and Piedmont’s Annual Rate Review Filing, TPUC Docket
11 No. 25-00036.

12 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

13 A4. I am testifying on behalf of the Consumer Advocate.

14 **Q5. WHAT IS THE SCOPE OF YOUR REVIEW IN THIS PROCEEDING?**

15 A5. My testimony addresses the Consumer Advocate’s analysis of the potential
16 customer impact of the Joint Petition of TAWC, American Water Works Company,
17 Inc. (“AWWC”), Nexus Regulated Utilities, LLC, (“Nexus”) and Tennessee Water
18 Service, Inc. (“TWS”) (together referred to as “Petitioners”) for Authorization of
19 Change of Control, Approval of the Agreement and Plan of Merger and for the
20 Issuance of a Certificate of Convenience and Necessity (the “Sale” or the
21 “Transaction”).

¹ Clark Kaml, Don’t Fear the Cost Study (2022).

1 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF**
2 **YOUR TESTIMONY?**

3 A6. I have reviewed the Petitioners' Pre-Filed Testimony, the exhibits and workpapers
4 filed with the Petitioner's Petition, as well as the Petitioner's responses to
5 discovery.

6 **Q7. WHAT ISSUES ARE YOU ADDRESSING?**

7 A7. My testimony addresses the following topics:
8 a. Acquisition Costs.
9 i. Acquisition Premium.
10 ii. Customer Benefits.
11 iii. Transaction Costs.
12 iv. Due Diligence Costs.
13 b. Rates.
14 i. Rate Impact.
15 ii. Rate Adjustments.
16 c. TAWC's Technical, Managerial, and Financial Ability.
17 d. Benefits of the Transaction.

18 **Q8. WHAT ARE YOUR RECOMMENDATIONS?**

19 A8. I recommend the Commission:
20 • Order that any approval be conditioned on the prohibition of
21 recovery of goodwill or an acquisition adjustment related to this
22 transaction in this or any future proceeding (this is consistent with
23 TAWC's assurances). The condition should include AWWC and
24 any subsidiary operations in Tennessee.
25 • Reject any proposal to recover due diligence expenses in rates.
26 • Reject the Petitioner's proposal to report and seek recovery of
27 transaction costs at some time in the future. In the alternative, limit
28 recovery of transaction and transition costs to demonstrated
29 customer savings.
30 • Order that TAWC should maintain the existing rates for current
31 TWS customers until all rates are reviewed and reject TAWC's

1 proposal to subject TWS customers to the Incremental Capital
2 Recovery Rider (“ICRR”). In addition, customers should be
3 notified of proposed rate changes at the time the proposed rate
4 changes are filed with the Commission.

- 5 • Approve TAWC’s proposal to end TWS’s ARRM mechanism at the
6 close of the acquisition.

7 The Consumer Advocate is also recommending the following as addressed by
8 Consumer Advocate witness Mr. Dittmore:

- 9 • A one-year rate moratorium for TWS’s customers. To ensure that
10 TWS’s rates would not increase any earlier than October 1, 2027,
11 one year beyond the time such rates could have increased under the
12 former TWS ARM mechanism.
- 13 • That the Commission reject TAWC’s request to increase the TWS’s
14 depreciation rates to match those of TAWC.

15 **II. TRANSACTION**

16 **Q9. WHO ARE THE PARTIES TO THE TRANSACTION?**

17 A9. There are four parties to the transaction:

- 18 • TWS, a Tennessee corporation that is a public utility owning and
19 operating a water system in Sevier County, Tennessee. TWS serves
20 approximately 440 water connections in Chalet Village North.²
- 21 • Nexus Regulated Utilities, LLC, an Illinois company and the direct
22 corporate parent of TWS.³
- 23 • AWWC, a Delaware corporation. AWWC is a water and
24 wastewater holding company.⁴
- 25 • TAWC, a Tennessee corporation is a public utility business that
26 provides residential, commercial, industrial, and municipal water
27 service, to approximately 88,000 customers. It is a wholly owned
28 subsidiary of AWWC.⁵

29 **Q10. EXPLAIN THE TRANSACTION BETWEEN AWWC AND NEXUS?**

2 *Joint Petition* at 2.

3 *Joint Petition* at 3.

4 *Id.*

5 *Id.*

1 A10. According to the May 19, 2025, Purchase and Sale Agreement between Nexus
2 Regulated Utilities and AWWC (the “Stock Purchase Agreement”),⁶ AWWC will
3 purchase 100% of the equity interests of the Acquired Subsidiaries. The Acquired
4 Subsidiaries are Colchester Utilities, Inc.; Community Utilities of Indiana Inc.;
5 Community Utilities of Maryland Inc.; Community Utilities of Pennsylvania Inc.;
6 Maryland Water Service, Inc.; Montague Sewer Co., Inc.; Montague Water Co.,
7 Inc.; Prairie Path Water Company; Tennessee Water Service, Inc.; and Water
8 Service Corporation of Kentucky. The purchase price is estimated to be
9 approximately \$315 million in cash, subject to adjustment at closing.⁷

10 **Q11. WHAT TRANSACTION IS BEING PROPOSED IN TENNESSEE?**

11 A11. In Tennessee, the Joint Petitioners are seeking approval to sell TWS to AWWC and
12 immediately merge the equity interest of TWS into TAWC.⁸ The Petitioners are
13 requesting that the Commission grant a CCN and franchise to TAWC to provide
14 service to the current TWS customers.

15 The Petitioners estimate that the purchase price “allocated” to TAWC for TWS is
16 approximately \$3,865,573.

17 **Q12. WHAT IS THE SIGNIFICANCE OF THE TWS SALE BEING PART OF A**
18 **LARGER TRANSACTION?**

19 A12. The transaction requires review and approvals in several states, each of which could
20 impact the transaction and the future operation of AWWC. The Tennessee portion

⁶ *Joint Petition*, Exhibit C, Exhibit 2.1 at 3.

⁷ *Joint Petition* at 5.

⁸ *Direct Testimony of Grady Stout* at 4:17-18.

1 is less than 1% of the transaction from a customer perspective (464 out of
2 approximately 47,000⁹ customers), (three different customer counts have been
3 provided, in the petition and responses to information requests)¹⁰ and
4 approximately 1.2254% of the transaction from an asset perspective (\$3,865,574
5 for TWS out of a total transaction of approximately \$315 million).¹¹

6 Identifying activities and costs that are related to TWS becomes increasingly
7 difficult to track. Acquisition costs, including the acquisition premium, are being
8 incurred at the parent company level with the sale of stock to AWWC, then
9 allocated to subsidiaries. These cost allocations are not associated with a
10 demonstrated increased benefit to Tennessee customers and should not be reflected
11 in rates.

12 Two questions to consider are how much the various transaction costs would be
13 reduced if TWS was not included, and what are the quantitative savings to TWS
14 customers.

15 **III. ACQUISITION COSTS**

16 **Q13. WHAT COSTS ARE ASSOCIATED WITH MERGERS AND** 17 **AQUISITIONS?**

18 A13. Costs frequently incurred during acquisitions and mergers include acquisition
19 premiums, transaction costs, and transitional costs.

- 20 • For a regulated utility, the acquisition premium is the amount of the
21 purchase price that exceeds the regulatory book value.

⁹ Nexus Response to Consumer Advocate DR No. 1-8 and *Joint Petition*, Exhibit C, Item 1.01,
at 2. (464/47,000=0.9894%).

¹⁰ Nexus Response to Consumer Advocate DR No. 1-8.

¹¹ *Direct Testimony of Grady Stout* at 8:21 – 9:2.

- Transaction costs are those incurred to facilitate and complete the transaction. In general, these are expenses that would not have existed but for the acquisition and are separate from the purchase cost itself. These might include costs that occur prior, during, or after an acquisition.
- Transition costs are those incurred because of change.

Q14. WHY SHOULD TREATMENT OF THESE COSTS BE ADDRESSED AT THE TIME THAT THE COMMISSION MAKES A DECISION REGARDING APPROVAL?

A14. So long as the treatment of the costs associated with the transaction remain undecided, they add to the regulatory risk and potential costs that can impact both the company and customers. The longer the delay, the higher the risk. In this case, TAWC is promoting the uncertainty by requesting a delayed decision.

Regulatory uncertainty, or regulatory risk, describes the instability and unpredictability surrounding existing laws, rules, and regulations, which can arise from changing interpretation. This uncertainty is a challenge for businesses, leading to delayed investments, reduced innovation, increased costs, etc.

If recovery of acquisition costs is not crucial or relevant, delay of the cost recovery decision would not be expected to impact the outcome of the transaction. However, if the cost recovery treatment is critical for the financial health of the going concern, or necessary before consummation of the transaction, delay of the cost recovery decision could result in a delay of the transaction, or modification or termination of the agreement.

In a situation such as this, where the TWS portion of the transaction is small, the decision in this Docket would be expected to have a commensurate impact on the

1 larger transaction between Nexus and AWWC.

2 **Q15. WHY DOES A DELAYED DECISION INCREASE RISK?**

3 A15. The requested acquisition costs, including the acquisition premium, will exceed
4 47% of the total purchase price allocation for TWS¹². Whether and how those costs
5 will be recovered directly impacts cash flow and earnings for years to come. The
6 earlier that the parties know how these costs will be treated by regulators, the
7 greater the ability for the acquiring company to consider options, including whether
8 the acquisition should continue.

9 If an acquiring company does not have a decision on the acquisition costs and
10 proceeds with the transaction, one reasonable conclusion is that the company
11 believes that it will recover the premium, either through overt approval or some
12 other means.

13 Viewed from another perspective, since the company is willing to proceed with the
14 acquisition ahead of a decision on cost recovery, a possible interpretation is that
15 cost recovery is not an essential component of the transaction and therefore
16 unnecessary.

17 **Q16. WHICH PARTIES ARE AT RISK WHEN REGULATORY TREATMENT**
18 **OF THE ACQUISITION COST IS UNKNOWN?**

19 A16. The transaction directly impacts the purchaser, the seller, and the customers. The
20 risk to the seller is that the transaction may not proceed or that approval conditions

¹² *Direct Testimony of Grady Stout* at 8 – 9 (((\$3,865,574 (allocated purchase price) - \$2,010,732 (TWS system rate base))/(\$3,865,574)).

1 alter the value of the sale. Risks to the purchasing utility include the extent to which
2 cost recovery will be allowed and whether to proceed with the transaction if
3 recovery is not allowed, or the purchase is authorized with conditions that threaten
4 future earnings. If the regulatory treatment is unknown, both options remain.

5 The risk to customers is that they will be required to pay for the acquisition costs
6 or have higher rates without any corresponding benefits. The risk to consumers is
7 heightened by the fact that once the transaction is complete and the premium has
8 been paid, the funds paid for the premium are gone. If the new provider is placed
9 at financial risk, the ratepayer may suffer, either through lower quality of service
10 or higher rates with limited recourse.

11 **Q17. HOW CAN THESE RISKS BE ADDRESSED?**

12 A17. By making final decisions or establishing metrics regarding the treatment of costs
13 associated with the acquisition costs during the acquisition docket. In doing so, the
14 Commission can remove regulatory uncertainty and reduce or eliminate some of
15 the risk for investors and ratepayers alike.

16 **Q18. WHY WOULD THERE BE AN ACQUISITION PREMIUM?**

17 A18. The purpose and terminology around an acquisition premium for a rate regulated
18 utility is different from those in other industries.

19 In a free market, the acquisition premium is the amount a buyer is willing to pay
20 above the market value. For publicly traded companies, the stock price prior to the
21 announcement of a merger or acquisition is often considered a proxy for the market
22 price above which is considered an acquisition premium.

1 From a financial perspective, as an investment, the current market price represents
2 the net present value of the expected cash flow from the investment. The
3 willingness to pay above market value reflects a belief that the transaction will
4 produce economic value that would not otherwise exist. This could be due to a
5 combination of factors including cost reductions, increased sales, undervalued
6 assets, increased market share, and excess earnings. The expectation that the
7 acquisition will produce economic value is often reflected in the acquisition
8 premium.

9 From a financial perspective, it is reasonable to assume that a company thinks that
10 a business transaction will be profitable. Otherwise, it would not engage in the
11 transaction. For a regulated utility to be profitable, the owner needs to recover the
12 cost associated with the transaction, which would include transaction costs, fees,
13 and the assets, as well as a return on those assets over time.

14 In this Joint Petition, AWWC is paying an acquisition premium that has been
15 allocated to TWS and will be incurring transaction costs that will be allocated to
16 the TWS's customers. A critical question is how does AWWC's plan to recover
17 these costs and how can customers be protected to ensure that the costs are not
18 recovered from ratepayers without a counterbalancing of cost savings or measured
19 benefits.

20 **Q19. HOW IS THE ACQUISITION PRICE DETERMINED?**

21 A19. In a free market, the determination of the price is often unknown to any outside
22 party. The price is often the result of negotiations between the parties, reaching an
23 agreement. In some instances, different parties are bidding against each other for

1 the rights to secure the purchase. Even then, the highest bid does not assure an
2 agreement.

3 **Q20. DID TENNESEE AMERICAN WATER COMPANY EXPLAIN HOW THE**
4 **PURCHASE PRICE WAS DETERMINED?**

5 A20. No. TAWC stated, “[t]he purchase price was negotiated as part of a broader,
6 arm’s-length transaction, between two sophisticated utility parties.”¹³ The
7 Petitioners did not provide any financial calculations that demonstrated the total
8 purchase price for TWS. They did not demonstrate any financial calculations
9 supporting the price or acquisition premium.

10 **Q21. WERE THE ASSETS OF TENNESSEE WATER SERVICE APPRAISED?**

11 A21. No. TAWC stated:

12 Neither TAWC nor American Water have performed any appraisals
13 or valuations of TWS. The acquisition of TWS was negotiated as
14 part of a larger arm’s length transaction between American Water
15 and Nexus under which American Water agreed to acquire from
16 Nexus all of the issued and outstanding equity interests in specified
17 entities that own regulated water and wastewater systems located in
18 various states, including TWS. As set forth in the Joint Application
19 in Section II, the sale price of the equity and ownership interest is
20 approximately \$315 million, and TAWC will be allocated
21 approximately \$3.9 million of that sale price subject to adjustment
22 at the closing of the purchase based on the calculations and criteria
23 provided in the Stock Purchase Agreement.¹⁴

24 **Q22. WHY ARE THESE FACTS RELEVANT?**

25 A22. These facts demonstrate that:

- 26 • There is not a direct connection between the purchase price allocation
27 for TWS and the historic rate base upon which rates were established.

13 TAWC Response to Consumer Advocate DR No. 1-1(a)(ii).

14 *Id.*

- 1 • There was not a cost savings analysis demonstrating a justification for
2 the acquisition premium or any other transaction costs.
- 3 • The purchase allocation to TWS is not the result of a cost/benefit
4 analysis of the TWS system.

5 Rather, the allocations to each AWWC subsidiary are based on total book
6 capitalization in the state compared to the overall capitalization. Based on these
7 facts, TWS customers should be protected from rate increases associated with the
8 transaction.

9 **Q23. WHAT GUARANTEE HAS TAWC MADE TO PROTECT CONSUMERS**
10 **FROM RATE INCREASES FROM THE ACQUISITION PREMIUM?**

11 A23. In the Direct Testimony of TAWC witness Mr. Stout, he stated that TAWC is not
12 asking for any adjustment to rate base in this proceeding.¹⁵ TAWC confirmed this
13 in its response to discovery stating “TAWC is not seeking and will not seek
14 recovery of goodwill or an acquisition adjustment related to this transaction in this
15 or any future proceeding.”¹⁶

16 **Q24. WHAT ADDITIONAL ACQUISITION PREMIUM RESTRICTIONS**
17 **WOULD PROTECT CUSTOMERS?**

18 A24. TAWC’s assurance in response to an information request should be made part of
19 any agreement or order approving the petition. In addition, the statement that
20 TAWC is not seeking recovery of this acquisition premium should be extended to
21 include AWWC or subsidiary operations in Tennessee.

22 **Q25. WHAT ARE TRANSACTION COSTS?**

¹⁵ *Direct Testimony of Grady Stout at 9:12.*

¹⁶ TAWC Response to Consumer Advocate DR No. 1-1(c)(i).

1 A25. As noted above, transaction costs are those that are necessary for the agreement to
2 be completed, and that would not have been incurred except for the proposed
3 transaction. This can be direct and indirect costs and include legal and professional
4 fees, regulatory costs, broker and bank fees, real estate related legal costs, closing
5 costs, etc.

6 **Q. DID TAWC ADDRESS DUE DILIGENCE SEPARATELY FROM**
7 **TRANSACTION COSTS?**

8 A. Yes.

9 **Q26. SHOULD DUE DILIGENCE COSTS BE VIEWED SEPARATELY FROM**
10 **TRANSACTION COSTS?**

11 A26. Yes. Due diligence is the review and investigation of a potential investment that a
12 reasonable or prudent company would take prior to entering a contract or making
13 an investment. This review, and associated cost, is conducted prior to and apart
14 from the transaction as part of normal investment process. I agree that due diligence
15 should be viewed as separate from transaction costs. However, opinions vary over
16 what constitutes due diligence and how much is adequate.

17 **Q27. IS TAWC PROPOSING TO RECOVER THE TRANSACTION COSTS?**

18 A27. TAWC stated that it is proposing to recover its due diligence, transition, transaction
19 and closing costs associated with this transaction. TAW argued that these expenses
20 are appropriate and prudently incurred costs of acquiring assets and merging TWS
21 into TAWC.¹⁷

¹⁷ *Direct Testimony of Grady Stout at 10:10-14.*

1 **Q28. DID THE PETITIONERS IDENTIFY AND QUANTIFY THE**
2 **TRANSACTION COSTS?**

3 A28. No. They did not identify or quantify these costs. TAWC stated that final due
4 diligence, transaction and closing costs will be filed with the Commission no later
5 than 60 days following the acquisition close.¹⁸

6 **Q29. IF THE TRANSACTION COSTS ARE UNKNOWN, HOW IS TAWC**
7 **PROPOSING TO RECOVER THE COSTS?**

8 A29. TAWC proposed that these costs will be recorded as a regulatory asset and be
9 amortized over ten (10) years beginning with TAWC's first appropriate rate case
10 proceeding following the close of the acquisition.¹⁹

11 **Q30. IS TAWC'S PROPOSAL UNIQUE?**

12 A30. No. Companies often request pre-approval of transaction costs as part of the
13 authorization for an acquisition. The argument is that the Commission will have
14 an opportunity to review the costs later, thus ratepayers are protected.

15 **Q31. IS THIS A REASONABLE REQUEST?**

16 A31. No. Neither the costs nor future conditions are currently known. Any future
17 decision will be influenced by future conditions, including the financial health of
18 the utility. Thus, the immediately recognizable concern is that ratepayers are being
19 subjected to the risk of unknown costs or benefits.

¹⁸ *Id.* at 10:22 – 11:1.

¹⁹ *Id.* at 10:15-22.

1 **Q32. WHAT ARE THE SPECIFIC CONCERNS WITH THE REQUEST TO**
2 **ADDRESS COSTS AND COST RECOVERY AT A FUTURE DATE?**

3 A32. For a rate regulated utility, the question of how the cost will be recovered is not
4 completely within the control of the business and the market. The final decision,
5 including if and how the costs will be recovered, is made by a regulatory body(ies).
6 These are the same regulators that generally rely on original-cost ratemaking and
7 are tasked with ensuring that rates are just and reasonable.

8 As part of its decision, a prudent regulated utility will assess the likelihood that
9 regulatory recovery will be necessary and authorized. For the transaction to
10 proceed, the purchaser should be confident that it will be able to recover its
11 acquisition costs, and these include the transaction costs. TAWC is assessing the
12 likelihood that it will be able to recover costs that are not yet known.

13 These risks (unknown costs) that are outside the control of captive ratepayers
14 should not be transferred to those same ratepayers.

15 **Q33. HAS THE COMMISSION PREVIOUSLY TAKEN POSITIONS ON THE**
16 **RECOVERY OF DUE DILIGENCE COSTS?**

17 A33. Yes. Regarding ratepayers having the burden of due diligence costs the
18 Commission stated:

19 The majority of the panel reasoned that while due diligence costs are
20 not costs associated with the delivery of water services, such costs
21 may be incurred to safeguard the assets of the Company, thus
22 protecting the interests of the shareholders and ratepayers. To allow

1 recovery of a cost incurred to benefit shareholders but funded solely
2 by ratepayers is unacceptable.²⁰

3 More recently the Commission stated:

4 The second category includes costs incurred for due diligence in the
5 Company's evaluation and assessment of a particular acquisition's
6 viability, generally occurring before the Company applies for
7 acquisition approval. These costs traditionally have no direct
8 relationship to providing utility service to customers and would
9 occur whether or not an acquisition transaction was ultimately
10 consummated. Commission Rule 1220-04-14- .06(5) states that
11 regulatory, transaction, and closing costs are not recoverable where
12 an acquisition application is withdrawn or denied, safeguarding
13 customers from bearing the costs of the Company's exploration and
14 research of potential investment opportunities. In general, it is
15 understood that a utility purchases a system when it identifies a
16 benefit for its shareholders. Finally, the panel noted that although
17 ratemaking decisions are not always treated per generally accepted
18 accounting guidelines, due diligence costs are typically expensed as
19 incurred rather than capitalized as an investment that provides future
20 benefits. Upon review, the panel identified \$3,837 in water-related
21 due diligence costs. The panel found that the Company's
22 shareholders should bear the substantial burden of associated costs
23 since they predominantly benefit from the due diligence activities.²¹

24 **Q34. DO YOU HAVE A RECOMMENDATION REGARDING RECOVERY OF**
25 **THE TRANSACTION AND TRANSITION COSTS?**

26 A34. Because the prudence review and associated costs are conducted prior to and as
27 part of a normal investment process for the protection of the owners, these costs
28 should not be recovered from captive customers.

29 The Consumer Advocate is not convinced that there are direct benefits to
30 consumers that would justify allowing recovery of the transaction costs. If these
31 costs are to be reviewed in the future for possible recovery, the amount allowed in

²⁰ *Order Approving Purchase Agreement, Franchise Water Agreement and Certificate of Public Convenience and Necessity* at 21, TRA Docket No. 12-00157 (Oct. 15, 2013).

²¹ *Order Setting Utility Rates* at 49, TPUC Docket No. 24-00044 (July 10, 2025).

1 rates should be limited to demonstrated customer savings, thus ensuring that
2 ratepayers are not subject to rate increases simply due to a change in ownership.

3 The recommendation is supported by TAWC's statement:

4 TAWC is in the early stages of developing a transition plan but does not
5 anticipate incremental costs associated with integrating the TWS service
6 territory or customer base with the existing TAWC distribution technology
7 and customer billing systems. As such, these costs are not included in the
8 Transaction Costs that TAWC intends to seek recovery of.²²

9 **Q35. ARE THERE OTHER OPTIONS THAT MIGHT BE CONSIDERED FOR**
10 **CUSTOMER PROTECTION?**

11 A35. Yes. One common method used to protect ratepayers from potential negative
12 impacts from acquisitions is to impose a rate freeze for several years.

13 **Q36. DO YOU RECOMMEND A RATE MORATORIUM IN THIS SITUATION?**

14 A36. Yes. As discussed by CA witness Dittmore, the effects on customers from this
15 transaction are unknown. If a rate moratorium will provide opportunity to assess
16 the transaction and the acquisition cost on customers.

17 **IV. RATE IMPACT**

18 **Q37. WHAT IS TAWC PROPOSING FOR POST-ACQUISITION RATES,**
19 **FINANCIALS AND RATE BASE?**

20 A37. TAWC's witness Mr. Stout stated that it intends to adopt the rates, financials and
21 rate base of the TWS system, which has been reviewed periodically by and
22 approved by the Commission. TAWC is not asking for any changes from these

²² TAWC response to Consumer Advocate DR No. 2-3.

1 previously approved items “at this time.”²³

2 **Q38. WHY IS THIS ASSURANCE OF THE PETITIONERS NOT A SUFFICIENT**
3 **CUSTOMER RATE PROTECTION?**

4 A38. The phrase “at this time” is critical. The phrase suggests that all possibilities are
5 open whenever TAWC decides. The assurance is more concerning given the
6 number of times it is repeated, and the Consumer Advocate’s attempts to clarify the
7 potential rate impact, and the lack of quantitative information. For example,
8 TAWC stated:

- 9 • “The former TWS customers will not see a change in their rates at
10 the time of closing. Further, rates will remain unchanged until the
11 Commission’s review and determination in the Company’s next rate
12 proceeding. At that time, any effect from this transaction will be
13 subject to the Commission’s review and may be offset by other
14 efficiencies gained in the interim.”²⁴
- 15 • “TAWC is not seeking a change in Rate Base related to this
16 transaction in this proceeding.”²⁵
- 17 • “TAWC is not proposing any changes in base rates in this
18 proceeding, and therefore, there are no cost implications of the
19 transaction on TWS customers at this time.”²⁶

20 The issue to be addressed for ratepayers is the final rate impact resulting from the
21 transaction. Maintaining rates the same immediately after the transaction does not
22 provide any assurance for customers. If the TAWC retains the opportunity to seek
23 recovery of any acquisition costs (premiums, transaction, and transition costs)
24 without providing counterbalancing savings, rates can reasonably be expected to be
25 higher from the transaction. A more accurate assessment would be a net present

23 *Direct Testimony of Grady Stout* at 5:16-19.

24 TAWC Response to Consumer Advocate DR No. 2-1.

25 TAWC Response to Consumer Advocate DR No. 2-2.

26 TAWC Response to Consumer Advocate DR No. 2-6.

1 value comparison of the revenue requirement with and without the transaction.

2 **Q39. WHAT SUPPORT IS THERE FOR YOUR SUGGESTION THAT RATES**
3 **CAN BE EXPECTED TO INCREASE DUE TO THE ACQUISITION?**

4 A39. There are a few indications. TAWC witness Mr. Stout explains that it is proposing
5 to recover its due diligence, transition, transaction, and closing costs.²⁷ TAWC
6 expects recovery of these costs to begin with its first rate case following the
7 acquisition. If allowed, all else being equal, recovery of these costs would result in
8 rate increases.

9 **Q40. WHAT ADDITIONAL FACTS SUPPORT THE CONCLUSION THAT**
10 **ABSENT ADEQUATE PROTECTIONS, RATES WILL INCREASE AS A**
11 **RESULT OF THE ACQUISITION?**

12 A40. As discussed in the Testimony of Consumer Advocate witness David Dittmore,
13 the acquisition would eliminate the Allowance for Deferred Income Tax (“ADIT”)
14 and increase rate base by approximately \$126,691.²⁸ This is consistent with the
15 TAWC’s position that it is not making changes “at this time.” However, absent
16 action to counter the ADIT loss, it would increase rates in the next rate case.

17 **Q41. WHAT OTHER RATE CONCERNS ARE IN THE PETITION?**

18 A41. TAWC has proposed:

- 19 • To change fees and tariffs for the Chalet Village North Customers,
20 including late payment fees, activity, reconnection, insufficient
21 funds, and meter tampering fees.
- 22 • That TWS customers be included in future Incremental Capital
23 Recovery Rider (“ICRR”) and Production Cost and Other Pass

²⁷ Direct Testimony of Grady Stout at 10:10-14:8

²⁸ Direct Testimony of David N. Dittmore at 4:1 – 9:7.

1 Throughs (“PCOP”) filings, and that applicable rates apply as with
2 all other TAWC customers.

3 **Q42. WHAT RATES DOES TAWC PROPOSE TO APPLY TO THE TWS**
4 **SERVICE AREA?**

5 A42. TAWC proposes applying a mixture of existing TWS rates and TAWC approved
6 rates to the TWS service area:

- 7 • For basic water service and volumetric rates, TAWC proposes to
8 maintain existing TWS rates.²⁹
- 9 • For fees and charges, TAWC proposes that the Chalet Village North
10 customers be subject to all other fees and charges outlined in
11 TAWC’s approved tariffs under TPUC Docket No. 24-00032,
12 effective January 21, 2025. These fees include TAWC’s late
13 payment fees, activity, reconnection, insufficient funds, and meter
14 tampering fees.³⁰

15 **Q43. WHAT ARE YOUR OBSERVATIONS ON THIS PROPOSAL?**

16 A43. Rate setting principles include stability of rates and minimal unexpected change.
17 TAWC’s proposal to continue current TWS basic water and volume rates is
18 consistent with these principles and reasonable.

19 The request to modify the other fees and charges at the time of the transaction is a
20 request to modify both the rate structure and individual rates. Below is a
21 comparison of TWS and TAWC other fees and charges: ³¹

22 *[Intentionally Blank, Table on Next Page]*

29 Direct Testimony of Grady. Stout at 15:4-9.

30 Id. at 15:10-15.

31 TAWC’s Response to Consumer Advocate DR No. 2-9(c).

Other Fees and Charges

Fee	TWS	TAWC
Activity fee	\$20	\$25
New Service Fee	\$20	\$25
Activation Fee	\$25	\$25
Disconnection/Reconnection	\$35	\$35
NSF Charge	\$10	\$20
Meter Tampering		\$92
Late Payment	10%	5%

TAWC's tariffs have one fee that is not currently in TWS' tariffs that it intends to add, the meter tampering fee. For the three other fees that both Companies have, the fees increase: two increase by \$5 (activity fee and new service fee); and one doubles (NSF Charge.) For two, the fee decreases; the late payment fee would decrease from 10% to 5%, and the Disconnection/Reconnection Charge would decrease from \$35 to \$30.

The Consumer Advocate's position is that these types of changes should be made within the context of an overall rate review and change with sufficient notice for TAWC's newly acquired customers to make comments prior to implementation.

Q44. WHAT IS YOUR RECOMMENDATION FOR RATES?

A44. The Consumer Advocate recommends that TAWC maintain the existing rates for current TWS customers until all rates are reviewed. In addition, customers should be notified of proposed rate changes at the time the proposal is filed with the Commission, enabling customer comments prior to the review of the proposed rate changes.

Q45. WHAT HAS TAWC PROPOSED FOR THE CURRENT TWS ARM

1 **MECHANISM?**

2 A45. TAWC proposes that the TWS ARM mechanism end at the close of the
3 acquisition.³² TAWC noted that Commission's *Order Approving the ARM* in
4 TPUC Docket No. 23-00046 declared that an ARM is non-transferable.³³

5 The Consumer Advocate agrees with this interpretation and the proposal to
6 terminate the ARM.

7 **Q46. WHAT IS TAWC PROPOSING FOR THE ICRR AND THE PCOP?**

8 A46. TAWC proposed that TWS customers be included in future ICRR and PCOP
9 filings, and that applicable rates apply as with all other TAWC customers. For the
10 ICRR, TAWC noted:³⁴

- 11 • The current proposed ICRR rate is 0%.
- 12 • In TPUC Docket No. 25-00016, the parties proposed that the
13 Company will not submit an ICRR Tariff filing in 2026, with an
14 automatic restart in 2027.

15 For the PCOP, TAWC would determine the production costs in base rates and
16 include those amounts in subsequent PCOP filings.

17 **Q47. DO YOU AGREE WITH TAWC'S PROPOSAL TO APPLY THESE RIDER**
18 **SURCHARGES TO TWS CUSTOMERS?**

19 A47. No. The purpose of the capital riders is to accelerate infrastructure replacement for
20 the existing customers of Tennessee-American. TWS's water distribution system
21 is comparatively new and not in need of the same infrastructure replacement as the

32 *Direct Testimony of Grady Stout* at 16:4-8.

33 *Id.* at 16:4-10.

34 *Id.* at 16-18.

1 Chattanooga area system. In addition, the expense riders were designed in large
2 part to recover the incremental costs associated with water treatment expenses in
3 Chattanooga:

4 According to TAWC, a substantial portion of the Company's
5 distribution infrastructure is between 50 and 100 years old and is
6 nearing the end of its useful service life. The need to replace service
7 lines, meters, hydrants, treatment structures, pumps, and equipment,
8 is critical to maintaining public safety, continuous, and cannot be
9 delayed. The timely recovery of the fixed costs of infrastructure
10 replacement through the QIIP rider provides an incentive for
11 increased and continued levels of capital infusion, resulting in a
12 stronger and more reliable water distribution and production system.
13 According to TAWC, the QIIP will allow the Company to prudently
14 invest in necessary infrastructure repair and improvement projects
15 absent the burden of bearing or carrying the investment in full
16 without an opportunity to earn a fair rate of return on that investment
17 until the next rate case.³⁵

18
19 Since the water for TWS is obtained from public wells and 46% of its supplied
20 through an interconnection with municipal system of the City of Gatlinburg³⁶ and
21 not through Tennessee-American's own treatment facility, it would appear to be
22 inappropriate to apply these same surcharge rates to the customers of TWS. I
23 recommend that the Commission deny TAWC's request to apply the capital and
24 expense rider surcharges to the TWS customers.

25 **V. TAWC'S TECHNICAL, MANAGERIAL AND FINANCIAL ABILITY**

26 **Q48. DID YOU REVIEW TAWC'S TECHNICAL, MANAGERIAL AND**
27 **FINANCIAL ABILITY?**

³⁵ *Order Approving Amended Petition, In re: Petition of Tennessee-American Water Company for Approval of a Qualified Infrastructure Investment Program, an Economic Development Rider, a Safety and Environmental Compliance Rider and Pass-Throughs for Purchased Power, Chemicals, Purchase Water Wheeling Water Costs, Waste Disposal, and TRA Inspection Fee*, at 4, TRA Docket No. 13-00130 (Jan. 27, 2016) (internal citations omitted).

³⁶ *Direct Testimony of Grady Stout* at 7:3-5.

1 A48. Yes. Each of these was reviewed on its own and in comparison to the current ability
2 of TWS.

3 **Q49. WHY DID YOU COMPARE EACH OF THESE TO TWS' CURRENT**
4 **TECHNICAL, MANAGERIAL AND FINANCIAL ABILITY?**

5 A49. To determine whether TAWC has the abilities and resources to provide the utility
6 service and assess whether there would be a change to any of these capabilities. As
7 discussed by Consumer Advocate witness Dittmore, the Petitioners claim that
8 Nexus wants to exit Tennessee and other states to focus on operations elsewhere.³⁷
9 There has been no demonstration that Nexus and TWS did not have the technical,
10 managerial and financial ability to provide the service. At the same time, TWS is
11 being allocated an acquisition premium and TAWC will be requesting transaction
12 cost recovery.

13 There is a disconnect between these positions. If the company desires to leave the
14 system, a premium should not be necessary, and transaction costs should be
15 minimal.

16 **Q50. HOW DOES TAWC COMPARE IN SIZE TO NEXUS?**

17 A50. TAWC stated that it employs over 105 water professionals with experience in the
18 areas of operations, finance and engineering.³⁸ TAWC serves approximately
19 88,700 customers³⁹ and has averaged around \$31 million in capital investments on
20 a yearly basis.⁴⁰

37 Direct Testimony of David N. Dittmore at 4:15-17.

38 Direct Testimony of Grady Stout at 18:12-13.

39 Direct Testimony of Grady Stout at 4:5-11 (85,000+245+2,955+508=88,708).

40 Id. at 18:13-15.

1 For an initial comparison, Nexus serves more than 1.3 million people in 20 states
2 and 2 Canadian provinces.⁴¹ It has more than 1,300 professionals and serves more
3 than 670 water systems and 360 wastewater systems.⁴²

4 Value line reports that AWWC serves 14 million people in 24 states.⁴³

5 **Q51. DOES TAWC HAVE THE FINANCIAL RESOURCES TO OPERATE THE**
6 **SYSTEM?**

7 A51. Yes. TAWC is wholly owned by AWWC. According to Value Line Inc., AWWC
8 has a total capitalization of approximately \$28 billion with a capital structure
9 comprised of approximately 43% equity.⁴⁴ Value Line lists AWWC's Financial
10 Strength as an A. On June 6, 2025, S&P affirmed AWWC's "A" credit rating.⁴⁵

11 **Q52. HOW WOULD THE FINANCIAL RESOURCES AVAILABLE TO TWS**
12 **CHANGE WITH THE TRANSACTION?**

13 A52. Based on research, TWS is part of a larger, multi-level, privately owned
14 organization. Nexus Water Group owns Nexus Regulated Utilities, LLC.⁴⁶ Nexus
15 Regulated Utilities in turn owns TWS. As a privately owned organization with
16 several layers of ownership, the ultimate ownership and financial information of
17 the ownership.

41 TAWC Response to Consumer Advocate DR No. 1-10(a)-(b).

42 Nexus Water Group, Overview, <https://nexuswatergroup.com/our-company> (last visited September 18, 2025).

43 Exhibit CDK- 1.

44 *Id.*

45 *Id.*

46 PitchBook, Nexus Water Group Overview, <https://ir.amwater.com/news-and-events/financial-releases/financial-release-details/2025/American-Water-Agrees-to-Purchase-Nexus-Water-Group-Systems-in-Eight-States/default.aspx> (last visited September 18, 2025) and Nasdaq, "American Water Agrees to Purchase Nexus Water Group System in Eight States," <https://www.nasdaq.com/press-release/american-water-agrees-purchase-nexus-water-group-systems-eight-states-2025-05-19> (May 19, 2025).

1 There have not been any concerns regarding the ability of TWS to raise capital or
2 have the capital necessary to invest in TWS. TWS was able to obtain and supply
3 the funds necessary for the system rebuild after the losses due to the 2016 wildfires.
4 The financing source of TWS operation is provided by Nexus.

5 The Consumer Advocate concludes that there has not been a demonstrable net
6 benefit in financial strength due to a change in ownership. The ultimate ownership
7 under the new structure will be more transparent, providing a by providing a better
8 understanding of the financing supporting the operations.

9 **Q53. DOES TAWC HAVE MANAGERIAL EXPERTISE RESOURCES TO**
10 **OPERATE THE SYSTEM?**

11 A53. Yes. TAWC provides residential, commercial, industrial, and municipal water
12 service in the State of Tennessee to areas including the City of Chattanooga, and
13 surrounding areas (including areas in Georgia), Powell’s Crossroads and Suck
14 Creek in Marion County, the City of Whitwell, and Jasper Highlands.⁴⁷ TAWC
15 provides water service to approximately 88,000 customers.⁴⁸

16 **Q54. HOW WOULD THE MANAGERIAL RESOURCES AVAILABLE TO TWS**
17 **CHANGE WITH THE TRANSACTION?**

18 A54. There is no evidence to suggest that there would be a measurable change in the
19 managerial expertise available to the TWS service area.

- 20 • TAWC intends to continue to operate the service area with the use
21 of a contractor.⁴⁹

⁴⁷ *Joint Petition* at 3.

⁴⁸ *Id.*

⁴⁹ *Direct Testimony of Grady Stout* at 14:11.

- 1 • There has not been a demonstrated inability of the Nexus
2 management or its resources to provide the services necessary for
3 the TWS system.
- 4 • There has not been a demonstrated need for any change in
5 management to the TWS system that would be met by the change in
6 ownership.

7 **Q55. DOES TAWC HAVE THE TECHNICAL EXPERTISE AND RESOURCES**
8 **TO OPERATE THE TWS SYSTEM?**

9 A55. Yes. The same reasoning and experience that applies to managerial resources
10 applies to technical expertise.

11 **Q56. HAVE THERE BEEN CONCERNS WITH TWS TECHNICAL EXPERTISE**
12 **AND RESOURCES IN THE PAST?**

13 A56. No. There is no reason to expect a change in the operations. Nexus had the
14 technical expertise to operate the system in the past and met the service area needs
15 with a contractor. As noted above, TAWC intends to operate the service area with
16 the use of a contractor.⁵⁰

17 **VI. STATED BENEFITS**

18 **Q57. PROVIDE A SUMMARY OF THE BENEFITS THAT TAWC CLAIMS TWS**
19 **CUSTOMERS WILL RECEIVE FROM THE TRANSACTION.**

20 A57. TAWC provided a two-and-a-half-page discussion of the benefits of the
21 transaction, starting with a claim that TWS customers will benefit from becoming
22 part of the American Water organization.⁵¹ The benefits discussed are primarily
23 rhetorical and are not new benefits. Many of the comparisons are made between

⁵⁰ *Id.*

⁵¹ *Id.* at 12:3 – 14:8.

1 TAWC as a stand-alone company and as a subsidiary of AWWC. The reality is
2 that neither TAWC nor TWS is a stand-alone company, nor is there such a proposal.
3 This would be like comparing an individual player on a sports team as representing
4 a stand-alone team versus a member of a full team. A more useful comparison
5 would be between service and rates currently provided by TWS as a subsidiary of
6 Nexus and how they will exist after the acquisition.

7 Furthermore, many of the stated benefits rely on qualitative terms and descriptive
8 characteristics and phrases used to frame the perception of TAWC rather than
9 providing a quantitative analysis of the service, such as:

- 10 • Position it well to be able to address the needs of TWS's customers
11 well into the future.⁵²
- 12 • Leverage the expertise, purchasing power and financial strength of
13 the larger organization.⁵³
- 14 • Exclusive access to highly trained professionals.⁵⁴
- 15 • Dedicated to providing necessary, cost-effective, value-added
16 service.⁵⁵
- 17 • Supportive of providing safe, reliable and affordable water service
18 in a manner consistent with the long-term best interest of
19 customers.⁵⁶
- 20 • Knowledge sharing, standardization, process transparency and
21 operational efficiency among.⁵⁷
- 22 • Dedicated to enhancing and enriching the lives of customers through
23 high-quality service and self-service options using industry-leading
24 energy technology.⁵⁸
- 25 • Collaborating with operations teams in every state and gauging

52 *Direct Testimony of Grady Stout* at 12:6-7.

53 *Id.* at 16:7-9.

54 *Id.* at 16:9-10.

55 *Id.* at 16:11.

56 *Id.* at 16:11-13

57 *Direct Testimony of Grady Stout* at 16:13-15.

58 *Id.* at 13:2-4.

1 customer feedback on services.⁵⁹

2 • Availability around the clock seven days a week in the event of an

3 emergency.⁶⁰

4 • Purchasing power and obtain significant discounts on the necessary

5 goods and services at prices that TAWC otherwise would be unable

6 to obtain were it a separately owned water system.⁶¹

7 • The value realized.⁶²

8 None of these provide an analysis nor explain any new benefits stemming from the

9 transaction.

10 TAWC provided a narrative of the current industry, AWWC's financial strength,

11 its laboratories, and discusses economies of scale. TAWC stated that the industry

12 must comply with increasingly stringent environmental standards, rehabilitating

13 and replacing aging water and wastewater system infrastructure.

14 These require a demand for capital investment. TAWC further elaborated the

15 financial resources and backing of American Water to enhance the ability of TWS

16 to access capital markets, which will be a benefit to the former TWS customers in

17 the replacement of infrastructure and compliance with environmental laws and

18 regulations.⁶³

19 **Q58. WHAT IS YOUR ANALYSIS OF THE BENEFITS DISCUSSION?**

20 A58. There are several components of the discussion that should be addressed, one being

21 whether these are new benefits or ones that already exist. TAWC has not identified

22 and demonstrated new benefits that will result from the transaction. Rather, these

⁵⁹ *Id.* at 13:5-7.

⁶⁰ *Id.* at 13:7-8.

⁶¹ *Id.* at 13:9-14.

⁶² *Direct Testimony of Grady Stout* at 13:16-17.

⁶³ *Id.* at 12:3-14:8.

1 are services and opportunities that already exist and will be provided by a different
2 owner in the future. While not a concern on their own, absent new benefits,
3 ratepayers should not have increased costs because there is a new provider. In a
4 free market, customers can change providers to seek a better rate or obtain better
5 services or products. Here, the providers do not appear to be providing better
6 services or products but appear to subject captive customers to a potential rate
7 increase.

8 **Q59. DOES TWS CURRENTLY HAVE WATER QUALITY ISSUES OR**
9 **VIOLATIONS?**

10 A59. Not that I am aware. In its most recent annual rate review, TWS stated “TWS
11 testing in 2024 revealed no contaminants and no violations of drinking water
12 regulations.”⁶⁴

13 **Q60. DO THE ALLEGED ECONOMIES OF SCALE PRODUCE NEW**
14 **BENEFITS?**

15 A60. Absent tangible proof, any claims regarding economies of scale should be reviewed
16 carefully. TAWC’s contention is that it “continuously seeks opportunities for
17 efficiencies through reduced costs, increased revenues, or otherwise enhance its
18 business to keep customer costs low and mitigate rate increases. Strategically
19 expanding TAWC’s customer base supports the interests of both TAWC and its
20 existing customers.”⁶⁵ These are actions that any prudent management should be
21 taking. If TWS was a small stand-alone utility company operating near another

⁶⁴ *Direct Testimony of Tiffany Van Horn* at 3:13-15, TPUC Docket No. 25-00031 (May 30, 2025).

⁶⁵ *Direct Testimony of Grady Stout* at 12:5 – 15:3.

1 utility, there is reason to believe that economies of scale might exist if they
2 combined and shared resources. However, that is not the case here.

- 3 • TWS is already part of a larger utility system, sharing management
4 resources with other water utilities.
- 5 • TAWC intends to continue using contract services to TWS
6 operations.
- 7 • TWS is not connected to TAWC and will not be gaining from
8 connecting to a larger system.

9 Given the existing conditions and lack of supporting documentation, the Consumer
10 Advocate is not convinced that current TWS customers will benefit from economies
11 of scale simply due to a change in ownership.

12 **Q61. ARE THER OTHER DIFFERENCES BETWEEN TWS AND TAWC THAT**
13 **MIGHT BRING INTO QUESTION THE POTENTIAL FOR NEW**
14 **ECONOMIES OF SCALE?**

15 A61. Yes. As explained by TAWC, “TAWC and TWS, respectively have several
16 differences that should be considered when assessing the implications on this
17 transaction, such as: system characteristic, economies of scale, service territory
18 characteristics, quality of service, infrastructure differences, infrastructure
19 conditions, source of water (purchases vs produced) and therefore, O&M costs per
20 customer would not be a useful in isolation.”⁶⁶

21 **Q62. DO YOU HAVE ANY CONCLUDING CONCERNS?**

22 A62. Yes. The shortage of sound financial and economic analysis, combined with
23 customer risk from the transaction, emphasizes the importance of establishing cost

⁶⁶ TAWC response to Consumer Advocate DR No. 2-6.

1 recovery parameters and determinations for any approval in this proceeding. The
2 proposed transaction should not be approved without these conditions.

3 **Q63. DOES THIS COMPLETE YOUR TESTIMONY?**

4 A63. Yes. However, I reserve the right to incorporate any new information that may
5 subsequently become available.

**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

AFFIDAVIT

I, Clark D. Kaml, on behalf of the Consumer Advocate Division of the Attorney General's Office hereby certify that the attached Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


CLARK D. KAML

Sworn to and subscribed before me

This 18th day of September, 2025



NOTARY PUBLIC



My Commission Expires:

1/31/2027

