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Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

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*

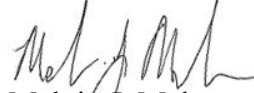
Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimonies of Robert C. Lane, Grady Stout, and Linda Schlessman* in the above-captioned matter.

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
Ryan Freeman, Baker Donelson
Shilina B. Brown, Consumer Advocate Division
Victoria B. Glover, Consumer Advocate Division

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 25-00040

REBUTTAL TESTIMONY

OF

GRADY STOUT

ON

**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 AGREEMENT AND PLAN OF MERGER AND FOR
ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Grady Stout. My business address is 109 Wiehl Street, Chattanooga, Tennessee
3 37403.

4 **Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?**

5 A. I am employed by Tennessee-American Water Company (“Tennessee-American,”
6 “TAWC” or the “Company”). My current role is the Vice President of Operations.

7 **Q. DID YOU PREVIOUSLY SUBMIT PRE-FILED DIRECT TESTIMONY ON**
8 **BEHALF OF TENNESSEE-AMERICAN WATER COMPANY (“TAWC” OR THE**
9 **“COMPANY”) IN THIS PROCEEDING?**

10 A. Yes.

11 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL**
12 **TESTIMONY?**

13 A. No.

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 A. The purpose of my testimony is to continue to support the acquisition of Tennessee Water
16 Service, Inc. (“TWS”) by American Water Works Company, Inc. (“AWWC” or “American
17 Water”) and its merger with and into TAWC (the “Transaction”). I also respond to the
18 Consumer Advocate Division in the Office of the Tennessee Attorney General’s
19 (“Consumer Advocate” or “CAD”) suggestion that the transaction is not in the public
20 interest absent extensive conditions because there is no demonstrable net benefit or change
21 in financial strength or managerial expertise resulting from the transaction.¹ The fact that I

¹ *Pre-filed Testimony of CAD Witness David N. Dittmore* at pp. 9-10 ,TPUC Docket No. 25-00040 (Sept. 19, 2025) (“Dittmore”) and *Pre-filed Testimony of CAD Witness Clark D. Kaml* at pp. 27-31 , TPUC Docket No. 25-00040 (Sept. 19, 2025) (“Kaml”).

1 may not have responded to any particular argument or statement made by or on behalf of
2 the CAD should not be interpreted as my agreement with the argument or statement.

3 **Q. IS THE TRANSACTION IN THE PUBLIC INTEREST?**

4 A. Yes. As I outlined in my Pre-filed Direct Testimony, based on my years of experience in
5 the various activities of the State of Tennessee's largest investor-owned water utility, the
6 Transaction is in the public interest.

7 **Q. DO THE CUSTOMERS OF TWS BENEFIT FROM THE TRANSACTION?**

8 A. Yes. Given that TWS is exiting its role as a water service provider in Tennessee, it is in the
9 public interest for a stable, financially strong, and experienced operator like TAWC to
10 assume responsibility for and provide TWS's current and future customers with safe and
11 reliable water service. The continuity of service and ongoing commitment of TAWC to
12 serve Tennessee itself is a benefit to these customers and in the public interest. TAWC is
13 able to maintain (and likely improve) TWS customers' existing service levels, which
14 avoids disruption and uncertainty and provides stability in light of TWS's exit.

15 **Q. MR. KAML CLAIMS THAT THE BENEFITS THE COMPANY HAS**
16 **ARTICULATED ARE NOT NEW.² DO YOU AGREE?**

17 A. No. Contrary to Mr. Kaml's testimony that there are no "new benefits," *all* of the benefits
18 discussed below, in my Pre-filed Direct Testimony, and in TAWC's responses to the
19 CAD's discovery requests, result from the Transaction and hence are "new" to the TWS
20 customers. None of the benefits of scale and scope listed below occur for TWS customers
21 if the Transaction is not approved.

² Kaml 9:23.

1 **Q. IN REACHING SOME OF HIS CONCLUSIONS, MR. KAML COMPARES TAWC**
2 **TO NEXUS. IS THIS THE PROPER COMPARISON?**

3 A. No, it is not. First, my understanding is the appropriate question for the Tennessee Public
4 Utility Commission (“TPUC” or the “Commission”) to consider is whether the Transaction
5 is in the public interest and whether TAWC has the requisite technical, financial and
6 managerial ability to own and operate TWS. It is not whether TAWC is better than TWS.

7 Second, even though the comparison itself is not appropriate in this proceeding,
8 Mr. Kaml makes the unfair, unreasonable and improper comparison of TAWC to Nexus.
9 The proper comparison, if one were appropriate, would be to compare TAWC to TWS and
10 to compare Nexus to AWWC. TAWC has over 89,000 customers as of August 30, 2025,
11 while TWS has about 460 customers. TWS Rate Base at the end of 2024 is about \$2
12 million. TAWC’s forecasted rate base for 2025 (13-month average) is approximately \$305
13 million per the Commission’s order in 24-00032, meaning the TWS rate base is well less
14 than 1% that of TAWC. TAWC has approximately 105 employees located in Tennessee,
15 including the President, Vice President of Operations, Director of Engineering, Manager
16 of External Affairs, Finance Manager and Sr. Rate and Regulatory Manager while TWS
17 has no employees in Tennessee.

18 The proper comparison (if one were appropriate) with Nexus is not with TAWC,
19 one of 13 operating subsidiaries of American Water, but rather with American Water itself.
20 As Mr. Kaml notes in his testimony, Nexus currently serves more than 1.3 million people
21 in twenty states and two Canadian provinces and has more than 1,300 professionals
22 providing service to its customers across the country.³ American Water, on the other hand,

³ Kaml 25:1-2.

1 is the largest regulated water and wastewater utility company in the United States. It
2 provides safe, reliable and affordable water and wastewater services to more than 14
3 million people with regulated operations in fourteen states and on eighteen military
4 installations. In addition, American Water's 6,700 talented professionals leverage their
5 significant expertise and the company's national size and scale to achieve excellent
6 outcomes for the benefit of customers.

7 When comparisons are done at the appropriate level, it is clear that while TWS and
8 Nexus have provided customers in Tennessee with safe and reliable service, TAWC and
9 American Water bring size, scale and expertise that exceeds that of TWS and Nexus.

10 **Q. PLEASE SUMMARIZE SOME OF THE BENEFITS FOR EXISTING AND**
11 **FUTURE CUSTOMERS IN THE AREA SERVICED BY TWS THAT RESULT**
12 **FROM THE TRANSACTION.**

13 A. Some of the identified benefits that will accrue to TWS customers if the Transaction is
14 approved by the Commission are:

- 15 • Both TAWC's existing customers and TWS's current customers when acquired will
16 benefit from the ability to spread certain costs across more customers.
- 17 • Nexus is seeking to exit the water utility business in Tennessee. Therefore, the
18 Customers of TWS will benefit from the purchase and operation of this utility by a
19 willing buyer with extensive expertise and experience in the water utility industry. The
20 public interest of Tennessee is serviced by a water utility committed to serving
21 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 across the nation, to lead and manage the TWS system.
- TAWC has the financial capability to help ensure that optimal infrastructure investments are made in the TWS system, 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 Organization ("CSO").
- TAWC economies of scale, coupled with the size and breadth of American Water, allows TAWC to obtain high quality products and services at great value.
- TAWC and American Water have a skilled workforce that can be leveraged by a 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.

While these benefits may not be specifically quantifiable, they are real and tangible benefits that will accrue to TWS customers. In addition, American Water has affordable access to capital necessary for infrastructure investments. As explained in TAWC's response to Consumer Advocates' DR 1-10, American Water's access to capital upon reasonable terms is a quantifiable benefit that Mr. Kaml ignores.

American Water, through the economies of scale provided by American Water Capital Corp[.] ("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 long-term debt,

1 set in the Company's last rate case is 4.59%⁴, while TWS's cost of
2 long-term debt as reported in its recently filed ARRM Filing is
3 5.04%.⁵
4

5 American Water also achieves economies of scale associated with its debt financings by
6 spreading debt issuance costs across all of its regulated subsidiaries rather than TAWC
7 incurring issuance costs for stand-alone debt financing. TAWC can also access capital
8 markets more easily and with better terms than TWS and Nexus can, as further discussed
9 by Mr. Lane in his Rebuttal Testimony.

10 Another example of a quantifiable benefit is the fact that under TAWC ownership,
11 water testing will be conducted **at cost** by American Water's centralized laboratory located
12 in Belleville, Illinois – not a third-party laboratory that likely charges a markup on its
13 services.⁶ Because American Water Works Service Company, Inc. ("Service Company")
14 is an at cost company, this is the case for any services provided by Service Company rather
15 than an external service provider. As I discuss in my pre-filed direct testimony, TAWC
16 also benefits from economies of scale in getting services and expertise from Service
17 Company professionals not only at cost but also on a shared basis. This benefit is evidenced
18 by the fact that costs for support services are lower for TAWC on a per customer basis than
19 for TWS.⁷

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

⁵ *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*, Pre-filed Direct Testimony of TWS Witness Andrew Dickson, Exhibit 1, Schedule F, TPUC Docket No. 25-00031 (May 30, 2025).

⁶ *TAWC's Response to Consumer Advocates DR 1-10*, TPUC Docket No. 25-00040 (Aug. 8, 2025).

⁷ For example, in its Response to CAD DR 1-7, TPUC Docket No. 25-00040 (Aug. 8, 2025), TWS indicates it was allocated \$88,274 of shared service costs. TWS serves approximately 460 water customers and TWS's customers are allocated approximately \$192 of annual shared service costs per customer. In contrast, TAWC's allocated support service costs, approved by TPUC in the most recent rate case, TPUC Docket No. 24-00032, were \$7,581,219. TAWC serves over 89,000 water customers, which equates to approximately \$85 of annual allocated support service per customer.

1 **Q. IS IT YOUR VIEW THAT THE BENEFITS OF THE TRANSACTION IN THE**
2 **LONG TERM EXCEED ANY SHORT-TERM TRANSACTION RELATED**
3 **COSTS?**

4 A. Yes. TAWC is not seeking recovery of an acquisition adjustment for the Transaction.⁸
5 Further, as discussed by TAWC Witness Robert C. Lane in his pre-filed rebuttal testimony,
6 TAWC is not seeking cost recovery of due diligence costs. Also as discussed by Mr. Lane
7 in his rebuttal testimony, the transaction costs are largely a result of the regulatory
8 requirement to obtain TPUC approval, including legal costs related to this proceeding
9 (Docket No. 25-00040). TAWC expects that the necessary and regulatorily required
10 transaction costs will be reasonable and appropriate, especially when viewed in light of the
11 estimated TWS's 2024 rate base of \$2,010,732⁹ and TWS's 2024 revenues of \$544,826.¹⁰
12 Any costs related to this transaction are generally short-term, one-time costs that are largely
13 outweighed by the benefits of the Transaction that will accrue to TWS and TAWC
14 customers far into the future.

15 **Q. DO YOU RECOMMEND THAT THE COMMISSION APPROVE THE**
16 **TRANSACTION?**

17 A. Yes.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes, it does. However, I reserve the right to update or amend this testimony upon receipt
20 of additional data or other information that may become available.

⁸ Pre-filed Direct Testimony of TAWC Witness Grady Stout 9:20-23, TPUC Docket No. 25-00040 (May 30, 2025).

⁹ Pre-filed Direct Testimony of Mr. Stout 9:10.

¹⁰ Pre-filed Direct Testimony of Mr. Dickson, Exhibit 1, Schedule B , TPUC Docket 25-00031.

**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

VERIFICATION

STATE OF Tennessee)
COUNTY OF Hamilton)

I, GRADY STOUT, 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, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.



GRADY STOUT

Sworn to and subscribed before me
this 10th day of October, 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:

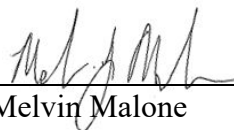
Karen H. Stachowski, Esq.
Deputy Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

Shilina B. Brown, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Shilina.Brown@ag.tn.gov

Victoria B. Glover, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Victoria.Glover@ag.tn.gov

Ryan A. Freeman, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
1900 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450
rffreeman@bakerdonelson.com
*Attorneys for Tennessee Water Service, Inc.
and Nexus Regulated Utilities, LLC*

This the 10th day of October 2025.



Melvin Malone