

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)
)
APPLICATION OF TWO RIVERS,)
LLC FOR A CERTIFICATE OF) **DOCKET NO. 25-00073**
CONVENIENCE AND NECESSITY)

**DIRECT TESTIMONY
OF
CLARK D. KAML**

December 12, 2025

1 **I. INTRODUCTION**

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

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

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

10 A2. I received a Bachelor of Science Degree in Economics from the University of North Dakota
11 in 1987 and a Master of Arts Degree in Economics from the University of North Dakota in
12 1988. I have over 30 years of experience working in the regulated utility industries
13 including electric, natural gas, telephone, and water. I have worked for various agencies
14 including the Public Service Commission of North Dakota, the Kansas Corporation
15 Commission, the Minnesota Public Utilities Commission, the Minnesota Office of the
16 Attorney General, and the Grant County Public Utility District. I have worked with private
17 companies, municipalities, and served on a Rate Committee. I served as Co-Chair of the
18 National Association of State Utility Commissioners (“NARUC”) Staff Subcommittee on
19 Strategic Issues and am currently Co-Chair of the National Association of State Utility
20 Consumer Advocates (“NASUCA”) Gas Committee. In addition, I am the author of the
21 book “Don’t Fear the Cost Study.”¹

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

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

4 A3. Yes. I filed testimony in the Tennessee-American Water Company’s (“TAWC” or
5 “Tennessee-American”) recent rate case, TPUC Docket No. 24-00032, the Limestone
6 Water Utility Operating Company’s recent rate case, TPUC Docket No. 24-00044,
7 Chattanooga Gas Company’s Annual Rate Review, TPUC Docket No. 25-00028, the
8 Kingsport Power Company’s Alternative Rate Mechanisms, TPUC Docket No. 25-00022,
9 Piedmont’s Annual Rate Review Filing, TPUC Docket No. 25-00036, TAWC’s Approval
10 of Merger, TPUC Docket No. 25-00040, Limestone’s Petition for Approval of Loan
11 Agreement, TPUC Docket No. 25-00066, Integrated Resources Management’s Petition
12 for an Alternative Rate Mechanism, TPUC Docket No. 25-00072, Spire’s Petition to
13 purchase Piedmont’s Tennessee operations, TPUC Docket No. 25-00074, and TAWC’s
14 PFAS Settlement Fund Investigation.

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

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

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

18 A5. My testimony addresses the Consumer Advocate’s analysis of Two Rivers Utility, LLC
19 (“Two Rivers” or the “Company”) Application for a Certificate of Public Convenience and
20 Necessity (“Application”). This *Application* requests that the Commission grant Two
21 Rivers a Certificate of Public Convenience and Necessity (“CCN”) to serve the Canterbury
22 Manor Subdivision in Fayette County, Tennessee (the “Canterbury Manor” or the
23 “Project”).

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

3 A6. I have reviewed Two Rivers' *Application* and responses to discovery requests.

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

5 A7. My testimony addresses the financial capabilities of Two Rivers and the fact that much of
6 the required information was not contained in the initial application.

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

8 A8. I recommend the Commission:

- 9 1. Clarify that a performance bond is for an amount equal to or greater than
10 the cost of the system as provided in contracts between the builder,
11 developer and/or utility, applies to the entire system, not just any two
12 parties such as the builder and the contractor.
- 13 2. That Renaissance Development S-Corp obtain a performance bond in
14 the amount of the full project cost.

15 **II. CANTERBURY MANOR PROJECT**

16 **Q9. WHAT IS TWO RIVER'S CANTERBURY MANOR PROJECT?**

17 A9. Canterbury Manor is a proposed 31.55-acre subdivision in Fayette County, Tennessee, with
18 23 lots, and 23 expected homes, being developed by Renaissance Development S-Corp,
19 Inc. (the "Developer").

20 Wastewater services to Canterbury Manor will be served by Two Rivers. The wastewater
21 service will utilize a Low Pressure Pipe ("LPP") system and consist of a septic tank effluent
22 pump, a collection system, and the LPP subsurface sewage disposal system.²

² *Direct Testimony of Chrestman at 5:15-17.*

1 **Q10. WHO WILL CONSTRUCT THE SYSTEM?**

2 A10. The Developer “will construct the wastewater treatment assets.”³ To this end, the
3 Developer hired Alexander Construction, LLC, who has a BC license from the Tennessee
4 Board for Licensing Contractors, to perform the construction work.⁴

5 **Q11. WHO WILL OWN THE SYSTEM?**

6 A11. Two Rivers is expected to take ownership of the treatment system and accept ongoing
7 responsibility for its operation and maintenance.⁵ The draft permit states that the permittee
8 is Renaissance Development S-Corp.⁶ The Company provided a letter on Renaissance,
9 LLC letterhead stating that Renaissance Development S-Corp. will transfer the deed for
10 11.90 acres to Two Rivers.⁷

11 **Q12. WHAT CONCERNS DO YOU HAVE WITH THE APPLICATION?**

12 A12. The Consumer Advocate reviewed the *Application* for compliance with the minimum filing
13 requirements under the Commission Rule 1220-04-13-.17, the minimum requirements for
14 new and amendments to certificate of convenience and necessity.⁸ The Consumer
15 Advocate has concerns regarding the construction of the proposed system and the financing

³ Two Rivers’ Response to Consumer Advocate DR No. 2-1, Exhibit 29 (December 3, 2025).

⁴ Two Rivers’ Response to the Consumer Advocate DR No. 2-1, CONFIDENTIAL Exhibit 28 and Exhibit 29, TPUC Docket No. 25-00073 (December 3, 2025). The Consumer Advocate would note that there have been two other contractors named regarding the construction of the system. First in the *Application*, Two Rivers provided a contract with TruFlo Services and Consulting LLC in the amount of \$162,815. *Application*, Exhibit 23, Installation Contract. Next, in response to the Consumer Advocate’s inquiry about minimum filing requirements, the Company identified Arg Construction Company Inc. as the contractor for the construction of the system, again in the amount of [REDACTED]. Two Rivers’ Response to the Consumer Advocate’s Second MFR Review Letter, CONFIDENTIAL Collective Exhibit 26, TPUC Docket No. 25-00073 (November 7, 2025).

⁵ *Direct Testimony of Chrestman* at 6:6-9.

⁶ *Application*, Exhibit 14.

⁷ *Application*, Exhibit 8.

⁸ Consumer Advocate’s MFR Review Letter, Attachment A, TPUC Docket No. 25-00073 (October 3, 2025).

1 of the system:

- 2 1. Commission Rule 1220-04-13-.17(e)1: Financial statements for the
3 applicant covering the most recent year ended. Include a balance sheet,
4 income statement, and statement of cash flows.
- 5 2. Commission Rule 1220-04-13-.17(e)5: The depreciation rates the
6 applicant intends to use for each plant account that will be on the
7 wastewater utility's books. Include the estimated useful life of each
8 account.
- 9 3. Commission Rule 1220-04-13-.17(e)6: The total estimated detailed cost
10 of construction of the wastewater system to be constructed for the
11 proposed service area. If the wastewater system will be constructed in
12 phases, provide detailed construction cost estimates for each phase.
13 Indicate whether the developer or the applicant will pay for the
14 construction of the system.
- 15 4. Commission Rule 1220-04-13-.17(e)11: Demonstrate that the applicant
16 has acquired a performance bond from the developer or builder of the
17 wastewater system made payable to the Utility to ensure construction of
18 the wastewater system. The performance bond should be for an amount
19 equal to or greater than the cost of the system as provided in contracts
20 between builder, developer and/or utility.
- 21 5. Commission Rule 1220-04-13-.17(e)12: List all funding sources
22 available to the applicant for the wastewater system proposed by the
23 applicant.

24 Based on the review of the *Application* and discovery requests, the Consumer Advocate
25 has concerns with Two Rivers' financial capabilities.

26 **Q13. WHAT DEFINITIONS ARE CRITICAL TO THE ANALYSIS OF THE**
27 **APPLICATION?**

28 A13. Two terms that impact the filing requirements and analysis are:

- 29 1. Wastewater system: Wastewater system – any structure, land,
30 equipment, or process for collecting, storing, treating, or disposing of
31 wastewater, including but not limited to, tanks, pipes, pumps, and
32 filters.⁹

⁹ TENN. COMP. R. & REGS. 1220-04-13-.02(7) (December, 2018).

1 2. Construction cost: The Company is required to provide a detailed cost
2 of construction of the wastewater system.

3 **Q15. WHAT ISSUES ARE ASSOCIATED WITH THE FINANCIAL STATEMENTS?**

4 A15. Pursuant to TPUC rules, the Company is required to file financial statements covering the
5 most recent year end including a balance sheet, income statement, and statement of cash
6 flows.¹⁰ However, Two Rivers was formed to provide wastewater services to Canterbury
7 Manor and does not have such financial statements.

8 **Q16. EXPLAIN CONCERNS WITH THE DEPRECIATION RATES.**

9 A16. The Commission requires an applicant to file its depreciation rates.¹¹ The initial
10 *Application* did not contain any depreciation rates. Two Rivers provided a supplemental
11 exhibit in which it is using [REDACTED], which was provided
12 in a footnote.¹² The information in this supplemental exhibit is not provided by plant
13 account, does not include a depreciation study, and does not include an explanation.¹³
14 Furthermore, the useful life estimate is inconsistent with expected useful lives of sewer
15 systems. For example, IRS guidelines classify sewer line replacement as land improved
16 with a 15-year MACRS GDS life.¹⁴

10 TENN. COMP. R. & REGS. 1220-04-13-.17(e)1 (December, 2018).

11 TENN. COMP. R. & REGS. 1220-04-13-17(e)5 (December, 2018).

12 Two Rivers' Supplemental CONFIDENTIAL Exhibit 24, Estimates of Costs and Customers for First
Five Years, FN1, TPUC Docket No. 25-00073 (September 18, 2025).

13 *Id.*

14 U.S. Department of Treasury, Internal Revenue Service, IRS Pub 946 (2024), Catalog Number 13081F,
How to Depreciate Property, p. 29, No.5, and p. 97, Appendix B, Table B-1, Class Asset 00.3 – Land Improvements
(March 17, 2025). The document can be accessed at <https://www.irs.gov/pub/irs-pdf/p946.pdf>.

1 **Q17. EXPLAIN THE CONCERNS ASSOCIATED WITH THE TOTAL ESTIMATED**
2 **DETAILED COST OF CONSTRUCTION.**

3 A17. The Commission requires applicants to provide the total estimated detailed cost of
4 construction of the wastewater system.¹⁵ The Company listed a total cost of \$320,000, but
5 did not originally provide supporting details.¹⁶ The Company provided a separate
6 document, identified as a “Construction Estimate” that gives an estimate in the amount of
7 \$ [REDACTED]¹⁷ However, this is not the total cost of the wastewater system.¹⁸ The Company
8 has not provided the detail supporting the cost of construction for the total wastewater
9 system estimated \$320,000.

10 **Q18. WHAT CONCERNS DOES THE CONSUMER ADVOCATE HAVE REGARDING**
11 **THE PERFORMANCE BOND?**

12 A18. The Commission requires an applicant to demonstrate that it has acquired a performance
13 bond from the developer or builder of the wastewater system made payable to the utility to
14 ensure construction of the wastewater system.¹⁹ The performance bond should be for an
15 amount equal to or greater than the cost of the system as provided in contracts between
16 builder, developer and/or utility.

17 The performance bond amount of \$162,815²⁰ does not match the full project cost:

- 18
- The cost to complete the Work In Progress is listed as \$250,000;²¹

15 TENN. COMP. R. & REGS. 1220-04-13-.17(e)6 (December, 2018).

16 *Application*, Exhibit 8.

17 *Application*, CONFIDENTIAL Exhibit 27. The Consumer Advocate would also note that the Developer
has provided itself with a profit of [REDACTED] for constructing the system. *Id.*

18 Two Rivers’ Response to Consumer Advocate DR No. 1-14.

19 TENN. COMP. R. & REGS. 1220-04-13-.17(e)11 (December, 2018).

20 *Application*, Exhibit 19, PDF p. 5 of 17.

21 *Id.* at PDF p. 4 of 17.

- 1 • The Sewer and Disposal system value is listed at \$317,215;²²
- 2 • Total Contributed Capital is listed as \$400,284;²³ and
- 3 • The “Contractor Agreement” is for \$ [REDACTED]²⁴

4 Two Rivers stated the estimated cost to construct is a combination of the sewer collection
5 system \$154,400 (paid for by the developer) and the cost to construct the disposal system,
6 \$162,815. Two Rivers noted that \$320,000 is a preliminary estimate.²⁵

7 Two Rivers explained that its understanding is that the bond is to guarantee the construction
8 of the onsite disposal system.²⁶ It is Two Rivers’ position that the developer has already
9 installed the “other components of the wastewater collection system (i.e., the sewer lines
10 that run from each house).”²⁷ Therefore, the performance bond is to cover the remaining
11 part of the system to be built.

12 As mentioned earlier, the Developer hired Alexander Construction, LLC., to construct the
13 wastewater system.²⁸ However, there is not an actual contract with Alexander
14 Construction, LLC in the Docket’s record.²⁹ Rather, the Company provided what appears
15 simply to be a bid estimate from Alexander Construction, LLC in the amount of \$ [REDACTED],
16 which was accepted by [REDACTED].³⁰

22 *Id.* at Exhibit 22, p. 2.

23 *Id.*

24 *Application*, Exhibit 23.

25 Two Rivers’ Response to Consumer Advocate DR No. 1-14.

26 *Id.*

27 *Id.*

28 Two Rivers’ Response to the Consumer Advocate DR No. 2-1, CONFIDENTIAL Exhibit 28 and Exhibit
29, TPUC Docket No. 25-00073 (December 3, 2025).

29 Two Rivers’ Response to Consumer Advocate DR No. 2-1, Exhibit 29 (December 3, 2025).

30 Two Rivers’ Response to the Consumer Advocate DR No. 2-1, CONFIDENTIAL Exhibit 28, TPUC
Docket No. 25-00073 (December 3, 2025). The Consumer Advocate notes that the two other construction “contracts”
were in a similar form with the same estimate amount. *Application*, Exhibit 23, Installation Contract and Two Rivers’
Response to the Consumer Advocate’s MFR Review Letter, CONFIDENTIAL Collective Exhibit 26, TPUC Docket
No. 25-00073 (October 23, 2025).

1 Therefore, the existing bond is not “in an amount equal to or greater than the cost of the
2 system.” The purpose of the rule is to ensure that the utility and its ratepayers are protected,
3 and a complete system will be constructed and operational. Here, the performance bond is
4 equal only to a portion of the total wastewater system. However, there is no evidence in
5 the record that the construction, so far, meets the requirements of the engineering plans and
6 permit from the Tennessee Department of Environment and Conservation. Therefore, there
7 is a risk to consumers for covering the costs of any completed construction that does not
8 meet regulatory requirements. Also, no assets have been transferred to Two Rivers, the
9 bond amount should be for the cost of the total system, and no consideration should be
10 given to the existing degree of completion of the system that has not been transferred.

11 **Q19. ELABORATE ON THE FUNDING SOURCES AVAILABLE TO THE COMPANY.**

12 A19. The Commission requires the Company to list all funding sources available to the Company
13 for the wastewater system.³¹ The Company only provided the TruFlow Services and
14 Consulting, LLC’s financial resources and tax information for 2022, 2023, and 2024.³² The
15 Company provided no other evidence of financial resources.

16 Despite providing the financial resources of TruFlo Services and Consulting LLC, the
17 Company states that “TruFlo does not provide any services to Two Rivers, and Two Rivers
18 does not provide any services to TruFlo.”³³ Furthermore, when asked whether TruFlo
19 assets and revenues are being pledged as security, Two Rivers responded that “TruFlo has
20 not directly pledged assets to Two Rivers Utility.”³⁴

31 TENN. COMP. R. & REGS. 1220-04-13-.17(e)12.

32 *Application*, CONFIDENTIAL Exhibit 21

33 *Application*, Appendix A, I.(2)(a)4.

34 Two Rivers’ Response to Consumer Advocate DR No. 1-11(a).

1 **Q20. WHY ARE THESE FACTS REGARDING THE FINANCIALS OF TRUFLOW**
2 **RELEVANT IN THIS PROCEEDING?**

3 A20. The Company has offered the financials of TruFlo Services and Consulting LLC as
4 demonstration of its financial qualifications and abilities.³⁵ This can create the misleading
5 interpretation that TruFlo Services and Consulting LLC, and its financial strength, support
6 Two Rivers, when there is no direct support or link between the companies.

7 **Q21. WHAT IS YOUR CONCLUSION REGARDING THE FINANCIAL**
8 **QUALIFICATIONS AND ABILITIES?**

9 A21. As filed, the *Application* does not demonstrate that Two Rivers has financial qualifications
10 to complete the project if the developer fails to complete and transfer the project:

- 11 1. There is no surety bond payable to Two Rivers in an amount equal to or
12 greater than the project;
- 13 2. Two Rivers is a new company without a financial history demonstrating
14 its financial abilities; and
- 15 3. Two Rivers has not demonstrated that it has the financial strength
16 (assets) to complete the project if the project is not completed by
17 Renaissance Development S-Corp and transferred to Two Rivers.

18 **Q22. WHAT CONCERNS DO YOU HAVE WITH THE BUILDER AND UTILITY**
19 **BEING OWNED BY THE SAME ENTITIES?**

20 A22. Common ownership creates a potential conflict of interest and risk of decisions favoring
21 the builder over the utility customers. Two Rivers should act independently to protect
22 ratepayers, including securing a performance bond for the entire project cost rather than
23 advancing positions that benefit related entities. A prudent utility fulfilling its fiduciary
24 obligation would have argued for the maximum performance bond that can reasonably be

³⁵ *Direct Testimony of Craig Chrestman* at 4:10-13 and *Application*, Exhibit 20.

1 claimed, such as that of the entire project of approximately \$320,000. Instead, Two Rivers
2 argued that coverage that only protects an organization owned by the same individuals is
3 appropriate. This representation is cause of concern regarding the ability of Two Rivers to
4 make independent decisions in the best interest of Two Rivers and its customers, when
5 other investments are involved.

6 **Q23. WHAT ARE YOUR RECOMMENDATIONS?**

7 A23. I recommend the Commission:

- 8 1. Clarify that a performance bond is for an amount equal to or greater than
9 the cost of the system as provided in contracts between builder,
10 developer and/or utility, applies to the entire system, not just any two
11 parties such as the builder and the contractor.
- 12 2. That Renaissance Development S-Corp obtain a performance bond in
13 the amount of the full project cost.

14 **Q24. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A24. Yes, it does. However, I reserve the right to incorporate any new data that may
16 subsequently become available.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)
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APPLICATION OF TWO RIVERS,)
LLC FOR A CERTIFICATE OF)
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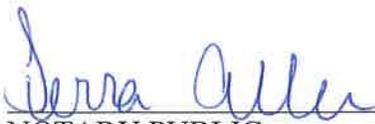
DOCKET NO. 25-00073

AFFIDAVIT

I, Clark 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 KAML

Sworn to and subscribed before me
This 17th day of November, 2025


NOTARY PUBLIC



My Commission Expires: 1/31/2027