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January 8, 2026

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VIA ELECTRONIC FILING

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: *Tennessee-American Water Company's PFAS (Per- And Poly-Fluoroalkyl Substances) Litigation Universal Surcredit Tariff ("Plus Tariff"), TPUC Docket No. 25-00086*

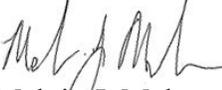
Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimony of Robert C. Lane* in the above-captioned matter.

As required, hard copies will follow. 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, Tennessee-American Water
Shilina B. Brown, Consumer Advocate Division
Karen H. Stachowski, Consumer Advocate Division

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TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 25-00086

REBUTTAL TESTIMONY

OF

ROBERT C. LANE

ON

**TENNESSEE-AMERICAN WATER COMPANY'S PFAS (PER-AND POLY-
FLUOROALKYL SUBSTANCES) LITIGATION UNIVERSAL SUR CREDIT TARIFF
("PLUS TARIFF") MECHANISM**

SPONSORING PETITIONER'S EXHIBITS:

**Petitioner's Exhibit 1 - NPV Comparison Bill Credits vs Deferral of PFAS Litigation
Proceeds**

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

2 A. My name is Robert (Bob) C. Lane, and my business address is 109 Wiehl Street,
3 Chattanooga, Tennessee 37403.

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

5 A. I am employed by American Water Works Service Company (“Service Company”).
6 Service Company is a wholly owned subsidiary of American Water Works Company, Inc.
7 (“American Water”) that provides services to American Water’s subsidiaries, including
8 Tennessee-American Water Company (“TAWC” or “Company”). My current role is Sr.
9 Manager, Rates and Regulatory for TAWC.

10 **Q. HAVE YOU PREVIOUSLY SUBMITTED PRE-FILED DIRECT TESTIMONY IN**
11 **THIS CASE BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 The purpose of my testimony is to rebut the Testimony of the Consumer Advocate Division
15 (“Consumer Advocate”) of the Office of the Tennessee Attorney General’s Witnesses,
16 William H. Novak and Clark D. Kaml in this proceeding dealing with the treatment of
17 PFAS Litigation proceeds.

18 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

19 A. Yes. I am sponsoring Petitioner’s Exhibit 1 - NPV Comparison Bill Credits vs Deferral of
20 PFAS Litigation Proceeds.

21 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
22 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

23 A. Yes.

1 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**
2 **PETITIONER'S EXHIBITS LISTED ABOVE?**

3 A. The data used to prepare the exhibits was acquired from the books of account and business
4 records of TAWC and other internal sources which I examined in the course of my
5 investigation of the matters addressed in this testimony.

6 **Q. DO YOU CONSIDER THIS DATA TO BE DEPENDABLE AND OF A TYPE THAT**
7 **IS NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**
8 **PURPOSES?**

9 A. Yes.

10 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
11 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
12 **DATA?**

13 A. Yes, they do.

14 **Q. PLEASE SUMMARIZE HOW TAWC IS PROPOSING TO DISTRIBUTE**
15 **SETTLEMENT FUNDS FROM THE PENDING PFAS MULTI-DISTRICT**
16 **LITIGATION IN THE DISTRICT COURT FOR THE DISTRICT OF SOUTH**
17 **CAROLINA.**

18 A. On October 6, 2025, the Company filed a letter proposing a PFAS Litigation Universal
19 Surcredit (the "PLUS Tariff"), which would allow the Company to flow through the
20 settlement funds the Company has received from certain defendants in the pending multi-
21 district litigation ("MDL")¹ as a bill credit to customers. TAWC has proposed the PLUS
22 Tariff as a way to facilitate the timely and efficient distribution of PFAS MDL proceeds to

¹ *In re: Aqueous Film-Forming Foams Product Liability Litigation*, MDL No. 2:18-mn-2873-RMG (D. S.C.).

1 customers as they are received. The Company proposed adding the PLUS Tariff as
2 Original Sheet No. 60 and included a proposed tariff sheet in its October 6, 2025 letter.

3 Under the PLUS Tariff, the Company would calculate credits to apply to customer
4 bills when PFAS MDL settlement payment are received. The PLUS Tariff would also
5 allow the Company to combine credits if multiple settlement payments are received. The
6 amount of the credit each customer would receive would vary based on the settlement
7 proceeds received and the number of customers at the time of any such credit. The
8 Company will credit the full amount of the proceeds to customers after deducting its legal
9 expenses incurred to obtain these proceeds.

10 **Q. HAS TAWC RECEIVED ADDITIONAL SETTLEMENT PROCEEDS FROM THE**
11 **PFAS MDL SINCE OCTOBER 6, 2025?**

12 A. Yes. The Company has received a total of \$5,135,016 in settlement proceeds from two
13 different settling parties. It received two payments from 3M, one for \$1,301,721 and
14 another for \$3,068,726. The Company also received a payment from DuPont in the amount
15 of \$764,569. These funds are being held by TAWC's lawyers in an interest-bearing escrow
16 account. In addition, interest in the amount of \$51,524 has accrued since these settlement
17 proceeds were first deposited in this account. In total, TAWC currently has \$5,186,540 to
18 be credited to customers through the PLUS Tariff mechanism. If disbursed today, TAWC
19 currently has approximately 89,000 customers so the bill credit for each customer would
20 be approximately \$58. The credit amount will be calculated based on TAWC's current
21 customer account, the total settlement funds received and interest once the PLUS Tariff is
22 approved.

1 **Q. THROUGHOUT THE PRE-FILED TESTIMONY OF CAD WITNESSES KAML**
2 **AND NOVAK, EACH WITNESS ALLEGES VARIOUS DRAWBACKS OF THE**
3 **COMPANY’S PROPOSAL. CAN YOU RESPOND TO THIS TESTIMONY?**

4 A. There are many underlying benefits and customer-centric advantages to the Company’s
5 proposal. The PLUS Tariff allows for the quick distribution of the Company’s PFAS MDL
6 settlement proceeds which provides the following benefits to customers.

7 First, a direct credit allows for rapid distribution of settlement proceeds to
8 customers with limited regulatory or administrative costs. The PLUS Tariff creates a
9 formula that easily adapts to periodic, somewhat unpredictable settlement cash flows,
10 enabling credits to be applied as the settlement proceeds are received with minimal delay
11 in timing between receipt of the proceeds and distribution to customers.

12 Second, the PLUS Tariff provides the settlement proceeds to customers so that they
13 can put these resources to their highest and best use. Essentially, this approach allows
14 customers to direct the credited amount in the way they see fit and potentially allow them
15 to address possibly more immediate financial needs.

16 Third, the PLUS Tariff enables customers to directly experience the benefit of
17 intentional efforts pursued on their behalf to reduce their costs. Too often customers see
18 the regulatory process as only raising rates—they miss the benefits from the utility’s efforts
19 to manage costs or the regulator’s focus on ensuring rates are just and reasonable. These
20 efforts are baked into the rates and are not tangible for the customers who may still be
21 managing higher bills due to other prudent cost increases. The PLUS Tariff provides a
22 direct opportunity for the customer to see tangible benefits from the regulatory process.

1 Fourth, the timely crediting to customer bills of this process avoids the burdensome
2 tasks of tracking and accounting for these proceeds over the coming decades. This
3 protracted accounting exercise to properly track these proceeds and accumulating interest
4 can be entirely avoided under the Company's proposed tariff which moves the settlement
5 proceeds off the Company's books and into the hands of customers as expeditiously as
6 possible. The ongoing effort required to account for these proceeds year after year by the
7 Company is needlessly burdensome.

8 **Q. WITH RESPECT TO THE ALLEGED DRAWBACKS TO THE COMPANY'S**
9 **PROPOSAL, HAVE ANY OTHER STATE UTILITY COMMISSIONS**
10 **APPROVED A TARIFF LIKE THAT PROPOSED BY TAWC?**

11 A. Yes. As of January 6, 2026, six state commissions where American Water operates have
12 approved tariffs which provide credits to customers as proposed by TAWC in this docket.
13 Those six states are Indiana, Kentucky, Pennsylvania, Illinois, Iowa, and Virginia.

14 **Q. HAVE ANY STATES DENIED OR REJECTED A PLUS TARIFF LIKE THAT**
15 **PROPOSED BY TAWC.**

16 A. No. As of January 6, 2026, no state commissions where American Water operates have
17 denied or rejected such tariffs. The remaining 4 states' commissions have not yet addressed
18 such tariffs.

19 **Q. DO YOU AGREE WITH MR. NOVAK'S CLAIM THAT USING THE PFAS**
20 **LITIGATION PROCEEDS TO PROVIDE CUSTOMER CREDITS WHEN THE**
21 **EXPECTED PFAS REMEDIATION COSTS ARE NOT YET KNOWN BUT ARE**

1 **EXPECTED TO BE IN EXCESS OF THE PROCEEDS FROM THIS LITIGATION**
2 **IS SHORTSIGHTED?²**

3 A. No, I do not agree with Mr. Novak’s contention. Issuing credits to customers for MDL
4 proceeds obtained through litigation provides a direct opportunity for customers to see
5 tangible benefits from the regulatory process in the form of periodic and meaningful bill
6 credits that customers can put to their highest and best use. Because TAWC is presently
7 unsure of the total treatment costs, it believes continuing to hold the MDL settlement
8 creates otherwise avoidable financial and accounting burdens for TAWC. In addition,
9 retaining the MDL settlement funds, without defined treatment costs, would be arbitrary
10 because the cost is not yet known, and this does not foster or promote the customer trust
11 and relationships TAWC desires to create, foster and maintain.

12 Further, TAWC is also eligible for alternative funding through the Tennessee Drinking
13 Water State Revolving Fund; TAWC will pursue all available alternative funding options,
14 which could reduce the cost to customers depending upon the terms of the loan agreement,
15 if awarded. These uncertainties support the prudence of providing customers with a credit
16 of the MDL settlement funds rather than retaining the funds.

17 **Q. DO YOU AGREE WITH MR. NOVAK’S PROPOSAL THAT CURRENT AND**
18 **FUTURE PFAS LITIGATION PROCEEDS BE RECORDED AS CONTRIBUTION**
19 **IN AID OF CONSTRUCTION?³**

20 A. No. I do not support Mr. Novak’s proposal that current and future settlement proceeds be
21 recorded as Contribution in Aid of Construction. His proposal delays for decades the

² *Pre-filed Testimony of William H. Novak*, 5:14-16, TPUC Docket No. 25-00086 (Dec. 10, 2025) (hereinafter “*Novak*”).

³ *Novak* at 5-6.

1 realization of the full benefits to customers, without adding any value and while imposing
2 unnecessary regulatory and administrative burden on both the Company and the
3 Commission. The Company's proposal allows for the timely flow through of the settlement
4 proceeds to customers with a minimum of administrative and regulatory burden imposed
5 on either the Company or the Commission.

6 **Q. DO YOU AGREE WITH MR. NOVAK'S RECOMMENDATION THAT**
7 **CURRENT AND FUTURE PFAS LITIGATION PROCEEDS SHOULD BE**
8 **TRANSFERRED TO TAWC'S CONTROL AND PLACED IN AN INTEREST**
9 **BEARING ACCOUNT IN A BANK IN TENNESSEE?⁴**

10 A. No. First, the funds are already in an interest-bearing account by the Company's external
11 law firm. Second, Mr. Novak's recommendation calls for the Commission to
12 unnecessarily intrude into utility decision-making by going so far as proscribing the cash
13 management practices of the utility, including where it maintains its bank accounts without
14 any justification. The Company's proposal obviates the need to engage in such
15 micromanagement as the settlement funds would pass quickly from the hands of TAWC's
16 lawyers' escrow account to TAWC's books and then to customers. The whole purpose of
17 the PLUS Tariff is to allow the timely crediting to customers' bills of these settlement
18 proceeds.

19 **Q. DO YOU AGREE WITH MR. NOVAK'S RECOMMENDATION THAT**
20 **CURRENT AND FUTURE PFAS MDL SETTLEMENT PROCEEDS SHOULD BE**
21 **RECORDED ON TAWC'S BOOKS AS A DEBIT TO SPECIAL DEPOSITS AND A**
22 **CREDIT TO CONTRIBUTION IN AID OF CONSTRUCTION?⁵**

⁴ *Id.* at 4:1-4.

⁵ *Novak* at 6:6-9.

1 A. No. Crediting PFAS MDL settlement proceeds as a Contribution in Aid of Construction
2 means that the benefits from the litigation would trickle in to customers over an extended
3 multi-decade process, driven by the amortization rate for CIAC. This entire proposal
4 delays the benefit to customers and prevents individual customers from using these funds
5 to meet more immediate needs.

6 **Q. WHEN YOU SAY “TRICKLE IN” WHAT DO YOU MEAN?**

7 A. As shown in **Petitioner’s Exhibit 1 - NPV Comparison Bill Credits vs Deferral of PFAS**
8 **Litigation Proceeds**, Mr. Novak’s proposal is estimated to reduce residential customers’
9 bills by an average of just \$0.15 per month over the next 78 years below what they
10 otherwise would be. In the first year, the bill reduction would be \$0.26 per month and
11 would dissipate to zero over 78 years.

12 **.Q. HAS THE COMPANY CALCULATED THE NET PRESENT VALUE OF**
13 **PROVIDING THE FUNDS VIA A BILL CREDIT AS OPPOSED TO THE**
14 **CONSUMER ADVOCATE’S PROPOSAL?**

15 A. Yes. As reflected in **Petitioner’s Exhibit 1 - NPV Comparison Bill Credits vs Deferral**
16 **of PFAS Litigation Proceeds**, the Company has calculated the net present value of the
17 two approaches and found them to be essentially equal. Given the financial parity of these
18 two options, the only true question is how quickly customers receive the benefits. TAWC
19 believes its customers would prefer to receive the benefit rapidly in whole dollars, rather
20 than wait for the next eight decades as funds trickle to them in pennies. Thus, I recommend
21 that the Commission reject Mr. Novak’s recommendation.

22 **Q. DO YOU AGREE WITH MR NOVAK’S RECOMMENDATION THAT TAWC**
23 **SHOULD PROVIDE CONTINUING MONITORING REPORTS FOR THE**

1 **COMMISSION AND THE CONSUMER ADVOCATE NO LESS THAN**
2 **QUARTERLY SHOWING THE BALANCE ALONG WITH THE ACCRUED**
3 **INTEREST FROM THE PFAS MDL SETTLEMENT PROCEEDS.⁶**

4 A. No. TAWC's proposal to credit these funds to customers avoids the burdensome
5 accounting, administrative and reporting requirements of this nature. Under the Company's
6 proposal, the settlement proceeds would be quickly credited to its customers thus negating
7 the need for detailed tracking of the funds into the future. It is unclear from Mr. Novak's
8 testimony what the purpose of such regular reporting would be and whether such reporting
9 is worth the burden on both the Company and the Commission to develop, submit, review,
10 and store this report without an end point or a clearly articulated regulatory purpose. Thus,
11 I recommend that the Commission reject Mr. Novak's recommendation for this reporting
12 requirement as counter to the Commission's desire for efficient and effective regulation of
13 public utilities under its jurisdiction.

14 **Q. ARE THERE PROBLEMS WITH MR. NOVAK'S RECOMMENDATION THAT**
15 **THE COMMISSION REQUIRE TAWC TO PROVIDE A PFAS REMEDIATION**
16 **PLAN FOR THE COMMISSION'S CONSIDERATION ALONG WITH A PLAN**
17 **TO UTILIZE PFAS LITIGATION PROCEEDS TO DEFRAY THE COSTS OF**
18 **THIS REMEDIATION?⁷**

19 A. Yes, this recommendation is problematic on several fronts.

20 First, the purpose of this docket is for the Commission to simply rule on the
21 financial question of how the MDL settlements proceeds should be treated. This does not

⁶ *Novak* at 6:15-18.

⁷ *Novak* at 6:15-17.

1 require the Commission to engage in what, at this point, is a premature engineering analysis
2 of how or whether the Company will treat or remediate any PFAS chemicals it may detect.

3 Second, Mr. Novak’s recommendation to require the Company to submit a PFAS
4 remediation plan to the Commission is premature because the Company, at this time, is not
5 proposing a specific remediation plan. The Company has not yet identified the level of
6 remediation needed, nor the method or technology to be used in Tennessee to meet the
7 PFAS standards promulgated by the U.S. Environmental Protection Agency (EPA) or
8 TDEC. Requiring the Company to create such a remediation plan at this point, as suggested
9 by Mr. Novak, would result only in a speculative plan and is unnecessary to determine how
10 the PFAS litigation proceeds would be handled. Regardless, the Company will continue
11 to work with its environmental regulator, TDEC, who is best equipped to navigate the
12 environmental regulations and ensure that any action the Company may take complies with
13 the EPA’s regulations.

14 For these reasons, I recommend the Commission reject Mr. Novak’s
15 recommendation that TAWC should provide a PFAS remediation plan for the
16 Commission’s consideration.

17 **Q. DOES THE CONSUMER ADVOCATE SUPPORT THE CUSTOMER CREDITS**
18 **METHODOLOGY PROPOSED BY THE COMPANY IN THE PLUS TARIFF?**

19 A. No. Mr. Kaml does not support the proposed customer credit as calculated under the
20 Company’s proposed PLUS Tariff, but offers no counter proposal or recommendation for
21 an alternative method of crediting customer’s bills for the PFAS MDL settlement
22 proceeds.⁸

⁸ *Pre-filed Testimony of CAD Witness Clark D. Kaml*, pp. 5-6, 8:11-18; and 9-10, TPUC Docket No.. 25-00086 (Dec. 10, 2025) (hereinafter “*Kaml*”).

1 **Q. WHAT IS THE CRITICISM THAT MR. KAML RAISES WITH REGARD TO THE**
2 **PLUS TARIFF?**

3 A. Mr. Kaml claims that a “flat credit is inconsistent with the current rate structure.”⁹

4 **Q. DOES MR. KAML OFFER AN ALTERATIVE METHOD TO CALCULATE THE**
5 **CUSTOMER CREDIT?**

6 A. No. He does not.

7 **Q. DOES MR. KAML CLAIM OTHER PROBLEMS WITH THE COMPANY’S**
8 **PROPOSED PLUS TARIFF?**

9 A. Yes. Mr. Kaml claims multiple one-time credits which are not consistent in amount or
10 frequency are a concern.¹⁰ Mr. Kaml appears to believe that customers will be confused
11 by a bill credit because such credits are not made on a regularly recurring basis or may
12 come at a time when rates may increase. Mr. Kaml’s claims, which are unsupported by
13 any study or survey, overstate these concerns. The Company will notify customers each
14 time a bill credit is issued under the PLUS Tariff via a bill message, and the Company’s
15 Customer Service Representatives will be able to further explain these credits should a
16 customer desire additional information. The Company’s proposed distribution of the MDL
17 settlement proceeds is very similar to the distribution of class action proceeds. Often, in
18 class action litigation, a settlement is reached and proceeds are distributed to potential class
19 members, many of whom were never even aware the litigation was ongoing. This lack of
20 awareness does not prevent the effective distribution of proceeds.¹¹ Communications are

⁹ *Kaml* at 8:11-18.

¹⁰ *Id.* at 8:19-25.

¹¹ Notably, here, the Company’s customers will not have the additional step of having to choose whether to “opt out” of receiving these funds as one would in the class action context or choose whether to agree to release any claim customers may have.

1 regularly sent regarding the distribution of such proceeds to educate class members
2 regarding why they are receiving such proceeds. Much like the plaintiffs in a class action
3 case, TAWC has been actively litigating its claims in the PFAS MDL, and now that it has
4 received settlement proceeds, it is in a position to pass such proceeds along to its customers.
5 The Company can easily provide communication through bill messages and explanations
6 for Customer Service Representatives to convey that would explain to customers what is
7 happening in conjunction with any issuance of any bill credit.

8 Further, Mr. Kaml's point regarding potential customer confusion generated by the
9 distribution of MDL settlement proceeds when rates may be going up is simply a red
10 herring.¹² There is no evidence that receiving a bill credit during a potential increase in
11 rates would send mixed signals to customers in such a way as to cause confusion.

12 **Q. DO YOU AGREE WITH MR. KAML'S CONTENTION THAT THE LANGAUGE**
13 **OF THE SETTLEMENTS WITH THE SETTLING PFAS MANUFACTURERS**
14 **SOMEHOW LIMITS TAWC PROVIDING A DIRECT CASH PAYMENT TO**
15 **CUSTOMERS?¹³**

16 A. No. Contrary to Mr. Kaml's assertion, there is no limitation placed on TAWC as to what
17 it may do with the proceeds from the MDL settlements. Mr. Kaml's testimony cherry picks
18 language from the Settlement Agreement between TAWC and the settling PFAs
19 manufacturers in an attempt to limit TAWC's use of the settlement funds. There is,
20 however, no language in the Settlement Agreement that confines or directs TAWC's use
21 of the funds. As Mr. Kaml recognizes on page 6 of his testimony, the MDL settlements
22 are "intended to address Public Water Systems' Claims regarding alleged PFAS-related

¹² *Kaml* at 9:1-9.

¹³ *Kaml* at 9:10-20.

1 harm to drinking water and associated financial burdens.”¹⁴ As in any litigation, the
2 Company has made certain claims in the context of the lawsuit and the settlement simply
3 provides financial compensation in exchange for the Company agreeing to discontinue
4 pursuing its claims. While the settlement recognizes the nature of the claims (financial
5 burdens associated with the costs of monitoring, treating or remediating PFAS in drinking
6 water), it does not direct the settling parties as to what they must do with the settlement
7 funds. The settlement is thus nowhere as prescriptive nor as limiting as Mr. Kaml asserts.

8 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

9 A. I recommend the Commission reject the recommendations of the Consumer Advocate
10 made by Mr. Novak and Mr. Kaml and approve the Company’s PLUS Tariff. Specifically:

- 11 • The Commission should reject Mr. Novak’s
12 recommendation for the Commission to specify where
13 TAWC hold the MDL settlement funds as this would be
14 unduly intrusive into the fundamental operations of the
15 Company and is not necessary nor warranted.
16
- 17 • The Commission should reject Mr. Novak’s proposal to
18 book the proceeds as a debit to Special Deposits and as a
19 Credit to Contribution in Aid of Construction because this
20 would result in a decades long delay in Customers realizing
21 the benefit of these proceeds.
22
- 23 • The Commission should reject Mr. Novak’s
24 recommendation to require a continuous monitoring report
25 of the balance and accrued interest of received MDL
26 settlement proceeds as overly burdensome and
27 unnecessary.
28
- 29 • The Commission should reject requiring the Company to
30 provide a PFAS remediation plan.
31
- 32 • The Commission should reject Mr. Kaml’s
33 recommendation to require TAWC to establish a regulatory
34 liability to capture the settlement funds and to the extent

¹⁴ *In re: Aqueous Fil-Forming Foams Products Liability Litigation*, MDL No. 2:18-mn-2873-RMG (D. S.C. July 3, 2023) 3M Settlement, Exhibit 2, p. 1, ¶ 1.2.

1 that there is an unamortized balance, use the regulatory
2 liability as an offset to rate base in any revenue requirement
3 proceeding.

4 In conclusion I recommend that the Commission adopt the Company's proposed

5 PLUS Tariff as filed, for the certain and rapid benefit of our customers.

6 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

7 A. Yes.

Tennessee-American Water

PFAS Proceeds

Exhibit 1 - Net Present Value Comparison PLUS Tariff Customer Credits to Deferral

Tennessee-American Water

PLUS Tariff

TPUC Docket Number 25-00086

	<u>Inputs in blue</u>	
PFAS Proceeds as of 12/18/2025	\$ 5,186,540	
Tax Rate	26.14%	<u>Equivalent life</u>
Amortization Rate (Composite CIAC Rate Used as Proxy)	-1.28%	78
Last Authorized Rate of Return (7.09%) with Tax Gross-Up	8.67%	

Option 1: PLUS Tariff Customer Credit Method

2026

Water Customers (Nov. 2025)	89,370
Credit per Customer	\$ (58.03)
Net Present Value all Customers Combined	\$ 5,186,540

Option 2: Deferral Method

2026

Gross Deferral	\$ 5,186,540	\$ 5,186,540
Accumulated Amort of Deferral		\$ (66,388)
Net Deferral	\$ 5,186,540	\$ 5,120,152

Net Rate Base Reduction	\$ 5,186,540	\$ 5,120,152
<u>Revenue Requirement Impact</u>		
Depreciation Expense Reduction	-1.28%	\$ (66,388)
Pre-Tax Return on Rate Base Reduction	8.67%	\$ (446,976)
Net Reduction to Revenue Requirement		<u>\$ (513,364)</u>
Discount Factor	8.67%	
Net Present Value	\$ (5,153,396)	
	<u>% Residential</u>	
Residential Portion Revenue, 2024	46.5%	\$ (238,509)
Residential Water Customers (Nov. 2025)		<u>76,597</u>
	<u>Average Monthly Residential Impact</u>	
Annual \$ per Residential Customer		\$ (3.11)
Monthly residential bill reduction	\$ (0.15)	\$ (0.26)

1	2	3	4	5	6	7
2027	2028	2029	2030	2031	2032	2033

2027	2028	2029	2030	2031	2032	2033
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (132,775)	\$ (199,163)	\$ (265,551)	\$ (331,939)	\$ (398,326)	\$ (464,714)	\$ (531,102)
\$ 5,053,765	\$ 4,987,377	\$ 4,920,989	\$ 4,854,601	\$ 4,788,214	\$ 4,721,826	\$ 4,655,438

\$ 5,053,765 \$ 4,987,377 \$ 4,920,989 \$ 4,854,601 \$ 4,788,214 \$ 4,721,826 \$ 4,655,438

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (441,218) \$ (435,460) \$ (429,702) \$ (423,944) \$ (418,186) \$ (412,428) \$ (406,669)

\$ (507,606) \$ (501,848) \$ (496,090) \$ (490,332) \$ (484,573) \$ (478,815) \$ (473,057)

\$ (235,834) \$ (233,159) \$ (230,483) \$ (227,808) \$ (225,133) \$ (222,458) \$ (219,782)
76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (3.08) \$ (3.04) \$ (3.01) \$ (2.97) \$ (2.94) \$ (2.90) \$ (2.87)

\$ (0.26) \$ (0.25) \$ (0.25) \$ (0.25) \$ (0.24) \$ (0.24) \$ (0.24)

8	9	10	11	12	13	14
2034	2035	2036	2037	2038	2039	2040

2034	2035	2036	2037	2038	2039	2040
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (597,489)	\$ (663,877)	\$ (730,265)	\$ (796,653)	\$ (863,040)	\$ (929,428)	\$ (995,816)
\$ 4,589,051	\$ 4,522,663	\$ 4,456,275	\$ 4,389,887	\$ 4,323,500	\$ 4,257,112	\$ 4,190,724

\$ 4,589,051 \$ 4,522,663 \$ 4,456,275 \$ 4,389,887 \$ 4,323,500 \$ 4,257,112 \$ 4,190,724

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (400,911) \$ (395,153) \$ (389,395) \$ (383,637) \$ (377,879) \$ (372,120) \$ (366,362)

\$ (467,299) \$ (461,541) \$ (455,783) \$ (450,025) \$ (444,266) \$ (438,508) \$ (432,750)

\$ (217,107) \$ (214,432) \$ (211,757) \$ (209,081) \$ (206,406) \$ (203,731) \$ (201,056)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (2.83) \$ (2.80) \$ (2.76) \$ (2.73) \$ (2.69) \$ (2.66) \$ (2.62)

\$ (0.24) \$ (0.23) \$ (0.23) \$ (0.23) \$ (0.22) \$ (0.22) \$ (0.22)

15 2041	16 2042	17 2043	18 2044	19 2045	20 2046	21 2047
------------	------------	------------	------------	------------	------------	------------

2041	2042	2043	2044	2045	2046	2047
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (1,062,203)	\$ (1,128,591)	\$ (1,194,979)	\$ (1,261,367)	\$ (1,327,754)	\$ (1,394,142)	\$ (1,460,530)
\$ 4,124,337	\$ 4,057,949	\$ 3,991,561	\$ 3,925,173	\$ 3,858,786	\$ 3,792,398	\$ 3,726,010

\$ 4,124,337 \$ 4,057,949 \$ 3,991,561 \$ 3,925,173 \$ 3,858,786 \$ 3,792,398 \$ 3,726,010

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (360,604) \$ (354,846) \$ (349,088) \$ (343,330) \$ (337,572) \$ (331,813) \$ (326,055)

\$ (426,992) \$ (421,234) \$ (415,476) \$ (409,717) \$ (403,959) \$ (398,201) \$ (392,443)

\$ (198,380) \$ (195,705) \$ (193,030) \$ (190,355) \$ (187,679) \$ (185,004) \$ (182,329)
76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (2.59) \$ (2.55) \$ (2.52) \$ (2.49) \$ (2.45) \$ (2.42) \$ (2.38)

\$ (0.22) \$ (0.21) \$ (0.21) \$ (0.21) \$ (0.20) \$ (0.20) \$ (0.20)

22	23	24	25	26	27	28
2048	2049	2050	2051	2052	2053	2054

2048	2049	2050	2051	2052	2053	2054
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (1,526,917)	\$ (1,593,305)	\$ (1,659,693)	\$ (1,726,081)	\$ (1,792,468)	\$ (1,858,856)	\$ (1,925,244)
\$ 3,659,623	\$ 3,593,235	\$ 3,526,847	\$ 3,460,459	\$ 3,394,072	\$ 3,327,684	\$ 3,261,296

\$ 3,659,623 \$ 3,593,235 \$ 3,526,847 \$ 3,460,459 \$ 3,394,072 \$ 3,327,684 \$ 3,261,296

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (320,297) \$ (314,539) \$ (308,781) \$ (303,023) \$ (297,265) \$ (291,506) \$ (285,748)

\$ (386,685) \$ (380,927) \$ (375,169) \$ (369,410) \$ (363,652) \$ (357,894) \$ (352,136)

\$ (179,654) \$ (176,979) \$ (174,303) \$ (171,628) \$ (168,953) \$ (166,278) \$ (163,602)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (2.35) \$ (2.31) \$ (2.28) \$ (2.24) \$ (2.21) \$ (2.17) \$ (2.14)

\$ (0.20) \$ (0.19) \$ (0.19) \$ (0.19) \$ (0.18) \$ (0.18) \$ (0.18)

29	30	31	32	33	34	35
2055	2056	2057	2058	2059	2060	2061

2055	2056	2057	2058	2059	2060	2061
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (1,991,631)	\$ (2,058,019)	\$ (2,124,407)	\$ (2,190,794)	\$ (2,257,182)	\$ (2,323,570)	\$ (2,389,958)
\$ 3,194,909	\$ 3,128,521	\$ 3,062,133	\$ 2,995,746	\$ 2,929,358	\$ 2,862,970	\$ 2,796,582

\$ 3,194,909 \$ 3,128,521 \$ 3,062,133 \$ 2,995,746 \$ 2,929,358 \$ 2,862,970 \$ 2,796,582

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (279,990) \$ (274,232) \$ (268,474) \$ (262,716) \$ (256,957) \$ (251,199) \$ (245,441)

\$ (346,378) \$ (340,620) \$ (334,861) \$ (329,103) \$ (323,345) \$ (317,587) \$ (311,829)

\$ (160,927) \$ (158,252) \$ (155,577) \$ (152,901) \$ (150,226) \$ (147,551) \$ (144,876)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (2.10) \$ (2.07) \$ (2.03) \$ (2.00) \$ (1.96) \$ (1.93) \$ (1.89)

\$ (0.18) \$ (0.17) \$ (0.17) \$ (0.17) \$ (0.16) \$ (0.16) \$ (0.16)

36	37	38	39	40	41	42
2062	2063	2064	2065	2066	2067	2068

2062	2063	2064	2065	2066	2067	2068
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (2,456,345)	\$ (2,522,733)	\$ (2,589,121)	\$ (2,655,508)	\$ (2,721,896)	\$ (2,788,284)	\$ (2,854,672)
\$ 2,730,195	\$ 2,663,807	\$ 2,597,419	\$ 2,531,032	\$ 2,464,644	\$ 2,398,256	\$ 2,331,868

\$ 2,730,195 \$ 2,663,807 \$ 2,597,419 \$ 2,531,032 \$ 2,464,644 \$ 2,398,256 \$ 2,331,868

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (239,683) \$ (233,925) \$ (228,167) \$ (222,409) \$ (216,650) \$ (210,892) \$ (205,134)

\$ (306,071) \$ (300,313) \$ (294,554) \$ (288,796) \$ (283,038) \$ (277,280) \$ (271,522)

\$ (142,200) \$ (139,525) \$ (136,850) \$ (134,175) \$ (131,500) \$ (128,824) \$ (126,149)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (1.86) \$ (1.82) \$ (1.79) \$ (1.75) \$ (1.72) \$ (1.68) \$ (1.65)

\$ (0.15) \$ (0.15) \$ (0.15) \$ (0.15) \$ (0.14) \$ (0.14) \$ (0.14)

43	44	45	46	47	48	49
2069	2070	2071	2072	2073	2074	2075

2069	2070	2071	2072	2073	2074	2075
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (2,921,059)	\$ (2,987,447)	\$ (3,053,835)	\$ (3,120,222)	\$ (3,186,610)	\$ (3,252,998)	\$ (3,319,386)
\$ 2,265,481	\$ 2,199,093	\$ 2,132,705	\$ 2,066,318	\$ 1,999,930	\$ 1,933,542	\$ 1,867,154

\$ 2,265,481 \$ 2,199,093 \$ 2,132,705 \$ 2,066,318 \$ 1,999,930 \$ 1,933,542 \$ 1,867,154

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (199,376) \$ (193,618) \$ (187,860) \$ (182,102) \$ (176,343) \$ (170,585) \$ (164,827)

\$ (265,764) \$ (260,006) \$ (254,247) \$ (248,489) \$ (242,731) \$ (236,973) \$ (231,215)

\$ (123,474) \$ (120,799) \$ (118,123) \$ (115,448) \$ (112,773) \$ (110,098) \$ (107,422)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (1.61) \$ (1.58) \$ (1.54) \$ (1.51) \$ (1.47) \$ (1.44) \$ (1.40)

\$ (0.13) \$ (0.13) \$ (0.13) \$ (0.13) \$ (0.12) \$ (0.12) \$ (0.12)

50	51	52	53	54	55	56
2076	2077	2078	2079	2080	2081	2082

2076	2077	2078	2079	2080	2081	2082
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (3,385,773)	\$ (3,452,161)	\$ (3,518,549)	\$ (3,584,936)	\$ (3,651,324)	\$ (3,717,712)	\$ (3,784,100)
\$ 1,800,767	\$ 1,734,379	\$ 1,667,991	\$ 1,601,604	\$ 1,535,216	\$ 1,468,828	\$ 1,402,440

\$ 1,800,767 \$ 1,734,379 \$ 1,667,991 \$ 1,601,604 \$ 1,535,216 \$ 1,468,828 \$ 1,402,440

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (159,069) \$ (153,311) \$ (147,553) \$ (141,794) \$ (136,036) \$ (130,278) \$ (124,520)

\$ (225,457) \$ (219,698) \$ (213,940) \$ (208,182) \$ (202,424) \$ (196,666) \$ (190,908)

\$ (104,747) \$ (102,072) \$ (99,397) \$ (96,721) \$ (94,046) \$ (91,371) \$ (88,696)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (1.37) \$ (1.33) \$ (1.30) \$ (1.26) \$ (1.23) \$ (1.19) \$ (1.16)

\$ (0.11) \$ (0.11) \$ (0.11) \$ (0.11) \$ (0.10) \$ (0.10) \$ (0.10)

57	58	59	60	61	62	63
2083	2084	2085	2086	2087	2088	2089

2083	2084	2085	2086	2087	2088	2089
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (3,850,487)	\$ (3,916,875)	\$ (3,983,263)	\$ (4,049,650)	\$ (4,116,038)	\$ (4,182,426)	\$ (4,248,814)
\$ 1,336,053	\$ 1,269,665	\$ 1,203,277	\$ 1,136,890	\$ 1,070,502	\$ 1,004,114	\$ 937,726

\$ 1,336,053 \$ 1,269,665 \$ 1,203,277 \$ 1,136,890 \$ 1,070,502 \$ 1,004,114 \$ 937,726

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (118,762) \$ (113,004) \$ (107,246) \$ (101,487) \$ (95,729) \$ (89,971) \$ (84,213)

\$ (185,150) \$ (179,391) \$ (173,633) \$ (167,875) \$ (162,117) \$ (156,359) \$ (150,601)

\$ (86,020) \$ (83,345) \$ (80,670) \$ (77,995) \$ (75,320) \$ (72,644) \$ (69,969)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (1.12) \$ (1.09) \$ (1.05) \$ (1.02) \$ (0.98) \$ (0.95) \$ (0.91)

\$ (0.09) \$ (0.09) \$ (0.09) \$ (0.08) \$ (0.08) \$ (0.08) \$ (0.08)

64	65	66	67	68	69	70
2090	2091	2092	2093	2094	2095	2096

2090	2091	2092	2093	2094	2095	2096
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (4,315,201)	\$ (4,381,589)	\$ (4,447,977)	\$ (4,514,364)	\$ (4,580,752)	\$ (4,647,140)	\$ (4,713,528)
\$ 871,339	\$ 804,951	\$ 738,563	\$ 672,176	\$ 605,788	\$ 539,400	\$ 473,012

\$ 871,339 \$ 804,951 \$ 738,563 \$ 672,176 \$ 605,788 \$ 539,400 \$ 473,012

\$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388) \$ (66,388)

\$ (78,455) \$ (72,697) \$ (66,939) \$ (61,180) \$ (55,422) \$ (49,664) \$ (43,906)

\$ (144,843) \$ (139,084) \$ (133,326) \$ (127,568) \$ (121,810) \$ (116,052) \$ (110,294)

\$ (67,294) \$ (64,619) \$ (61,943) \$ (59,268) \$ (56,593) \$ (53,918) \$ (51,242)

76,597 76,597 76,597 76,597 76,597 76,597 76,597

\$ (0.88) \$ (0.84) \$ (0.81) \$ (0.77) \$ (0.74) \$ (0.70) \$ (0.67)

\$ (0.07) \$ (0.07) \$ (0.07) \$ (0.06) \$ (0.06) \$ (0.06) \$ (0.06)

71	72	73	74	75	76	77
2097	2098	2099	2100	2101	2102	2103

2097	2098	2099	2100	2101	2102	2103
\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540	\$ 5,186,540
\$ (4,779,915)	\$ (4,846,303)	\$ (4,912,691)	\$ (4,979,078)	\$ (5,045,466)	\$ (5,111,854)	\$ (5,178,242)
\$ 406,625	\$ 340,237	\$ 273,849	\$ 207,462	\$ 141,074	\$ 74,686	\$ 8,298

\$	406,625	\$	340,237	\$	273,849	\$	207,462	\$	141,074	\$	74,686	\$	8,298
\$	(66,388)	\$	(66,388)	\$	(66,388)	\$	(66,388)	\$	(66,388)	\$	(66,388)	\$	(66,388)
\$	(38,148)	\$	(32,390)	\$	(26,631)	\$	(20,873)	\$	(15,115)	\$	(9,357)	\$	(3,599)
\$	(104,535)	\$	(98,777)	\$	(93,019)	\$	(87,261)	\$	(81,503)	\$	(75,745)	\$	(69,987)

\$	(48,567)	\$	(45,892)	\$	(43,217)	\$	(40,541)	\$	(37,866)	\$	(35,191)	\$	(32,516)
	76,597		76,597		76,597		76,597		76,597		76,597		76,597

\$	(0.63)	\$	(0.60)	\$	(0.56)	\$	(0.53)	\$	(0.49)	\$	(0.46)	\$	(0.42)
\$	(0.05)	\$	(0.05)	\$	(0.05)	\$	(0.04)	\$	(0.04)	\$	(0.04)	\$	(0.04)

78

2104

2104

\$ 5,186,540

\$ (5,186,540)

\$ -

\$ -

\$ (8,298)

\$ (360)

\$ (8,658)

\$ (4,023)

76,597

\$ (0.05)

\$ (0.00)

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

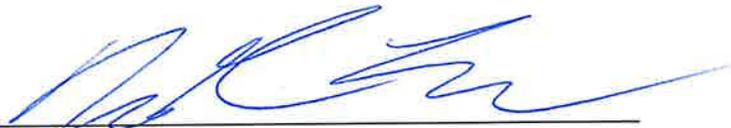
TENNESSEE-AMERICAN WATER)
COMPANY'S PFAS (PER-AND POLY-)
FLUOROALKYL SUBSTANCES))
LITIGATION UNIVERSAL)
SURCREDIT TARIFF ("PLUS)
TARIFF"))

DOCKET NO. 25-00086

VERIFICATION

STATE OF Tennessee)
COUNTY OF Hamilton)

I, ROBERT C. LANE, being duly sworn, state that I am authorized to testify on behalf of Tennessee-American Water Company in the above-referenced docket, that if present before the Commission and duly sworn, 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.



ROBERT C. LANE

Sworn to and subscribed before me
this 7th day of January, 2026.



Notary Public

My Commission Expires: 2/28/28



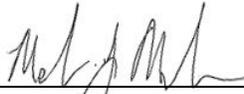
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 8th day of January 2026.



Melvin Malone