

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

IN RE:)	Electronically Filed in TPUC Docket Room on February 12, 2026 at 1:40 p.m.
)	
PETITION OF TENNESSEE-AMERICAN)	
WATER COMPANY TO ADOPT)	
ANNUAL REVIEW MECHANISM AND)	
ARM TARIFF PURSUANT TO TENN.)	DOCKET NO. 25-00089
CODE ANN. § 65-5-103(d)(6))	
)	
)	

**CONSUMER ADVOCATE’S RESPONSE TO
TENNESSEE-AMERICAN WATER COMPANY’S DISCOVERY REQUESTS**

Jonathan Skrmetti, Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”), pursuant to Rules 26, 33, and 34 of the Tennessee Rules of Civil Procedure, Tennessee Public Utility Commission (“TPUC” or The “Commission”) Rule 1220-01-02-.11, and the Agreed Procedural Schedule entered by the Hearing Officer in this Docket, hereby submits its responses to the *Tennessee-American Water Company’s Discovery Requests to the Consumer Advocate Division* filed on February 6, 2026.

General Objections

All of the General Objections made herein are applicable to and are hereby incorporated into each and every response herein, and each response herein is made subject to and without waiver of these General Objections.

- A. The Consumer Advocate objects to each of the Company’s requests on the grounds that each is overly broad, unduly burdensome, and oppressive.
- B. The Consumer Advocate objects to the Company’s discovery requests to the extent that they purport to impose the obligations upon the Consumer Advocate beyond

those contemplated by the Tennessee Rules of Civil Procedure, TPUC Rules, and Tennessee law.

- C. The Consumer Advocate objects to each of the Company's requests to the extent that each purports to call for information and/or documents prepared in anticipation of litigation, and/or information and/or documents protected by the attorney-client privilege, the work product doctrine, the common-interest doctrine, or any other applicable protection or privilege.
- D. The Consumer Advocate objects to each of the Company's requests to the extent that they are not applicable in the context of a proceeding before the TPUC, cite an incorrect legal conclusion, or mischaracterize or improperly summarize statements made by the Consumer Advocate's expert witnesses in their pre-filed direct testimonies.
- E. By providing the objections contained herein, the Consumer Advocate does not waive or intend to waive, but rather, intends to preserve, all objections with regard to competence, relevance, materiality, and admissibility of the discovery information or documents in any subsequent proceeding on the related subject matter. Moreover, the Consumer Advocate intends by this set of responses to preserve all objections to vagueness, ambiguity, and undue burden in connection with requests to produce documents, including those that are not in the Consumer Advocate's possession, custody, or control.
- F. The responses made herein are made to the best of Consumer Advocate's present knowledge after a reasonably diligent search for responsive information. The Consumer Advocate will supplement its responses in line with the requirements of the Tennessee Rules of Civil Procedure as well as TPUC Rules and expressly reserves its right to supplement or amend its answers, if and as appropriate, including with respect to objections that may arise at a later time than this filing.

Without waiving these General Objections as they apply to each individual request, the Consumer Advocate presents the following responses

RESPONSES TO JOINT APPLICANTS' DISCOVERY REQUESTS

- 1.01.** At 19:8-9 of CAD Witness Clark D. Kaml's Pre-filed Testimony, Mr. Kaml testifies that "The level of equity financed should be capped at the percent authorized in the last rate case proceeding."
 - (a) Please explain or clarify what is meant by "The level of equity financed should be capped at the percent authorized in the last rate case proceeding."

RESPONSE:

The level of equity financing as used here is the percent of equity financing represented in the capital structure. In the last rate case, Docket No. 24-00032, the Commission adopted a capital structure consisting of 0.81% short-term debt, 55% long-term debt, and 44.19% common equity based on the capital structure of AWWC. The percent of equity financing in the capital structure for the rate of return calculation would be limited to 44.19% common equity.

- (b) Does Mr. Kaml's recommendation that "The level of equity financed should be capped at the percent authorized in the last rate case proceeding[]" include or allow symmetrical outcomes, such that the required Rate of Return could increase or decrease from the level authorized by TPUC in Docket No. 24-00032 due to changes in the percentage of equity capital structure?

RESPONSE:

The rate of return could decrease due to a change in capital structure. The rate of return could not increase above that authorized in the last rate case because of a change in capital structure.

- (c) If under Mr. Kaml's recommendation that "The level of equity financed should be capped at the percent authorized in the last rate case proceeding[]" the Rate of Return can only decrease below the level authorized in TPUC Docket No. 24-00032 due to changes in percentage of equity capital structure, please explain how this recommendation or proposal is just and reasonable?

RESPONSE:

The rate of return is not established in isolation, but rather as part of a comprehensive revenue requirement review based on the evidentiary record developed in that proceeding. Within this context, the Commission determined both the authorized return on equity and the overall cost of capital. The authorized return on equity reflects the Company's operating risk and financial risk as evaluated by the Commission.

The Company retains discretion over its capital structure. To the extent the Company increases the proportion of equity financing, the resulting weighted cost of capital increases, thereby increasing costs to customers. Such changes may occur without a contemporaneous review of the reasonableness of the weighted cost of capital as a whole or the authorized return on equity, in particular. A decrease in the percentage of equity financing will result in a decrease in the cost of capital, without a corresponding decrease in the revenue requirement.

Accordingly, the cap is just and reasonable because it reflects the Commission's reasoned determination, while changes in capital structure are attributable to Company decisions made outside the scope of the Commission's review in that proceeding.

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RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via electronic mail upon:

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This the 12th day of February, 2026.



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