

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

July 28, 2026

IN RE:

PETITION OF TENNESSEE-AMERICAN WATER  
COMPANY REGARDING THE 2026 PRODUCTION  
COSTS AND OTHER PASS-THROUGHS RIDER

)  
)  
)  
)  
)

DOCKET NO.  
26-00002

---

ORDER APPROVING 2026 PRODUCTION COSTS AND  
OTHER PASS-THROUGHS RIDER *PETITION*, AS REVISED

---

This matter came before Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner Clay R. Good, Commissioner Kenneth C. Hill, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on June 1, 2026. The panel convened to consider the *Petition* filed by Tennessee-American Water Company (“TAWC” or the “Company”) on January 14, 2026.<sup>1</sup>

**BACKGROUND**

TAWC provides residential, commercial, industrial, and municipal water service to customers in Tennessee and North Georgia. TAWC is a wholly-owned subsidiary of American Water Works Company, Inc. Pursuant to Tenn. Code Ann. § 65-5-103(d), TAWC’s initial Production Costs and Other Pass-Throughs Rider mechanism (“PCOP” or “PCOP Rider”) was approved in TPUC Docket No. 13-00130 to recover incremental changes in certain essential, non-

---

<sup>1</sup> Commissioner Herbert H. Hilliard was not present at the June 1, 2026, Commission Conference and did not vote on this matter.

discretionary expenses.<sup>2</sup> In TPUC Docket No. 15-00001, the Commission approved changes to the PCOP Rider tariff that provided for a single reconciliation, included a true-up of actual expenses over 12 months, and a revenue true-up over eight and one-half months.<sup>3</sup> Subsequently, the Commission approved additional changes to the PCOP Rider tariff in TPUC Docket No. 15-00131.<sup>4</sup>

The PCOP tariff approved by the Commission requires TAWC to file, within 30 days of the end of the most recent authorized attrition year, a calculation of the PCOP percentage rate applicable to customers' bills for the 12 months following the Commission's approval of the rate. The Commission approved the most recent PCOP percentage rate in TPUC Docket No. 25-00002 for the actual costs incurred from December 1, 2023, through November 30, 2024.<sup>5</sup>

### **THE PETITION**

On January 14, 2026, the Company filed the required annual PCOP filing for the review period December 1, 2024, through November 30, 2025, stating the *Petition*, along with supporting documentation, is consistent with Tenn. Code Ann. § 65-5-103 and serves the public interest.<sup>6</sup> This *Petition* requests that the Commission approve the proposed PCOP percentage as submitted, along with the accompanying tariffs.<sup>7</sup> On February 18, 2026, the Consumer Advocate Division of the

---

<sup>2</sup> See *In re: Petition of Tennessee-American Water Company for Approval of a Qualified Infrastructure Investment Program, an Economic Development Investment Rider, a Safety and Environmental Compliance Rider and Pass-Throughs for Purchased Power, Chemicals, Purchased Water, Wheeling Water Costs, Waste Disposal, and TRA Inspection Fee*, Docket No. 13-00130, *Order Approving Amended Petition* (January 27, 2016).

<sup>3</sup> See *In re: Petition of Tennessee-American Water Company Regarding the Production Costs and Other Pass-Throughs Rider*, Docket No. 15-00001, *Order on December 1, 2013 Through November 30, 2014 PCOP Rider Expenses*, p. 11 (February 5, 2016).

<sup>4</sup> See *In re: Petition of Tennessee-American Water Company Regarding the Production Costs and Other Pass-Throughs Rider*, Docket No. 15-00131, *Order on December 1, 2014 Through November 30, 2015 PCOP Rider Expenses*, pp. 7-10 (July 26, 2016).

<sup>5</sup> See *In re: Petition of Tennessee-American Water Company Regarding the 2024 Production Costs and Other Pass-Throughs Rider*, Docket No. 25-00002, *Order Approving the 2024 Production Costs And Other Pass-Throughs Rider*, pp. 2-3 (August 8, 2025).

<sup>6</sup> *Petition*, pp. 5-6 (January 14, 2026).

<sup>7</sup> *Id.* at 6-7.

Office of the Tennessee Attorney General (“Consumer Advocate”) was granted intervention in this docket.<sup>8</sup>

On January 14, 2026, Robert C. Lane filed pre-filed testimony, along with an exhibit work paper, “Petitioner’s Exhibit – 2025 PCOP Calculation – RCL,” in support of the Petition that established the Company’s proposed 2025 PCOP Rider percentage rate as 0.95%.<sup>9</sup> Mr. Lane explained that the PCOP Rider is an annual review of certain operational expenses during the historical review period.<sup>10</sup> The PCOP Rider is a tariff rate adjustment that calculates incremental changes in essential, non-discretionary expenses such as purchased power, purchased chemicals, purchased water, wheeling charges, waste disposal, TPUC Inspection Fee assessments, and water sales that are above or below the level authorized for the Company in its most recent rate case.<sup>11</sup> The authorized amount of these expenses approved in the Company’s most recent rate case, Docket No. 24-00032, is then divided by the authorized level of water sales in hundred gallons. Then, the actual purchased power, purchased chemicals, purchased water, wheeling charges, waste disposal, and TPUC Inspection Fee assessments and water sales for the period are divided by the actual level of water sales in hundreds of gallons for the period.

The difference between these resulting figures is the incremental change in production costs per hundred gallons of water. This incremental difference is then multiplied by the authorized level of water sales in hundred gallons. Subsequently, the PCOP revenues from the previous period, whether under or over the anticipated amount, are calculated with interest and added to the expense difference. The total expense difference is then grossed up for authorized gross receipts tax, the uncollectible rate, and forfeited discounts from the previous rate case before being divided

---

<sup>8</sup> *Order Granting the Petition to Intervene Filed by the Consumer Advocate* (February 18, 2026).

<sup>9</sup> Robert C. Lane, Pre-Filed Direct Testimony, pp. 6,11 (January 14, 2026). Mr. Lane’s testimony was later adopted by Philip J. Drennan on April 24, 2026. *See* Philip J. Drennan, Pre-Filed Direct Testimony, p. 3 (April 24, 2026).

<sup>10</sup> *Id.* at 4.

<sup>11</sup> *Id.* at 4-5.

by the authorized revenues from the previous rate case. The result of this calculation is expressed as a percentage; if the percentage is negative, the amount is credited to customers, and if it is positive, a surcharge is applied to customers.<sup>12</sup> Mr. Lane's Exhibit, "2025 PCOP Calculation – RCL," presents the calculations of the PCOP in this filing.<sup>13</sup>

Mr. Lane attested that this PCOP calculation is consistent with all previous PCOP dockets approved by the Commission and asserted that the Company has included detailed information regarding the expenses included in the PCOP calculations. He testified that the Company used the gross receipts tax, the uncollectible rate, and the forfeited discount rate as established in the Company's last base rate case order in Docket No. 24-00032.<sup>14</sup>

Mr. Lane explained that TAWC reduced the Purchased Power and Fuel costs by 12.35% as a result of its reported Non-Revenue Water Loss ("NRWL") being 27.35%.<sup>15</sup> The projected annual revenues include all service charges and volumetric charges for all classes that are subject to the Capital Recovery Riders as authorized in the Company's last rate case. No other changes were made to the calculations from TAWC's previous PCOP docket. He further testified that there is a difference between the amount of PCOP authorized in the Company's last rate case and what was actually collected, resulting in an under-collection of \$868,565.<sup>16</sup>

Mr. Lane noted that in previous PCOP dockets, TAWC had to make an adjustment for the Jasper Highlands and Whitwell areas. According to Mr. Lane, since the PCOP-eligible costs and volume of water sales associated with these areas were included in the Company's last rate case, it was no longer necessary to make this adjustment.<sup>17</sup>

---

<sup>12</sup> *Id.* at 8.

<sup>13</sup> *Id.* at 7-8.

<sup>14</sup> *Id.* at 8-10.

<sup>15</sup> *Id.* at 10.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 11.

With this *Petition*, TAWC is proposing a PCOP rider surcharge of 0.95%, resulting in an annualized revenue increase of \$688,522. This is based on total PCOP costs of \$6,570,171, and after an adjustment for water loss exceeding the 15% Non-Revenue Water (“NRW”) cap that was established in the Company’s last rate case, the PCOP costs are reduced to \$5,900,302. Additionally, Mr. Lane asserted that TAWC under-collected PCOP revenues by \$868,565, largely due to the PCOP Percentage being zero from January 21 until June 23, 2025.<sup>18</sup>

According to Mr. Lane, the typical City of Chattanooga customer will see a decrease in their bill of approximately \$0.58 per month, or \$6.90 per year, as a result of this filing. Further, Mr. Lane attested that the PCOP rider is achieving the goals of the legislation, which encourage timely recovery of expenses while enhancing financial stability, reducing the costs to consumers and utilities for regulatory review and implementation, and promoting rate gradualism for consumers.<sup>19</sup>

### **POSITION OF THE CONSUMER ADVOCATE**

The Consumer Advocate filed the pre-filed testimony of William H. Novak on April 2, 2026. Mr. Novak attested that while his review of the amounts recorded on the Company’s general ledger found the calculations supporting TAWC’s tariff filing to be reasonable and logical, he found four errors in the Company’s calculations.<sup>20</sup>

Mr. Novak testified that the first error was the use of inappropriate tax rates in the calculations; the second was the incorrect amount of water sales revenue from the Company’s last rate case; the third error was an incorrect charge from one of the Company’s water suppliers; and the final error was incorrect charges for purchased power during the review period.<sup>21</sup> On page 5

---

<sup>18</sup> *Id.* In his testimony, Mr. Lane incorrectly stated the ending date as June 23, 2005. It has been corrected here to reflect the actual ending date of June 23, 2025.

<sup>19</sup> *Id.* at 12.

<sup>20</sup> William H. Novak, Pre-Filed Direct Testimony, pp. 4-5 (April 2, 2026).

<sup>21</sup> *Id.*

of his testimony, Mr. Novak presented “Table 1-Calculation of PCOP Surcharge for the 12 Months Ended November 30, 2025,” which demonstrated the correction of these errors.<sup>22</sup> Mr. Novak’s corrections increased the PCOP percentage rate from 0.95% to 0.97%.<sup>23</sup>

### **TAWC REBUTTAL TESTIMONY**

On April 24, 2026, Philip J. Drennan filed rebuttal testimony on behalf of TAWC and adopted the Pre-Filed Direct Testimony of Robert C. Lane. Mr. Drennan attested that he had reviewed the Company’s *Petition*, work papers, prior PCOP filings, and the Consumer Advocate’s discovery responses and determined that Mr. Novak appropriately updated the tax rates, approved water sales revenue from the Company’s last rate case, water supplier charges, and purchased power costs.<sup>24</sup> As a result, TAWC agreed with Mr. Novak’s corrected PCOP surcharge calculation of 0.97%, as calculated in Table 1 of Mr. Novak’s Testimony and as presented in the Company’s Rebuttal Exhibit, “Petitioner’s Rebuttal Exhibit PJD-1 - Revised PCOP Schedules.”<sup>25</sup>

### **JOINT LETTER OF THE PARTIES**

TAWC filed a letter on May 8, 2026, stating that there are no outstanding contested or procedural issues remaining in the docket. The letter represented that it was the position of both the Consumer Advocate and the Company that the matter should be resolved in favor of the *Petition*, as amended by Mr. Drennan’s Rebuttal Testimony. Further, unless requested by the Commission, the parties waived opening statements, the live presentation of testimony, and cross-examination of witnesses.<sup>26</sup>

---

<sup>22</sup> *Id.* at 5.

<sup>23</sup> *Id.*

<sup>24</sup> Philip J. Drennan, Pre-Filed Rebuttal Testimony, pp. 3-4 (April 24, 2026).

<sup>25</sup> *Id.* at 4.

<sup>26</sup> Letter to Chairman David Jones from Tennessee-American Water Company, pp. 1-2 (May 8, 2026).

## **HEARING**

A hearing in this matter was held before the voting panel during the regularly scheduled Commission Conference on June 1, 2026, as noticed by the Commission on May 22, 2026. As noted previously herein, the Parties filed a letter stating there were no outstanding disputes or contested issues, and that they waived opening statements, closing statements, and cross-examination of the respective expert witnesses. At the hearing, appearances were made by the following:

TAWC – Melvin J. Malone, Esq., Butler Snow, LLP, 150 3rd Avenue South, Suite 1600, Nashville, Tennessee 37201; Philip J. Drennan, Director, Rates & Regulatory, American Water Works Service Company, Inc., 153 N. Emerson Avenue, Greenwood, IN 46143.

Consumer Advocate – Vance Broemel, Esq., Office of the Tennessee Attorney General, P.O. Box 20207, Nashville, TN 37202.

Mr. Philip Drennan appeared via Webex and provided testimony in support of the Company's revised calculations. Mr. William H. Novak was available via Webex to answer any questions from the panel or Commission Staff. During the hearing, members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

## **FINDINGS AND CONCLUSIONS**

Upon review of the evidentiary record in this proceeding, the panel found that the revised PCOP percentage is calculated correctly based on the Commission's approved methodologies and voted unanimously to approve the revised Petition with a PCOP percentage rate of 0.97%, as calculated in TAWC's revised PCOP work paper, "Rebuttal Exhibit PJD-1 – Revised PCOP Schedules," attached to Philip Drennan's Rebuttal Testimony filed on April 24, 2026. This is a decrease from last year's PCOP rider percentage of 3.02%.

The panel found that the total PCOP percentage is based upon the following 2025 Expenses:

- Fuel & Power Expense of \$2,768,963
- Chemical Expense of \$1,986,559
- Purchased Water Expense of \$197,997
- Waste Disposal Expense of \$666,602
- Commission Inspection Fee Expense of \$280,787

In addition, the panel found that the total PCOP expense includes a recovery of \$868,565 because the revenues collected from customers during the review period were less than the amount authorized in the 2025 PCOP Rider proceeding. This results in a net PCOP expense recovery of \$6,769,471.

The panel also found that the PCOP Rider continues to benefit the Company by enabling timely recovery of expenses without the need to file costly base rate cases. Additionally, customers receive immediate refunds when expenses within the PCOP Rider decrease. For these reasons, the panel found that the PCOP Rider mechanism remains in the public interest.

**IT IS THEREFORE ORDERED THAT:**

1. The *Petition*, as revised, filed by Tennessee-American Water Company establishing the 2026 Production Costs and Other Pass-Throughs Rider percentage rate for the period December 1, 2024, through November 30, 2025, is approved.

2. The total actual net Production Costs and Other Pass-Throughs Rider expense for the year ending November 30, 2025, includes \$1,986,559 for Chemical Expense; \$2,768,963 for Fuel & Power Expense; \$666,602 for Waste Disposal Expense; \$197,997 for Purchased Water Expense; and \$280,787 for the Tennessee Public Utility Commission Inspection Fee Expense. This amount is increased by \$868,565 to account for under-collections, resulting in a net Production Costs and Other Pass-Throughs Riders expense of \$6,769,471, and a total Production Costs and Other Pass-Throughs Rider percentage rate of .97%.

3. Tennessee-American Water Company shall file the Production Costs and Other Pass-Throughs Rider expense percentage and tariffs consistent with the approved Production Costs and Other Pass-Throughs Rider expense.

4. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within 15 days from the date of this Order.

5. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within 60 days from the date of this Order.

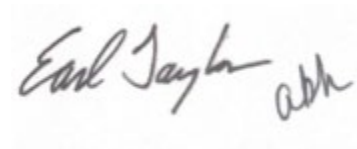
**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Commission Panel Vote**

The Commission panel has adopted the foregoing order.  
All members present and voting concurred; except  
Commissioner Herbert H. Hilliard, who was absent.

Commissioner Robin L. Morrison  
Commissioner Clay R. Good  
Commissioner Kenneth C. Hill  
Commissioner David Crowell

**Order Issued and Attested By:**

A handwritten signature in dark ink, appearing to read "Earl Taylor" with a stylized flourish and the initials "abh" written below it.

---

Earl R. Taylor, Executive Director