

BUTLER | SNOW

April 23, 2026

VIA ELECTRONIC FILING

Electronically Filed in TPUC Docket
Room on April 23, 2026 at 5:19 p.m.

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: *Petition of Tennessee-American Water Company Regarding The 2026 Production Costs and Other Pass-Throughs Rider, TPUC Docket No. 26-00002*

Dear Chairman Jones:

Attached for filing please find Tennessee-American Water Company's *Pre-Filed Direct Testimony of Philip J. Drennan Adopting Pre-Filed Direct Testimony of Robert C. Lane* 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: Philip J. Drennan, TAWC
Vance L. Broemel, Consumer Advocate Unit
Karen H. Stachowski, Consumer Advocate Unit

*Neuhoff Building
1320 Adams Street, Suite 1400
Nashville, TN 37208*

MELVIN J. MALONE
615.651.6705
C 615.948.7801
melvin.malone@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

BUTLER SNOW LLP

100513965.v1

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

PETITION OF TENNESSEE-)	
AMERICAN WATER COMPANY)	
REGARDING THE 2026 PRODUCTION)	DOCKET NO. 26-00002
COSTS AND OTHER PASS-)	
THROUGHS RIDER)	

**PRE-FILED DIRECT TESTIMONY OF PHILIP J. DRENNAN
ADOPTING PRE-FILED DIRECT TESTIMONY OF ROBERT C. LANE**

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

2 A. My name is Philip J. Drennan, and my business address is 153 N. Emerson Avenue,
3 Greenwood, IN 46143.

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

5 A. I am employed by American Water Works Service Company, Inc. (“Service Company”)
6 as Director, Rates & Regulatory. The Service Company is a subsidiary of American Water
7 Works Company, Inc. (“American Water”) that provides support services to American
8 Water’s subsidiaries, including Tennessee-American Water Company, Inc. (“Tennessee
9 American,” “TAWC” or “Company”).

10 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**
11 **BACKGROUND.**

12 A. I earned a Bachelor of Science degree in Finance from the University of Illinois at Urbana-
13 Champaign Gies College of Business. I earned a Professional Accounting certificate from
14 Oakton College to complete the course requirements to take the Uniform CPA
15 Examination, and the Illinois Board of Examiners has approved my application to sit for
16 the exam. I am also an active holder of the Chartered Financial Analyst (CFA) designation.

17 I began my employment at Service Company as Director of Rates & Regulatory in
18 August 2024. I oversee the regulatory and rate related activities for multiple American
19 Water subsidiaries, including TAWC. My duties at Service Company include the
20 preparation of written testimony, exhibits and work papers in support of rate applications
21 and other regulatory filings for subsidiaries of American Water. Prior to joining Service
22 Company, I held various regulatory and finance roles at Corix Regulated Utilities (US),
23 Inc. (“Corix”) and Nexus Water Group, Inc. (“Nexus”). Corix became a subsidiary of
24 Nexus after a merger with SouthWest Water Company in April 2024. At Corix and Nexus
25 I was responsible for the preparation and filing of base rate cases, annual rate adjustment
26 petitions, and other general regulatory proceedings for the East and South Business Units.
27 I held the role of Regional Director of FP&A for the East Business Unit of Corix and Vice
28 President of Finance for the South Business Unit of Nexus. Additionally, I led the
29 budgeting, forecasting, and financial reporting activities for the respective business units.

30 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
31 **TENNESSEE PUBLIC UTILITY COMMISSION OR ANY OTHER**
32 **REGULATORY AGENCIES WITH RESPECT TO REGULATORY MATTERS?**

33 A. Yes, I testified before the Tennessee Public Utility Commission (“Commission” or
34 “TPUC”) in Docket No. 25-00089 and Docket No. 24-00028. I have also prepared several
35 rate adjustment petitions and regulatory filings, most supported by testimony, before the
36 Indiana Utility Regulatory Commission, the North Carolina Utilities Commission, the
37 Public Service Commission of South Carolina, the Florida Public Service Commission, the
38 Public Utility Commission of Texas, the Louisiana Public Service Commission, and the
39 Alabama Public Service Commission.

40 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

41 A. The purpose of my testimony is to adopt the pre-filed direct testimony previously submitted
42 in this matter by Robert C. Lane supporting the changes to the production costs and other
43 pass-throughs rider by Tennessee-American Water Company, Inc. A copy of Robert C.
44 Lane's Pre-Filed Direct Testimony is attached as Exhibit 1.

45 **Q. WHY ARE YOU ADOPTING MR. LANE'S PRE-FILED DIRECT TESTIMONY?**

46 A. Mr. Lane is no longer with the Company. Therefore, I am adopting his pre-filed testimony.

47 **Q. ARE YOU FAMILIAR WITH THE PRE-FILED TESTIMONY OF ROBERT C.
48 LANE?**

49 A. Yes, I have reviewed the testimony of Robert C. Lane, including the exhibits, and I am
50 familiar with its contents.

51 **Q. IF ASKED THE SAME QUESTIONS AS ARE IN THE DIRECT PRE-FILED
52 TESTIMONY OF ROBERT C. LANE, WOULD YOU ANSWER EACH
53 QUESTION THE SAME?**

54 A. Yes, excepting that our professional and educational backgrounds are different.

55 **Q. DO YOU WISH TO ADOPT THE PRE-FILED TESTIMONY OF ROBERT C.
56 LANE WITHOUT CHANGES?**

57 A. Yes.

EXHIBIT 1

Electronically Filed in TPUC Docket Room
on January 14, 2026 at 1:51 p.m.

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 26-00002

DIRECT TESTIMONY

OF

ROBERT C. LANE

ON

CHANGES TO THE PRODUCTION COSTS AND OTHER PASS-THROUGHS RIDER

SPONSORING PETITIONER'S EXHIBITS:

PETITIONER'S EXHIBIT – 2025 PCOP CALCULATION – RCL
PETITIONERS EXHIBIT – PCOP BILL IMPACT – RCL
PETITIONERS EXHIBIT - PROPOSED PCOP TARIFF

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 Tennessee-American Water Company
8 (“Tennessee-American,” “TAWC” or “Company”) and its affiliates. My current role is Sr.
9 Manager, Rates and Regulatory for Tennessee.

10 **Q. WHAT ARE YOUR DUTIES AS SR. MANAGER, RATES AND REGULATORY?**

11 **A.** My primary responsibilities consist of preparing, reviewing, and managing regulatory
12 filings and related activities for Tennessee-American. My responsibilities include the
13 preparation of, and collaboration on, support documentation, exhibits and work papers in
14 support of rate applications and other regulatory filings, as well as responses in discovery
15 and on-going filing requirements for Tennessee-American. Additional duties include
16 providing support and collaboration on regulatory policy, support and analysis for different
17 cost recovery mechanisms, participation in process improvements to support regulatory
18 accounting requirements, and data compilation for compliance reporting.

19 **Q. PLEASE STATE YOUR PROFESSIONAL AND EDUCATIONAL**
20 **BACKGROUND.**

21 **A.** I received both a Bachelor of Arts in Economics and Master of Arts in Economics from
22 New Mexico State University.

1 Prior to my current position, I was the Director of Rates and Regulatory Affairs for
2 New Mexico Gas Company from 2020 to 2022 where I led the Rates Analysis and
3 Regulatory Affairs Group and was responsible for all filings made before the Public
4 Regulation Commission. Prior to joining New Mexico Gas Company, I served in various
5 capacities for Sempra Energy, San Diego Gas and Electric (“SDG&E”) and SoCal Gas.
6 From 2015 to 2018 I served as the Manager – Compliance in the Enterprise Risk
7 Management and Compliance Department of San Diego Gas and Electric leading San
8 Diego Gas’ and Electric’s and SoCal Gas’ enterprise compliance program and as liaison
9 with Sempra Energy Corporate Compliance. From 2010 to 2014 I served as the Director,
10 FERC, CAISO and Regulatory Compliance for SDG&E and SoCal Gas where I managed
11 regulatory affairs with the Federal Energy Regulatory Commission (FERC), coordinated
12 policy interactions with the California Independent System Operator (CAISO) and a
13 federal reliability standards compliance assurance program. In 2010 I was the Director of
14 Regulatory Strategy for SDG&E and SoCal Gas where I developed and implemented
15 regulatory strategies to advance SDG&E’s and SoCal Gas’s regulatory agenda before the
16 state and federal regulators. From 2007 to 2010 I was the Manager of Corporate Regulatory
17 Strategy for Sempra Energy where I provided regulatory and policy analysis and advice
18 for the Sempra Energy family of Companies, including regulated electric and gas utilities,
19 renewable businesses and natural gas infrastructure business units. Prior to this, I worked
20 at the California Public Utilities Commission (“CPUC”), where I served as the Chief Staff
21 to CPUC Commissioner John Bohn from 2005 to 2007, as the Advisor for Policy and
22 Planning for Governor Schwarzenegger from 2004 to 2005 and as a Senior Policy Advisor
23 to CPUC Commissioner Jessie J. Knight from 1993 to 2000. In addition, from 1988 to

1 1993, I held several positions as a Regulatory Analyst in the CPUC's Division of Ratepayer
2 Advocates, Commission Advisory and Compliance Division and the Division of Strategic
3 Planning.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
5 **TENNESSEE PUBLIC UTILITY COMMISSION?**

6 **A.** Yes. I have submitted testimony in several TPUC matters, including in TPUC Docket Nos.
7 22-00021, 22-00072, 23-00007, 23-00018, 19-00103, 24-00001, 24-00002, 24-00011, 24-
8 00032, 25-00002, 25-00016, 25-00040, 25-00086, 25-00089 and the Rate Case Expenses
9 phase of 24-00032.

10 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER**
11 **REGULATED JURISDICTIONS?**

12 **A.** Yes. I have presented testimony to the California Public Utilities Commission and the
13 Federal Energy Regulatory Commission ("FERC").

14 **Q. WHAT IS THE PURPOSE OF THE PETITION TAWC HAS FILED?**

15 **A.** On April 14, 2014, the Tennessee Public Utility Commission ("Commission" or "TPUC")
16 approved four new alternative rate mechanisms for TAWC in TPUC Docket No. 13-00130,
17 effective April 15, 2014. Three of these alternative rate mechanisms were capital program
18 riders ("Capital Recovery Riders") and an expense rider for Production Cost and Other
19 Pass Throughs ("PCOP"). The three Capital Recovery Riders are a Qualified Infrastructure
20 Investment Program ("QIIP") Rider, an Economic Development Investment ("EDI")
21 Rider, and a Safety and Environmental Compliance ("SEC") Rider, which are commonly
22 referred to collectively as the Capital Recovery Riders.

1 The purpose of TAWC’s Petition, which this testimony accompanies (the
2 “Petition”), is to provide the required information and supporting documentation for the
3 2025 historical review period of December 1, 2024, through November 30, 2025, to comply
4 with the previously approved PCOP rider tariff, which as noted above was approved in
5 TPUC Docket No. 13-00130 and reviewed and adjusted in Docket Nos. 15-00001, 15-
6 00131, 16-00148, 18-00009, 19-00010, 20-00008, 21-00006, 22-00005, 23-00007, 24-
7 00002, and 25-00002. The information provided in my testimony is consistent with Tenn.
8 Code Ann. § 65-5-103 *et seq.*, the decisions made in TPUC Docket No. 13-00130 and with
9 any adjustments ordered by the Commission in TPUC Docket Nos. 15-00001, 15-00131,
10 16-00148, 18-00009, 19-00010, 20-00008, 21-00006, 22-00005, 23-00007, 24-00002, and
11 25-00002.

12 **Q. CAN YOU ELABORATE ON THE PRODUCTION COSTS AND OTHER PASS-**
13 **THROUGHS RIDER TARIFF THAT WAS APPROVED BY THE TPUC ON**
14 **APRIL 14, 2014?**

15 **A.** Yes. The PCOP Rider includes an annual review of certain categories of operational
16 expenses during the historical review period. The PCOP is a tariff rate adjustment
17 mechanism for recovery from, or crediting to, customers incremental changes in essential,
18 non-discretionary expenses, including purchased power expense, purchased chemical
19 expense, purchased water expense, wheeling charge expense, waste disposal expense and
20 TPUC inspection fees that are above or below the level authorized for recovery in the most
21 recent rate case. At the end of a 12-month period, the PCOP looks at that historical period
22 and compares the actual production expenses to the amount of production expenses
23 authorized in the most recent rate case, which for TAWC is TPUC Docket No. 25-00032.

1 The “initial” PCOP Rider year or review period pursuant to the April 14, 2014, approval
 2 of the agency was the attrition year period from that previous rate case of December 1,
 3 2012 through November 30, 2013, as compared to the actual amount of production
 4 expenses that occurred between December 1, 2012 through November 30, 2013. The
 5 approved tariff in Docket No. 13-00130 then identified each following review period as
 6 subsequent 12-month periods. The table below summarizes the approved PCOP dockets
 7 and review periods:

Docket	Review Period
	December 1, 2012 – November 30, 2013
15-00001	December 1, 2013 – November 30, 2014
15-00131	December 1, 2014 – November 30, 2015
16-00148	December 1, 2015 – November 30, 2016
18-00009	December 1, 2016 – November 30, 2017
19-00010	December 1, 2017 – November 30, 2018
20-00008	December 1, 2018 – November 30, 2019
21-00006	December 1, 2019 – November 30, 2020
22-00005	December 1, 2020 – November 30, 2021
23-00007	December 1, 2021 – November 30, 2022
24-00002	December 1, 2022 – November 30, 2023
25-00002	December 1, 2023 – November 30, 2024

8
 9
 10 The “current” review period that is the subject of this Petition is from December 1, 2024
 11 through November 30, 2025. This Petition includes the current review period expenses,
 12 compared to the amounts approved in TAWC’s last general rate case.

13 **Q. IS THERE A SECOND STEP TO THE PCOP RECONCILIATION PROCESS?**

14 **A.** Yes. The first step is a reconciliation adjustment of the authorized expenses to the actual
 15 amount of expenses. The second step is then a reconciliation adjustment of the amount of
 16 revenues for the previous year under the PCOP that was projected to be collected or
 17 refunded. TAWC looks at the amount of revenues that was authorized to be collected or

1 refunded during the previous year, or the review period, and compares that to the actual
2 amount collected or refunded. TAWC has included this reconciliation in the Petition as
3 well.

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

5 **A.** The purpose of my testimony is to support the calculation of the 2025 PCOP Rider
6 described in the Petition.

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

8 **A.** Yes, I am. I am sponsoring the following exhibits:

9 Petitioner's Exhibit – 2025 PCOP Calculation Exhibit – RCL
10 Petitioner's Exhibit – PCOP Bill Impact—RCL
11 Petitioner's Exhibit Proposed 2026 PCOP Tariff
12

13 I will discuss these exhibits in further detail in my testimony below.

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

16 **A.** Yes.

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

19 **A.** The data used to prepare the exhibits was acquired from the books of account and business
20 records of Tennessee American and other internal sources which I examined in the course
21 of my investigation of the matters addressed in this testimony.

22 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**
23 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**
24 **PURPOSES?**

25 **A.** Yes.

1 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
2 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
3 **DATA?**

4 **A.** Yes, they do.

5 **Q. DOES THE PCOP RIDER BENEFIT THE CUSTOMERS?**

6 **A.** Yes. The PCOP is mutually beneficial to customers, the public, and TAWC. Along with
7 the Incremental Capital Recovery Riders, the Production Costs and Other Pass-Throughs
8 Rider reduces the need for general rate cases, lessens the occurrence of consumer “rate
9 shock,” and allows for more efficient, streamlined regulation. The customers and the
10 public benefit from efficiently addressing changes in costs that are largely outside TAWC’s
11 control, without the expense of a general rate case

12 **Q. CAN YOU EXPLAIN THE CALCULATION OF THE PCOP RIDER?**

13 **A.** Certainly. As set forth in the approved tariffs, the PCOP Rider is established on an annual
14 basis. Essentially, the calculation starts with levels of purchased power, purchased
15 chemical, purchased water, wheeling charges, waste disposal, and TPUC Inspection Fee
16 assessments and water sales that are authorized in the Company’s most recent rate case,
17 TPUC Docket No 12-00049. The authorized levels of purchased power, purchased
18 chemical, purchased water, wheeling charges, waste disposal, and TPUC Inspection Fee
19 assessments are divided by the authorized level of water sales in hundred gallons. Then
20 actual purchased power expense, purchased chemical expense, purchased water expense,
21 wheeling charges, waste disposal expense, and TPUC Inspection Fee assessments are
22 divided by the actual level of water sales in hundred gallons. The difference is the
23 incremental change in production costs per hundred gallons of water. This incremental

1 difference is then multiplied by the authorized level of water sales in hundred gallons.
2 After that, the amount of the PCOP revenues from the previous period that is either over
3 or under the anticipated amount is calculated with interest and added to the expense
4 difference. The total amount is grossed up for the authorized gross receipts tax rate,
5 uncollectible rate, and forfeited discounts from the previous rate case, and then divided by
6 the authorized revenues from the previous case. It is expressed as a percentage for all water
7 charges. If it is negative, the amount is to be credited to customers. If it is positive, it is
8 added as a surcharge to the customers' bills as additional revenues.

9 **Q. HAVE YOU INCLUDED THE CALCULATION OF THE PRODUCTION COSTS**
10 **AND OTHER PASS-THROUGHS RIDER IN THE PETITION?**

11 **A.** Yes. I have attached an exhibit that reflects the calculation of the PCOP Rider. The
12 detailed calculations are attached in an exhibit to my testimony as Petitioner's Exhibit -
13 2025 PCOP Calculation – RCL. The calculations in this Petition are consistent with the
14 calculations made pursuant to and in compliance with the approved tariff in TPUC Docket
15 No. 13-00130 and again in Docket Nos. 15-00001, 15-00131, 16-00148, 18-00009, 19-
16 00010, 20-00008, 21-00006, 22-00005, 23-00007, and 24-00002, and 25-00002.

17 **Q. HOW ARE THE PCOP EXPENSES RECOVERED?**

18 **A.** The PCOP is expressed as a percentage. The PCOP is applied to the total amount
19 billed to each customer under the otherwise applicable rates and charges for basic
20 service, metered usage charges, and private fire charges, and is applied prior to the
21 inclusion of any other taxes, charges, or surcharges. The Capital Recovery Riders

1 **are combined into one line item on the bill of each customer, while the PCOP Rider**
2 **is a second line item on the bill of each customer.**

3 **Q. HAS TAWC INCLUDED DETAILED INFORMATION REGARDING THE**
4 **EXPENSES THAT MAKE UP EACH OF THE EXPENSE CATEGORIES FOR**
5 **THE PCOP RIDER?**

6 **A.** Yes. As it has in previous PCOP filings, TAWC began with the General Ledger for each
7 of the accounts for the appropriate expenses. TAWC then reconciled the monthly General
8 Ledger charges with the actual invoices appropriate for each monthly period. TAWC
9 removed any charges that were not consistent with the previous docket. This included
10 power charges that are not specific to production, late charges, or charges for service
11 periods outside the review period even if the invoice was applied to the General Ledger
12 during the review period.

13 **Q. WHAT GROSS RECEIPT RATE IS UTILIZED IN THE FORMULA OF THE**
14 **PCOP?**

15 **A.** Since this Petition addresses costs incurred in 2025, the gross receipt rate is the established
16 rate in the Company's immediately preceding Base Rate Case Order, currently TPUC
17 Docket No. 24-00032.

18 **Q. WHAT UNCOLLECTIBLE RATE IS USED TO DETERMINE THE PCOP?**

19 **A.** The uncollectible rate is the established rate in the Company's immediately preceding Base
20 Rate Case Order, currently TPUC Docket No. 24-000032.

1 **Q. WHAT FORFEITED DISCOUNT RATE IS USED TO DETERMINE THE PCOP?**

2 **A.** Because this filing addresses 2025 costs it is appropriate to use the forfeited discount rate
3 is the established rate in the Company's immediately preceding Base Rate Case Order,
4 currently TPUC Docket No. 24-00032.

5 **Q. HAS TAWC MADE ADJUSTMENTS TO THE PCOP FOR WATER LOSS?**

6 **A.** Yes. The Company has reduced the Purchased Power and Fuel costs being requested for
7 recovery in 2026 by 12.35% due to its reported Non Revenue Water (NRW) being 27.35%.

8 **Q. HOW ARE ANNUAL REVENUES DETERMINED FOR THE PCOP?**

9 **A.** The projected annual revenues will be the authorized water services revenues from the
10 Company's 2025 Rate Case., 24-00032, including all service charges and volumetric
11 charges for all classes that are subject to the Capital Recovery Riders.

12 **Q. IS THERE A RECONCILIATION OF THE CURRENT AUTHORIZED PCOP?**

13 **A.** Yes. There is a difference between the amount of the PCOP that was authorized to be
14 collected in TPUC Docket No. 25-00002 and what was actually collected. Due in large
15 part to the fact that the PCOP Percentage was set at zero from January 21, 2025 until June
16 23, 2025, there is an under collection of \$868,565 of the authorized revenues from TPUC
17 Docket Number 25-00002.

18 **Q. HAS TENNESSEE-AMERICAN MADE ANY CHANGES TO ITS**
19 **CALCULATIONS OR WORKPAPERS FROM THE PREVIOUS PCOP**
20 **DOCKET?**

21 **A.** No.

1 **Q. IS IT NECESSARY TO MAKE THE JASPER HIGHLANDS ADJUSTMENT OF**
2 **PCOP BASE RATE EXPENSES AND WATER SALES?**

3 **A.** No. As a result of the Commission 2025 Rate Case (TPUC Docket No. 24-00032), the
4 PCOP eligible costs and the volume of water sales associated with Jasper Highlands are
5 now reflected in base rates adopted effective January 21, 2025. Thus, this adjustment is no
6 longer necessary.

7 **Q. IS IT NECESSARY TO MAKE THE WHITWELL ADJUSTMENT OF PCOP**
8 **BASE RATE EXPENSES AND WATER SALES??**

9 **A.** No. As a result of the Commission 2025 Rate Case (TPUC Docket No. 24-00032), the
10 PCOP eligible costs and the volume of water sales associated with Whitwell are now
11 reflected in base rates adopted effective January 21, 2025. Thus, this adjustment is no
12 longer necessary.

13 **Q. WHAT IS THE PROPOSED NEW PCOP RIDER?**

14 **A.** TAWC is proposing a PCOP Rider that results in an annualized revenue increase of
15 \$688,522, grossed up for revenue taxes, or a surcharge of .95%. Total PCOP costs are,
16 \$6,570,171. An adjustment for lost water in excess of the 15% NRW limit used in the
17 Company's 2025 Rate Case reduces this amount to \$5,900,302. This results in production
18 costs being \$112,986 lower for the period than authorized in TPUC Docket No. 24-00032.,
19 . In addition, largely due to the PCOP Percentage being zero from January 21 until June
20 23, 2005, the Company under collected authorized PCOP revenues by the amount of
21 \$868,565. The current PCOP Rider is 3.02%, and this new proposed PCOP Rider is .95%.
22 a reduction of 2.07 percentage points.

1 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL?**

2 **A.** The typical residential customer living in the City of Chattanooga and using an average of
3 3800 gallons per month will see a decrease on their bill of \$0.58 per month, or \$6.90 per
4 year from the PCOP Rider. This represents a 2.0% decrease in the average bill. A summary
5 of this information is attached to my testimony as Petitioner’s Exhibit 2026 PCOP Bill
6 Impact – RCL.

7 **Q. IS THE PCOP RIDER STILL IN THE PUBLIC INTEREST?**

8 **A.** Yes. Tennessee-American understands that the purpose of the legislation was, in part, to
9 encourage timely recovery of expenses to enhance financial stability, while reducing the
10 costs to consumers and utilities for regulatory review and implementation and promoting
11 rate gradualism for consumers. TAWC believes the approved Production Costs and Other
12 Pass-throughs Rider is achieving that goal. Without the approved alternative rate
13 mechanisms of the PCOP and Capital Recovery Riders, TAWC would most likely have
14 needed to have filed multiple rate cases since 2012, as opposed to just the one filed on May
15 1, 2024. The PCOP is a balanced mechanism allowing the Company, in times of rising
16 prices, to recover increased production related costs in a timely fashion, saving customers,
17 intervenors, the Commission and the Company the expense and efforts associated with a
18 General Rate Case. The PCOP Rider is a key part of the Commission’s streamlined
19 alternative regulation framework for Tennessee-American.

20 **Q. ARE YOU AWARE OF ANY CHANGES IN MARKET CONDITION OR OTHER**
21 **FACTORS THAT MAY AFFECT WHETHER THE PCOP RIDER REMAINS IN**
22 **THE PUBLIC INTEREST?**

23 **A.** No, I am not.

- 1 **Q. WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**
- 2 **A.** I recommend that the Petition be approved for the adjustment in the PCOP Rider.
- 3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**
- 4 **A.** Yes.

Tennessee American Water Company
Docket No. 26-000XX
Calculation of Production Costs and Other Pass-Throughs ("PCOP") Including Non-Revenue Water
To Determine PCOP Tariff Rider
Actuals for the Year Ending November 30, 2025

Line Number	Description	Amount
<u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$6,013,288
2	Pro Forma Water Sales (WS) in 100 Gallons	99,720,121
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$0.06030</u>
<u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs (adjusted for 15% NRW) vs. the Base Rate Cost (**):</u>		
4	Actual Production Costs and Other Pass-Throughs	\$5,900,302
5	Over-Under Collection Adjustment	868,565
6	Review Period PCOP Costs Adjusted for Over-Under Collections	6,768,867
7	Actual Water Sales (100 Gallons)	<u>101,049,172</u>
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$0.06699
9	Base Rate Cost per 100 Gallons WS (Line 3)	<u>0.06030</u>
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	\$0.00668
11	Base Rate Case Water Sales 100 Gallons (Line 2)	<u>99,720,121</u>
12	Deferral Amount (Line 10 * Line 11)	<u>\$666,551</u>
<u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u>		
13	Total Deferred Amount (Line 12)	\$666,551
14	Total Deferred Amount Grossed Up for revenue taxes (Line 13 / (1.0-.03191) (**))	688,522
15	Projected Annual Base Rate Revenue subject to PCOP (*)	<u>72,854,147</u>
16	PCOP % (Line 14 / Line 15)	<u>0.95%</u>

(*) The numbers are taken from the Order in Docket No. 24-00032.

(**) The numbers are actuals for the year ended November 30, 2025 including Non-Revenue Water for Purchased Power and Chemicals.

(***) Assumes Gross Receipts Tax @ 3.0%, Uncollectibles @ 1.0571%, and Forfeited Discount Rate @ -0.8661%.

Tennessee American Water Company
Docket No. 26-000XX
For the Twelve Months Ending November 30, 2025
PCOP Actual Expenses

Line #	Description	A	B	C	D	E	F
		For the 12 Months Ending 11/30/2025	**NRW Limited 12 Mos Ending 11/2025 (Column A, Lines 2 and 3 x Line 18 Recoverable %)	Authorized Amount Per Docket 24-00032	B - C Difference NRW Limited from Authorized Docket 24-00032	Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2025	D - E Adjusted Difference
1	Purchased Water Including Wheeling Charges	\$197,392	\$197,392	\$176,500	\$20,892	\$0	\$20,892
2	Purchased Power**	3,159,002	2,768,963	2,672,005	\$96,958		96,958
3	Chemicals**	2,266,389	1,986,559	2,116,184	(\$129,625)		(129,625)
4	Waste Disposal	666,602	666,602	759,106	(\$92,504)		(92,504)
5	TRA Inspection Fee	280,787	280,787	289,493	(\$8,706)		(8,706)
6							
7	Total	<u>\$6,570,171</u>	<u>\$5,900,302</u>	<u>\$6,013,288</u>	<u>(\$112,986)</u>	<u>\$0</u>	<u>(\$112,986)</u>
8							
9							
10	Water Sales in 100 Gallons	1,010,491,724	1,010,491,724	99,720,121		1,010,491,724	
11							
12	Cost per 100 Gallons (Line 7 / Line 10)	<u>\$0.00650</u>	<u>\$0.00584</u>	<u>\$0.06030</u>	<u>(\$0.05446)</u>	<u>\$0.00000</u>	<u>(\$0.05446)</u>

Recoverable % for Production Costs

	For the 12 Months Ending 11/30/2025	
13	Water System Deliveries	139,084,515
14	Unaccounted for Water	38,035,342
15	Non-Revenue-Unaccounted for Water % [1 - (Line 13 / Line 14)]	27.35%
16	Non-Revenue-Unaccounted for Water % Authorized	15.00%
17	Variance (If Line 15 > Line 16 then Line 15 - Line 16)	12.35%
18	Recoverable % (1 - Line 17)	<u>87.65%</u>

**Non-Revenue Unaccounted for Water is only applied to purchased power and chemicals.

**Tennessee American Water
2025 PCOP Reconciliation**

Workbook Name: TAW_EXH_RCL_1.xlsx

Workbook Information: This workbook calculates the PCOP surcharge percentage based on the reconciliation of PCOP related costs for the year December 2024 - November 2025.

Worksheet Name	Description / Purpose of Worksheet
1. Link In	1. Links in from each expense, authorized expense and sales from last rate case, current sales and system delivery and over-under collection.
2. PCOP Calc Exhibit	2. Calculation of the current PCOP rate.
3. Support Workpaper	3. Current expenses adjusted for Non-Revenue Water compared to authorized expenses from the last rate case.
4. Usage&Sysdel	4. Usage and system delivery for the 12 months ending November 2025.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.
10.	10.
11.	11.
12.	12.
13.	13.
14.	14.
15.	15.
16.	16.
17.	17.
18.	18.
19.	19.
20.	20.

There are three (3) other worksheets that are left blank intentionally and are used to identify and separate the Other Support, Exhibit and Workpaper worksheets.

THIS SHEET IS INTENTIONALLY BLANK

Description	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Total
Purchased Water	9,844	11,008	10,115	10,923	13,813	14,076	17,011	26,813	23,938	25,046	20,245	14,558	197,392
Purchased Power	256,126	282,671	247,564	255,098	247,190	245,304	275,863	302,035	284,244	279,597	255,612	227,699	3,159,002
Chemicals	172,638	191,052	183,116	178,494	199,863	229,835	194,102	216,018	213,289	173,704	167,315	146,965	2,266,389
Waste Disposal	45,437	34	112,524	105,440	54,537	77,017	29,078	93,299	52,525	7,963	67,277	21,471	666,602
TRA Inspection Fee (Amortized in 16530000)	23,399	23,399	23,399	23,399	23,399	23,399	23,399	23,399	23,399	23,399	23,399	23,399	280,787
Total	507,444	508,163	576,718	573,354	538,803	589,631	539,452	661,563	597,394	509,710	533,847	434,091	6,570,171

Amounts Approved in Docket 12-00049

Total	
Purchased Power	2,672,005 From Docket 24-00032 RRD-3
Chemicals	2,116,184
Purchased Water	176,500
TRA Inspection Fee	289,493
Waste Disposal	759,106

Authorized Sales in 100 Gallons

99,720,121

Projection of Annual Revenues from Last Rate Order:

73,413,370 From Docket 24-00032 RRD-3

Description	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Total
System Delivery	11,294,326	12,264,126	10,365,576	11,062,483	11,039,445	11,399,531	11,616,216	13,107,728	12,371,972	12,050,261	11,899,991	10,612,859	139,084,515
Water Sales	6,786,857	8,259,654	8,751,446	7,270,005	7,786,822	7,887,919	7,631,163	10,143,917	9,871,822	9,143,870	10,062,024	7,453,673	101,049,172

2025 Under Refund

(868,565)

THIS SHEET IS INTENTIONALLY BLANK

Tennessee American Water Company
Docket No. 26-000XX
Calculation of Production Costs and Other Pass-Throughs ("PCOP") Including Non-Revenue Water
To Determine PCOP Tariff Rider
Actuals for the Year Ending November 30, 2025

Line Number	Description	Amount
<u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$6,013,288
2	Pro Forma Water Sales (WS) in 100 Gallons	<u>99,720,121</u>
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$0.06030</u>
<u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs (adjusted for 15% NRW) vs. the Base Rate Cost (**):</u>		
4	Actual Production Costs and Other Pass-Throughs	\$5,900,302
5	Over-Under Collection Adjustment	868,565
6	Review Period PCOP Costs Adjusted for Over-Under Collections	6,768,867
7	Actual Water Sales (100 Gallons)	<u>101,049,172</u>
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$0.06699
9	Base Rate Cost per 100 Gallons WS (Line 3)	<u>0.06030</u>
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	\$0.00668
11	Base Rate Case Water Sales 100 Gallons (Line 2)	<u>99,720,121</u>
12	Deferral Amount (Line 10 * Line 11)	<u>\$666,551</u>
<u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u>		
13	Total Deferred Amount (Line 12)	\$666,551
14	Total Deferred Amount Grossed Up for revenue taxes (Line 13 / (1.0-.03191) (***)	688,522
15	Projected Annual Base Rate Revenue subject to PCOP (*)	<u>72,854,147</u>
16	PCOP % (Line 14 / Line 15)	<u>0.95%</u>

(*) The numbers are taken from the Order in Docket No. 24-00032.

(**) The numbers are actuals for the year ended November 30, 2025 including Non-Revenue Water for Purchased Power and Chemicals.

(***) Assumes Gross Receipts Tax @ 3.0%, Uncollectibles @ 1.0571%, and Forfeited Discount Rate @ -0.8661%.

THIS SHEET IS INTENTIONALLY BLANK

Tennessee American Water Company
Docket No. 26-000XX
For the Twelve Months Ending November 30, 2025
PCOP Actual Expenses

Line #	Description	A	B	C	D	E	F
		For the 12 Months Ending 11/30/2025	**NRW Limited 12 Mos Ending 11/2025 (Column A, Lines 2 and 3 x Line 18 Recoverable %)	Authorized Amount Per Docket 24-00032	B - C Difference from Authorized Docket 24-00032	NRW Limited SEC, EDI, or QIP 12 Months Ending 11/30/2025	Adjust Difference for TRA Fee Recovered Via
1	Purchased Water Including Wheeling Charges	\$197,392	\$197,392	\$176,500	\$20,892	\$0	\$20,892
2	Purchased Power**	3,159,002	2,768,963	2,672,005	\$96,958		96,958
3	Chemicals**	2,266,389	1,986,559	2,116,184	(\$129,625)		(129,625)
4	Waste Disposal	666,602	666,602	759,106	(\$92,504)		(92,504)
5	TRA Inspection Fee	280,787	280,787	289,493	(\$8,706)		(8,706)
6							
7	Total	\$6,570,171	\$5,900,302	\$6,013,288	(\$112,986)	\$0	(\$112,986)
8							
9							
10	Water Sales in 100 Gallons	1,010,491,724	1,010,491,724	99,720,121		1,010,491,724	
11							
12	Cost per 100 Gallons (Line 7 / Line 10)	\$0.00650	\$0.00584	\$0.06030	(\$0.05446)	\$0.00000	(\$0.05446)

Recoverable % for Production Costs

	For the 12 Months Ending 11/30/2025	
13	Water System Deliveries	139,084,515
14	Unaccounted for Water	38,035,342
15	Non-Revenue-Unaccounted for Water % [1 - (Line 13 / Line 14)]	27.35%
16	Non-Revenue-Unaccounted for Water % Authorized	15.00%
17	Variance (If Line 15 > Line 16 then Line 15 - Line 16)	12.35%
18	Recoverable % (1 - Line 17)	87.65%

**Non-Revenue Unaccounted for Water is only applied to purchased power and chemicals.

Tennessee American Water Company
Docket No. 26-000XX
For the Twelve Months Ending November 30, 2025
Usage

	Water Usage	System Delivery	NRW %
2024 Dec	6,786,857	11,294,326	39.91%
2025 Jan	8,259,654	12,264,126	32.65%
2025 Feb	8,751,446	10,365,576	15.57%
2025 Mar	7,270,005	11,062,483	34.28%
2025 Apr	7,786,822	11,039,445	29.46%
2025 May	7,887,919	11,399,531	30.80%
2025 Jun	7,631,163	11,616,216	34.31%
2025 Jul	10,143,917	13,107,728	22.61%
2025 Aug	9,871,822	12,371,972	20.21%
2025 Sep	9,143,870	12,050,261	24.12%
2025 Oct	10,062,024	11,899,991	15.45%
2025 Nov	7,453,673	10,612,859	29.77%
	101,049,172	139,084,515	27.35%

Tennessee American Water Company
Docket No. 26-000XX
For the Twelve Months Ending November 30, 2025
Petitioners Exhibit PCOP Bill Impact - RCL

	Usage	2024 Bill	2025 Bill	Change	
5/8"	3800 Gallons	\$ 28.63	\$ 28.05	\$ (0.58)	-2.0%

CLASSIFICATION OF SERVICE

SUMMARY OF RIDERS

1. Applicability

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, the Legacy Capital Recovery Riders, Incremental Capital Recovery Rider (“ICR”), and Production Costs and Other Pass-Throughs Rider (“PCOP”) will apply to customers in all approved service areas.

2. The Percentage of Riders, Reconciliation and Offsets

For the Riders defined in the tariffs:

<u>Incremental Capital Recovery Rider</u>	0.00%
PCOP	0.95% (D)

(D) Indicates Decrease

(I) Indicates Increase

ISSUED: January 14, 2025

EFFECTIVE: February 13, 2025

BY:

**Grant A. Evitts
 PRESIDENT**

**109 Wiehl Street
 Chattanooga, Tennessee 37403**

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-)
AMERICAN WATER COMPANY)
REGARDING THE 2026 PRODUCTION) DOCKET NO. 26-00002
COSTS AND OTHER PASS-)
THROUGHS RIDER)

VERIFICATION

STATE OF Illinois)
COUNTY OF Cook)

I, PHILIP J. DRENNAN, 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.

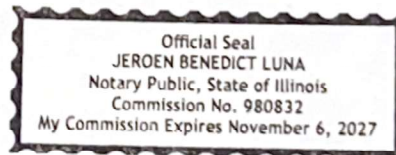


PHILIP J. DRENNAN

Sworn to and subscribed before me
this 23rd day of April, 2026.


Notary Public

My Commission Expires: 11/06/27




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:

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

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

This the 23rd day of April 2026.



Melvin J. Malone