

# TENNESSEE REGULATORY AUTHORITY



Sara Kyle, Chairman  
Eddie Roberson, Director  
Pat Miller, Director  
Ron Jones, Director

460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

## DELIVERED VIA EMAIL AND US MAIL

August 18, 2006

J. Gilbert Parrish, Jr.  
60 Brazelton Street, Unit 9  
Savannah, TN 38372

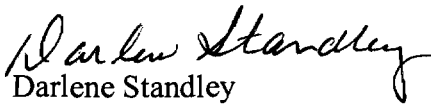
RE: Docket No. 06-00187 – PETITION OF AQUA UTILITIES COMPANY FOR APPROVAL  
OF ADJUSTMENT OF ITS RATES AND CHARGES AND REVISED TARIFF

Dear Mr. Gilbert:

Please provide the information as outlined on the attached First Discovery Requests of TRA Advisory Staff. Pursuant to TRA Rule 1220-1-1-.03(4), submit either an electronic response along with an original and four (4) written copies or an original written response and thirteen (13) copies.

All information should be provided by September 1, 2006. Should you have questions regarding the attached request, please contact Butch Phillips (extension 183), Ron Graham (extension 164), or Pat Murphy (extension 178) for clarification.

Sincerely,

  
Darlene Standley  
Utilities Division Chief

## Attachment

C: James E. Clausel  
William H. Novak  
TRA Docket Room

### **First Discovery Requests of TRA Advisory Staff**

#### **GENERAL**

1. For those schedules filed with the Company's Workpapers on August 8, 2006 that are computer based Excel files, provide those schedules electronically in Excel format.
2. If material to the Company's cost or level of service, provide a comprehensive discussion of all conditions or changes in condition that has affected or will affect the Company's operations going forward. The discussion should include, but not be limited to the following:
  - a. Management changes;
  - b. Operational changes;
  - c. Administrative changes;
  - d. Pending or anticipated sale of any portion of the utility;
  - e. Expansions or changes in customer levels;
  - f. System repairs; and
  - g. Expenses.
3. Provide a current map of Aqua's service territory, including The Preserve development.
4. Provide a properly executed affidavit for the direct testimonies of James Clausel, Mark Godwin and William H. Novak.
5. What is the total number of lots to be served in The Preserve development and the projected date the development will be completely built out.
6. Provide the qualifications and certifications held by George Leckner.
7. Please provide the current flow capacity of the Aqua wastewater treatment facility and plans for expansion to service additional customers in The Preserve development.
8. Provide a complete copy of the Company's General Ledger for calendar years 2004 and 2005. If possible, submit them electronically on a CD.

#### **RATE BASE**

9. Are the costs associated with the customer owned grinder pumps included in Aqua's plant in service amount at December 31, 2005 and/or the forecasted plant in service amount included in rate base?
10. Provide a schedule showing the plant balances at December 31, 2005 by account number.

11. Provide support for the estimated \$775,000 in 2006 and \$1,000,000 in 2007 in additional Aqua investment necessary to complete The Preserve development as stated in Mr. Novak's direct testimony, page 3.
12. Reconcile the response of Aqua Utilities to Staff findings in Docket No. 00-01105 (letter dated March 27, 2002) to the multiple adjustments made to utility plant, accumulated depreciation, CIAC, and accumulated amortization of CIAC at December 31, 2005. In the referenced letter, the Company states that "Finding #2 - Aqua Utilities is now keeping all of its accounting totally separate from that of Montana Land Company." As proof, the Company submitted its new chart of accounts and a schedule listing the adjusting journal entries made as of December 31, 2001 balance.

## **REVENUES**

13. Provide a projected build out of lots in The Preserve development for 2006 and 2007.
14. Is the 49.94% calculated for "lost and unaccounted for water" on Company Schedule E-1.05 the result of excluding "water only" customer sales from the analysis? Did the Company experience any "lost and unaccounted for water" due to leakage in the system?

## **EXPENSES**

15. Provide a copy of the contractual agreements between Aqua Utilities and George Leckner, Storey Utility Contractors, and WJGN.
16. Provide a complete copy of the "signed" Services Agreement between Aqua Utilities and William H. Novak.
17. Provide a copy of the "signed" letter from Aqua's attorney Gilbert Parrish, Jr. (RB-14.04-1.02).
18. Provide a copy of the City of Savannah's rate schedule to support the direct testimony of James Clausel, page. 2.
19. Provide a copy of the Tennessee Valley Electric Cooperative's rate schedule to support the rates used on Company workpaper E-2.00.

## **PROPOSED TARIFF**

20. Re-file the Company's proposed tariffs to include the following:
  - a. The name and title of the issuing officer on each sheet pursuant to TRA 1220-4-1-.02(2)(b).

- b. Identify all changes and additions to the original tariff by a designation of “C” in the margin if it represents a change, and an “N” in the margin if it represents an addition or new language.
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- 21. Fully explain the Company’s determination of the flat rate fees associated with purchasing and installing a grinder pump at a customer’s residence, as contained in the proposed Water & Wastewater Subscription Agreement and its tariff. From the direct testimony of William H. Novak, it appears Aqua is proposing to pass through its cost to the affected customers (Novak, page 11). Wouldn’t cost be determined at the time of installation?
  - 22. Explain how turning over title to the grinder pump to the customer, who will then be responsible for repair and maintenance of the pump, will ensure the viability of the system, considering that grinder pumps and their proper operation are integral to the proper operation of the wastewater system as a whole.
  - 23. Explain Aqua’s rationale for excluding labor costs in the first-year warranty period for a grinder pump provided to the customer, when Aqua is totally responsible for the selection of the equipment purchased and its installation.
  - 24. Summarize the “other” changes to Aqua’s tariff as referenced in the direct testimony of William H. Novak (page 12, lines 24-26).

#### **RATE OF RETURN**

- 25. Provide information on any and all current debt owed by Aqua Utilities Company.
- 26. Does Aqua Utilities plan to or anticipate the need to incur debt before the end of the attrition year?
- 27. Has Aqua Utilities owed any debts in the past three (3) years? If so, describe each debt instrument.