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

September 15, 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 Second Discovery Requests of TRA Advisory Staff. Pursuant to TRA Rule1220-1-1-.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 22, 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

Darlene Standley
Utilities Division Chief

Attachment

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

Second Discovery Requests of TRA Advisory Staff

28. Refer to Company Workpaper E-1.02. There appears to be a discrepancy in the meter readings recorded for the service periods "1/12/2005 – 2/9/2005" and "2/9/2005 – 3/9/2005." Please explain and provide any corrections to this schedule if needed. Also, reconcile the difference in "Service From Date" of 3/9/2005 to the invoiced "Service From Date" of 2/9/2005 found on Company Workpaper E-1-2.16.

29. Refer to Company Workpapers E-1-2-.14 and E-1-2-.15. The invoices shown on these pages appear to be for the same service period and amount. The invoices show the amount was paid on March 7, 2005 and again on April 5, 2005. Please explain whether the cost of purchased water has been overstated by this amount.

30. Does the $2,950,000 estimated cost to complete the Preserve Development (refer to Company August 31, 2006 response to Staff data request #2) include all system requirements necessary to serve the estimated 650 new customers other than the individual grinder pumps paid for by the customers?

31. A National Drinking Water Clearinghouse Fact Sheet states "...advances in technologies and expertise should make it possible to reduce losses and unaccounted-for water to less than 10 percent." What action has the Company taken to reduce its lost and unaccounted for water percentage of 49.94% (refer to Company workpaper E-1.05)?

32. To what circumstances does the Company attribute the significant water losses?

33. Provide a schedule showing the amount of purchased water expense by month for calendar year 2005 and the first six (6) months of 2006 and the amount of purchased water expense recovered by month from customers via customer billing rates.

34. The Company's August 31, 2006 response to Staff data request #13 stated that in the new Preserve Development, 50 lots will be built out in 2006 (50 new customers) and 150 lots will be built out in 2007 (150 new customers). Explain why these additional customers from this additional new development are not included in the Company's analysis of customer and sales growth forecast (Company Workpaper R-1.02). Please explain what impact the additional customers from the Preserve Development will have on the Company's forecasted revenue during the Attrition Period.

35. The Company provided a map of its service area on September 12, 2006 in response to Staff's data request # 3. Although the map includes the Northshore and Preserve developments, please clarify by indicating the service area with a dark bold line around the entire service area.

36. The Company stated in a letter from Mr. Clausel (Company Workpaper RB-11.21) that he estimates $1,000,000 in capital additions during 2007. Provide copies of all contracts with third party suppliers and written Company plans and forecasts in connection with these additions that support this estimate. Also, provide a schedule showing, by month, a description of the planned capital addition(s) and the estimated cost.

37. In Company Workpaper E-3.02 (footnote A/) the cost of accounting services will go from $500 per month to $1,500 per month. Provide an explanation as to why these costs have risen by such a significant amount.

38. The Company has proposed that Mr. Clausel be paid $2,500 per month for services rendered to the utility (Company Workpaper E-5.00). Is Mr. Clausel employed or involved in business ventures outside of the utility? If so, list those other business activities and the percentage of Mr. Clausel's time that is devoted to utility affairs.