

**IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**IN RE:** )  
 )  
**PETITION OF TENNESSEE** ) **DOCKET NO. 06-00290**  
**AMERICAN WATER COMPANY TO** )  
**CHANGE AND INCREASE CERTAIN** )  
**RATES AND CHARGES SO AS TO** )  
**PERMIT IT TO EARN A FAIR AND** )  
**ADEQUATE RATE OF RETURN ON** )  
**ITS PROPERTY USED AND USEFUL IN** )  
**FURNISHING WATER SERVICE TO** )  
**ITS CUSTOMERS** )  
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**FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND  
PROTECTION DIVISION TO TENNESSEE AMERICAN WATER COMPANY**

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To: Tennessee American Water Company, Inc.  
c/o R. Dale Grimes, Esq.  
Bass, Berry & Sims PLC  
AmSouth Center  
315 Deaderick Street, Suite 2700  
Nashville, TN 37238

This Discovery Request is hereby served upon Tennessee American Water Company, ("TAWC", "Tennessee-American", or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243,

c/o Vance Broemel, on or before February 6, 2007.

### **PRELIMINARY MATTERS AND DEFINITIONS**

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be Company's, in particular, or knowledge, information or material possessed or available to Company's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Company supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term “you” shall mean and include: Tennessee American Water Company and all employees, agents and representatives thereof.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the

original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and

- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

## **FIRST DISCOVERY REQUESTS**

### **PART I: QUESTIONS REGARDING WITNESSES AND DOCUMENTS**

1. Please identify each person whom you expect to call as an expert witness in this docket, and for each such expert witness:
  - (a) Identify the field in which the witness is to be offered as an expert;
  - (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
  - (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
  - (d) Provide the grounds (including without limitation any factual bases)

for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;

- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

2. Please identify the name and location of all persons having knowledge of discoverable matters in this case.

RESPONSE:

3. Please produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

4. Please produce copies of all hearing exhibits that you will introduce, use, or reference during the hearing for this matter.

RESPONSE:

5. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- that TAWC contends support the factual assertions, conclusions, or opinions of any Atmos witness in this matter.

RESPONSE:

6. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by any TAWC witness in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

7. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, and exhibits -- created by or for or prepared by or for any TAWC witness in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

**PART II: QUESTIONS & PRODUCTION REQUESTS REGARDING ACCOUNTING,  
REVENUE & OPERATING EXPENSES**

1. Provide all work papers, supporting documentation, and calculations used in the Company's calculation of Operations and Maintenance Labor Expense per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.2, Schedule 2, Line 1 and S. Miller's direct testimony answers #15-18, pages 6-8.

RESPONSE:

2. Provide the hourly pay rate by Company employee, (union, non-union, and salary) as of January 31, 2007.

RESPONSE:

3. Provide the hiring date and termination date by employee from September 2004 through January 2007.

RESPONSE:

4. Provide the number of employees, (union, non-union, and salary) by month from September 2004 through January 2007.

RESPONSE:

5. Provide a payroll distribution by account for the 12 months ended January 2007.

RESPONSE:



6. Provide the overtime hours by employee for the 12 months ended January 2007 by month.

RESPONSE:

7. Provide the payroll capitalization rate for the 12 months ended January 2007 by month.

RESPONSE:

8. Identify each employee as either full-time or part-time for the 12 months ended January 2007 by month.

RESPONSE:

9. Reconcile all amounts Per Books 12 Months ended 6/30/2006, Company's Accounting Exhibit No. 2, Schedule 3, Lines 1 through 35 by line totaling \$18,552,210 to the June 30, 2006 TRA 3.06 Surveillance Report 12 months to date for this year lines 6 through 11 by line.

RESPONSE:

10. Provide all amounts per the October 31, 2006 TRA 3.06 Surveillance Report 12 months to date for this year lines 6 through 11 by line in the format of the Company's Accounting Exhibit No. 2, Schedule 3, Lines 1 through 35.

RESPONSE:

11. Provide all amounts used in the Company's calculation of Operations and Maintenance Expenses per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.2, Schedule 2, Lines 1 through 35 by account.

RESPONSE:

12. Provide all work papers, supporting documentation, and calculations used in the Company's calculation of Operations and Maintenance Expenses (Excluding Labor) per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.2, Schedule 2, Lines 3 through 35 and S. Miller's direct testimony answers #19-26, pages 8-14.

RESPONSE:

13. Provide the Walden Ridge fuel and power expense reported on the TRA 3.06 Surveillance Reports by month for the 15 months ended October 31, 2006 by line, by account.

RESPONSE:

14. Provide the estimated amount, by individual payee, for the \$400,000 cost of preparing and presenting the current rate filing.

RESPONSE:

15. Provide the amounts for relocation expenses, the STEP Project, and severance pay by account, by month for the twenty-five months ended January 31, 2007. See S. Miller's direct testimony, page 13, Lines 8-9.

RESPONSE:

16. Provide the amounts for the amortization of the security costs, penalties, director expense credit, and EIP Contributions expense credit by account, by month for the twenty-five months ended January 31, 2007. See S. Miller's direct testimony, page 13, Lines 32-37.

RESPONSE:

17. Provide the amount for net negative salvage expense by account, by month for the twenty-five months ended January 31, 2007. See S. Miller's direct testimony, page 14, Lines 6-7. Include in your response an explanation of net negative salvage expense and state and or explain whether this amount should have been charged to an Accumulated Depreciation account instead?

RESPONSE:

18. Provide the total amount of charges subject to allocation from the Company's Parent, Multi-State Utility, and Affiliated Utility Service Company by month for the 37 months ended January, 2007 by month, by affiliated entity. Include in your response all supporting documentation used as a basis for allocating charges to the Company.

RESPONSE:

19. Provide the total amount of allocated charges from the Company's Parent, Multi-State Utility, and Affiliated Utility Service Company by month for the 37 months ended January 31, 2007 by account, by affiliated entity.

RESPONSE:

20. Provide the forecasted total amount of charges subject to allocation from the Company's Parent, Multi-State Utility, and Affiliated Utility Service Company by month for the period ending February 28, 2008, by month, by affiliated entity. Include in your response all supporting documentation used as a basis for allocating charges to the Company.

RESPONSE:

21. Provide the forecasted total amount of allocated charges from the Company's Parent, Multi-State Utility, and Affiliated Utility Service Company by month for the period ending February 28, 2008, by month, by affiliated entity. Include in your response all supporting documentation used as a basis for allocating charges to the Company.

RESPONSE:

22. Provide copies of all Ad Valorem property taxes paid in 2006, 2005, and 2004. Provide a schedule of all Ad Valorem property taxes paid by jurisdiction for 2006, 2005, and 2004. This schedule should reconcile to copies of property taxes paid by year.

RESPONSE:

23. Provide the information for Plant in Service and Accumulated Depreciation by account in the following format as of January 31, 2007:

(1)	(2)	(3)	(4)	(5)	(6)
Account	Plant in Service	Depreciation	Accumulated	Net	
<u>Acct #</u>	<u>Description</u>	<u>Balance</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Book Value</u>

RESPONSE:

24. Provide the forecasted and or actual, plant additions, plant retirements, salvage, costs of removal by account, by month from January 2005 through February 2008.

RESPONSE:

25. Provide all amounts for Incentive Payroll ("AIP") for Management both TAWC and allocated since its inception in the following formats:

25 (a). Capitalized Amounts in the designated format below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Account	Plant in Service	Depreciation	Accumulated	Net		
<u>Year</u>	<u>Acct #</u>	<u>Description</u>	<u>Balance</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Book Value</u>

RESPONSE:

25 (b). Expense Amounts in the designated format below:

(1)      (2)      (3)      (4)

**Account**

**Year   Acct #   Description   Amount**

RESPONSE:

26.      Provide the forecasted Incentive Payroll (“AIP”) for the twelve months ended February 28, 2008, both allocated and TAWC amounts.

RESPONSE:

27.      Provide the actual FAS 87 pension expense amount for the twenty-five months ended January 2007 by month, by account. Also, provide the forecasted FAS 87 pension expense amount included in the Company’s filing for the twelve months ended February 28, 2008.

RESPONSE:

28.      Provide the actual pension contributions amount for the twenty-five months ended January 2007 by month, by account. Also, provide the forecasted pension contributions amount included in the Company’s filing for the twelve months ended February 28, 2008.

RESPONSE:

29. Provide all work papers, supporting documentation, and calculations used in the Company's calculation of Depreciation and Amortization Expenses per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.2, Schedule 4, Lines 1 through 9, Page 1 of 2.

RESPONSE:

30. Provide all work papers, supporting documentation, and calculations used in the Company's calculation of Taxes Other Than Income per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.2, Schedule 5, Lines 1 through 9, Page 1 of 1. Identify the amounts by type of tax for Other General Taxes: Gross Receipts, State Franchise, etc.

RESPONSE:

31. Provide all work papers, supporting documentation, and calculations used in the Company's calculation of Rate Base per the books 12 Months ended 6/30/2006; Normalized Test Year; and Attrition Year per the Company's Accounting Exhibit No.1, Schedule 2, Lines 1 through 39, Page 1 of 3.

RESPONSE:

32. Provide a summary of "TDOT Reimbursable Projects" detailing the total cost of each

project, the reimbursable cost by the TDOT, amount reimbursed and reimbursement amounts due, and the net amount due by the ratepayers. See J. Watson's direct testimony, Pages 8-9.

RESPONSE:

33. Provide a historical and a forecast summary of Operation and Maintenance Expenses from January 2005 through February 2008 by month, by account of: company labor; service company labor; benefits; fuel and power costs; chemicals; and maintenance costs. See M. Miller's direct testimony, Page 3, Lines 17-24.

RESPONSE:

34. Provide a historical and a forecast summary of Total Gallons of Water Treated; Total Gallons of Water Billed; and Total Gallons of Water Unaccounted For, by month for the period January 2005 through February 2008.

RESPONSE:

35. Provide and detail the percentage by year of "unaccounted-for water" for TAWC for each year since 2000. Please provide the comparison vs. company goals (forecast) and compare with the unaccounted for rates for other American Water Works companies over the same period.

RESPONSE:

36. Provide all NARUC or FERC accounts 601-through 675 by month, by account, show the actual or forecasted gross and net expense after deducting salaries and wages for the forty-four



months ended February 2008.

RESPONSE:

37. Please provide an Excel spreadsheet providing the necessary calculations explaining the disparity relationship between “Residential” and “Commercial” gallons per day (Appendix C) in Dr. Spitznagel’s testimony where “Residential” has **decreased** from 155.14 to 146.23 gallons per day between the data provided in 04-00288 and 06-00290 and Commercial gallons per day **increased** to 1055.43 gallons per day from 1023.67. Provide a narrative explaining the usage per day disparity between residential and commercial gallons per day detailed in the responding excel spreadsheet.

RESPONSE:

### **PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL & MISCELLANEOUS**

1. Regarding Dr. Vilbert's testimony filed in this docket:

1 (a). Provide copies of the following documents referenced in Dr. Vilbert’s testimony:

(i) Dr. Vilbert’s Direct and Rebuttal Testimony before the Public Service Commission of West Virginia, on Cost of Capital for West Virginia -American Water Company, Case No. 04-0373-W-42T, May 2004.

RESPONSE:

(ii) Dr. Vilbert's Direct Testimony before the Arizona Corporation Commission, Cost of Capital for Paradise Valley Water Company, a subsidiary of Arizona-American Water Company, Docket No. WS-01303A-05, May 2005.

RESPONSE:

(iii) Dr. Vilbert's Direct Testimony before the Pennsylvania Public Utility Commission, Return on Equity for Metropolitan Edison Company, Docket No. -R-00061366 and Pennsylvania Electric Company, docket No. -R-0061367, April 2006.

RESPONSE:

(iv) Dr. Vilbert's Expert Report in the United States Tax Court, Docket No. 21309-05, 34th Street Partners, DH Petersburg Investment, LLC and Mid-Atlantic Finance, Partners Other than the Tax Matters Partner, Petitioner, v. Commissioner of Internal Revenue, Respondent, July 28, 2006.

RESPONSE:

(v.) The Value Line sources referenced at page 34 of 86 and page 74 of 86 in Dr. Vilbert's workpapers.

RESPONSE:

1(b). Admit the following statements:

(i.) The CAPM assumes that comparability in risk results not from being in the same line of business or industry, but from similar volatility in stock prices.

RESPONSE:

(ii.) According to the CAPM, all companies with the same beta are considered to be of comparable risk, regardless of their line of business.

RESPONSE:

(iii.) According to the CAPM, a stock's beta with the market is the stock's sole relevant measure of risk;

RESPONSE:

2. Regarding Sheila Miller's testimony, Exhibit No.3, provide TAWC's current credit rating and identify the holders of the General Mortgage Bonds and the Capital Lease and provide copies of the terms and conditions of each bond and lease agreement.

RESPONSE:

3. For the years 2000 to 2006, provide the average water pressure, in pounds per square inch, or by division within the system, for Tennessee-American's system.

RESPONSE:

4. If TAWC knows today that it will issue debt or equity to holders that are neither

subsidiaries of Tennessee American's parent nor legally affiliated with TAWC's parent, then identify the amounts of debt and equity to be issued, the expected dates of the issues and identify the holders.

RESPONSE:

5. In TRA Docket No. 06-00119, TAWC received the Tennessee Regulatory Authority's approval for a change of control. In that Docket, TAWC stated on p. 8 of the Petition for Approval of Change in Control filed on 4/21/2006 that "The Proposed Transaction will not impair the ability of the Petitioner to maintain a reasonable capital structure that is representative of other utilities." Having received that approval to proceed with the change where Thames Water Aqua US Holdings, Inc. ("TWAUSHI") and American Water Works Company, Inc. ("AWW") will merge via an Initial Public Offering and where the surviving company is AWW, and where the petition in that docket described "the marketing effort" for the IPO, produce:

5(a). a copy of any related registration statement that has been filed with the Securities and Exchange Commission;

RESPONSE:

5(b). the names of the legal firm or attorneys selected to handle the IPO and the approximate date the selection was made;

RESPONSE:

5(c). the names of the underwriters selected to handle the IPO and the approximate date

the selection was made;

RESPONSE:

5(d). the names of the accounting firm(s) selected to handle the IPO and the approximate date the selection was made;

RESPONSE:

5(e). a copy of those portions of the underwriting agreement which identify the underwriters' discounts and fees and which identify the underwriters' Over-Allotment option;

RESPONSE:

5(f). copies of annual audited financial statements for AWW and for TWAUSHI for each fiscal year from 2004 through 2006;

RESPONSE:

5(g). the names of the accounting firms that performed the audits on AWW and TWAUSHI;

RESPONSE:

6. Produce copies of all appraisals or other reports in the possession of TWAUSHI or AWW, or RWE, or the Thames Water Acqua Holdings, or the underwriters where such appraisals or reports estimate the fair value of the merged company's stock at any point in time from the day

of the offering through December 31, 2010;

6(a). Produce a record of those portions of the proposed Charter or proposed Bylaws where the Charter of the Bylaws address AWW's capitalization;

RESPONSE:

6(b). Provide copies of all written communications, including emails, between the selected underwriters and TWAUSHI or AWW, or RWE, or the Thames Water Aqua Holdings where such communications request or discuss AWW's future revenues or AWW's future stock stockprices;

RESPONSE:

6(c). Provide copies of all written communications, including emails, between the selected underwriters and investors or potential investors in AWW;

RESPONSE:

6(d). Provide copies of all written communications where stock grants, bonuses, and option grants to AWW's employees or officers are proposed or discussed.

RESPONSE:

7. Produce copies of all appraisals or other reports or other written communication in the possession of TWAUSHI or AWW, or RWE, or the Thames Water Aqua Holdings, or the selected underwriters, or the selected accountants or the selected legal firm where such appraisals

or reports estimate the following:

7(a). The expected gross proceeds from the IPO;

RESPONSE:

7(b). The underwriter's portion of gross proceeds;

RESPONSE:

7(c). The portion of expected gross proceeds which will flow to AWW;

RESPONSE:

8. Produce copies of all appraisals or other reports or other written communication in the possession of TWAUSHI or AWW, or RWE, or the Thames Water Aqua Holdings, or the selected underwriters, or the selected accountants or the selected legal firm where such appraisals or reports estimate:

8(a). The book value of equity which AWW will hold 31 days after the IPO is completed;

RESPONSE:

8(b). The book value of debt which AWW will bear 31 days after the IPO is completed.

RESPONSE:

9. Admit the following statement: The IPO will be complete by June 30, 2007.

RESPONSE:

10. Admit the following statement: An S-1 or similar registration statement regarding the IPO will be filed with the Securities and Exchange Commission no later than June 30, 2007.

RESPONSE:

11. Provide, with documentation, the current credit rating of TAWC's parent.

RESPONSE:

12. In November 2006, TAWC issued a press release saying in part: "Tennessee American Water today filed a general rate case application with the Tennessee Regulatory Authority. According to the Tennessee Water and Sewer Survey, June 2006, Tennessee American Water's average residential bill - even after the proposed increase - will still be lower than 60 percent of other municipal water utilities in Tennessee." Provide copies of all "Tennessee Water and Sewer Survey" publications from 2000 through August 2006 which are in the possession of TAWC or its parent.

RESPONSE:

13. In 2002 TAWC's parent company was AWW. According to Exhibit 13 of American Water Works 10-K filed with the Securities and Exchange Commission on March 28, 2002, the parent company expected its annual payments on long-term debt, leases and preferred stock to jump from \$395.6 million on December 31, 2006 to \$1.897 billion of annual payments by December 31, 2007. Identify the annual payments on long-term debt, leases and preferred stock expected for



AWW as of December 31, 2007, 2008, 2009, and 2010.

RESPONSE:

14. According to Exhibit 13 of American Water Works 10-K filed with the Securities and Exchange Commission on March 28, 2002, the parent company held \$297 million of long-term debt and the subsidiaries held \$2.253 billion of long-term debt. Admit the following statement: Once the IPO is complete AWW will continue the practice of allocating over 80% of long-term debt to subsidiaries.

RESPONSE:

15. Provide a copy of the Rates Manual of the American Water Works Association for year 2000 referenced by Mr. Herbert at page 4 line 24 of his direct testimony.

RESPONSE:

16. Provide a description of any statistical sampling procedures used to develop the allocation factors in the cost of service allocation study compiled in Schedule C referred to by Mr. Herbert. Indicate the number of sampling meters for each customer class, the length of time taken to develop the statistical sample, frequency with which the sampling meters are read and any tests of statistical significance.

RESPONSE:

17. For the 12 month period ending June 30, 2006 regarding each customer class shown in Mr. Herbert's Schedule C, identify by date the day of maximum usage for each customer class and the volume of that usage.

RESPONSE:

18. For the 12 month period ending June 30, 2006 identify by date the day of maximum usage for Tennessee-American as a whole, the volume of that usage, and the contribution of each customer class to that day's usage.

RESPONSE:

19. For the 12 month period ending June 30, 2006 regarding each customer class shown in Mr. Herbert's Schedule C, identify by date the hour of maximum usage for each customer class and the volume of that usage.

RESPONSE:

20. For the 12 month period ending June 30, 2006 identify by date the hour of maximum usage for Tennessee-American as a whole, the volume of that hour's usage, and the contribution of each customer class to that usage.

RESPONSE:

21. For the 12 month period ending June 30, 2006, identify the percentage of Tennessee-American's maximum daily capacity supplied on the date of maximum daily usage.

RESPONSE:

22. For the 12 month period ending June 30, 2006, identify the percentage of TAWC's maximum hourly capacity supplied on the date of maximum hourly usage.

RESPONSE:

23. Admit the following statement: TAWC or its parent is a member of the American Water Works Association

RESPONSE:

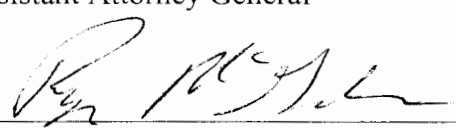
24. Admit the following statement: TAWC has no competitors.

RESPONSE:

RESPECTFULLY SUBMITTED,

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STEPHEN R. BUTLER B.P.R. #14772  
Assistant Attorney General



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RYAN L. McGEHEE B.P.R. # 25559  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37202  
(615) 532-5512

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via U.S. mail, to:

R. Dale Grimes, Esq.  
Bass, Berry & Sims PLC  
AmSouth Center  
315 Deaderick Street, Suite 2700  
Nashville, TN 37238

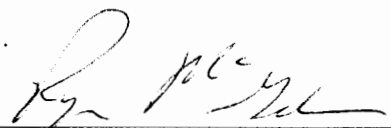
Henry Walker  
1600 Division Street, Suite 700  
P.O. Box 340025  
Nashville, Tennessee 37203

Richard Collier  
General Counsel  
Tennessee Regulatory Authority  
460 James Robertson Pkwy.  
Nashville, TN 37243-0505

David C. Higney  
Grant, Konvalinka & Harrison, P.C.  
Ninth Floor, Republic Centre  
633 Chestnut Street  
Chattanooga, TN 37450-0900

Michael A. McMahan  
Special Counsel - City of Chattanooga  
801 Broad Street, Suite 400  
Chattanooga, TN 37450-0900

on this the 22<sup>nd</sup> day of January, 2007.

  
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Ryan L. McGehee