

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF TENNESSEE AMERICAN WATER
COMPANY TO CHANGE AND INCREASE CERTAIN
RATES AND CHARGES SO AS TO PERMIT IT TO
EARN FAIR AND ADEQUATE RATE OF RETURN
ON ITS PROPERTY USED AND USEFUL IN FURNISHING
WATER SERVICE TO ITS CUSTOMERS**

**DOCKET NO.
06-00290**

**CITY OF CHATTANOOGA'S FIRST DISCOVERY REQUESTS TO PETITIONER
TENNESSEE AMERICAN WATER COMPANY**

Intervenor, the City of Chattanooga (Chattanooga), by and through counsel, submits the following First Discovery Requests (the "Requests") to Petitioner, Tennessee American Water Company ("TAWC"). The responses to the Requests shall be delivered to the offices of the City Attorney, 400 Pioneer Bank Building, Chattanooga, Tennessee 37402 in accordance with the Scheduling Order.

INSTRUCTIONS AND DEFINITIONS

A. These Requests are to be deemed as continuing, and you are requested to provide, by way of supplemental responses, such additional information as may be hereafter obtained by you or any person on your behalf which augment, supplement, or otherwise modify responses to these Requests.

B. The word "**Document**" shall include and mean, without limitation, the original and each draft and copy of any kind of written, printed, typed, recorded, or graphic matter, however produced or reproduced, of any kind or description, whether sent or received or neither. The term shall further include, without limitation, originals, all copies, all images, all backup or

archived copies, and all drafts of: papers, books, writings, memoranda, letters, electronic messages, electronic files, computer files, emails, correspondence, telegraphs, notes, book entries, accounts, statements of accounts, checks, cancelled checks, minutes of meetings, contracts, cables, telex messages, intra-office communications, intra-departmental communications, recordings or notes of telephone conversations, recordings or notes of other conversations, or meetings, affidavits, schedules, tabulations, calculations, computer files, and all other written or electronic records. The term "**Document**" includes the term "**Communication**".

C. The term "**Communication**" means any oral or written statement conveyed by one person or entity to another person or entity by whatever means, including electronic **Communications**, emails, and computer files.

D. If any **Document** called for by any request herein is to be withheld pursuant to any purported privilege or immunity:

(a) State the basis for such claim of privilege or immunity (e.g., attorney-client privilege, work product doctrine);

(b) Identify the **Document** being withheld by stating the name or title of the **Document**; the type of **Document**; its date, author, addressee, and copyee(s); a general description of its subject matter; its present location(s) and custodian(s); and each person who, to your knowledge, has seen it; and

(c) State the number and/or portion of the request to which each such **Document** would be responsive.

E. "**TAWC**" means the Petitioner, Tennessee-American Water Company.

F. "**TAWC Parent or Affiliate**" means (i) American Water Works Co., Inc. ("**AWWC**"); (ii) American Water Works Service Company, Inc. ("**AWWSC**"); (iii) American

Water Capital Corp. ("*AWCC*"); (iv) Thames Water Aqua Holdings GmbH ("*Thames GmbH*"); (v) Thames Water Aqua US Holdings, Inc. ("*TWAUSHI*"); (vi) RWE Aktiengesellschaft ("*RWE*"); (vii) American Water Services AAET, LP ("*AWC LP*"); (viii) American Water Services Corp. ("*AWSCorp*"); (ix) American Water Resources ("*AWR*"); (x) American Anglian Environmental ("*AAE*"); (xi) American Carbon Services ("*ACS*"); (xii) all successors of any entity identified in items (i) through (xi); and (xii) all affiliates, subsidiaries, and parents of any entity identified in items (i) through (xi).

G. "*Operating Company*" means *TAWC* and any other company providing water service to the public, the majority of the capital stock of which is owned by *AWWC* or any *TAWC Parent or Affiliate*.

H. "*Explain*" means to provide a detailed explanation of the specified subject matter and to provide all *Documents* reflecting, recording, referring to, reporting, or relating to the subject matter or the response.

I. "*Identify*" means: (i) when used with reference to an individual person, to state his/her full name, employer, job title, present or last known residence address and telephone number, and present or last known business address and telephone number; and (ii) when used with reference to a *Document*, means to state the type of the document, its date, author, addressee, any other recipient(s), general subject matter, present location, and custodian. If any document to be identified was, but no longer is, in your possession, state the disposition that was made of it and the reasons, facts, or circumstances associated with its disposition.

DISCOVERY REQUESTS

1. For each month from January 1, 2000, until all customer service functions were transferred to the National Call Center, *identify* all *TAWC* personnel involved in

functions transferred to the National Call Center, the hours each devoted to such activities, and the base hourly rate of wages or salaries (without overhead) paid to each such employee.

2. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to changes in the level of expense to *TAWC* from the shift to the National Call Center of *TAWC* customer services functions.
3. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to plans for, projections of, recommendations for rate increases by *TAWC*, any *Operating Company*, or any *TAWC Parent or Affiliate* since January 1, 2000, including, without limitation, all *Documents* reflecting *Communications* with Goldman Sachs or any other adviser.
4. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to the dividends payable or to be paid by *TAWC*, *Operating Companies*, or any *TAWC Parent or Affiliate* and any changes therein from January 1, 2000, to date.
5. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to bond or other indebtedness ratings of any rating agency (including, without limitation Standard & Poors, Fitch's, and Moody's) of the debt of (i) *TAWC*, (ii) *AWCE*, (iii) or any *TAWC Parent or Affiliate*.
6. *Explain* the basis for any change in bond ratings for *TAWC*, *AWCC*, or any *TAWC Parent or Affiliate* since January 1, 2000.
7. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to the valuation by *RWE* or any other *TAWC Parent or Affiliate* of the value of the business of *AWWC* or of its stock since January 1, 2000.

8. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to all reductions in book value or write-offs recorded by *RWE, Thames GmbH, TWAUSHI*, or any *TAWC Parent or Affiliate* of the value of *AWWC* and/or its capital stock since January 1, 2000, including, without limitation, all such write-down reflected in the annual regulatory reports or audited financial statement of *RWE* or any other *TAWC Parent or Affiliate*.
9. Provide all *Documents* reflecting, recording, referring to, reporting, or relating to the initial public offering ("IPO") referenced in Docket No. 06-00119, before the Tennessee Regulatory Authority, including, without limitation, all *Documents* in the possession of any *TAWC Parent or Affiliate* and all *Communications* with Goldman Sachs & Company, any other investment banker, or any other person or entity.
10. Provide copies of all Comprehensive Planning Studies completed since 1993 for or by *TAWC*.
11. *Explain* any addition, subtraction, acceleration, delay, deferral, or change in any recommended capital improvement projects identified in any Comprehensive Planning Study completed or dated since January 1, 1993.
12. *Identify* the cost of the latest Comprehensive Planning Study, the date the cost was booked, and the schedule and annual amount for amortization of such cost.
13. *Identify* for each year since January 1, 2000, the number of employees by position at the National Call Centers and for each position set forth the unburdened base hourly wage or salary rate (without overheads). In the event there are more than one base hourly rate for each position, provide the average and median base hourly rates for each such position.

14. For each capital expense listed in the Net Additions to UPIS shown in Exhibit 1, Schedule 2, **identify** the cost of the project utilizing the following tabular format:

Description of Capital Expense	Date Completed	Total Cost	Equipment Cost	Materials Cost	Labor Costs	Overhead Costs	Amount Paid to Contractor	Amount Paid to Affiliate	TAWC Parent or Affiliate

15. For each Capital Expense identified in Question 14, **Identify** the outside contractors that provided equipment, materials, or labor, specify what the outside contractor provided, and specify the unit cost and total cost for the equipment, materials, or labor provided by such outside contractor.
16. For each Capital Expense identified in response to Question 14, **identify** all amounts paid to any **TAWC Parent or Affiliate**, state the date of each such payment, and provide all **Documents** reflecting, recording, referring to, reporting, or relating to each such payment to a **TAWC Parent or Affiliate**.
17. **Identify** for each month beginning January 1, 2000, the total number of service calls received by **TAWC** and a breakdown of calls by type and **Identify** the reasons for changes in the volume of service calls from one annual period to another, including, without limitation, the changes in the volume of service calls from 2005 to 2006.
18. **Identify** all amounts paid by **TAWC** since January 1, 2000, to any **TAWC Parent or Affiliate**, and provide the information set forth in the following format:

Payment Date	Amount of Payment	Purpose of Payment	If Payment for Services, Amount of Time Reflected in Charge	Hourly Rate Charge	If for Equipment of Materials, Description of Each Piece of Equipment or Material	Unit Charge for Each Piece of Equipment or Material	Agreement Under Which Provided (89 Service Agreement or Other)

19. For each expense identified on Schedule 2 attached to the pretrial testimony of Patrick Baryenbruch, provide timesheets or other **Documents** reflecting, recording, referring to, reporting, or relating to the specific amount of time spent by each person responsible for the service for which a charge is made, whether such person is an employee or a consultant, the unburdened base hourly, salary or wage rate for such person if an employee, the unburdened base hourly rate charged for such time if such person is a contractor, and a description of the service provided by such person on each date that a charge was incurred.
20. Provide all **Documents** reflecting, recording, referring to, reporting, or relating to the increase in the average cost of connecting a new customer since 2003, including, without limitation, a detailed itemization of each element of the costs for each year 2003 through 2006 of adding a new customer.
21. **Explain** the change in percentage of payroll expense capitalized during the periods reflected on the attachment provided in response to TRA Staff Question 31 and **Explain** the reason for the increases in this percentage.
22. **Explain** why the charges identified in response to TRA Staff Question 42 exceed the total set forth on Schedule 2 to the testimony of Patrick Baryenbruch.
23. Provide all surveillance reports and annual reports provided to the Tennessee Regulatory Authority since January 1, 2000.
24. Provide all **Documents** reflecting, recording, referring to, reporting, or relating to listings and comparisons of detailed monthly and year-to-date budgets to actual expenses incurred for the period January 1, 1995, through December 31, 2006.

25. *Explain* the increase in preferred stock and common equity of *AWWC* that occurred from 2002 to 2003, as reported in the attachment to the response to TRA Staff Request Question 66, and provide all *Documents* reflecting, recording, referring to, reporting, or relating to those changes.
26. Provide a complete, unredacted copy of the transcript, audio or video recording, and minutes of the *RWE* Supervisory Board meeting held September 16, 2005.
27. Provide complete, unredacted copies of the transcripts, audio or video recordings and minutes of all *RWE* Supervisory Board meetings in which the acquisition or sale of *AWWC* was discussed or referenced.
28. Provide complete unredacted copies of the transcripts, audio or video recordings, and minutes of the *RWE* Presidium meetings at which the acquisition or sale of *AWWC* was discussed or referenced.
29. *Explain* any additional reduction in common equity of *AWWSC* that has occurred after 2005 and provide all *Documents* reflecting, recording, referring to, reporting, or relating to any such reduction.
30. Provide for each year since January 1, 2000, the complete audited financial statements (including income statement and balance sheet) for *AWWSC* and any other *TAWC* *Parent or Affiliate* that has been paid any amount by *TAWC*.
31. *Explain* the inconsistency between the response to TRA Staff Request Question 82 and Exhibit 3, Schedule 2.
32. Provide all *Documents* reflecting, recording, referring to, reporting, or related to changes in projected *TAWC* dividend rates for the periods 2006 through 2011, plans for, projections of, or recommendations for increases in dividend rates by *TAWC* or any

Operating Company, including, without limitation, any *Documents* reflecting *Communications* with Goldman Sachs or any other investment banker or adviser concerning such dividend changes.

33. *Explain* the annual dividends per share of common stock paid by *TAWC* for fiscal year after January 1, 1996.
34. Provide all *Documents* reflecting, recording, referring to, reporting, or related to the financial impact of the IPO for the sale of *AWWC* upon to the cost of operation of *TAWC*.
35. Provide copies of the contracts for re-sale of water by *TAWC* to other public authorities, including but not limited to Signal Mountain, Ft. Oglethorpe, Catoosa Utility District, and Walden's Ridge Utility District.
36. Identify all other Operating Companies that have applied for any water rate increase since September 1, 2005, providing for each the (i) date of the request, (ii) docket number, and (iii) status of the request.
37. Reference Michael Miller Q. 16-17. Produce any documents that justify the retirement of approximately \$19 million in debt at 4.75% interest with debt at 6.15%.
38. Reference Michael Miller Q 27. What is the basis for the inflation rate of 5% for management fees?

Respectfully submitted,



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