

**BASS, BERRY & SIMS PLC**  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

R. DALE GRIMES  
TEL: (615) 742-6244  
FAX: (615) 742-2744  
dgrimes@bassberry.com

AMSOUTH CENTER  
315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TN 37238-3001  
(615) 742-6200

www.bassberry.com

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February 21, 2007

**VIA HAND-DELIVERY**

Chairman Sara Kyle  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

***Re: Petition Of Tennessee 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;  
Docket No. 06-00290***

Dear Chairman Kyle:

Enclosed please find an original and seventeen (17) copies of Tennessee American Water Company's Second Supplemental Response to City of Chattanooga's First Discovery Requests dated January 22, 2007.

Please return three copies of the Responses, which I would appreciate your stamping as "filed," and returning to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

With kindest regards, I remain

Yours very truly,



R. Dale Grimes

RDG/ms  
Enclosures

Chairman Sara Kyle  
February 21, 2007  
Page 2

cc: Hon. Pat Miller (*w/o enclosure*)  
Hon. Ron Jones (*w/o enclosure*)  
Hon. Eddie Roberson (*w/o enclosure*)  
Ms. Darlene Standley, Chief of Utilities Division (*w/o enclosure*)  
Richard Collier, Esq. (*w/o enclosure*)  
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)  
Ms. Pat Murphy (*w/o enclosure*)  
Michael A. McMahon, Esq. (*w/enclosure*)  
Frederick L. Hitchcock, Esq. (*w/enclosure*)  
Vance Broemel, Esq. (*w/enclosure*)  
Henry Walker, Esq. (*w/enclosure*)  
David Higney, Esq. (*w/enclosure*)  
Mr. John Watson (*w/o enclosure*)  
Mr. Michael A. Miller (*w/o enclosure*)

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

**PETITION OF TENNESSEE 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 )**

**DOCKET NO. 06-00290**

**AFFIDAVIT**

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing responses to the Second Supplemental Response to City of Chattanooga's Discovery Request Nos. 1, 2 and 13 were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 21 day of February, 2007.

Michael A. Miller  
(signature)

Michael A. Miller  
(printed name)

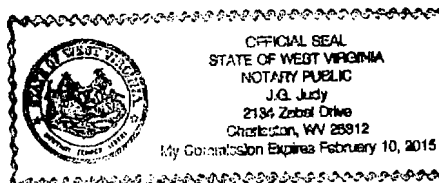
Sworn to and subscribed before me this 21st day of February, 2007.

J. G. Judy  
NOTARY PUBLIC

My Commission Expires:

February 10, 2015

6386720.1



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

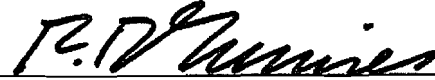
**IN RE:**

<b>PETITION OF TENNESSEE AMERICAN</b>	)	
<b>WATER COMPANY TO CHANGE AND</b>	)	
<b>INCREASE CERTAIN RATES AND CHARGES</b>	)	
<b>SO AS PERMIT IT TO EARN A FAIR AND</b>	)	
<b>ADEQUATE RATE OF RETURN ON ITS</b>	)	<b>Docket No. 06-00290</b>
<b>PROPERTY USED AND USEFUL IN</b>	)	
<b>FURNISHING WATER SERVICE TO ITS</b>	)	
<b>CUSTOMERS</b>	)	

**TENNESSEE AMERICAN WATER COMPANY'S SECOND SUPPLEMENTAL  
RESPONSES TO CITY OF CHATTANOOGA'S FIRST DISCOVERY REQUESTS**

The Tennessee American Water Company, while expressly reserving its prior objections, hereby provides the following second supplemental responses to the First Discovery Requests from the City of Chattanooga:

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", written over a horizontal line.

R. Dale Grimes (#6223)

J. Davidson French (#15442)

Ross I. Booher (#019304)

BASS, BERRY & SIMS PLC

315 Deaderick Street, Suite 2700

Nashville, TN 37238-3001

(615) 742-6200

*Counsel for Petitioner*

*Tennessee American Water Company*

### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of *Tennessee American Water Company's Second Supplemental Responses to City of Chattanooga's First Discovery Requests* has been served via the method(s) indicated, on this the 21st day of February, 2007, upon the following:

<input type="checkbox"/> Hand-Delivery	Michael A. McMahan
<input type="checkbox"/> U.S. Mail	Special Counsel
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Overnight	Office of the City Attorney
<input checked="" type="checkbox"/> Email	Suite 400
	801 Broad Street
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input type="checkbox"/> U.S. Mail	Shareholder
<input type="checkbox"/> Facsimile	Chambliss, Bahner & Stophel, P.C.
<input checked="" type="checkbox"/> Overnight	1000 Tallan Building
<input checked="" type="checkbox"/> Email	Two Union Square
	Chattanooga, TN 37402
<input checked="" type="checkbox"/> Hand-Delivery	Vance Broemel, Esq.
<input type="checkbox"/> U.S. Mail	Stephen Butler, Esq.
<input type="checkbox"/> Facsimile	Consumer Advocate and Protection Division
<input type="checkbox"/> Overnight	Office of Attorney General
<input checked="" type="checkbox"/> Email	2nd Floor
	425 5th Avenue North
	Nashville, TN 37243-0491
<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Facsimile	Suite 700
<input type="checkbox"/> Overnight	1600 Division Street
<input checked="" type="checkbox"/> Email	P.O. Box 340025
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Grant, Konvalinka & Harrison, P.C.
<input type="checkbox"/> Facsimile	633 Chestnut Street, 9 <sup>th</sup> Floor
<input checked="" type="checkbox"/> Overnight	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Email	



TENNESSEE-AMERICAN WATER COMPANY  
ALTON CALL CENTER ADJUSTMENT  
TEST YEAR - 7/31/2002

**TEST YEAR O & M EXPENSES TO BE ELIMINATED**

LABOR & LABOR RELATED COST ELIMINATED IN OTHER LABOR & LABOR RELATED ADJUSTMENTS  
(PAYROLL, GROUP INSURANCE, OPEBS, ESOP/401(K), PAYROLL TAXES)

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
		\$
	M & S-Oper-CA	2,602
	Misc Oper Exp-CA	3,749
	Employee Expenses	29
	Meals & Travel Deductions	38
	Meals & Travel Non-Deduct	48
	Overtime Meal	353
	Overtime Meal-CA	385
	Overtime Meal Exp	157
	Telephone-CA	27,730
	M &S-Maint-AG General	839
		<hr/>
	TOTAL	<u><u>35,930</u></u>

**RECOGNITION OF ADDITIONAL EXPENSES RELATED TO CONSOLIDATED CALL CENTER**

CONSOLIDATED CUSTOMER SERVICE CALL CENTER EXPENSES	\$616,858
FORECASTED 2003 COSTS (JULY- DECEMBER - 2003)	\$308,429
IMPUTE TWELVE MONTHS FOR ATTRITION YEAR	616,858
AMORTIZATION OF CALL CENTER TRANSITION COSTS	87,262
TAWC SHARE	872,617
AMORTIZATION OVER TEN YEAR PERIOD	<u><u>87,262</u></u>

TENNESSEE-AMERICAN WATER COMPANY  
ALTON CALL CENTER ADJUSTMENT  
TEST YEAR - 7/31/2002

VOR ACCT	BUSINESS UNIT	OBJECT ACCOUNT	Description	2001					2002					TOTAL	Expenses to				
				AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY		JUNE	JULY	Eliminate	Not Eliminated	Total
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
905.1	260203	520100.15	M & S-Oper-CA	36	0	83	680	418	274	289	518	0	82	0	242	2,602	2,520	82	2,602
903.3	260203	575000.1515	Misc Oper Exp-CA	1,185	908	310	258	72	0	0	300	114	204	158	240	3,749	3,273	476	3,749
0	260203	575340.16	Employee Expenses	0	0	0	0	0	0	0	0	487	(458)	0	0	29	0	29	29
0	260203	575350.16	Meals & Travel Deductions	0	0	0	0	0	0	0	0	19	19	0	0	38	0	38	38
0	260203	575351.16	Meals & Travel Non-Deduct	0	0	0	0	0	0	0	0	29	19	0	0	48	0	48	48
0	260203	575620.14	Overtime Meal	0	0	0	125	92	0	0	136	0	0	0	0	353	353	0	353
905.1	260203	575620.15	Overtime Meal-CA	0	0	0	0	1	135	0	125	100	0	0	24	385	285	100	385
0	260203	575620.16	Overtime Meal Exp	0	0	0	0	0	0	0	157	0	0	0	0	157	157	0	157
903.51	260203	575740.15	Telephone-CA	2,977	2,869	2,955	299	186	(186)	3,079	2,724	3,478	293	181	8,875	27,730	23,778	3,952	27,730
0	260203	620000.26	M &S-Maint-AG General	0	0	0	0	0	0	0	0	0	0	839	0	839	839	0	839
																0	0	0	0
	TOTAL			4,186	3,777	3,328	1,362	768	223	3,368	3,960	4,227	159	1,178	9,381	35,930	30,366	5,564	35,930

Total	8,396	7,554	6,656	2,724	1,536	448	8,736	7,920	8,464	318	2,356
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TENNESSEE-AMERICAN WATER COMPANY  
GROUP INSURANCE  
CUSTOMER SERVICE POSITIONS ELIMINATED  
BY CALL CENTER - PAYROLL (APRIL, 2003 - JUNE, 2003)

**ACTIVE EMPLOYEES**  
**LIFE INSURANCE**

	BILLING DETERMINANT COVERAGE	RATES EFFECTIVE 9/1/2002	PREMIUM
(1) LIFE - BASIC (NON-BARGAINING)	0	\$0.295	\$0
(2) LIFE - BASIC (BARGAINING)	97,383	0.295	29
(3) A.D. & D. (\$10,000 COVERAGE PER EMPLOYEE)	110,000	0.020	2
(4) A.D. & D. (NON-BARGAINING)	0	0.020	0
(5) LIFE - VOLUNTARY UNDER 30		0.06	
(6) LIFE - VOLUNTARY UNDER 30-34		0.08	
(7) LIFE - VOLUNTARY UNDER 35-39		0.10	
(8) LIFE - VOLUNTARY UNDER 40-44		0.12	
(9) LIFE - VOLUNTARY UNDER 45-49		0.20	
(10) LIFE - VOLUNTARY UNDER 50-54		0.35	
(11) LIFE - VOLUNTARY UNDER 55-59		0.63	
(12) LIFE - VOLUNTARY UNDER 60-64		0.75	
(13) LIFE - VOLUNTARY UNDER 65-69		1.37	
(14) LIFE - VOLUNTARY UNDER 70-74		2.21	
(15) LIFE - VOLUNTARY OVER 74		3.67	
(16) LIFE - DEPENDENT SPOUSE		0.29	
(17) LIFE - DEPENDENT CHILDREN		0.12	
(18) LIFE - SUPPLEMENTAL		0.35	
(19) LIFE - OPTIONAL		0.35	
<b><u>DISABILITY</u></b>			
(20) LONG TERM DISABILITY (NON UNION ONLY)	0	0.40	0
(21) SHORT TERM MANAGED	11	1.17	13
(22) A & S - COVERAGE FOR NEW JERSEY ONLY			
<b><u>MEDICAL, DENTAL &amp; PRESCRIPTION COVERAGE</u></b>			
(23) EMPLOYEES WITHOUT DEPENDENT COVERAGE.	2	324.00	648
(24) EMPLOYEES WITH DEPENDENT COVERAGE	9	800.00	7,200
(25) EMPLOYEES WITH SINGLE DENTAL COVERAGE ONLY		22.66	
(26) EMPLOYEES WITH DEPENDENT DENTAL COVERAGE ONLY		56.66	

ACTIVES SUBTOTAL : 7,892

**CONTINUATION OF COVERAGE**

**MEDICAL, DENTAL & PRESCRIPTION COVERAGE**

(27) INDIVIDUAL (FORMER EMPLOYEE, SPOUSE OR DEPENDENT)	324.00
(28) FAMILY (2 OR MORE INDIVIDUALS)	800.00
(29) UNDER AGE 65 DEPENDENT (1) OF A DECEASED RETIREE	324.00
(30) UNDER AGE 65 DEPENDENTS (>1) OF A DECEASED RETIREE	800.00
(31) MEDICARE SUPPLEMENT, IN COMPREHENSIVE PLAN	248.51

CONTINUATION OF COVERAGE SUBTOTAL : 0

TOTAL MONTHLY PREMIUM 7,892

**REIMBURSEMENTS**

EMPLOYEES WITHOUT DEPENDENT COVERAGE.	(30)
EMPLOYEES WITH DEPENDENT COVERAGE	(360)

NET COMPANY PREMIUM COST 7,502

PERCENTAGE TO OPERATIONS 83.39% 6,256

TO PROVIDE FOR THREE MONTHS CHARGES (APRIL - JUNE, 2003) 18,768

EMPLOYEES "OPTING OUT" OF MEDICAL COVERAGE (ANNUALIZE 0 X \$100/MO.) 0

TOTAL ANNUAL COST \$18,768

TENNESSEE-AMERICAN WATER COMPANY  
PENSION EXPENSE  
CUSTOMER SERVICE POSITIONS ELIMINATED  
BY CALL CENTER - PAYROLL (APRIL, 2003 - JUNE, 2003)

Pension Funding - Latest Actuarial Study - 12 Months Ended 3/04		\$515,960
Number of Active Participants in Calculation	132	
Cost per Active Participant	\$3,908.79	
Customer Service Associates	11	
Revised Pension Costs		42,997
To Provide For Three Months Charges (APRIL - JUNE, 2003)		10,749
Percent to Operation & Maintenance Expenses		<u>83.39%</u>
Pension Costs to Operations		<u>8,964</u>

TENNESSEE-AMERICAN WATER COMPANY  
 PAYROLL TAXES  
 CUSTOMER SERVICE POSITIONS ELIMINATED  
 BY CALL CENTER - PAYROLL (APRIL, 2003 - JUNE, 2003)

FICA

PAYROLL SUBJECT TO MEDICARE TAX	\$97,229
TAXABLE BENEFITS	0
PRO FORMA RATE (NO LIMIT)	1.45%
PAYROLL SUBJECT TO SOC SEC TAX	97,229
TAXABLE BENEFITS	0
PRO FORMA RATE	6.20%
SOCIAL SECURITY TAX	6,028
MEDICARE TAX	1,410
TOTAL TAX	7,438
FICA LIMIT	\$80,400
PERCENT TO O&M	83.39%
TO OPERATIONS	6,203

	<u>FUTA</u>	<u>SUTA</u>
<u>FUTA / SUTA TAXES</u>		
NUMBER OF EMPLOYEES	11	11
TAXABLE BASE	1,750	2,000
TEMPORARY EMPLOYEES	19,250	22,000
RATE	0.800%	0.035%
TOTAL TAX	154	8
PERCENT TO O&M	83.39%	83.39%
TO OPERATIONS	128	7

TENNESSEE-AMERICAN WATER COMPANY  
CALCULATION OF OPEB EXPENSE  
CUSTOMER SERVICE POSITIONS ELIMINATED  
BY CALL CENTER - PAYROLL (APRIL, 2003 - JUNE, 2003)

ATTRITION YEAR OPEB EXPENSES

2003 FAS 106 COSTS	\$806,427
TOTAL PARTICIPANTS IN CALCULATION	<u>354</u>
COST PER PARTICIPANT	2,278
TOTAL PARTICIPANTS	<u>11</u>
ADJUSTED OPEB COST	25,058
TO PROVIDE FOR THREE MONTHS CHARGES (APRIL - JUNE, 2003)	<u><u>6,265</u></u>

1           10.90% - 13.29% based on a number of indices and methods, and  
2           indicates that the 11.00% return on equity requested by the  
3           Company in this case is justified and reasonable for the Company  
4           on a stand alone basis, based on the data he has examined.  
5

6   **31. Q. DO YOU CONCUR WITH MR. MOUL'S CONCLUSIONS?**

7           **A. Yes I do. The Company elected to use an 11.00% ROE, which is**  
8           **in Mr. Moul's range as a justified and reasonable request for**  
9           **ROE for the rates to be established in this case.**  
10

11   **32. Q. THE COMPANY'S CALL CENTER AND BILLING**  
12           **FUNCTIONS WILL BE MOVED TO ALTON, ILLINOIS AS**  
13           **PART OF AWW'S CONSOLIDATED CALL CENTER.**  
14           **PLEASE DESCRIBE THIS MOVE AND ITS PURPOSE.**

15           **A. The Company and the other American Water System operating**  
16           **companies are striving to provide customer service that will be**  
17           **more responsive, provide increased customer service options,**  
18           **improve customer satisfaction, and effect cost savings wherever**  
19           **possible. As with many other utility systems, we are moving to a**  
20           **consolidated call center ("Call Center"). Beginning in July 2003,**  
21           **the customer inquiry and billing functions for the Company will**  
22           **be performed at the Call Center in Alton, Illinois. The first**  
23           **companies to move to this shared services format were New**  
24           **Jersey-American and Long Island Water Company in April, 2001,**

1 West Virginia-American in May, 2001, Pennsylvania-American in  
2 July, 2001, and Missouri-American in November, 2001, and  
3 Illinois-American in June 2002.  
4

5 The American System has as one of its primary goals to provide  
6 customer service unsurpassed in the water industry. At the same  
7 time, we hope to provide that service at the lowest reasonable cost.  
8 The Call Center will help us meet both of these important goals.  
9

10 33. Q. HOW DOES THE COMPANY AND THE OTHER AMERICAN  
11 SUBSIDIARIES CURRENTLY OPERATE THE CUSTOMER  
12 SERVICE AND BILLING FUNCTIONS?

13 A. The Company and the other subsidiaries not yet a part of the Call  
14 Center currently operate independent call centers and billing  
15 functions in their respective service territories.  
16

17 34. Q. WHY IS THIS A PROBLEM AND HOW WILL THE  
18 CONSOLIDATION IMPROVE SERVICE?

19 A. Although the Company currently provides acceptable customer  
20 service, there are limitations on that service because of the size of  
21 the Company. The current customer service function is operated  
22 five days a week from 8:00 a.m. to 4:30 p.m. The Company  
23 provides only emergency coverage after normal working hours  
24 and on weekends. In today's business environment, customers

1 demand more in the way of service availability and increased  
2 functionality. The American System has historically maintained a  
3 common customer service and billing software platform; however,  
4 programming has been handled either locally or regionally. This  
5 has led to numerous versions of the common software platform,  
6 and has been a problem when multi-state acquisitions or software  
7 upgrades have been required. In essence, multiple conversions  
8 have been required to facilitate the various software versions.  
9 This has cost time and money for the subsidiaries. In short, it has  
10 limited our ability to take full advantage of the economies of scale  
11 available to the American System.

12  
13 The Call Center will be operated on the ORCOM customer  
14 service and billing software. The software program will be  
15 uniform for all subsidiaries, and this will make future software  
16 migrations and acquisition integration projects easier to  
17 accomplish and less costly.

18 In addition to the software improvements, the Call Center will  
19 provide full customer service on a twenty-four hour, seven day a  
20 week basis. There will also be enhancements for automated call  
21 answering, automated payment options, communications with  
22 field operations, and bill editing processes through significant  
23 improvements in the various technologies employed. The  
24 individual operating companies could not provide this enhanced

1 service on a cost-effective basis. The Call Center will increase the  
2 availability of full service to the customers on an around-the-clock  
3 basis, and provide the additional services that our customers  
4 demand in today's environment.  
5

6 35. Q. DOES THIS MEAN THAT THE COMPANY WILL HAVE NO  
7 LOCAL PRESENCE FOR CUSTOMER SERVICE?

8 A. No. The Company will still have its Corporate Office in  
9 Chattanooga. There will still be a clerical staff to coordinate  
10 billing and collections for the entities for which we perform this  
11 function. We will still provide customer contact as required,  
12 resolve customer issues relayed from Alton, and respond to  
13 Commission inquiries. In addition, the field personnel will  
14 continue to be available to address the needs of our customers.  
15 The local payment locations will remain unchanged. This  
16 transition should be transparent to the customers.  
17

18 36. Q. DOES THE CASE AS FILED INCLUDE THE COST  
19 PROJECTIONS FOR THE CALL CENTER, AND  
20 ADJUSTMENTS TO THE TEST YEAR EXPENSES?

21 A. Yes. The attrition year includes the cost of the National Call  
22 Center since the Company will make that transition in the second  
23 quarter of 2003.  
24



1   **37. Q. WOULD YOU PLEASE DESCRIBE THE IMPACT OF THE**  
2                   **MOVE TO THE NATIONAL CALL CENTER?**

3           **A. Yes. Attached to this testimony is Exhibit MAM-4 which provides**  
4                   **the detail of the cost to make the transition and its impact. The**  
5                   **schedule indicates a reduction in expense of \$748,642 from the**  
6                   **elimination of 11 employees' salaries and payroll related**  
7                   **overhead, elimination of temporary positions, and reduction in**  
8                   **various miscellaneous expenses. The Company's forecasted cost**  
9                   **for the service provided by the Call Center is \$616,858. This cost**  
10                  **is allocated to the Company based on its number of customers to**  
11                  **the total customer base served by the Center. These business**  
12                  **case estimates have been very close to the actual cost for the**  
13                  **companies already served by the Center.**

14  
15   **38. Q. YOU ALSO INCLUDE TRANSITION COSTS FOR THE MOVE**  
16                   **TO THE CALL CENTER. PLEASE DESCRIBE WHAT**  
17                   **MAKES UP THESE COSTS AND THE RATE TREATMENT**  
18                   **THE COMPANY IS REQUESTING IN THIS CASE.**

19           **A. As with any project of this type, there are costs required to make**  
20                  **the transition possible and to make it go smoothly. The**  
21                  **Company's allocated portion of these one-time costs is \$872,617.**  
22                  **Those costs are made up of severance costs, moving costs for those**  
23                  **associates electing to relocate to Alton, consulting costs to set up**  
24                  **the processes and training, and in-house costs charged for setup**

1           and training.

2  
3           The Company requests that the Commission recognize the  
4           \$872,617 as a necessary cost of making the transition and afford  
5           regulatory asset status for those costs. The Company requests  
6           also that those costs be amortized over a ten-year period starting  
7           with July 2003, and be included in the new rates recognized in this  
8           case, with the unamortized amount included as rate base.

9  
10   39.   Q.    ARE THERE ADDITIONAL SAVINGS THAT WERE PART  
11           OF THE AWW BUSINESS CASE FOR THE CALL CENTER  
12           ALREADY BUILT INTO THE TEST YEAR EXPENSES?

13       A.    Yes. AWW bid its lockbox service on a national basis in late 2000.  
14           The low bidder for all Southeast Region Companies was BB&T.  
15           The move to BB&T has resulted in a net savings of approximately  
16           \$89,000 annually that has already been reflected in the test year  
17           expenses.

18  
19   40.   Q.    WHY SHOULD THE COMMISSION APPROVE THE RATE  
20           MAKING TREATMENT REQUESTED FOR THE CALL  
21           CENTER?

22       A.    Tennessee-American is a relatively small company and simply  
23           does not have the customer base to provide the level of service  
24           that will be provided by the Consolidated Call Center on a stand-

1 alone basis. The level of service provided to the customers will be  
2 increased and this will be accomplished at a savings to the  
3 ratepayers. The availability of full customer service functions on  
4 a 24/7 basis and technological enhancements to benefit customer  
5 contact, payment options, and other customer contact functions  
6 are what the Company believes the customers demand and expect.  
7

8 41. Q. THE COMPANY MOVED ITS TRANSACTIONAL  
9 ACCOUNTING FUNCTIONS TO THE NATIONAL SHARED  
10 SERVICES CENTER LOCATED IN MARLTON, NEW  
11 JERSEY EFFECTIVE NOVEMBER, 2001. PLEASE  
12 DESCRIBE THIS MOVE AND ITS PURPOSE?

13 A. In 1999 and 2000 AWW undertook a review of its accounting  
14 functions to determine how it could improve its transactional  
15 accounting functions, take advantage of economies of scale where  
16 possible, and improve the uniformity of its software applications  
17 at the various operating subsidiaries. The Company had  
18 previously installed JD Edwards accounting software, but like its  
19 customer accounting and billing functions, local and regional MIS  
20 and programming had, in essence, created several different  
21 versions of the software. This created difficulties with  
22 consolidated accounting and multi-jurisdictional acquisition  
23 integrations. AWW determined that there were economies of  
24 scale savings, and operational efficiencies to be derived from

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 06-00290**  
**City of Chattanooga Discovery Request No. 1, 2, 13**

**SECOND SUPPLEMENTAL RESPONSE**

**Responsible Witness: Michael Miller**

**Supplemental Response to COC Questions 1, 2, and 13:**

Attached are schedules used in case number 03-00118 in support of the savings generated from the call center, the employees impacted by the transition at TAWC, and the customer service employees embedded in the historical test-year for that case, along with their salaries or hourly rates of pay. The attached schedules filed in that case were either exhibits to the testimony of Michael Miller, or in the workpapers filed with the case, and are a part of the public record in that case.

The Call Center Costs for 2004-2006 are as follows:

2004 - \$782,034

2005 - \$773,218

2006 - \$866,606

**Supplemental Response 2 to COC Questions 1, 2, and 13:**

Attached are additional workpapers and the testimony of Michael A. Miller regarding the customer call center which were filed in case number 03-0118.