

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

OTHER OFFICES

NASHVILLE MUSIC ROW
KNOXVILLE
MEMPHIS

February 22, 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 Third Supplemental Response to City of Chattanooga's First Discovery Requests dated January 22, 2007. This supplement includes responses to Question 16.

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 22, 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**

IN RE:

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

**TENNESSEE AMERICAN WATER COMPANY'S THIRD 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 third supplemental responses to the First Discovery Requests from the City of Chattanooga:

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

THIRD SUPPLEMENTAL RESPONSE

Responsible Witness: **Michael Miller**

Question:

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***.

Response:

Supplemental Response:

See the attached schedule which details affiliate charges by work order.

Supplemental Response 2:

The file attached includes all charges that were charged to capital investment of TAWC (Utility Plant accounts/Rate Base). The file provides a reference to the IP projects listed on the Supplemental Response to COC Data Request 1-Question 11 where applicable, reference to Normal Recurring Projects where applicable, a description of the charges and the method of allocation, and a description of the write-off the canceled STEP Projects (Business Efficiency Project – IP 26020401) which are not included in the Rate Base or Expenses of the Company requested for rate recovery in this case.

Tennessee American Water Co.
COC Data Rec **Question 16**
Supplement **Response 2**

Project Number	50073227	50089981	50112360	50115530	50061160	100010	100058	100059	100110	100111	100595	100563	100736	100147	100159	100122	100757	888888	999999
Year																			
Month																			
2005 Jan						2565	9040	0		3298				-24225	-19122			15324	4184
Feb						1331	-8365	6	248	1780				844	38378			4878	2320
Mar						1321	8108	41		729	225	125		607	-25636			-2	2545
Apr	320					1761	3513	122		1321	206	338		4319	5775			5212	3787
May						1591	3482	180		1369	308			1499	-1296			5195	4926
Jun						3289	8381	324		1813	1127	334		2032	27546			5087	7039
Jul	-320					1945	4462	609		1548	213		179	-28	365			6977	3414
Aug						943	5543	385		1452	249	384	1351	-1053	12725	6265		4788	3155
Sep						1053	5319	134		1252	204	521	810	930	-7187		-6830	6095	5338
Oct						1468	4393	57		1336	252	391	1011	-118	1659		31479	2974	595
Nov						912	5371	228		1391	238	260	1313	246	-4219		32563	3515	1338
Dec						1212	6873	229		68	165	130	1373	29142	17370		-6328	5461	2669
Total	0	0	0	0		19391	56120	2315	248	17357	3187	2483	6037	14195	46358	6265	50884	65504	41310
2006 Jan						991	-1531	405		2302	328	87	2473	0	-191		4403	929	2124
Feb						370	5182	50		1341	245	757	2210	40	235		122	7274	4266
Mar						229	5577	11		1436	292		4046		-816		969	4312	2499
Apr						184	1397	30		1544	319		3066		-813		-903	2453	1474
May						-146	1432	279		2002	396	361	3713		7		132	6158	6717
Jun		25				303	5770	67		1430	272	821	3936		70		6797	876	1701
Jul						293	3777	378		878	179	90	2562					3927	4502
Aug						264	3158	220		1356	183	90	2926					3660	3074
Sep																			
Oct			2156			-8	4381	86		1684	328	2150	4084					5637	5671
Nov			851	241		-22	4518	13		1340	250	2388	3511					4465	4462
Dec			3290		100	108	6121	106		1289	225	1942	2678					4456	3499
Total	0	25	9360	241	81	2713	44030	2105	0	17719	3227	10479	39120	40	-1508	0	11520	49936	45865
2007 Jan	0	0	454	0		149	5495	130	0	1014	190	0	4248					5321	2898
Grand Total	0	25	9814	241		22253	105645	4550	248	36090	6604	12962	49405	14235	44850	6265	62404	120761	90073

**COC-
Question 11
Reference**

N/A	Project 5007327 - Install 1 hydrant-Whithall Road - No charges capitalized from Service Co.
Normal Recurring-Budget Item 96	Project 50089981 - Painting North End Tank
Normal Recurring-Budget Item 94	Project 50112360 - Time & Labor Programming
Normal Recurring-Budget Item 93	Project 50115530 - TN Security
IP26020403	Project 50061160 - Security Replacement Program
All open WO's	Project 100010 - Corp. Capex Clearing - Corp. Engineering Charges, allocated to all open capital work orders each month
All open WO's	Project 100058 - SE Region Capex Clearing - Regional Engineering Charges, allocated to all open capital work orders each month
All open WO's	Project 100059 - SE Region Capex Clearing - Regional Engineering Charges, allocated to all open capital work orders each month
All open WO's	Project 100110 - SE Region Capex Clearing - Regional Engineering Charges, allocated to all open capital work orders each month
All open WO's	Project 100111 - Supply Chain Capex (procurement of capex materials) - Corp. Procurement Charges, allocated to all open capital work orders each month
All open WO's	Project 100595 - Supply Chain Capex (procurement of capex materials) - Corp. Procurement Charges, allocated to all open capital work orders each month
All open WO's	Project 100563 - TN Direct Charge Capex - AWWSC time charged to Capital Clearing - allocated to all open capital work orders each month
All open WO's	Project 100736 - Corp. Capex Regulated Companies - Corp. Engineering Charges, allocated to all open capital work order each month
IP26020401	Project 100147 - Step Tax/Fixed Assets Management System - Business Process Efficiency Project - Enhanced Utility Plant and Depreciation Accounting Software
IP26020401	Project 100159 - Step Service First - Business Process Efficiency Project - On-line, real time computers in service vehicles
IP26020401	Project 100122 - Voice Recognition - Business Process Efficiency Project - Installation of enhanced IVR equipment and software at Call Center
IP26020401	Project 100757 - Voice Recognition - Business Process Efficiency Project - Installation of enhanced IVR equipment and software at Call Center
various WO's	Project 888888 - Labor Benefit Overhead - Employee Benefit costs, follow the time charged to each capital project
various WO's	Project 999999 - General Overhead - General overhead costs, follow the time charge to each capital project

Note: Projects 100139, 100144, 100145, 100146, 100148, 100149, 100150, 100152, 100153, 100154, 100155, 100156, 100157, 100158, 100160, 100161, 100666, 100667, 100709, 100710, and 100768 were related to the STEP Project (IP26020401-Business Process Efficiency Project). This was an American Water Systemwide Project to replace billing and accounting software. The project numbers above (100147, 100159, 100122, and 100757) were part of the overall project, were completed and are in service and included in the rate base requested in this case. The remainder of the projects were originally charged to CWIP but not completed. Those projects have now been canceled. The charges were written off to expense in 2005 and 2006. As noted in response to the TRA data request 1 question 13, the work papers detail the elimination of this write off in the amount of \$351,832 on page TN-TRA-01-Q013-Misc Expenses Page 4 of 8. This amount was eliminated from account 6758 miscellaneous office expense. This was also referenced on page 13 of the testimony of Sheila Miller. Those one-time write-offs were eliminated from both the rate base and O&M expenses in both the historical test-year and attrition year filed in this case and no rate recovery is being requested for those items.

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 was prepared by me or under my supervision and
are true and accurate to the best of my knowledge and information.

DATED this 22 day of February, 2007.

Michael A. Miller
(signature)

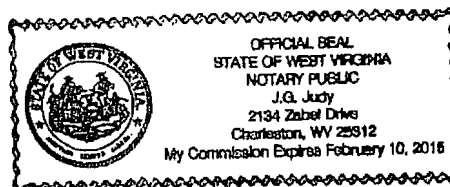
Michael A. Miller
(printed name)

Sworn to and subscribed before me this 22nd day of February, 2007.

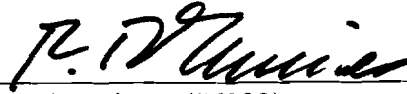
J. G. Judy
NOTARY PUBLIC

My Commission Expires:

February 10, 2015



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 Third Supplemental Responses to City of Chattanooga's First Discovery Requests* has been served via the method(s) indicated, on this the 22nd 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, Connors & 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 th Floor
<input checked="" type="checkbox"/> Overnight	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Email	