

**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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**SECOND 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.

## **SECOND DISCOVERY REQUESTS**

1. Provide the billing determinates in the format as shown on Exhibit No. 4 Schedule 2 for the normalized 12 months ended December 31, 2005 and the normalized 12 months ended December 31, 2006. (These amounts should reconcile to the total revenue amounts previously provided). Also, provide all documentation supporting any normalization adjustments for these test periods.

**RESPONSE:**

2. Provide the amount of Goodwill impairment charges allocated, directly charged, or booked to Tennessee American for the twelve months ended October 31, 2006 and the twelve months ended December 31, 2006 by month, by JDE Account. Also, provide the amount of forecasted Goodwill impairment charges for Tennessee American for the attrition year.

**RESPONSE:**

3. Provide a narrative for the accounting of Goodwill impairment as disclosed in Footnote 16 of the PricewaterhouseCoopers LLP audit report of Thames Water Aqua US Holdings, Inc. and Subsidiary Companies dated January 11, 2007. Specifically, document who pays for the costs of Goodwill impairment as “recorded in Impairment charges in the Company’s statement of operations.”

**RESPONSE:**

4. Provide all E-CIS amounts for the Alton, Illinois Call Center allocated to Tennessee American’s books by account (Gross and Net Book Value) as of December 31, 2006.

**RESPONSE:**

5. Provide the total E-CIS investment amount for the Alton, Illinois Call Center, a historical narrative for the origination of the E-CIS investment amounts and the basis for allocating the amounts to Tennessee American Water Company.

**RESPONSE:**

6. Provide the total operating expenses allocated by JDE account to Tennessee American for the Alton, Illinois Call Center for the last three years ended December 31, 2006. Include in your response detailed documentation and the basis for allocating the costs.

**RESPONSE:**

7. Provide the total operating expenses subject to allocation for the Alton, Illinois Call Center for the last three years ended December 31, 2006.

**RESPONSE:**

8. Provide the amounts as shown on Exhibit No. 2 Schedule 2 for the 12 months ended December 31, 2005 and December 31, 2006 in the same format. These amounts should tie to the TRA 3.06 Surveillance Reports. Provide all documentation supporting any normalization adjustments for these test periods.

**RESPONSE:**

9. Provide the amounts on the TRA 3.06 Surveillance Reports for October 2006, November, 2006 and December 2006 for Operations and Maintenance Expense by JDE Account, which are out of period, non-recurring, or should be normalized.

**RESPONSE:**

10. Provide a detailed reconciliation book to taxable income of Deferred Federal Income Tax Expense for the test year ended June 30, 2006 amount of \$894,154 per Exhibit No.2, Schedule 6. Include in your response detailed work papers of all temporary differences generating the Deferred Federal Income Tax Expense. Also, show any prior year adjustments for book to tax reconciliation, for example \$209,202 per the response to TRA Discovery Request #49, Page 1 of 2.

**RESPONSE:**

11. Provide a detailed reconciliation book to taxable income of Deferred Federal Income Tax Expense for the attrition year ended February 28, 2008 amount of \$993,613 per Exhibit No.2, Schedule 6. Include in your response detailed work papers of all temporary differences generating the Deferred Federal Income Tax Expense. Also, show any prior year adjustments for book to tax reconciliation.

**RESPONSE:**



12. Provide a detailed reconciliation book to taxable income of Deferred State Income Tax Expense for the test year ended June 30, 2006 amount of \$231,004 per Exhibit No.2, Schedule 6. Include in your response detailed work papers of all temporary differences generating the Deferred Federal Income Tax Expense. Also, show any prior year adjustments for book to tax reconciliation.

**RESPONSE:**

13. Provide a detailed reconciliation book to taxable income of Deferred Federal Income Tax Expense for the attrition year ended February 28, 2008 amount of \$231,004 per Exhibit No.2, Schedule 6. Include in your response detailed work papers of all temporary differences generating the Deferred Federal Income Tax Expense. Also, show any prior year adjustments for book to tax reconciliation.

**RESPONSE:**

14. Provide a detailed reconciliation of the effective Federal Tax Rate of 50.34%<sup>1</sup> to the Federal Statutory Tax Rate of 35% for the attrition year at present rates. Refer to Note 7 of the PricewaterhouseCoopers LLP audit report of Thames Water Aqua US Holdings, Inc. and

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<sup>1</sup>Sum of Lines 1, 5, and 9 of Exhibit 2, Schedule 6, Page 1 of 2 totaling \$1,264,212 divided by Line 28 of Exhibit 2, Schedule 6, Page 2 of 2 amount of \$2,511,394.

Subsidiary Companies dated January 11, 2007 for format purposes.

**RESPONSE:**

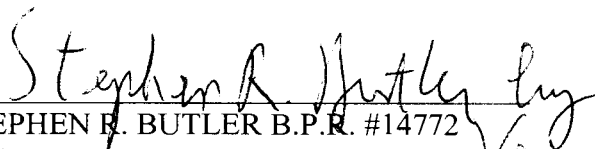
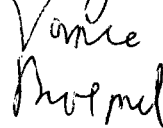
15. Provide a detailed reconciliation of the effective State Tax Rate of 10.74%<sup>2</sup> to the State Statutory Tax Rate of 6.5% for the attrition year at present rates.

**RESPONSE:**

16. Provide a detailed explanation of the variances in Other Operating Revenues for Activity/New Service Fees and Late Payment Penalty from normalized 2005 to normalized 2006.

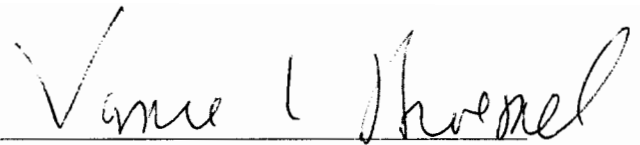
**RESPONSE:**

RESPECTFULLY SUBMITTED,

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


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<sup>2</sup>Sum of Lines 3 and 7 of Exhibit 2, Schedule 6, Page 1 of 2 totaling \$269,706 divided by Line 28 of Exhibit 2, Schedule 6, Page 2 of 2 amount of \$2,511,394.



VANCE L. BROEMEL B.P.R. # 11421

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

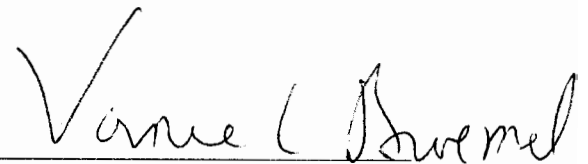
David C. Higney  
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633 Chestnut Street  
Chattanooga, TN 37450-0900

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801 Broad Street, Suite 400  
Chattanooga, TN 37450-0900

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

on this the 14<sup>th</sup> day of March, 2007.



Vance Broemel

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