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March 19, 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 sixteen (16) copies of Tennessee American Water Company's Objections to Second Discovery Requests by the City of Chattanooga.

Please return three copies of the Response, 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 by permission
R. Dale Grimes
Adm. at C

RDG/ms
Enclosures

Chairman Sara Kyle

March 19, 2007

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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 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

**TENNESSEE AMERICAN WATER COMPANY’S OBJECTIONS TO SECOND
DISCOVERY REQUESTS BY THE CITY OF CHATTANOOGA**

Tennessee American Water Company (“TAWC”) makes the following objections to the City of Chattanooga’s Second Discovery Requests:

GENERAL OBJECTIONS

(1) TAWC objects to all requests that seek information protected by the attorney-client privilege, the work product doctrine and/or any other applicable privilege or restriction on disclosure.

(2) TAWC objects to the definitions and instructions accompanying requests to the extent definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations or orders of the Tennessee Regulatory Authority.

(3) TAWC objects to the definitions of the words “Document,” “Explain,” “Communication,” “Parent or Affiliate,” and “Identify” that accompany the data requests because such definitions are overbroad and unduly burdensome.

(4) The specific objections set forth below are based upon information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections.

(5) TAWC is providing its objections herein without waiver of, or prejudice to, its right at any later time to raise objections to: (a) the competence, relevance, materiality, privilege, or admissibility of the response, or the subject matter thereof; and (b) the use of any response, or subject matter thereof, in any subsequent proceedings.

(6) TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

(7) TAWC objects to each request to the extent it is premature such that it seeks information concerning matters about which discovery is ongoing and/or seeks information to be provided by expert witnesses.

(8) TAWC objects to request to the extent it seeks information outside TAWC's custody or control.

(9) TAWC's specific objections to each request are in addition to the General Objections set forth in this section. These General Objections form a part of each discovery response, and they are set forth here to avoid the duplication and repetition of restating them for each discovery response. The absence of a referenced to a General Objection in response to a particular request does not constitute a waiver of any General Objection with respect to that discovery request. All responses are made subject to and without waiver of TAWC's general and specific objections.

(10) TAWC objects to the City of Chattanooga's second discovery requests in

their entirety on the grounds that the second round of discovery of which these requests purport to be a part was intended solely as an opportunity for TAWC to seek information from the intervenors in this matter.

(11) TAWC objects to the use and definition of the term “Native Format” as unduly burdensome. Production of the requested information in native format would require TAWC produce complex proprietary software packages, including the JD Edwards software package used for all accounting functions within AWWC. TAWC will produce all electronic information and documents in a reasonably searchable format.

Specific Objections

1. Provide copies of all monthly, quarterly, and annual period income statements, or other *Documents* reporting income and expenses for such periods, for AWWSC, AWCC, and ACS for the periods since January, 2001. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the ground that it is overly broad, unduly burdensome and seeks information not in the possession of TAWC.

2. Provide copies of all monthly, quarterly, and annual period balance sheets, or other *Documents* reporting assets and liabilities for such periods, for AWWSC, AWCC, and ACS for the periods since January, 2001. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on

the ground that it is overly broad, unduly burdensome and seeks information not in the possession of TAWC.

3. Provide copies of all monthly, quarterly, and annual period statements of sources and uses of cash, or other *Documents* reporting sources and uses of cash for such periods, for AWWSC, AWCC, and ACS for the periods since January, 2001. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the ground that it is overly broad, unduly burdensome, and seeks information not in the possession of TAWC.

4. For each month, quarter, and annual period since January, 2001, state the income contributed to AWWC by each of the following entities: AWWSC, AWCC, and ACS. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the ground that it is overly broad, unduly burdensome, and seeks information not in the possession of TAWC.

5. For each month, quarter, and annual period since January, 2001, state all financial transfers to AWWC by each of the following entities: AWWSC, AWCC, and ACS. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the ground that it seeks discovery of information that is irrelevant to this rate case and unlikely to lead to discovery of relevant information.

6. Identify all ***Documents, Communications*** or other items of information withheld based upon objections asserted in your responses to Chattanooga's First Discovery Requests, stating as to each ***Document, Communication***, or other item of information the definition or instruction upon which you relied in withholding it.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is unduly burdensome, overly broad, and requests information and materials that are protected by Attorney / Client privilege, constitute work product prepared in anticipation of litigation, are not in the possession of TAWC, and are irrelevant to this rate case and unlikely to lead to discovery of relevant information. Further, TAWC reiterates the objections under which it originally withheld this information and material. TAWC objects on the grounds that this request attempts to re-open requests previously resolved by the Hearing Officer and seeks information and materials that the Hearing Officer has previously held are not discoverable. TAWC notes that the objections previously asserted have been resolved by the parties and the Hearing Officer.

7. Provide all ***Documents*** identified in the previous request. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on

the grounds that it is unduly burdensome, overly broad, and requests information and materials that are protected by Attorney / Client privilege, constitute work product prepared in anticipation of litigation, are not in the possession of TAWC, and are irrelevant to this rate case and unlikely to lead to discovery of relevant information. Further, TAWC reiterates the objections under which it originally withheld this information and material. TAWC objects on the grounds this request attempts to re-open requests previously resolved by the Hearing Officer and seeks information and materials that the Hearing Officer has previously held are not discoverable. TAWC notes that the objections previously asserted have been resolved by the parties and the Hearing Officer.

8. For each annual period since January, 2001, provide a complete description and the total amount of each item of expense included in the (a) Labor Benefits Overhead and (b) General Overhead reported in “TN-COC-01-Q18&Q19 supplemental attachment 3.xls”. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome, and seeks information and materials that are not in the possession of TAWC.

9. For each individual employee listed in “Static Summaries with employee rates – CONFIDENTIAL.xls”, describe how time charged to TAWC was calculated, stating for each time entry whether the time charged was based on actual time entered on time sheets or was based on something other than actual time, and, if entered on some basis other than actual time, describe that other basis for each such employee time entry reflected on the referenced

spreadsheet. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

10. Provide all timesheets or other ***Documents*** reflecting original time entries for each employee identified in “Static Summaries with employee rates – CONFIDENTIAL.xls”. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

11. For each employee listed in “Static Summaries with employee rates – CONFIDENTIAL.xls”, and for each month reported in that spreadsheet, provide a complete description and the total amount of each item of expense included in the overhead applied to the employee’s direct personnel cost. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

12. ***Explain*** fully the differences from month to month in the overhead percentages applied to direct personnel costs reported in “Static Summaries with employee rates – CONFIDENTIAL.xls”. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

13. Admit that the unredacted portions of the document attached as Exhibit A are true and correct copies of excerpts of the minutes of the September 16, 2005, November 4, 2005, and February 21, 2006 meetings of the Supervisory Board of ***RWE***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC asserts no objection to this request other than those general objections and other objections previously asserted and reserved as applicable to this request

14. Identify by full name and title during the period of September, 2005 through February, 2006, the individual identified as “Mr. Roels” in the Supervisory Board minutes attached as Exhibit A.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC asserts no objection to this request other than those general objections and other objections previously asserted and reserved as applicable to this request.

15. ***Explain*** in detail the constituents of and justification for the “Gross Revenue Deficiency Factor” used on Exhibit 1, Schedule 1 to the TAWC Petition and provide all ***Documents*** supporting its calculation. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC asserts no objection to this request other than those general objections and other objections previously asserted and reserved as applicable to this request.

16. ***Explain*** in detail the nature and justification of each expense entry in the column headed “Expenses” in the billing statements contained in “TN-COC-01-Q18&Q19 Supplemental SCB2004.pdf” and “TN-COC-01-Q18&Q19 Supplemental SCB2005.pdf”. If any individual entry reflects the total of more than one expense, state the nature and justification of each expense included in the line item total. If electronic copies of ***Documents*** responsive to this request exist, provide all such ***Documents*** in ***native format***.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

17. Provide all ***Documents*** referring to, relating to, recording, or reporting each expense included in the column headed “Expenses” in the billing statements contained in “TN-COC-01-Q18&Q19 Supplemental SCB2004.pdf” and “TN-COC-01-Q18&Q19 Supplemental SCB2005.pdf”. If any individual entry reflects the total of more than one expense, provide all ***Documents*** referring to, relating to, recording, or reporting each expense included in the line

item total. If electronic copies of **Documents** responsive to this request exist, provide all such **Documents** in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC.

18. For each expense included in the column headed “Expenses” in the billing statements contained in “TN-COC-01-Q18&Q19 Supplemental SCB2004.pdf” and “TN-COC-01-Q18&Q19 Supplemental SCB2005.pdf”, **identify** the specific service in Article 1 of the 1989 Agreement identified as “TN-TRA-01-Q032-ATTACHMENT.pdf” which was purchased or financed by the expense. If any expense entry did not purchase or finance a specific service identified in Article 1 of the 1989 Agreement identified as “TN-TRA-01-Q032-ATTACHMENT.pdf”, state the detailed purpose of the expense, and provide a copy of the agreement between TAWC and AWWSC that authorized the expense. If electronic copies of **Documents** responsive to this request exist, provide all such **Documents** in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC. TAWC notes that the records requested would encompass approximately 1200 employees and over 500 distinct task descriptions. TAWC objects that production of this volume and specificity of information would be impossible in any reasonable time frame.

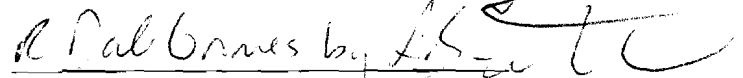
19. For each employee time entry listed in “Static Summaries with employee rates – CONFIDENTIAL.xls”, *identify* the task or service completed by such employee.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC. TAWC notes that the records requested would encompass approximately 1200 employees and over 500 distinct task descriptions. TAWC objects that production of this volume and specificity of information would be impossible in any reasonable time frame.

20. For each employee time entry listed in “Static Summaries with employee rates – CONFIDENTIAL.xls”, *identify* the specific service in Article 1 of the 1989 Agreement identified as “TN-TRA-01-Q032-ATTACHMENT.pdf” that was provided by the employee. If any employee time entry did not fulfill a specific service identified in Article 1 of the 1989 Agreement identified as “TN-TRA-01-Q032-ATTACHMENT.pdf”, provide a copy of the agreement between TAWC and AWWSC that authorized the work. If electronic copies of *Documents* responsive to this request exist, provide all such *Documents* in *native format*.

RESPONSE: TAWC reiterates and adopts its general objections and other objections previously asserted and reserved as applicable to this request. TAWC objects to this request on the grounds that it is cumulative, overly broad, unduly burdensome and seeks information and materials that are not in the possession of TAWC. TAWC notes that the records requested would encompass approximately 1200 employees and over 500 distinct task descriptions. TAWC objects that production of this volume and specificity of information would be impossible in any reasonable time frame.

Respectfully submitted,



R. Dale Grimes (#006223)

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Counsel for Petitioner

Tennessee American Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 19th day of March, 2007, upon the following:

<input type="checkbox"/> Hand	Michael A. McMahan
<input type="checkbox"/> 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 checked="" type="checkbox"/> Hand	Timothy C. Phillips, Esq.
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