

IN 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)	DOCKET NO. 06-00290
EARN A FAIR AND ADEQUATE RATE)	
OF RETURN ON ITS PROPERTY USED)	
AND USEFUL IN FURNISHING WATER)	
SERVICE TO ITS CUSTOMERS)	

**CONSUMER ADVOCATE AND PROTECTION DIVISION'S OBJECTIONS TO
TENNESSEE AMERICAN WATER COMPANY'S DISCOVERY REQUESTS TO
CONSUMER ADVOCATE AND PROTECTION DIVISION OF THE
ATTORNEY GENERAL FOR THE STATE OF TENNESSEE**

The Office of the Tennessee Attorney General, by and through the Consumer Advocate and Protection Division, hereby submits its objections to Tennessee American Water Company's Discovery Requests to Consumer Advocate and Protection Division of the Attorney General for the State of Tennessee.

I. GENERAL OBJECTIONS

A. The Consumer Advocate objects to the definitions and instructions contained in the data requests to the extent that the definitions and instructions attempt to impose on the Consumer Advocate a burden or obligation greater than that required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

B. The Consumer Advocate objects to the data requests to the extent they call for information and the production of documents which are protected from disclosure by the attorney-client privilege, the common interest privilege, the work product doctrine or any other applicable privilege or protection. In particular, the Consumer Advocate objects to requests

seeking its legal research related to pertinent statutes, rules, orders and case law. The Consumer Advocate objects to the data requests to the extent that the Company is attempting to impose on the Consumer Advocate obligations with regard to identification of privileged documents beyond those required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

C. The Consumer Advocate objects to the Company's data requests to the extent they seek information relating to matters not at issue in this litigation or to the extent they are not reasonably calculated to lead to the discovery of admissible evidence. By providing information in response to these requests, the Consumer Advocate does not concede that such information is relevant, material or admissible in evidence. The Consumer Advocate reserves all rights to object to the use of such information as evidence.

D. The Consumer Advocate objects to the Company's data requests to the extent that the Company is attempting to require the Consumer Advocate to provide information and produce documents beyond those in its possession, custody or control as that phrase is used in the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

E. The Consumer Advocate objects to the Company's data requests to the extent they seek information and documents that are readily available through public sources or are in the Company's own possession, custody or control. It is unduly burdensome and oppressive to require the Consumer Advocate to respond or produce documents that are equally available to the Company.

F. The Consumer Advocate's objections and responses to these requests are based on information now known to it. The Consumer Advocate reserves the right to amend, modify or supplement its objections and responses if it learns of new information.

G. The Consumer Advocate's objections and responses to these requests are made without waiving or intending to waive the right to object to the use of any information provided in this response in any subsequent proceeding or trial of this or any other action. The Consumer Advocate's responses to these requests are also not a waiver of any of the foregoing objections or any objections it has made or may make with respect to any similar, related, or future data request, and the Consumer Advocate specifically reserves the right to interpose any objection to further requests notwithstanding any response or lack of objection made in this response.

H. The Consumer Advocate objects to any request seeking all documents reviewed by its witnesses over an undefined time period. Such a request is ambiguous, overly broad, burdensome and is not likely to lead to the discovery of admissible evidence.

I. The Consumer Advocate expressly incorporates these general objections into its objections and responses to discovery in this matter.

II. OBJECTIONS BY REQUEST NUMBER

DISCOVERY REQUEST NO. 1:

State each fact that you rely on to support your contention(s), position(s) or belief(s) that any of the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 06-00290 should not be approved by the Tennessee Regulatory Authority ("TRA").

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is

overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 2:

Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Interrogatory number one (1) above.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may

encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 3:

Identify each document, photograph, or any other article or thing whatsoever, which you rely on to corroborate any part of your contention(s), position(s) or belief(s) that any of the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 06-00290 should not be approved, whether as to the issues of credibility or any other issue, or which is adverse to these same contention(s), position(s) or belief(s).

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them,

the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 4:

With respect to each person you expect to call as a witness, including any expert witness, regarding this matter, state or provide:

- a. the witness's full name and work address;

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

- b. each subject matter about which such witness is expected to testify;

OBJECTION:

See Objection to 4(a).

- c. the substance of the facts and opinions to which any expert is expected to testify;

OBJECTION: See Objection to 4(a).

d. a summary of the grounds or basis of each opinion to which any such expert witness is expected to testify;

OBJECTION: See Objection to 4(a).

e. whether or not the expert has prepared a report, letter or memorandum of his findings, conclusions, or opinions;

OBJECTION: See Objection to 4(a).

f. the witness's complete background information, including current employer, educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations made in whole or in part by the witness;

OBJECTION: See Objection to 4(a).

g. an identification of any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;

OBJECTION: See Objection to 4(a).

h. the identity of any person with whom the witness consulted or otherwise communicated in connection with his expected testimony;

OBJECTION: See Objection to 4(a).

i. the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

OBJECTION: See Objection to 4(a).

j. the identity of all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and

OBJECTION: See Objection to 4(a).

k. the identity of any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

OBJECTION: See Objection to 4(a).

DISCOVERY REQUEST NO. 5:

Provide any and all documents identified or specified in your answers or responses to discovery requests served upon you in this matter.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work

Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 6:

Provide any and all documents and things relied upon by any CAPD witness in providing testimony in this matter.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 7:

Provide any and all expert reports which have been obtained from any expert.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence.

Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 8:

Provide each document, photograph, or any other article or thing whatsoever, upon which you rely in support of your contention(s), position(s) or belief(s) that any of the request(s) for relief, including any increase in rates, made by TAWC in TRA Docket No. 06-00290 should not be approved.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may

encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 9:

Provide in electronic media (Word, Excel, or other Microsoft Office compatible format) and in hard copy all workpapers and other documents, generated by or relied upon by all CAPD witnesses.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 10:

Please produce a copy of all trade articles, journals, treatises and publications of any kind in any way utilized or relied upon by any of CAPD's proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in the captioned matter.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 11:

Please produce a copy of all articles, journals, books or speeches written by or co-written by any of CAPD's expert witnesses, whether published or not.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 12:

Please produce any and all documentation, items, reports, data, communications, and evidence of any kind that CAPD intends to offer as evidence at the hearing or to refer to in any way at the hearing.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Furthermore, disclosure of material to be used in cross-examination of witnesses would reveal attorney work product and, therefore, is objectionable.

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 13:

Please produce copies of any and all documents referred to or relied upon in responding to these discovery requests.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work

Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 14:

Please identify each person who provided information or participated in the preparation of the responses to each of these discovery requests, and for each such person specify the responses to which he or she provided information or participated in preparing, and describe the information provided or the participation in preparation.

OBJECTION: The Consumer Advocate objects to this request on the grounds that it is overly broad, unduly burdensome, and unlikely to lead to the discovery of admissible evidence. Furthermore, this request may seek the production of documents that are protected by the Work Product Doctrine.

The overall breadth of the request constitutes an undue burden upon the Consumer Advocate. The Consumer Advocate does not track or maintain copies of all documents that its witnesses create or review in connection with this matter. Additionally, this request may encompass documents created or assembled by or on behalf of the Consumer Advocate's

attorneys in anticipation of litigation, which are protected from disclosure under the Work Product Doctrine. Tenn. R. Civ. P. 26.02(3).

Consistent with these objections and the General Objections, and without waiving them, the Consumer Advocate will respond to this request.

DISCOVERY REQUEST NO. 15: Reference p.10, lines 10-12.

“Mr. Miller warned all parties that if AWW became a public company, it would, at its discretion, deplete TAWC’s equity.”

Questions:

- a. In what way does Dr. Brown believe that AWW would “deplete TAWC’s equity?”
- b. What does Dr. Brown believe would be AWW’s incentive to deplete TAWC’s equity?

RESPONSE: No objection.

DISCOVERY REQUEST NO. 16: Reference p.11, lines 27-36

Also, AWW’s equity ratios were well below the equity ratios of most other publicly-traded water companies. These facts are presented in my Schedules 1, 2 and 3. Furthermore, I provided direct testimony in TRA Dockets Nos. 03-00118 and 04-00288 regarding the equity ratio of TAWC’s ultimate owner, RWE. At the time, RWE’s equity ratios were about 11% and 27%.

Questions:

- a. The testimony claims that “RWE’s equity ratios were about 11% and 27%.” Are those book value or market value capital structure ratios?

- b. If book value ratios, please confirm that the accounting books are not based upon U.S. Generally Accepted Accounting Procedures (GAAP).

Docket 06-00290

- c. Please specify the accounting standards relied upon.
- d. If the answer to part b) is confirmed, how does the difference in accounting procedures affect the reported equity percentages in the capital structure?

RESPONSE: No objection.

DISCOVERY REQUEST NO. 17: Reference p. 12, lines 11-17.

In addition, my opinion is that AWW's post-IPO capital structure, whatever level it may be initially, will not be sustainable without additional rounds of rate cases for the subsidiary, despite TAWC having filed rate cases 2003, 2004, and November 2006.

Questions:

- a) In what way is the capital structure of TAWC "not sustainable without additional rounds of rate cases?"
- b) Please explain fully why the capital structure percentages of debt and equity in TAWC capital structure would necessarily change because of a future rate case.

RESPONSE: No objection.

DISCOVERY REQUEST NO. 18: Reference p. 12, lines 25-28.

At page 18 he notes that AWW will have to provide \$1.75 billion to redeem AWW's preferred stock held by an RWE affiliate.

Questions:

- a) If investors know that AWW will have “to redeem \$1.75 billion of AWW’s preferred stock held by an RWE affiliate”, why wouldn’t investors in AWW’s IPO pay RWE \$1.75 *less* for the IPO than if the preferred were redeemed prior to the IPO? Please explain fully

Docket 06-00290

- b) Does Dr. Brown agree that the book value of AWW’s common stock after the IPO will equal the book value of AWW’s assets minus the book value of debt and preferred allocated to AWW? If not, please explain fully.

RESPONSE: No objection.

DISCOVERY REQUEST NO. 19: Reference p. 21, lines 16-18.

“...but in 2007 Dr. Vilbert’s respective estimates are 6.5% and 13%”

Questions:

- a) Please confirm that the 6.5% referenced in the citation is Dr. Vilbert’s estimate of the long-term market risk premium? If not confirmed, please explain fully why not.
- b) Please confirm that the 13% referenced in the citation is the expected return on the market.
- c) Please confirm that Dr. Vilbert used an estimate of 5.0% for the long-term risk-free rate. If not confirmed, please explain fully why

not.

- d) Please confirm that using the 5.0% risk-free rate with a 6.5% MRP results in an estimate of 11.5% for the market, not the 13% in the citation. If not confirmed, please explain fully why not.

RESPONSE: No objection.

DISCOVERY REQUEST NO. 20: Reference p. 27, lines 16-18.

Docket 06-00290

In addition, for seven out of eight companies, price growth from 2003 to 2007 was much larger than the price growth from 2000 to 2003.

Questions:

- a) What was the return on the S&P 500 during 2000 to May 2003 compared to May 2003 to December 2006?
- b) Given the return differences on the market, wouldn't Dr. Brown expect the prices of the water companies to grow more rapidly in the latter period? If not, please explain fully why not.

RESPONSE: No objection.

DISCOVERY REQUEST NO. 21: Reference p. 30 lines 25-27.

I use historical growth rates, and I shed light on the effect of the tax cut.

Questions:

Please provide all references on which Dr. Brown relies that

documents the superiority of using historical dividend growth rates over use of analysts' forecasts of growth rates in the DCF model.

RESPONSE: No objection.

DISCOVERY REQUEST NO. 22: Reference p. 33, lines 29-33.

The former Chairman of the Federal Reserve Board singled out I/B/E/S as a data source of exaggeration. The NYSE NAD joint report says that conflicts of-interest still exist.

Questions:

Docket 06-00290

- a) Please provide a citation to the publication quoting the Chairman of the Federal Reserve Board.
- b) Please confirm that I/B/E/S serves as a collection and distribution source for stock analysts' forecasts. If Dr. Brown cannot confirm, please explain fully why not.
- c) Given that I/B/E/S merely collects the forecasts of analysts, please specify how I/B/E/S is a "source of exaggeration"?

RESPONSE: No objection.

DISCOVERY REQUEST NO. 23: Reference p. 35, lines 14-16.

In a FERC docket where he testified as a witness Dr. Vilbert relied on the DCF model.

Questions:

- a) Has Dr. Brown ever testified before the FERC on the cost of

capital?

- b) If so, please provide citations to all such proceedings.
- c) Please provide a copy of Dr. Brown's testimony in the three most recent proceedings before the FERC.

RESPONSE: No objection.

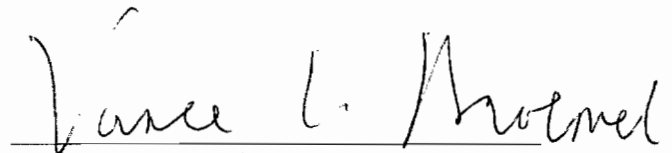
DISCOVERY REQUEST NO. 24: Reference p. 17.

Questions: Please provide any and all the back-up material referenced including the sources for

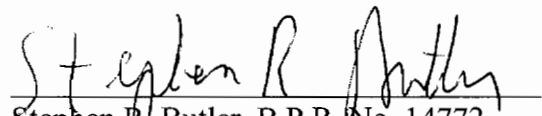
- a) Bank of America's ROE of 8.5% in October of 2006.
- b) Roger Ibbotson's ROE of 9.0% in October of 2006.
- c) Vanguard Group's ROE of 8.0% in May of 2006.

RESPONSE: No objection.

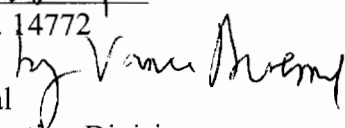
Respectfully submitted,



Vance L. Broemel, B.P.R. No. 11421
Assistant Attorney General



Stephen R. Butler, B.P.R. No. 14772
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division



P.O. Box 20207
Nashville, TN 37202
(615) 741-8733

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
Grant, Konvalinka & Harrison, P.C.
Ninth Floor, Republic Centre
633 Chestnutt Street
Chattanooga, TN 37450-0900

Henry Walker
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, Tennessee 37203

Michael A. McMahan
Special Counsel - City of Chattanooga
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 19th day of March, 2007.

Vance Broemel
Vance Broemel

105276