

**Before the**

**TENNESSEE REGULATORY AUTHORITY**

**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**

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**SUPPLEMENTAL  
DIRECT TESTIMONY  
OF  
TERRY BUCKNER**

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**April 3, 2007**

1   **Q.     Please state your name for the record.**

2   A.           My name is Terry Buckner.

3

4   **Q.     By whom are you employed and what is your position?**

5   A.           I am employed by the Consumer Advocate and Protection  
6                Division (“CAPD”) in the Office of the Attorney General for the state  
7                of Tennessee (“Office”) as a Regulatory Analyst.

8

9   **Q.     What is the purpose of your supplemental testimony?**

10  A.           The purpose of my supplemental testimony is to represent the  
11               revised forecasted financial exhibits prepared by the CAPD (“Revised  
12               Exhibit CAPD-RTB”) and provide certain revised work papers  
13               (“Revised Exhibit CAPD Workpapers”) for forecasted Operation and  
14               Maintenance expenses, forecasted Depreciation Expense, forecasted  
15               Taxes Other Than Income, and forecasted Income Taxes, and  
16               forecasted Rate Base for Tennessee American Water Company  
17               (“TAWC”) for the attrition year ending February 28, 2008.

18

19  **Q.     Why is the supplemental testimony necessary?**

20  A.           The supplemental testimony is necessary for three reasons: (1)  
21               the CAPD received responses to their second round of discovery on  
22               Friday, March 30, 2007. Therefore, the representations made by

1 TAWC in those responses need to be addressed; (2) the CAPD's  
2 investigation has been on going and the TRA should be fully  
3 informed on all relevant matters for this docket; and (3) the CAPD is  
4 addressing corrections based on informal discussions with TAWC.  
5

6 **Q. Please summarize the results of the revised CAPD forecast of**  
7 **TAWC's earnings for the attrition year.**

8 A. The CAPD forecast of TAWC's earnings for the attrition year  
9 results in a recommended decrease in rates of at least \$2,062,924<sup>1</sup>.  
10 The CAPD forecast is based on an overall rate of return of 6.50%<sup>2</sup> as  
11 recommended by CAPD economist, Dr. Steve Brown.  
12

13 **Q. What are the significant changes in the revised CAPD forecast?**

14 A. The significant changes in the revised CAPD forecast are: (1) a  
15 slight reduction in Rate Base; (2) \$1,056,344 in lower Depreciation  
16 Expense; and (3) an increase in forecasted revenues of \$279,669.  
17  
18  
19  
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<sup>1</sup>REVISED Exhibit CAPD-RTB, Schedule 1, Line 8.

<sup>2</sup>REVISED Exhibit CAPD-RTB, Schedule 9, Line 11.

1 **RATE BASE:**

2 **Q. Please explain the changes in the calculation of the CAPD's Rate**  
3 **Base.**

4 A. In 1996, the Company began a new initiative in customizing,  
5 implementing, and integrating a new Customer Information System  
6 ("E-CIS").<sup>3</sup> The Company states, "The initiative was started with the  
7 expectation that AWW would have sufficient internal resources and  
8 technical expertise....but AWW realized it did not have the internal  
9 resources or expertise necessary to successfully complete the E-CIS  
10 configuration and installation on its own."<sup>4</sup> The initial estimated total  
11 cost of the E-CIS was \$7.3 million.<sup>5</sup> As of December 31, 2006, the E-  
12 CIS system serving American Water subsidiaries is \$73,741,278.<sup>6</sup> In  
13 Cause No 42520, the Indiana Utility Regulatory Commission  
14 ("IURC") found the E-CIS to be "an imprudent decision."<sup>7</sup> As a  
15 consequence, the IURC allowed only Indiana Water's share of the  
16 original estimated total cost of the E-CIS. Further, the Court of

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<sup>3</sup>TAWC response to CAPD Second Set of Discovery, Question 5.

<sup>4</sup>Ibid.

<sup>5</sup>Indiana Utility Regulatory Commission, Cause No. 42520, Order dated November 18, 2004, Page 146.

<sup>6</sup>TAWC response to CAPD Second Set of Discovery, Question 5.

<sup>7</sup>Indiana Utility Regulatory Commission, Cause No. 42520, Order dated November 18, 2004, Page 149.

1 Appeals of Indiana affirmed the IURC's decision dated March 10,  
2 2006.<sup>8</sup>

3 Therefore, the CAPD submits that the TRA find that the E-CIS  
4 was an imprudent business decision as well. Consequently, TAWC's  
5 rate base for E-CIS of \$1,490,980<sup>9</sup> should be reduced to \$147,682,  
6 which is Tennessee's share of the original E-CIS estimated cost.<sup>10</sup>

7 A second change in the rate base is the elimination of the  
8 Unamortized Investment Tax Credit balance of \$1,141,720.<sup>11</sup> This  
9 will bring the forecast in conformity with Option 2 of the Internal  
10 Revenue Code.<sup>12</sup>

11 The third change is to update the Construction Work in  
12 Progress to the December 31, 2006 amount of \$1,580,421.<sup>13</sup> This  
13 date will mirror the starting point for the CAPD's forecast of Plant in  
14 Service with forecasted additions and retirements through the attrition  
15 year.

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<sup>8</sup>*Indiana-American Water Co., Inc. v. Indiana Office of Utility Consumer*, 844 N.E.2d 106, (Ind.Ct.App.2006).

<sup>9</sup>TAWC response to CAPD Second Set of Discovery, Question 4.

<sup>10</sup>\$7.3 million/\$73.7 million times net December 31, 2006 Tennessee E-CIS of \$1.5 million.

<sup>11</sup>Exhibit CAPD-RTB, Schedule 2, Line 13.

<sup>12</sup>*IRC Section 46(f), Accounting for Public Utilities*, Hahne & Aliff, § 4.04. [10] Investment Tax Credits.

<sup>13</sup>TRA 3.06 December 2006 Surveillance Report, Line 22, Column (h).

1 **Q. Please explain your corrections to Salaries and Wages.**

2 A. The CAPD has made corrections to one salaried employee<sup>14</sup>  
3 and one non-union employee.<sup>15</sup> The non-union employee's annual  
4 pay increase is effective April rather than June. The original filing  
5 wrongly ignored a pay increase the salaried employee. The result of  
6 the corrections increases Salaries and Wages from \$4,397,377 to  
7 \$4,405,253<sup>16</sup>

8  
9 **DEPRECIATION EXPENSE:**

10 **Q. Please explain the calculation of CAPD Depreciation Expense.**

11 A. The CAPD removed the E-CIS investment from the net plant  
12 balance. As a consequence, the remaining net plant investment for  
13 the account<sup>17</sup> results in negative book value, which means the  
14 accumulated depreciation balance for the account is greater than the  
15 plant in service balance. Therefore, no depreciation expense is  
16 required for the attrition year for this account balance due to the  
17 negative book value. The CAPD's Depreciation Expense is reduced

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<sup>14</sup>CAPD Revised Work Papers, Index of Workpapers, P4 (S. Betty).

<sup>15</sup>CAPD Revised Work Papers, Index of Workpapers, P3.

<sup>16</sup>REVISED Exhibit CAPD-RTB, Schedule 5, Line 1 and CAPD Revised Work Papers, Index of Workpapers, P8.

<sup>17</sup>Account #340, Office Furniture, CAPD Revised Work Papers, Index of Workpapers, P116.

1 from the original amount of \$4,936,937 to \$3,880,593.

2  
3 **TAXES OTHER THAN INCOME:**

4 **Q. Please explain your correction of the CAPD's calculation of**  
5 **Payroll Taxes.**

6 A. Part of the correction to Payroll Taxes is due to the corrections  
7 made to Salaries and Wages as previously discussed. However,  
8 further correction is necessary to correct the number of salaried  
9 employees from 24 to 21.<sup>18</sup> The corrections result in lowering the  
10 forecasted Payroll Taxes from \$349,816 to \$338,393.<sup>19</sup>

11  
12 **INCOME TAXES:**

13 **Q. Please explain your correction to State Excise Tax.**

14 A. On Schedule 7, line 28 of Exhibit CAPD-RTB, an amount of  
15 \$88,309 in Excise Tax Deferred was inadvertently included in the  
16 original filing. This amount should be zero. Additionally, the CAPD  
17 is not making a distinction in current and deferred excise tax for  
18 forecasting state excise tax. All taxable income should be subject to  
19 the statutory excise tax rate of 6.5%.

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<sup>18</sup>CAPD Revised Work Papers, Index of Workpapers, P125.

<sup>19</sup>CAPD Revised Work Papers, Index of Workpapers, P131.

1 **Q. Please explain the admissions of TAWC regarding income taxes**  
2 **in this docket.**

3 A. TAWC has admitted that \$209,202 of prior year Deferred  
4 Federal Income Tax Expense “should not have been included in the  
5 normalized historical test year and carried forward into the attrition  
6 year of TAWC’s filing in this case.”<sup>20</sup> Additionally, TAWC has  
7 admitted that \$253,840 of prior year Deferred State Income Tax  
8 Expense “should not have been included in the normalized historical  
9 test-year and carried forward to TAWC’s attrition year in its filing.”<sup>21</sup>  
10 While these amounts have no effect on the CAPD’s income tax  
11 calculation, these amounts should be adjusted in TAWC’s original  
12 filing.

13  
14 **Q. Please summarize the comparison of the forecasts of TAWC and**  
15 **CAPD.**

16 A. Obviously, after updating the forecast for known rate-making  
17 adjustments and corrections, the CAPD maintains its position that  
18 TAWC’s rates should not be increased, but **decreased** and the TRA  
19 should deny TAWC’s petition for a rate increase as unjust and  
20 unreasonable for ratepayers.

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<sup>20</sup>TAWC response to CAPD Second Set of Discovery, #10.

<sup>21</sup>TAWC response to CAPD Second Set of Discovery, #12.



1 **Q. Does this conclude your testimony?**

2 **A. Yes, it does.**

3

4

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
AT 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

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AFFIDAVIT

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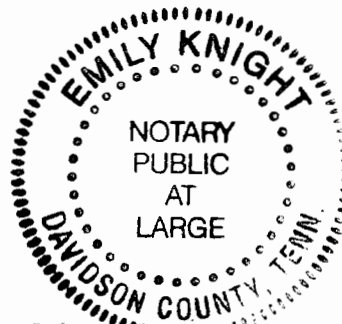
I, Terry Buckner, Regulatory Analyst, for the Consumer Advocate Division of the  
Attorney General's Office, hereby certify that the attached Supplemental Direct Testimony  
represents my opinion in the above-referenced case and the opinion of the Consumer  
Advocate Division.



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TERRY BUCKNER

Sworn to and subscribed before me  
this 3rd day of April, 2007.

  
NOTARY PUBLIC

My commission expires: Sept. 22, 2007 My Commission Expires SEPT. 22, 2007

Before the

**TENNESSEE REGULATORY AUTHORITY**

**IN RE:**

**PETITION OF TENNESSEE AMERICAN WATER COMPANY TO CHANGE AND  
INCREASE CERTAIN RATES AND CHARGES SO AS TO PERMIT IT TO EARN A  
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**DOCKET NO. 06-00290**

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**REVISED  
EXHIBITS  
OF  
TERRY BUCKNER**

\*\*\*\*\*

**April 3, 2007**

Tennessee-American Water  
Index to Schedules  
For the 12 Months Ending February 29, 2008

|                                    | <u>Schedule No.</u> |
|------------------------------------|---------------------|
| Revenue Deficiency                 | 1                   |
| Comparative Rate Base              | 2                   |
| Income Statement at Current Rates  | 3                   |
| Income Statement at Proposed Rates | 4                   |
| Operation & Maintenance Expenses   | 5                   |
| Taxes Other Than Income Taxes      | 6                   |
| Excise and Income Taxes            | 7                   |
| Revenue Conversion Factor          | 8                   |
| Cost of Capital                    | 9                   |

Tennessee-American Water  
Revenue Deficiency  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                             | CAPD               |    | Company           |    | Difference         |
|-------------|---------------------------------------------|--------------------|----|-------------------|----|--------------------|
| 1           | Rate Base                                   | 103,491,467        | A/ | 100,583,193       | A/ | 2,908,274          |
| 2           | Operating Income at Present Rates           | 7,983,063          | B/ | 4,795,615         | B/ | 3,187,448          |
| 3           | Earned Rate of Return (Line 2/Line 1)       | 7.71%              |    | 4.77%             |    | 2.95%              |
| 4           | Cost of Capital                             | 6.50%              | C/ | 8.466%            | E/ | -1.97%             |
| 5           | Required Operating Income (Line 1*Line 4)   | 6,726,945          |    | 8,515,373         |    | (1,788,428)        |
| 6           | Operating Income Deficiency (Line 5-Line 2) | (1,256,118)        |    | 3,719,758         |    | (4,975,876)        |
| 7           | Gross Revenue Conversion Factor             | <u>1.642301</u>    | D/ | <u>1.71513466</u> | E/ | <u>(0.072833)</u>  |
| 8           | Revenue Deficiency (Line 6*Line 7)          | <u>(2,062,924)</u> |    | <u>6,379,886</u>  |    | <u>(8,442,810)</u> |

A/ Schedule 2

B/ Schedule 3

C/ Schedule 9

D/ Schedule 8

E/ Sheila Miller Exhibit 1, Schedule 1

Tennessee-American Water  
Comparative Rate Base  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                             | CAPD               | B/ | Company            | A/ | Difference         |
|-------------|---------------------------------------------|--------------------|----|--------------------|----|--------------------|
| 1           | Utility Plant in Service                    | 186,826,217        |    | 185,005,497        |    | 1,820,720          |
| 2           | Construction Work in Progress               | 1,580,421          |    | 2,608,585          |    | (1,028,164)        |
| 3           | Utility Plant Capital Lease                 | -                  |    | 1,590,500          |    | (1,590,500)        |
| 4           | Limited-Term Utility Plant - Net            | (20,953)           |    | (20,953)           |    | -                  |
| 5           | Working Capital                             | 962,583            |    | 962,583            |    | -                  |
| 6           | Def. Maint.                                 | -                  |    | -                  |    | -                  |
| 7           | Total Additions                             | <u>189,348,268</u> |    | <u>190,146,212</u> |    | <u>(797,944)</u>   |
| 8           | Accumulated Depreciation                    | 52,502,858         |    | 56,170,309         |    | (3,667,451)        |
| 9           | Accumulated Amort. of Utility Capital Lease | 980,808            |    | 980,808            |    | -                  |
| 10          | Accumulated Deferred Income Taxes           | 18,833,369         |    | 18,833,369         |    | -                  |
| 11          | Customer Advances for Construction          | 5,593,604          |    | 5,593,604          |    | -                  |
| 12          | Contributions In Aid of Construction        | 7,946,162          |    | 7,946,162          |    | -                  |
| 13          | Unamortized Investment Tax Credit           | -                  |    | 38,767             |    | (38,767)           |
| 14          | RWIP                                        | <u>-</u>           |    | <u>-</u>           |    | <u>-</u>           |
| 15          | Total Deductions                            | <u>85,856,801</u>  |    | <u>89,563,019</u>  |    | <u>(3,706,218)</u> |
| 16          | Rate Base                                   | <u>103,491,467</u> |    | <u>100,583,193</u> |    | <u>2,908,274</u>   |

A/ Company Exhibit 1, Sch. 2

B/ REVISED CAPD Work Papers.

Tennessee-American Water  
Income Statement at Current Rates  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                       | CAPD       |    | Company    |    | Difference  |
|-------------|---------------------------------------|------------|----|------------|----|-------------|
| 1           | Operating Revenues                    | 33,711,956 | A/ | 33,432,287 | A/ | 279,669     |
| 2           | Operations and Maintenance Expense    | 16,368,575 | B/ | 18,586,767 | B/ | (2,218,192) |
| 3           | Depreciation and Amortization Expense | 3,880,593  | I/ | 4,851,150  | C/ | (970,557)   |
| 4           | Taxes Other Than Income               | 3,635,544  | D/ | 3,748,584  | G/ | (113,040)   |
| 5           | State Excise Tax                      | 343,164    | E/ | 269,706    | H/ | 73,458      |
| 6           | Federal Income Tax                    | 1,651,329  | E/ | 1,264,212  | H/ | 387,117     |
| 7           | Total Operating Expense               | 25,879,205 |    | 28,720,419 |    | (2,841,214) |
| 8           | AFUDC                                 | 150,312    | F/ | 83,747     | F/ | 66,565      |
| 9           | Net Operating Income for Return       | 7,983,063  |    | 4,795,615  |    | 3,120,883   |

A/ Sheila Miller Exhibit 2, Sch. 2

B/ Schedule 5

C/ Sheila Miller Exhibit 2, Sch. 1

D/ Schedule 6

E/ Schedule 7

F/ Sheila Miller Exhibit 2, Sch. 3

G/ Sheila Miller Exhibit 2, Sch. 1, but does not tie to Company's supporting workpapers (See Sch. 6)

H/ Sheila Miller Exhibit 2, Sch. 6

I/ CAPD Work Paper REVISED E-DEP

Tennessee-American Water  
Income Statement at Proposed Rates  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                       | Current<br>Rates  | A/<br>B/ | Adjustments        | C/<br>Proposed<br>Rates |
|-------------|---------------------------------------|-------------------|----------|--------------------|-------------------------|
| 1           | Operating Revenues                    | 33,347,235        | B/       | (2,062,924)        | 31,284,311              |
| 2           | Forfeited Discount Revenues           | 364,721           | B/       | (23,311)           | 341,410                 |
| 3           | Total Revenues                        | <u>33,711,956</u> |          | <u>(2,086,235)</u> | <u>31,625,721</u>       |
| 4           | Operations and Maintenance Expense    | 16,368,575        |          | (19,402)           | 16,349,173              |
| 5           | Depreciation and Amortization Expense | 3,880,593         |          |                    | 3,880,593               |
| 6           | Taxes Other Than Income               | 3,635,544         |          |                    | 3,635,544               |
| 7           | State Excise Tax                      | 343,164           |          | (134,344)          | 208,820                 |
| 8           | Federal Income Tax                    | <u>1,651,329</u>  |          | (676,371)          | <u>974,958</u>          |
| 9           | Total Operating Expense               | <u>25,879,205</u> |          |                    | <u>25,049,088</u>       |
| 10          | AFUDC                                 | <u>150,312</u>    |          |                    | <u>150,312</u>          |
| 11          | Net Operating Income for Return       | <u>7,983,063</u>  |          |                    | <u>6,726,945</u>        |

A/ Schedule 3

B/ Company Exhibit 2, Sch. 2

C/ Schedule 1, Line 8 x appropriate factor from Schedule 8



Tennessee-American Water  
Operation & Maintenance Expenses  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                            | CAPD              | A/ | Company           | B/ | Difference         |
|-------------|----------------------------|-------------------|----|-------------------|----|--------------------|
| 1           | Salaries and Wages         | 4,405,253         |    | 4,702,966         |    | (297,713)          |
| 2           | Purchased Water            | 49,660            |    | 52,331            |    | (2,671)            |
| 3           | Fuel and Power             | 1,734,958         |    | 1,734,958         |    | -                  |
| 4           | Chemicals                  | 952,795           |    | 952,795           |    | -                  |
| 5           | Waste Disposal             | 153,521           |    | 174,265           |    | (20,744)           |
| 6           | Management Fees            | 3,021,111         |    | 4,064,421         |    | (1,043,310)        |
| 7           | Group Insurance            | 1,386,168         |    | 1,513,667         |    | (127,499)          |
| 8           | Pensions                   | 12,662            |    | 595,798           |    | (583,136)          |
| 9           | Regulatory Expense         | 191,333           |    | 269,298           |    | (77,965)           |
| 10          | Insurance Other Than Group | 462,968           |    | 523,940           |    | (60,972)           |
| 11          | Customer Accounting        | 719,633           |    | 606,702           |    | 112,931            |
| 12          | Uncollectible Expense      | 558,836           |    | 621,265           |    | (62,429)           |
| 13          | Rents                      | 39,896            |    | 38,011            |    | 1,885              |
| 14          | General Office Expense     | 221,848           |    | 194,066           |    | 27,782             |
| 15          | Miscellaneous Expense      | 1,710,268         |    | 1,792,405         |    | (82,137)           |
| 16          | Other Maintenance Expense  | <u>747,665</u>    |    | <u>749,879</u>    |    | <u>(2,214)</u>     |
| 17          | Total O&M Expense          | <u>16,368,575</u> |    | <u>18,586,767</u> |    | <u>(2,218,192)</u> |

A/ REVISED CAPD Workpapers

B/ Sheila Miller Exhibit 2, Sch. 3

Tennessee-American Water  
Taxes Other Than Income Taxes  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                     | CAPD             |    | Company          | D/<br>Difference |
|-------------|-------------------------------------|------------------|----|------------------|------------------|
| 1           | Other General Taxes                 | -                |    | -                | -                |
| 2           | Gross Receipts Tax                  | 326,853          | A/ | 384,576          | (57,723)         |
| 3           | TRA Inspection Fee                  | 64,706           |    | 64,957           | (251)            |
| 4           | Property Taxes                      | 2,552,758        | B/ | 2,635,280        | (82,522)         |
| 5           | Franchise Tax                       | 352,833          |    | 303,980          | 48,853           |
| 6           | FICA Taxes                          | 331,426          | C/ | 352,445          | (21,019)         |
| 7           | Unemployment Taxes                  | 6,968            | C/ | 7,346            | (378)            |
| 8           | Total Taxes Other Than Income Taxes | <u>3,635,544</u> |    | <u>3,748,584</u> | <u>(113,040)</u> |

A/ CAPD Workpaper T-OTAX2

B/ CAPD Workpaper T-OTAX1

C/ REVISED CAPD Workpaper T-OTAX3

D/ Sheila Miller Exhibit 2, Sch. 5 adjusted by Company Response to CAPD Data Request #17

Tennessee-American Water  
Excise and Income Taxes  
For the 12 Months Ending February 29, 2008

| Line<br>No. |                                       | Attrition<br>Amount A/ |    |
|-------------|---------------------------------------|------------------------|----|
| 1           | Operating Revenues                    | 33,711,956             | B/ |
| 2           | Salaries and Wages                    | 4,405,253              |    |
| 3           | Purchased Water                       | 49,660                 |    |
| 4           | Fuel and Power                        | 1,734,958              |    |
| 5           | Chemicals                             | 952,795                |    |
| 6           | Waste Disposal                        | 153,521                |    |
| 7           | Service Company Charges               | 3,021,111              |    |
| 8           | Group Insurance                       | 1,386,168              |    |
| 9           | Pensions                              | 12,662                 |    |
| 10          | Regulatory Expense                    | 191,333                |    |
| 11          | Insurance Other Than Group            | 462,968                |    |
| 12          | Customer Accounting                   | 719,633                |    |
| 13          | Uncollectible Expense                 | 558,836                |    |
| 14          | Rents                                 | 39,896                 |    |
| 15          | General Office Expense                | 221,848                |    |
| 16          | Miscellaneous Expense                 | 1,710,268              |    |
| 17          | Other Maintenance Expense             | 747,665                |    |
| 18          | Depreciation and Amortization Expense | 3,880,593              |    |
| 19          | Taxes Other Than Income               | 3,635,544              |    |
| 20          | NOI Before Excise and Income Taxes    | 9,827,244              |    |
| 21          | AFUDC                                 | 150,312                |    |
| 22          | Interest Expense                      | (4,760,607)            | C/ |
| 23          | Pre-tax Book Income                   | 5,216,948              |    |
| 24          | Schedule M Adjustments                | 62,493                 | D/ |
| 25          | Excise Taxable Income                 | 5,279,441              |    |
| 26          | Excise Tax Rate                       | 6.50%                  |    |
| 27          | Excise Tax Payable                    | 343,164                |    |
| 28          | Excise Tax Deferred                   | -                      |    |
| 29          | Excise Tax Expense                    | 343,164                |    |
| 30          | Pre-tax Book Income                   | 5,216,948              |    |
| 31          | Preferred Dividend Credit             | -                      |    |
| 32          | Excise Tax                            | (343,164)              |    |
| 33          | Schedule M Adjustments                | 62,493                 | D/ |
| 34          | FIT Taxable Income                    | 4,936,278              |    |
| 35          | FIT Rate                              | 35.00%                 |    |
| 36          | Federal Income Tax Payable            | 1,727,697              |    |
| 37          | ITC Amortization                      | (76,368)               |    |
| 38          | Federal Income Tax Deferred           | -                      |    |
| 39          | Federal Income Tax Expense            | 1,651,329              |    |

A/ Schedule 5

B/ Schedule 4

C/ Schedule 1, line 1 \* Weighted Cost of Debt per Schedule 9

D/ This is the net difference of the Permanent Differences of \$2,950 and the Temporary Differences of \$4,482,640 shown on E/

Tennessee-American Water  
Revenue Conversion Factor  
For the 12 Months Ending February 29, 2008

| <u>Line<br/>No.</u> |                                              | <u>Amount</u> |    | <u>Balance</u>         |
|---------------------|----------------------------------------------|---------------|----|------------------------|
| 1                   | Operating Revenues                           |               |    | 1.000000               |
| 2                   | Add: Forfeited Discounts                     | 0.0113        | A/ | <u>0.011300</u>        |
| 3                   | Balance                                      |               |    | 1.011300               |
| 4                   | Uncollectible Ratio                          | 0.0093        | B/ | <u>0.009405</u>        |
| 5                   | Balance                                      |               |    | 1.001895               |
| 6                   | State Excise Tax                             | 0.0650        | C/ | <u>0.065123</u>        |
| 7                   | Balance                                      |               |    | 0.936772               |
| 8                   | Federal Income Tax                           | 0.3500        | C/ | <u>0.327870</u>        |
| 9                   | Balance                                      |               |    | <u>0.608902</u>        |
| 10                  | Revenue Conversion Factor (Line 1 / Line 11) |               |    | <u><u>1.642301</u></u> |

A/ Sheila Miller Exhibit 2, Sch. 2 (\$364,721/\$32,167,052)

B/ Company Workpapers

C/ Statutory Rate

Tennessee-American Water  
Cost of Capital  
For the 12 Months Ending February 29, 2008

| Line No.                | Parent:             | Ratio         | Cost | Weighted Cost | Tax Deductible |
|-------------------------|---------------------|---------------|------|---------------|----------------|
| 1                       | Long Term Debt      | 70.0%         | 5.3% | 3.7%          | 3.2%           |
| 2                       | Common Equity       | 30.0%         | 7.5% | 2.3%          |                |
| 3                       | Total               | <u>100.0%</u> |      | <u>6.0%</u>   |                |
|                         |                     |               |      |               |                |
|                         | Tennessee American: | Ratio         | Cost | Weighted Cost |                |
| 4                       | Long Term Debt      | 14.7%         | 9.3% | 1.4%          | 1.4%           |
| 5                       | Common Equity       | 85.3%         | 6.0% | 5.1%          |                |
| 6                       | Total               | <u>100.0%</u> |      | <u>6.5%</u>   | <u>4.6%</u>    |
|                         |                     |               |      |               |                |
| Final Capital Structure |                     |               |      |               |                |
|                         | Parent:             | Ratio         | Cost | Weighted Cost | Tax Deductible |
| 7                       | Long Term Debt      | 59.7%         | 5.3% | 3.2%          | 3.2%           |
| 8                       | Common Equity       | 25.6%         | 7.5% | 1.9%          |                |
|                         | Total Parent        | 85.3%         | 6.0% | 5.1%          |                |
|                         |                     |               |      |               |                |
|                         | Tennessee American: |               |      |               |                |
| 9                       | Long Term Debt      | 14.7%         | 9.3% | 1.4%          | 1.4%           |
| 10                      | Total Subsidiary    | 14.7%         | 9.5% | 1.4%          |                |
| 11                      | Total               | <u>100.0%</u> |      | <u>6.5%</u>   | <u>4.6%</u>    |

Source: Exhibit CAPD-SB

Before the

**TENNESSEE REGULATORY AUTHORITY**

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**

\*\*\*\*\*

**REVISED  
WORK PAPERS  
OF  
TERRY BUCKNER**

\*\*\*\*\*

**April 3, 2007**

TENNESSEE - AMERICAN WATER COMPANY  
 COMPARISON OF OPERATING EXPENSES  
 TRA DOCKET #06-00290  
 FOR THE ATTRITION YEAR ENDING FEBRUARY 28, 2008

| Line # | (1)<br>COMPANY<br>TRA DOCKET<br>#04-00288<br>12/31/05 | (2)<br>A/<br>12 MONTHS<br>6/30/06 | (3)<br>A/<br>COMPANY<br>ATTRITION YR<br>\$ 4,702,966 | (4)<br>EMPLOYEE<br>POSITIONS<br>\$ 373,485 | (5)<br>GROWTH<br>PERIOD<br>\$ (8,321) | (6)<br>TEST<br>PERIOD<br>\$ 4,754 | (7)<br>INCENTIVE<br>PAY PLAN<br>\$ 29,390 | (8)<br>CAP<br>PERCENTS<br>\$ (96,841) | (9)<br>NON-RECURRING | (10)<br>CAPD AMOUNT<br>B/<br>4,405,253 | (11)<br>DIFFERENCE<br>\$ 297,713 |
|--------|-------------------------------------------------------|-----------------------------------|------------------------------------------------------|--------------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------------|---------------------------------------|----------------------|----------------------------------------|----------------------------------|
| 1      | O&M LABOR                                             | \$ 4,383,883                      | \$ 4,001,878                                         | \$ 4,702,966                               | \$ (8,321)                            | \$ 4,754                          |                                           |                                       |                      | 49,660                                 | 2,671                            |
| 2      | PURCHASED WATER                                       | 15,330                            | 52,331                                               | 52,331                                     | (2,083)                               |                                   |                                           |                                       |                      |                                        |                                  |
| 3      | FUEL AND POWER                                        | 1,755,680                         | 1,819,430                                            | 1,734,958                                  | -                                     |                                   |                                           |                                       |                      | 1,734,958                              | -                                |
| 4      | CHEMICALS                                             | 861,861                           | 933,913                                              | 952,795                                    | -                                     |                                   |                                           |                                       |                      | 952,795                                | -                                |
| 5      | WASTE DISPOSAL                                        | 133,438                           | 143,948                                              | 174,265                                    | 23,877                                | (3,133)                           |                                           |                                       |                      | 153,521                                | 20,744                           |
| 6      | MANAGEMENT FEES                                       | 3,062,940                         | 4,006,278                                            | 4,064,421                                  | 1,007,116                             |                                   | 36,194                                    |                                       |                      | 3,021,111                              | 1,043,310                        |
| 7      | GROUP INSURANCE                                       | 1,386,004                         | 1,543,022                                            | 1,513,667                                  | (66,080)                              | 193,579                           |                                           |                                       |                      | 1,386,168                              | 127,499                          |
| 8      | PENSIONS                                              | 892,790                           | 699,154                                              | 595,798                                    | 583,136                               |                                   |                                           |                                       |                      | 12,662                                 | 583,136                          |
| 9      | REGULATORY EXPENSE                                    | 58,000                            | 292,095                                              | 269,298                                    | 77,965                                |                                   |                                           |                                       |                      | 191,333                                | 77,965                           |
| 10     | INSURANCE OTHER THAN GROUP                            | 657,000                           | 530,011                                              | 523,940                                    | (25,493)                              | 86,465                            |                                           |                                       |                      | 462,968                                | 60,972                           |
| 11     | CUSTOMER ACCOUNTING                                   | 572,893                           | 585,288                                              | 606,702                                    | (23,172)                              | (89,759)                          |                                           |                                       |                      | 719,633                                | (112,931)                        |
| 12     | UNCOLLECTIBLE EXPENSE                                 | 289,530                           | 616,171                                              | 621,265                                    | (20,631)                              | 83,060                            |                                           |                                       |                      | 558,836                                | 62,429                           |
| 13     | RENTS                                                 | 38,286                            | 38,043                                               | 38,011                                     | (1,674)                               | (211)                             |                                           |                                       |                      | 39,896                                 | (1,885)                          |
| 14     | GENERAL OFFICE EXPENSE                                | 193,122                           | 575,179                                              | 194,066                                    | (2,985)                               | (24,797)                          |                                           |                                       |                      | 221,848                                | (27,782)                         |
| 15     | MISCELLANEOUS EXPENSE                                 | 1,661,970                         | 1,798,639                                            | 1,792,405                                  | 54,561                                | 27,576                            |                                           |                                       |                      | 1,710,268                              | 82,137                           |
| 16     | OTHER MAINTENANCE EXPENSE                             | 746,632                           | 1,110,461                                            | 749,879                                    | (14,029)                              | 16,243                            |                                           |                                       |                      | 747,665                                | 2,214                            |
| 17     | AFUDC                                                 | (28,791)                          | (193,631)                                            | (83,747)                                   | 66,565                                |                                   |                                           |                                       |                      | (150,312) C/                           | 66,565                           |
| 18     | TOTAL                                                 | \$ 16,680,568                     | \$ 18,552,210                                        | \$ 18,503,020                              | \$ 1,582,187                          | \$ 360,342                        | \$ 65,584                                 | \$ (96,841)                           | \$ -                 | \$ 16,218,263                          | \$ 2,284,757                     |
| 19     | PERCENT CHANGE                                        |                                   | 11.22%                                               |                                            |                                       |                                   |                                           |                                       |                      | -2.17%                                 |                                  |

A/ Company Exhibit No 2, Schedule 3, Page 1 of 1.

B/ CAPD Worksheets.

C/ Per November 2006 12 MTD Surveillance Report.

Revised P1





TENNESSEE AMERICAN WATER COMPANY  
TRA DOCKET #06-00280  
SALARY AND WAGE PRICEOUT - SALARIED EMPLOYEES  
ATTN YEAR 3/01/07 - 2/28/08

WAGE INCREASE: 3%  
EFFECTIVE DATE: 04/01/07  
APPLIES TO ALL SALARIED EMPLOYEES

DISK NAME: EXPENSE 04/02/07  
FILE NAME: SALWAGE 10:03 AM

REVISED E-PAY-3

| EMP # | EMP NAME            | YEARLY<br>SALARY<br>AT<br>1/31/07 | MONTHLY<br>SALARY<br>AT<br>03/31/07 | MONTHLY<br>SALARY<br>AT<br>04/01/07 | ATTRITION<br>PERIOD<br>PAY | 1          | 2          | 3          | 4          | 5          | 6          | 7          | 8          | 9          | 10         | 11         | 12         | 13         | 14         | 15         | 16         | 17         | 18         | 19         | 20         | 21         |
|-------|---------------------|-----------------------------------|-------------------------------------|-------------------------------------|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 1     | Cummings, Pamela B  | \$ 76,650                         | \$ 6,388                            | \$ 6,579                            | \$ 78,758                  | \$ 6,388   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   | \$ 6,579   |
| 2     | Bartley, Rachel     | \$ 87,050                         | \$ 7,254                            | \$ 7,472                            | \$ 89,444                  | \$ 7,254   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   | \$ 7,472   |
| 3     | Turley, Mark        | \$ 56,850                         | \$ 4,738                            | \$ 4,880                            | \$ 58,413                  | \$ 4,738   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   | \$ 4,880   |
| 4     | McBay, David E.     | \$ 47,600                         | \$ 3,967                            | \$ 4,086                            | \$ 48,909                  | \$ 3,967   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   | \$ 4,086   |
| 5     | Bishop, Monty       | \$ 98,250                         | \$ 8,188                            | \$ 8,433                            | \$ 100,952                 | \$ 8,188   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   | \$ 8,433   |
| 6     | Sealf, Virginia B   | \$ 55,200                         | \$ 4,600                            | \$ 4,738                            | \$ 56,718                  | \$ 4,600   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   | \$ 4,738   |
| 7     | Bennett, Michael    | \$ 69,400                         | \$ 5,783                            | \$ 5,957                            | \$ 71,309                  | \$ 5,783   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   | \$ 5,957   |
| 8     | Zinnanti, Mark      | \$ 78,700                         | \$ 6,558                            | \$ 6,755                            | \$ 80,864                  | \$ 6,558   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   | \$ 6,755   |
| 9     | Narrey, Kate        | \$ 50,000                         | \$ 4,167                            | \$ 4,292                            | \$ 51,375                  | \$ 4,167   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   | \$ 4,292   |
| 10    | Holmes, Susan T.    | \$ 79,200                         | \$ 6,500                            | \$ 6,798                            | \$ 81,378                  | \$ 6,500   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   | \$ 6,798   |
| 11    | Partridge, Adrien   | \$ 43,000                         | \$ 3,583                            | \$ 3,691                            | \$ 44,183                  | \$ 3,583   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   | \$ 3,691   |
| 12    | Bratcher, Neil F.   | \$ 62,550                         | \$ 5,213                            | \$ 5,369                            | \$ 64,270                  | \$ 5,213   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   | \$ 5,369   |
| 13    | Norwood, R Gary     | \$ 66,050                         | \$ 5,504                            | \$ 5,669                            | \$ 67,866                  | \$ 5,504   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   | \$ 5,669   |
| 14    | Thornon, Rebecca    | \$ 71,500                         | \$ 5,958                            | \$ 6,137                            | \$ 73,466                  | \$ 5,958   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   | \$ 6,137   |
| 15    | Morrison, Leah      | \$ 59,700                         | \$ 4,975                            | \$ 5,124                            | \$ 61,342                  | \$ 4,975   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   | \$ 5,124   |
| 16    | Hughsmith, Kevin    | \$ 59,650                         | \$ 4,971                            | \$ 5,120                            | \$ 61,290                  | \$ 4,971   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   | \$ 5,120   |
| 17    | Banks, Kathleen     | \$ 58,750                         | \$ 4,896                            | \$ 5,043                            | \$ 60,366                  | \$ 4,896   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   | \$ 5,043   |
| 18    | Taylor, Kimberly M. | \$ 56,000                         | \$ 4,667                            | \$ 4,807                            | \$ 57,540                  | \$ 4,667   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   | \$ 4,807   |
| 19    | Taylor, Randol D.   | \$ 80,250                         | \$ 6,688                            | \$ 6,888                            | \$ 82,457                  | \$ 6,688   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   | \$ 6,888   |
| 20    | Watson, John S.     | \$ 113,550                        | \$ 9,463                            | \$ 9,746                            | \$ 116,673                 | \$ 9,463   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   | \$ 9,746   |
| 21    | Betty, Steven W.    | \$ 52,500                         | \$ 4,375                            | \$ 4,506                            | \$ 53,944                  | \$ 4,375   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   | \$ 4,506   |
|       |                     | \$ 1,422,400                      | \$ 118,533                          | \$ 122,089                          | \$ 1,461,516               | \$ 118,533 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 | \$ 122,089 |

A/ Company Response to CAPD First Set of Data Requests, Part II, #2.

TENNESSEE AMERICAN WATER COMPANY  
TRA DOCKET #06-00290  
OPERATIONS AND MAINTENANCE LABOR  
FOR ATTRITION YEAR ENDING 2/28/08

REVISED E-PAY-6

|                            | PAYROLL<br>(CAPD) |    | PAYROLL<br>(COMPANY) | F/ | DIFFERENCE |
|----------------------------|-------------------|----|----------------------|----|------------|
| UNION EMPLOYEES            | 4,003,124         | A/ | 4,180,780            |    | (177,656)  |
| NON-UNION HOURLY EMPLOYEES | 43,052            | B/ | 43,051               |    | 1          |
| SALARIED EMPLOYEES         | 1,461,516         | C/ | 1,647,376            |    | (185,860)  |
| INCENTIVE PAY              | 68,578            | D/ | 97,968               |    | (29,390)   |
| TOTAL                      | 5,576,270         |    | 5,969,174            |    | (392,905)  |
| CAPITALIZATION %           | 21.00%            | E/ | 21.21%               |    | -0.21%     |
| NON UTILITY %              | 0.00%             |    |                      |    | 0.00%      |
| CAPITALIZED PORTION        | 1,171,017         |    | 1,265,763            |    | (94,747)   |
| NON UTILITY PORTION        | 0                 |    |                      |    | 0          |
| EXPENSED PORTION           | 4,405,253         |    | 4,703,411            |    | (298,157)  |
| AMOUNT PER COMPANY EXHIBIT | 4,405,253         |    | 4,702,966            |    | (297,712)  |

A/ CAPD WORKPAPER E-PAY-1

B/ CAPD WORKPAPER E-PAY-2

C/ CAPD WORKPAPER E-PAY-3

D/ Company Response to TRA First Set of Data Requests, #37, Page 5 of 13. (Less 30% for Operating Results)

E/ CAPD WORKPAPER E-PAY-4

F/ Company Response to TRA First Set of Data Requests, #13, Page 2 of 68, Book 2 of 2.

CONSUMER ADVOCATE AND PROTECTION DIVISION  
 SUMMARY OF ACCUMULATED ITC  
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #06-00290  
 FOR THE THIRTEEN MONTHS ENDED FEBRUARY 28, 2008

REVISED RB-ITC

|                      | 2007 | <u>Amortization</u> | <u>Balance</u> |
|----------------------|------|---------------------|----------------|
| JANUARY              | \$   | -                   | -              |
| FEBRUARY             |      | -                   | -              |
| MARCH                |      | -                   | -              |
| APRIL                |      | -                   | -              |
| MAY                  |      | -                   | -              |
| JUNE                 |      | -                   | -              |
| JULY                 |      | -                   | -              |
| AUGUST               |      | -                   | -              |
| SEPTEMBER            |      | -                   | -              |
| OCTOBER              |      | -                   | -              |
| NOVEMBER             |      | -                   | -              |
| DECEMBER             |      | -                   | -              |
| JANUARY              | 2008 | -                   | -              |
| FEBRUARY             |      | -                   | -              |
| <hr/>                |      |                     |                |
| AVERAGE ACC. DEF ITC |      |                     | \$ -           |

CONSUMER ADVOCATE AND PROTECTION DIVISION  
ACCUMULATED DEPRECIATION SUMMARY  
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #05-00390

REVISED RB-ACC DEP

## Accumulated Depreciation

|                                              | Plant in Service<br>Balance<br>12/31/2006 | Accumulated<br>Depreciation<br>12/31/2006 | Net<br>Plant<br>Balance<br>12/31/2006 | Current<br>Depreciation<br>Rates<br>12/31/2006 | Jan<br>2007<br>Balance | Feb<br>2007<br>Balance | Mar<br>2007<br>Balance | Apr<br>2007<br>Balance | May<br>2007<br>Balance | Jun<br>2007<br>Balance | Jul<br>2007<br>Balance | Aug<br>2007<br>Balance | Sep<br>2007<br>Balance | Oct<br>2007<br>Balance | Nov<br>2007<br>Balance | Dec<br>2007<br>Balance | Jan<br>2008<br>Balance | Feb<br>2008<br>Balance |
|----------------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------------------|------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 304.22 Pumping Structures                    | \$ 3,809,177                              | \$ 937,559                                | \$ 2,871,618                          | 3.86%                                          | \$ 949,812             | \$ 965,064             | \$ 974,317             | \$ 986,570             | \$ 998,823             | \$ 1,011,075           | \$ 1,023,328           | \$ 1,035,581           | \$ 1,047,833           | \$ 1,060,086           | \$ 1,072,339           | \$ 1,084,592           | \$ 1,096,844           | \$ 1,109,097           |
| 304.3 T&D Structures                         | 3,157,830                                 | 2,718,586                                 | 429,244                               | 2.71%                                          | 2,723,138              | 2,738,390              | 2,753,642              | 2,768,894              | 2,784,146              | 2,799,398              | 2,814,650              | 2,829,902              | 2,845,154              | 2,860,406              | 2,875,658              | 2,890,910              | 2,906,162              | 2,921,414              |
| 304.4 T&D Structures                         | 1,119,360                                 | 886,609                                   | 232,751                               | 3.11%                                          | 273,586                | 276,838                | 280,090                | 283,342                | 286,594                | 289,846                | 293,098                | 296,350                | 299,602                | 302,854                | 306,106                | 309,358                | 312,610                | 315,862                |
| 304.5 Miscellaneous Equipment                | 8,967,162                                 | 4,312,703                                 | 4,654,459                             | 5.84%                                          | 853,870                | 858,131                | 862,392                | 866,653                | 870,914                | 875,175                | 879,436                | 883,697                | 887,958                | 892,219                | 896,480                | 900,741                | 905,002                | 909,263                |
| 304.6 TOTAL STRUCTURES AND IMPROVEMENTS      |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 308.2 Lake, River, and Other Intakes         | 489,123                                   | 215,143                                   | 273,980                               | 3.40%                                          | 216,529                | 217,915                | 219,301                | 220,687                | 222,072                | 223,458                | 224,844                | 226,230                | 227,616                | 229,002                | 230,388                | 231,774                | 233,160                | 234,546                |
| 309.309 Supply Mains                         | 610,555                                   | 23,335                                    | 587,220                               | 5.92%                                          | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 | 26,347                 |
| 310.2 Power Generation Equipment             | 227,422                                   | 9,221                                     | 218,201                               | 3.94%                                          | 9,873                  | 10,525                 | 11,177                 | 11,829                 | 12,480                 | 13,132                 | 13,784                 | 14,436                 | 15,088                 | 15,740                 | 16,392                 | 17,044                 | 17,696                 | 18,348                 |
| 311.2 Electric Pumping Equipment             | 5,983,774                                 | 2,418,066                                 | 3,565,708                             | 1.73%                                          | 2,422,893              | 2,427,328              | 2,431,763              | 2,436,198              | 2,440,633              | 2,445,068              | 2,449,503              | 2,453,938              | 2,458,373              | 2,462,808              | 2,467,243              | 2,471,678              | 2,476,113              | 2,480,548              |
| 312.2 Electric Pumping Equipment             | 2,418,066                                 | 9,221                                     | 2,408,845                             | 1.73%                                          | 9,873                  | 10,525                 | 11,177                 | 11,829                 | 12,480                 | 13,132                 | 13,784                 | 14,436                 | 15,088                 | 15,740                 | 16,392                 | 17,044                 | 17,696                 | 18,348                 |
| 320.31 Motor Treatment                       | 12,378,400                                | 8,528,437                                 | 3,849,963                             | 4.27%                                          | 8,572,484              | 8,616,530              | 8,660,577              | 8,704,623              | 8,748,670              | 8,792,716              | 8,836,763              | 8,880,809              | 8,924,856              | 8,968,902              | 9,012,949              | 9,056,995              | 9,101,042              | 9,145,088              |
| 320.32 TOTAL WATER TREATMENT EQUIPMENT       |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 330.41 T&D Reservoirs and Standpipes         | 9,711,689                                 | 2,489,673                                 | 7,222,016                             | 1.80%                                          | 2,502,206              | 2,514,739              | 2,527,272              | 2,539,806              | 2,552,339              | 2,564,872              | 2,577,405              | 2,589,938              | 2,602,471              | 2,615,004              | 2,627,537              | 2,640,070              | 2,652,603              | 2,665,136              |
| 330.42 TOTAL T&D RESERVOIRS AND STANDPIPES   |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 331.41 Trans And Dist Mains                  | 93,882,035                                | 17,719,244                                | 76,162,791                            | 1.41%                                          | 17,827,705             | 17,933,130             | 18,038,555             | 18,143,980             | 18,249,405             | 18,354,830             | 18,460,255             | 18,565,680             | 18,671,105             | 18,776,530             | 18,881,955             | 18,987,380             | 19,092,805             | 19,198,230             |
| 331.42 TOTAL TRANS AND DIST MAINS            |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 333.333 Services                             | 17,846,945                                | 5,971,168                                 | 11,875,777                            | 2.28%                                          | 5,953,377              | 5,968,679              | 6,017,280              | 6,065,881              | 6,114,482              | 6,163,083              | 6,211,684              | 6,260,285              | 6,308,886              | 6,357,487              | 6,406,088              | 6,454,689              | 6,503,290              | 6,551,891              |
| 333.334 Metering Equipment                   | 1,168,858                                 | 1,168,858                                 | 0                                     | 2.84%                                          | 1,324,331              | 1,350,751              | 1,367,248              | 1,383,745              | 1,399,191              | 1,415,688              | 1,432,185              | 1,448,682              | 1,465,179              | 1,481,676              | 1,498,173              | 1,514,670              | 1,531,167              | 1,547,664              |
| 334.344 TOTAL METERING EQUIPMENT             |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 334.345 TOTAL METERING EQUIPMENT             |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 335.335 Hydrants                             | 12,674,617                                | 1,516,588                                 | 11,158,029                            | 2.21%                                          | 1,458,865              | 1,468,845              | 1,478,825              | 1,488,805              | 1,498,785              | 1,508,765              | 1,518,745              | 1,528,725              | 1,538,705              | 1,548,685              | 1,558,665              | 1,568,645              | 1,578,625              | 1,588,605              |
| 335.336 Hydrants                             | 1,260,158                                 | 1,447,095                                 | 1,513,053                             | 2.21%                                          | 1,458,865              | 1,468,845              | 1,478,825              | 1,488,805              | 1,498,785              | 1,508,765              | 1,518,745              | 1,528,725              | 1,538,705              | 1,548,685              | 1,558,665              | 1,568,645              | 1,578,625              | 1,588,605              |
| 339.2 Other Water Source Plant               | 8,526                                     | 169,064                                   | 177,590                               | 15.90%                                         | 3,850,464              | 3,848,614              | 3,846,764              | 3,844,914              | 3,843,064              | 3,841,214              | 3,839,364              | 3,837,514              | 3,835,664              | 3,833,814              | 3,831,964              | 3,830,114              | 3,828,264              | 3,826,414              |
| 340.340 TOTAL OFFICE FURNITURE AND EQUIPMENT |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 341.341 Transportation Equipment             | 3,574,727                                 | 3,851,664                                 | 722,937                               | 9.36%                                          | 534,347                | 446,393                | 417,193                | 405,835                | 401,261                | 396,674                | 405,529                | 422,384                | 438,239                | 455,094                | 471,949                | 488,804                | 505,659                | 522,514                |
| 342.342 TOTAL TRANSPORTATION EQUIPMENT       |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 342.343 Tools, Shop and Garage Equipment     | 2,336,240                                 | 602,924                                   | 1,733,316                             | 4.86%                                          | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                | 454,724                |
| 343.343 Tools, Shop and Garage Equipment     | 1,164,532                                 | 345,459                                   | 819,073                               | 3.85%                                          | 346,781                | 347,526                | 348,271                | 349,016                | 349,761                | 350,506                | 351,251                | 351,996                | 352,741                | 353,486                | 354,231                | 354,976                | 355,721                | 356,466                |
| 344.5 Laboratory Equipment                   | 368,087                                   | 296,459                                   | 71,628                                | 11.12%                                         | 299,820                | 303,231                | 306,642                | 310,053                | 313,464                | 316,875                | 320,286                | 323,697                | 327,108                | 330,519                | 333,929                | 337,340                | 340,751                | 344,162                |
| 345.5 Power Generation Equipment             | 336,333                                   | 303,281                                   | 33,052                                | 9.21%                                          | 305,862                | 306,444                | 311,025                | 316,606                | 322,187                | 327,768                | 333,349                | 338,930                | 344,511                | 350,092                | 355,673                | 361,254                | 366,835                | 372,416                |
| 346.2 Communication Equipment                | 506,383                                   | 362,397                                   | 143,986                               | 4.43%                                          | 342,766                | 328,056                | 323,785                | 319,514                | 315,243                | 310,972                | 306,701                | 302,430                | 298,159                | 293,888                | 289,617                | 285,346                | 281,075                | 276,804                |
| 346.6 TOTAL COMMUNICATIONS EQUIPMENT         |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 347.51 Miscellaneous Equipment               | 1,023,783                                 | 144,998                                   | 878,785                               | 2.89%                                          | 147,463                | 149,929                | 152,394                | 154,860                | 157,325                | 159,791                | 162,256                | 164,722                | 167,187                | 169,653                | 172,118                | 174,584                | 177,049                | 179,515                |
| 347.51 TOTAL MISCELLANEOUS EQUIPMENT         |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Total Depreciable Plant                      | 180,303,613                               | 50,722,179                                | 129,581,434                           |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Total Monthly Accumulated Depreciation       |                                           |                                           |                                       |                                                | \$ 50,911,749          | \$ 51,079,284          | \$ 51,313,781          | \$ 51,566,494          | \$ 51,802,507          | \$ 52,040,658          | \$ 52,318,065          | \$ 52,464,049          | \$ 52,593,757          | \$ 52,856,053          | \$ 53,156,528          | \$ 53,444,372          | \$ 53,782,632          | \$ 54,118,971          |
| 13 Month Average Accumulated Depreciation    |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Land                                         |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Intangible Plant                             |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Other Assets                                 |                                           |                                           |                                       |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Total Plant in Service                       | \$ 182,872,605                            | \$ 50,864,513                             | \$ 132,008,092                        |                                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |

A/ Company Response to CAPD Final Set of Data Requests, Part II, #23, Page 1 of 1

B/ Company Response to CAPD Second Set of Data Requests, #4

RB-PLANT1

TENNESSEE AMERICAN WATER COMPANY TRA  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY

| Account # | Description                       | Balance<br>2/28/2008  |
|-----------|-----------------------------------|-----------------------|
| 304.2     | Pumping Structures                | \$ 3,809,177          |
| 304.3     | Water Treatment Structures        | <b>3,634,780</b>      |
| 304.4     | T&D Structures and Improvements   | 510,815               |
| 304.5     | Miscellaneous Equipment           | 1,119,390             |
| 304       | TOTAL STRUCTURES AND IMPROVEMEN   | 9,074,162             |
| 306.2     | Lake, River, and Other Intakes    | 489,123               |
| 309       | Supply Mains                      | 610,555               |
| 310.2     | Power Generation Equipment        | 227,422               |
| 311.2     | Electric Pumping Equipment        | <b>6,313,321</b>      |
| 311       | TOTAL PUMPING EQUIPMENT           | 6,313,321             |
| 320.3     | Water Treatment Equipment         | 12,378,400            |
| 320       | TOTAL WATER TREATMENT EQUIPMENT   | 12,378,400            |
| 330.4     | T&D Reservoirs and Standpipes     | <b>8,987,392</b>      |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIP | 8,987,392             |
| 331       | Trans. And Dist. Mains            | <b>99,757,142</b>     |
| 331       | TOTAL TRANS. AND DIST. MAINS      | 99,757,142            |
| 333       | Services                          | <b>18,838,783</b>     |
| 334       | Meters and Installations          | <b>15,267,007</b>     |
| 334       | TOTAL METERS AND METER INSTALLAT  | 15,267,007            |
| 335       | Hydrants                          | <b>7,578,215</b>      |
| 339.2     | Other Water Source Plant          | 8,526                 |
| 340       | Office Furniture                  | <b>3,723,967</b>      |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPM | 3,723,967             |
| 341       | Light Trucks                      | <b>2,772,690</b>      |
| 341       | TOTAL TRANSPORTATION EQUIPMENT    | 2,772,690             |
| 342       | Stores Equipment                  | 43,392                |
| 343       | Tools, Shop and Garage Equipment  | <b>1,461,232</b>      |
| 344       | Laboratory Equipment              | 368,087               |
| 345       | Power Operated Equipment          | 336,333               |
| 346.2     | Communication Equipment           | 468,383               |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT    | 468,383               |
| 347.51    | Miscellaneous Equipment           | 1,023,783             |
|           | Land                              | 432,343               |
|           | Intangible Plant                  | 405,132               |
|           | Other Assets                      | 1,641,517             |
|           | Total Plant in Service            | \$ 192,206,908        |
|           | 13 Month Average Plant in Service | <u>\$ 186,826,217</u> |

TENNESSEE AMERICAN WATER COMPANY TRA  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY

RB-PLANT1

| Account # | Description                       | Balance<br>11/30/2007 | Additions | Retirements | Balance<br>12/31/2007 | Additions | Retirements | Balance<br>1/31/2008 | Additions | Retirements |
|-----------|-----------------------------------|-----------------------|-----------|-------------|-----------------------|-----------|-------------|----------------------|-----------|-------------|
| 304.2     | Pumping Structures                | \$ 3,809,177          | \$ -      | \$ -        | \$ 3,809,177          | \$ -      | \$ -        | \$ 3,809,177         | \$ -      | \$ -        |
| 304.3     | Water Treatment Structures        | 3,627,280             | 7,500     | 0           | 3,634,780             | 0         | 0           | 3,634,780            | 0         | 0           |
| 304.4     | T&D Structures and Improvements   | 510,815               | 0         | 0           | 510,815               | 0         | 0           | 510,815              | 0         | 0           |
| 304.5     | Miscellaneous Equipment           | 1,119,390             | 0         | 0           | 1,119,390             | 0         | 0           | 1,119,390            | 0         | 0           |
| 304       | TOTAL STRUCTURES AND IMPROVEMENT  | 9,066,662             | 0         | 0           | 9,074,162             | 0         | 0           | 9,074,162            | 0         | 0           |
| 306.2     | Lake, River, and Other Intakes    | 489,123               | 0         | 0           | 489,123               | 0         | 0           | 489,123              | 0         | 0           |
| 309       | Supply Mains                      | 610,555               | 0         | 0           | 610,555               | 0         | 0           | 610,555              | 0         | 0           |
| 310.2     | Power Generation Equipment        | 227,422               | 0         | 0           | 227,422               | 0         | 0           | 227,422              | 0         | 0           |
| 311.2     | Electric Pumping Equipment        | 6,265,424             | 40,500    | (7,500)     | 6,298,424             | 8,219     | 0           | 6,306,643            | 6,678     | 0           |
| 311       | TOTAL PUMPING EQUIPMENT           | 6,265,424             | 0         | 0           | 6,298,424             | 0         | 0           | 6,306,643            | 0         | 0           |
| 320.3     | Water Treatment Equipment         | 12,378,400            | 0         | 0           | 12,378,400            | 0         | 0           | 12,378,400           | 0         | 0           |
| 320       | TOTAL WATER TREATMENT EQUIPMENT   | 12,378,400            | 0         | 0           | 12,378,400            | 0         | 0           | 12,378,400           | 0         | 0           |
| 330.4     | T&D Reservoirs and Standpipes     | 8,987,392             | 0         | 0           | 8,987,392             | 0         | 0           | 8,987,392            | 0         | 0           |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIP | 8,987,392             | 0         | 0           | 8,987,392             | 0         | 0           | 8,987,392            | 0         | 0           |
| 331       | Trans. And Dist. Mains            | 98,442,206            | 1,003,076 | (18,000)    | 99,427,282            | 197,552   | 0           | 99,624,834           | 132,308   | 0           |
| 331       | TOTAL TRANS. AND DIST. MAINS      | 98,442,206            | 0         | 0           | 99,427,282            | 0         | 0           | 99,624,834           | 0         | 0           |
| 333       | Services                          | 18,760,054            | 51,265    | (3,190)     | 18,808,129            | 16,073    | 0           | 18,824,202           | 14,581    | 0           |
| 334       | Meters and Installations          | 15,104,547            | 127,000   | (8,000)     | 15,223,547            | 25,413    | 0           | 15,248,960           | 18,047    | 0           |
| 334       | TOTAL METERS AND METER INSTALLAT  | 15,104,547            | 0         | 0           | 15,223,547            | 0         | 0           | 15,248,960           | 0         | 0           |
| 335       | Hydrants                          | 7,478,211             | 80,950    | (3,988)     | 7,555,173             | 19,247    | 0           | 7,574,420            | 3,795     | 0           |
| 339.2     | Other Water Source Plant          | 8,526                 | 0         | 0           | 8,526                 | 0         | 0           | 8,526                | 0         | 0           |
| 340       | Office Furniture                  | 3,710,632             | 10,500    | 0           | 3,721,132             | 431       | 0           | 3,721,563            | 2,404     | 0           |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPM | 3,710,632             | 0         | 0           | 3,721,132             | 0         | 0           | 3,721,563            | 0         | 0           |
| 341       | Light Trucks                      | 2,585,190             | 187,500   | 0           | 2,772,690             | 0         | 0           | 2,772,690            | 0         | 0           |
| 341       | TOTAL TRANSPORTATION EQUIPMENT    | 2,585,190             | 0         | 0           | 2,772,690             | 0         | 0           | 2,772,690            | 0         | 0           |
| 342       | Stores Equipment                  | 43,392                | 0         | 0           | 43,392                | 0         | 0           | 43,392               | 0         | 0           |
| 343       | Tools, Shop and Garage Equipment  | 1,393,232             | 75,500    | (7,500)     | 1,461,232             | 0         | 0           | 1,461,232            | 0         | 0           |
| 344       | Laboratory Equipment              | 368,087               | 0         | 0           | 368,087               | 0         | 0           | 368,087              | 0         | 0           |
| 345       | Power Operated Equipment          | 336,333               | 0         | 0           | 336,333               | 0         | 0           | 336,333              | 0         | 0           |
| 346.2     | Communication Equipment           | 468,383               | 0         | 0           | 468,383               | 0         | 0           | 468,383              | 0         | 0           |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT    | 468,383               | 0         | 0           | 468,383               | 0         | 0           | 468,383              | 0         | 0           |
| 347.51    | Miscellaneous Equipment           | 1,023,783             | 0         | 0           | 1,023,783             | 0         | 0           | 1,023,783            | 0         | 0           |
|           | Land                              | 432,343               |           |             | 432,343               |           |             | 432,343              |           |             |
|           | Intangible Plant                  | 405,132               |           |             | 405,132               |           |             | 405,132              |           |             |
|           | Other Assets                      | 1,641,517             |           |             | 1,641,517             |           |             | 1,641,517            |           |             |
|           | Total Plant in Service            | \$ 190,226,547        |           |             | \$ 191,762,160        |           |             | \$ 192,029,095       |           |             |

Revised P118

13 Month Average Plant in Service

TENNESSEE AMERICAN WATER COMPANY TRA  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY

RB-PLANT1

| Account # | Description                          | Balance<br>8/31/2007 | Additions | Retirements | Balance<br>9/30/2007 | Additions | Retirements | Balance<br>10/31/2007 | Additions | Retirements |
|-----------|--------------------------------------|----------------------|-----------|-------------|----------------------|-----------|-------------|-----------------------|-----------|-------------|
| 304.2     | Pumping Structures                   | \$ 3,809,177         | \$ -      | \$ -        | \$ 3,809,177         | \$ -      | \$ -        | \$ 3,809,177          | \$ -      | \$ -        |
| 304.3     | Water Treatment Structures           | 3,597,280            | 12,500    | 0           | 3,609,780            | 7,500     | 0           | 3,617,280             | 10,000    | 0           |
| 304.4     | T&D Structures and Improvements      | 510,815              | 0         | 0           | 510,815              | 0         | 0           | 510,815               | 0         | 0           |
| 304.5     | Miscellaneous Equipment              | 1,119,390            | 0         | 0           | 1,119,390            | 0         | 0           | 1,119,390             | 0         | 0           |
| 304       | TOTAL STRUCTURES AND IMPROVEMENTS    | 9,036,662            | 0         | 0           | 9,049,162            | 0         | 0           | 9,056,662             | 0         | 0           |
| 306.2     | Lake, River, and Other Intakes       | 489,123              | 0         | 0           | 489,123              | 0         | 0           | 489,123               | 0         | 0           |
| 309       | Supply Mains                         | 610,555              | 0         | 0           | 610,555              | 0         | 0           | 610,555               | 0         | 0           |
| 310.2     | Power Generation Equipment           | 227,422              | 0         | 0           | 227,422              | 0         | 0           | 227,422               | 0         | 0           |
| 311.2     | Electric Pumping Equipment           | 6,130,824            | 38,000    | (9,600)     | 6,159,224            | 70,000    | (12,200)    | 6,217,024             | 59,000    | (10,600)    |
| 311       | TOTAL PUMPING EQUIPMENT              | 6,130,824            | 0         | 0           | 6,159,224            | 0         | 0           | 6,217,024             | 0         | 0           |
| 320.3     | Water Treatment Equipment            | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400            | 0         | 0           |
| 320       | TOTAL WATER TREATMENT EQUIPMENT      | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400            | 0         | 0           |
| 330.4     | T&D Reservoirs and Standpipes        | 8,355,392            | 606,018   | (168,000)   | 8,793,410            | 193,982   | 0           | 8,987,392             | 0         | 0           |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIP    | 8,355,392            | 0         | 0           | 8,793,410            | 0         | 0           | 8,987,392             | 0         | 0           |
| 331       | Trans. And Dist. Mains               | 96,055,869           | 971,055   | (5,700)     | 97,021,224           | 900,902   | (37,900)    | 97,884,226            | 566,480   | (8,500)     |
| 331       | TOTAL TRANS. AND DIST. MAINS         | 96,055,869           | 0         | 0           | 97,021,224           | 0         | 0           | 97,884,226            | 0         | 0           |
| 333       | Services                             | 18,454,360           | 105,800   | (1,950)     | 18,558,210           | 136,644   | (2,700)     | 18,692,154            | 68,500    | (600)       |
| 334       | Meters and Installations             | 14,849,347           | 90,000    | (5,200)     | 14,934,147           | 87,800    | (5,200)     | 15,016,747            | 93,000    | (5,200)     |
| 334       | TOTAL METERS AND METER INSTALLATIONS | 14,849,347           | 0         | 0           | 14,934,147           | 0         | 0           | 15,016,747            | 0         | 0           |
| 335       | Hydrants                             | 7,308,311            | 63,200    | (2,500)     | 7,369,011            | 65,700    | (4,000)     | 7,430,711             | 49,500    | (2,000)     |
| 339.2     | Other Water Source Plant             | 8,526                | 0         | 0           | 8,526                | 0         | 0           | 8,526                 | 0         | 0           |
| 340       | Office Furniture                     | 3,642,632            | 10,000    | 0           | 3,652,632            | 24,300    | 0           | 3,676,932             | 33,700    | 0           |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPMENT | 3,642,632            | 0         | 0           | 3,652,632            | 0         | 0           | 3,676,932             | 0         | 0           |
| 341       | Light Trucks                         | 2,022,690            | 187,500   | 0           | 2,210,190            | 187,500   | 0           | 2,397,690             | 187,500   | 0           |
| 341       | TOTAL TRANSPORTATION EQUIPMENT       | 2,022,690            | 0         | 0           | 2,210,190            | 0         | 0           | 2,397,690             | 0         | 0           |
| 342       | Stores Equipment                     | 43,392               | 0         | 0           | 43,392               | 0         | 0           | 43,392                | 0         | 0           |
| 343       | Tools, Shop and Garage Equipment     | 1,253,132            | 34,000    | (3,400)     | 1,283,732            | 54,000    | (5,500)     | 1,332,232             | 67,000    | (6,000)     |
| 344       | Laboratory Equipment                 | 368,087              | 0         | 0           | 368,087              | 0         | 0           | 368,087               | 0         | 0           |
| 345       | Power Operated Equipment             | 336,333              | 0         | 0           | 336,333              | 0         | 0           | 336,333               | 0         | 0           |
| 346.2     | Communication Equipment              | 468,383              | 0         | 0           | 468,383              | 0         | 0           | 468,383               | 0         | 0           |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT       | 468,383              | 0         | 0           | 468,383              | 0         | 0           | 468,383               | 0         | 0           |
| 347.51    | Miscellaneous Equipment              | 1,023,783            | 0         | 0           | 1,023,783            | 0         | 0           | 1,023,783             | 0         | 0           |
|           | Land                                 | 432,343              |           |             | 432,343              |           |             | 432,343               |           |             |
|           | Intangible Plant                     | 405,132              |           |             | 405,132              |           |             | 405,132               |           |             |
|           | Other Assets                         | 1,641,517            |           |             | 1,641,517            |           |             | 1,641,517             |           |             |
|           | Total Plant in Service               | \$ 185,542,216       |           |             | \$ 187,463,939       |           |             | \$ 189,124,767        |           |             |

13 Month Average Plant in Service

TENNESSEE AMERICAN WATER COMPANY TRA  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY

RB-PLANT1

Revised P120

| Account # | Description                       | Additions | Retirements | Balance<br>6/30/2007 | Additions | Retirements | Balance<br>7/31/2007 | Additions | Retirements |
|-----------|-----------------------------------|-----------|-------------|----------------------|-----------|-------------|----------------------|-----------|-------------|
| 304.2     | Pumping Structures                | \$        | \$          | \$                   | \$        | \$          | \$                   | \$        | \$          |
| 304.3     | Water Treatment Structures        | 0         | 0           | 3,809,177            | 10,000    | 0           | 3,809,177            | 10,000    | 0           |
| 304.4     | T&D Structures and Improvements   | 0         | 0           | 3,577,280            | 0         | 0           | 3,577,280            | 0         | 0           |
| 304.5     | Miscellaneous Equipment           | 0         | 0           | 510,815              | 0         | 0           | 510,815              | 0         | 0           |
| 304       | TOTAL STRUCTURES AND IMPROVEMENT  | 0         | 0           | 1,119,390            | 0         | 0           | 1,119,390            | 0         | 0           |
| 306.2     | Lake, River, and Other Intakes    | 0         | 0           | 9,016,662            | 0         | 0           | 9,016,662            | 0         | 0           |
| 309       | Supply Mains                      | 0         | 0           | 489,123              | 0         | 0           | 489,123              | 0         | 0           |
| 310.2     | Power Generation Equipment        | 0         | 0           | 610,555              | 0         | 0           | 610,555              | 0         | 0           |
| 311.2     | Electric Pumping Equipment        | 0         | 0           | 227,422              | 0         | 0           | 227,422              | 0         | 0           |
| 311       | TOTAL PUMPING EQUIPMENT           | 30,000    | (6,250)     | 6,095,824            | 20,000    | (4,500)     | 6,111,324            | 27,500    | (8,000)     |
| 320.3     | Water Treatment Equipment         | 0         | 0           | 6,095,824            | 0         | 0           | 6,111,324            | 0         | 0           |
| 320       | TOTAL WATER TREATMENT EQUIPMENT   | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           |
| 330.4     | T&D Reservoirs and Standpipes     | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIP | 0         | 0           | 8,355,392            | 0         | 0           | 8,355,392            | 0         | 0           |
| 331       | Trans. And Dist. Mains            | 424,560   | (29,450)    | 8,355,392            | 0         | 0           | 8,355,392            | 0         | 0           |
| 331       | TOTAL TRANS. AND DIST. MAINS      | 0         | 0           | 95,437,509           | 204,645   | (19,440)    | 95,622,714           | 582,770   | (149,615)   |
| 333       | Services                          | 102,850   | (2,150)     | 95,437,509           | 0         | 0           | 95,622,714           | 0         | 0           |
| 334       | Meters and Installations          | 165,150   | (14,000)    | 18,297,530           | 69,100    | (1,850)     | 18,364,780           | 91,580    | (2,000)     |
| 334       | TOTAL METERS AND METER INSTALLAT  | 0         | 0           | 14,537,547           | 169,900   | (14,000)    | 14,693,447           | 169,900   | (14,000)    |
| 335       | Hydrants                          | 3,450     | (800)       | 14,537,547           | 0         | 0           | 14,693,447           | 0         | 0           |
| 339.2     | Other Water Source Plant          | 0         | 0           | 7,274,836            | 13,450    | (800)       | 7,287,486            | 23,625    | (2,800)     |
| 340       | Office Furniture                  | 11,000    | 0           | 8,526                | 0         | 0           | 8,526                | 0         | 0           |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPM | 0         | 0           | 3,614,632            | 12,500    | 0           | 3,627,132            | 15,500    | 0           |
| 341       | Light Trucks                      | 0         | (26,650)    | 3,614,632            | 0         | 0           | 3,627,132            | 0         | 0           |
| 341       | TOTAL TRANSPORTATION EQUIPMENT    | 0         | 0           | 2,022,690            | 0         | 0           | 2,022,690            | 0         | 0           |
| 342       | Stores Equipment                  | 0         | 0           | 2,022,690            | 0         | 0           | 2,022,690            | 0         | 0           |
| 343       | Tools, Shop and Garage Equipment  | 18,000    | (5,800)     | 43,392               | 0         | 0           | 43,392               | 0         | 0           |
| 344       | Laboratory Equipment              | 0         | 0           | 1,225,732            | 19,500    | (6,100)     | 1,239,132            | 16,500    | (2,500)     |
| 345       | Power Operated Equipment          | 0         | 0           | 368,087              | 0         | 0           | 368,087              | 0         | 0           |
| 346.2     | Communication Equipment           | 0         | 0           | 336,333              | 0         | 0           | 336,333              | 0         | 0           |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT    | 0         | 0           | 468,383              | 0         | 0           | 468,383              | 0         | 0           |
| 347.51    | Miscellaneous Equipment           | 0         | 0           | 468,383              | 0         | 0           | 468,383              | 0         | 0           |
|           | Land                              | 0         | 0           | 1,023,783            | 0         | 0           | 1,023,783            | 0         | 0           |
|           | Intangible Plant                  |           |             | 432,343              |           |             | 432,343              |           |             |
|           | Other Assets                      |           |             | 405,132              |           |             | 405,132              |           |             |
|           | Total Plant in Service            |           |             | 1,641,517            |           |             | 1,641,517            |           |             |
|           |                                   |           |             | \$ 184,311,351       |           |             | \$ 184,783,756       |           |             |

13 Month Average Plant in Service



TENNESSEE AMERICAN WATER COMPANY TRA  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY

| Account # | Description                       | Retirements | Balance<br>3/31/2007 | Additions | Retirements | Balance<br>4/30/2007 | Additions | Retirements | Balance<br>5/31/2007 |
|-----------|-----------------------------------|-------------|----------------------|-----------|-------------|----------------------|-----------|-------------|----------------------|
| 304.2     | Pumping Structures                | \$ -        | \$ 3,809,177         | \$ -      | \$ -        | \$ 3,809,177         | \$ -      | \$ -        | \$ 3,809,177         |
| 304.3     | Water Treatment Structures        | 0           | 3,552,280            | 16,500    | 0           | 3,568,780            | 8,500     | 0           | 3,577,280            |
| 304.4     | T&D Structures and Improvements   | 0           | 510,815              | 0         | 0           | 510,815              | 0         | 0           | 510,815              |
| 304.5     | Miscellaneous Equipment           | 0           | 1,119,390            | 0         | 0           | 1,119,390            | 0         | 0           | 1,119,390            |
| 304       | TOTAL STRUCTURES AND IMPROVEMEN   | 0           | 8,991,662            | 0         | 0           | 9,008,162            | 0         | 0           | 9,016,662            |
| 306.2     | Lake, River, and Other Intakes    | 0           | 489,123              | 0         | 0           | 489,123              | 0         | 0           | 489,123              |
| 309       | Supply Mains                      | 0           | 610,555              | 0         | 0           | 610,555              | 0         | 0           | 610,555              |
| 310.2     | Power Generation Equipment        | 0           | 227,422              | 0         | 0           | 227,422              | 0         | 0           | 227,422              |
| 311.2     | Electric Pumping Equipment        | (6,500)     | 6,028,274            | 29,000    | (1,250)     | 6,056,024            | 20,000    | (3,950)     | 6,072,074            |
| 311       | TOTAL PUMPING EQUIPMENT           | 0           | 6,028,274            | 0         | 0           | 6,056,024            | 0         | 0           | 6,072,074            |
| 320.3     | Water Treatment Equipment         | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           |
| 320       | TOTAL WATER TREATMENT EQUIPMENT   | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           |
| 330.4     | T&D Reservoirs and Standpipes     | 0           | 8,355,392            | 0         | 0           | 8,355,392            | 0         | 0           | 8,355,392            |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIP | 0           | 8,355,392            | 0         | 0           | 8,355,392            | 0         | 0           | 8,355,392            |
| 331       | Trans. And Dist. Mains            | (14,025)    | 94,468,839           | 218,050   | (12,920)    | 94,673,969           | 391,730   | (23,300)    | 95,042,399           |
| 331       | TOTAL TRANS. AND DIST. MAINS      | 0           | 94,468,839           | 0         | 0           | 94,673,969           | 0         | 0           | 95,042,399           |
| 333       | Services                          | (2,800)     | 18,065,570           | 74,850    | (2,920)     | 18,137,500           | 61,330    | (2,000)     | 18,196,830           |
| 334       | Meters and Installations          | (13,000)    | 14,084,097           | 165,150   | (14,000)    | 14,235,247           | 165,150   | (14,000)    | 14,386,397           |
| 334       | TOTAL METERS AND METER INSTALLAT  | 0           | 14,084,097           | 0         | 0           | 14,235,247           | 0         | 0           | 14,386,397           |
| 335       | Hydrants                          | (800)       | 7,266,136            | 8,725     | (4,000)     | 7,270,861            | 1,725     | (400)       | 7,272,186            |
| 339.2     | Other Water Source Plant          | 0           | 8,526                | 0         | 0           | 8,526                | 0         | 0           | 8,526                |
| 340       | Office Furniture                  | (1,650)     | 3,575,832            | 13,500    | (1,200)     | 3,588,132            | 33,500    | (18,000)    | 3,603,632            |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPM | 0           | 3,575,832            | 0         | 0           | 3,588,132            | 0         | 0           | 3,603,632            |
| 341       | Light Trucks                      | (46,000)    | 2,097,940            | 0         | (27,800)    | 2,070,140            | 0         | (20,800)    | 2,049,340            |
| 341       | TOTAL TRANSPORTATION EQUIPMENT    | 0           | 2,097,940            | 0         | 0           | 2,070,140            | 0         | 0           | 2,049,340            |
| 342       | Stores Equipment                  | 0           | 43,392               | 0         | 0           | 43,392               | 0         | 0           | 43,392               |
| 343       | Tools, Shop and Garage Equipment  | (2,000)     | 1,184,032            | 26,000    | (5,000)     | 1,205,032            | 12,500    | (4,000)     | 1,213,532            |
| 344       | Laboratory Equipment              | 0           | 368,087              | 0         | 0           | 368,087              | 0         | 0           | 368,087              |
| 345       | Power Operated Equipment          | 0           | 336,333              | 0         | 0           | 336,333              | 0         | 0           | 336,333              |
| 346.2     | Communication Equipment           | 0           | 468,383              | 0         | 0           | 468,383              | 0         | 0           | 468,383              |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT    | 0           | 468,383              | 0         | 0           | 468,383              | 0         | 0           | 468,383              |
| 347.51    | Miscellaneous Equipment           | 0           | 1,023,783            | 0         | 0           | 1,023,783            | 0         | 0           | 1,023,783            |
|           | Land                              |             | 432,343              |           |             | 432,343              |           |             | 432,343              |
|           | Intangible Plant                  |             | 405,132              |           |             | 405,132              |           |             | 405,132              |
|           | Other Assets                      |             | 1,641,517            |           |             | 1,641,517            |           |             | 1,641,517            |
|           | Total Plant in Service            | \$ -        | \$ 182,550,771       |           | \$ -        | \$ 183,033,456       |           | \$ -        | \$ 183,641,441       |

13 Month Average Plant in Service

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #06-00290  
MONTHLY PLANT IN SERVICE  
FOR THE ATTRITION YEAR ENDING FEBRUARY 28, 2008

RB-PLANT1

REVISED RB-PLANT1

Revised P122

A/

| Account # | Description                          | Balance<br>12/31/2006 | Additions | Retirements | Balance<br>1/31/2007 | Additions | Retirements | Balance<br>2/28/2007 | Additions |
|-----------|--------------------------------------|-----------------------|-----------|-------------|----------------------|-----------|-------------|----------------------|-----------|
| 304.2     | Pumping Structures                   | \$ 3,809,177          | \$ -      | \$ -        | \$ 3,809,177         | \$ -      | \$ -        | \$ 3,809,177         | \$ -      |
| 304.3     | Water Treatment Structures           | 3,527,780             | 3,500     | 0           | 3,531,280            | 0         | 0           | 3,531,280            | 21,000    |
| 304.4     | T&D Structures and Improvements      | 510,815               | 0         | 0           | 510,815              | 0         | 0           | 510,815              | 0         |
| 304.5     | Miscellaneous Equipment              | 1,119,390             | 0         | 0           | 1,119,390            | 0         | 0           | 1,119,390            | 0         |
| 304       | TOTAL STRUCTURES AND IMPROVEMENTS    | 8,967,162             | 0         | 0           | 8,970,662            | 0         | 0           | 8,970,662            | 0         |
| 306.2     | Lake, River, and Other Intakes       | 489,123               | 0         | 0           | 489,123              | 0         | 0           | 489,123              | 0         |
| 309       | Supply Mains                         | 610,555               | 0         | 0           | 610,555              | 0         | 0           | 610,555              | 0         |
| 310.2     | Power Generation Equipment           | 227,422               | 0         | 0           | 227,422              | 0         | 0           | 227,422              | 0         |
| 311.2     | Electric Pumping Equipment           | 5,983,774             | 10,000    | (4,000)     | 5,989,774            | 17,000    | (4,000)     | 6,002,774            | 32,000    |
| 311       | TOTAL PUMPING EQUIPMENT              | 5,983,774             | 0         | 0           | 5,989,774            | 0         | 0           | 6,002,774            | 0         |
| 320.3     | Water Treatment Equipment            | 12,378,400            | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         |
| 320       | TOTAL WATER TREATMENT EQUIPMENT      | 12,378,400            | 0         | 0           | 12,378,400           | 0         | 0           | 12,378,400           | 0         |
| 330.4     | T&D Reservoirs and Standpipes        | 8,355,392             | 0         | 0           | 8,355,392            | 0         | 0           | 8,355,392            | 0         |
| 330       | TOTAL T&D RESERVOIRS AND STANDPIPES  | 8,355,392             | 0         | 0           | 8,355,392            | 0         | 0           | 8,355,392            | 0         |
| 331       | Trans. And Dist. Mains               | 93,882,035            | 183,500   | (1,850)     | 94,063,685           | 180,899   | (5,100)     | 94,239,484           | 243,380   |
| 331       | TOTAL TRANS. AND DIST. MAINS         | 93,882,035            | 0         | 0           | 94,063,685           | 0         | 0           | 94,239,484           | 0         |
| 333       | Services                             | 17,846,645            | 77,275    | (1,500)     | 17,922,420           | 69,050    | (1,750)     | 17,989,720           | 78,650    |
| 334       | Meters and Installations             | 13,674,647            | 140,150   | (11,000)    | 13,803,797           | 145,150   | (13,000)    | 13,935,947           | 161,150   |
| 334       | TOTAL METERS AND METER INSTALLATION  | 13,674,647            | 0         | 0           | 13,803,797           | 0         | 0           | 13,935,947           | 0         |
| 335       | Hydrants                             | 7,259,861             | 6,900     | (1,600)     | 7,265,161            | 1,725     | (3,400)     | 7,263,486            | 3,450     |
| 339.2     | Other Water Source Plant             | 8,526                 | 0         | 0           | 8,526                | 0         | 0           | 8,526                | 0         |
| 340       | Office Furniture                     | 3,544,832             | 8,000     | (1,200)     | 3,551,632            | 8,500     | (1,650)     | 3,558,482            | 19,000    |
| 340       | TOTAL OFFICE FURNITURE AND EQUIPMENT | 3,544,832             | 0         | 0           | 3,551,632            | 0         | 0           | 3,558,482            | 0         |
| 341       | Light Trucks                         | 2,336,240             | 0         | (86,800)    | 2,249,440            | 0         | (105,500)   | 2,143,940            | 0         |
| 341       | TOTAL TRANSPORTATION EQUIPMENT       | 2,336,240             | 0         | 0           | 2,249,440            | 0         | 0           | 2,143,940            | 0         |
| 342       | Stores Equipment                     | 43,392                | 0         | 0           | 43,392               | 0         | 0           | 43,392               | 0         |
| 343       | Tools, Shop and Garage Equipment     | 1,164,532             | 5,000     | (2,500)     | 1,167,032            | 7,500     | (3,000)     | 1,171,532            | 14,500    |
| 344       | Laboratory Equipment                 | 368,087               | 0         | 0           | 368,087              | 0         | 0           | 368,087              | 0         |
| 345       | Power Operated Equipment             | 336,333               | 0         | 0           | 336,333              | 0         | 0           | 336,333              | 0         |
| 346.2     | Communication Equipment              | 506,383               | 0         | (21,500)    | 484,883              | 0         | (16,500)    | 468,383              | 0         |
| 346       | TOTAL COMMUNICATIONS EQUIPMENT       | 506,383               | 0         | 0           | 484,883              | 0         | 0           | 468,383              | 0         |
| 347.51    | Miscellaneous Equipment              | 1,023,783             | 0         | 0           | 1,023,783            | 0         | 0           | 1,023,783            | 0         |
|           | Land                                 | 432,343               |           |             | 432,343              |           |             | 432,343              |           |
|           | Intangible Plant                     | 405,132               |           |             | 405,132              |           |             | 405,132              |           |
|           | Other Assets                         | 1,641,517             |           |             | 1,641,517            |           |             | 1,641,517            |           |
|           | Total Plant in Service               | \$ 181,486,117        |           | \$          | \$ 181,788,492       |           | \$          | \$ 182,064,416       |           |

13 Month Average Plant in Service

A/ Company Response to CAPD First Set of Data Requests, Part II, #23, Page 1 of 1, Less Walden Ridge Amounts.

B/ Company Response to CAPD Second Set of Data Requests, #4.

TENNESSEE AMERICAN WATER COMPANY  
 TRA DOCKET #06-00290  
 PAYROLL TAXES - SALARIED EMPLOYEES  
 ATTRITION YEAR 3/01/07 - 2/28/08

REVISED T-OTAX6

\* \$94,200 WAGE BASE  
 \*\* NO WAGE BASE  
 \*\*\* \$7,000 WAGE BASE

| EMP # | EMP NAME            | ATTRITION<br>PERIOD<br>PAY | FICA *           | MEDICARE **      | FUTA ***        | SUTA ***      | TOTAL<br>PAYROLL<br>TAXES |
|-------|---------------------|----------------------------|------------------|------------------|-----------------|---------------|---------------------------|
|       |                     |                            | 6.20%            | 1.45%            | 0.80%           | 0.40%         |                           |
| 1     | Cummings, Pamela B  | \$ 78,757.88               | \$ 4,882.99      | \$ 1,141.99      | \$ 56.00        | \$ 28.00      | \$ 6,108.98               |
| 2     | Bartley, Rachel     | 89,444.00                  | 5,545.53         | 1,296.94         | 56.00           | 28.00         | 6,926.47                  |
| 3     | Turley, Mark        | 58,413.38                  | 3,621.63         | 846.99           | 56.00           | 28.00         | 4,552.62                  |
| 4     | McBay, David E.     | 48,909.00                  | 3,032.36         | 709.18           | 56.00           | 28.00         | 3,825.54                  |
| 5     | Bishop, Monty       | 100,951.88                 | 5,840.40         | 1,463.80         | 56.00           | 28.00         | 7,388.20                  |
| 6     | Scealf, Virginia B  | 56,718.00                  | 3,516.52         | 822.41           | 56.00           | 28.00         | 4,422.93                  |
| 7     | Bennette, Michael   | 71,308.50                  | 4,421.13         | 1,033.97         | 56.00           | 28.00         | 5,539.10                  |
| 8     | Zinnanti, Mark      | 80,864.25                  | 5,013.58         | 1,172.53         | 56.00           | 28.00         | 6,270.12                  |
| 9     | Narley, Kate        | 51,375.00                  | 3,185.25         | 744.94           | 56.00           | 28.00         | 4,014.19                  |
| 10    | Holmes, Susan T.    | 81,378.00                  | 5,045.44         | 1,179.98         | 56.00           | 28.00         | 6,309.42                  |
| 11    | Partridge, Adrien   | 44,182.50                  | 2,739.32         | 640.65           | 56.00           | 28.00         | 3,463.96                  |
| 12    | Bratcher, Neil F.   | 64,270.13                  | 3,984.75         | 931.92           | 56.00           | 28.00         | 5,000.66                  |
| 13    | Norwood, R Gary     | 67,866.38                  | 4,207.72         | 984.06           | 56.00           | 28.00         | 5,275.78                  |
| 14    | Thornton, Rebecca   | 73,466.25                  | 4,554.91         | 1,065.26         | 56.00           | 28.00         | 5,704.17                  |
| 15    | Morrison, Leah      | 61,341.75                  | 3,803.19         | 889.46           | 56.00           | 28.00         | 4,776.64                  |
| 16    | Highsmith, Kevin    | 61,290.38                  | 3,800.00         | 888.71           | 56.00           | 28.00         | 4,772.71                  |
| 17    | Banks, Kathleen     | 60,365.63                  | 3,742.67         | 875.30           | 56.00           | 28.00         | 4,701.97                  |
| 18    | Dalton, Kimberly M. | 57,540.00                  | 3,567.48         | 834.33           | 56.00           | 28.00         | 4,485.81                  |
| 19    | Taylor, Randal D.   | 82,456.88                  | 5,112.33         | 1,195.62         | 56.00           | 28.00         | 6,391.95                  |
| 20    | Watson, John S.     | 116,672.63                 | 5,840.40         | 1,691.75         | 56.00           | 28.00         | 7,616.15                  |
| 21    | Betty, Steven W.    | 53,943.75                  | 3,344.51         | 782.18           | 56.00           | 28.00         | 4,210.70                  |
|       |                     | <u>\$ 1,461,516</u>        | <u>\$ 88,802</u> | <u>\$ 21,192</u> | <u>\$ 1,176</u> | <u>\$ 588</u> | <u>\$ 111,758</u>         |

TENNESSEE AMERICAN WATER COMPANY

TRA DOCKET #06-00290

PAYROLL TAXES - NON-UNION HOURLY EMPLOYEES

ATTRITION YEAR 3/1/07 - 2/28/08

REVISED T-OTAX5

\*\*\* \$7,000 WAGE BASE

| EMP # | EMP NAME        | A/<br>ATTRITION<br>PERIOD<br>PAY | FICA<br>6.20%               | MEDICARE<br>1.45%         | FUTA ***<br>0.80%        | SUTA ***<br>0.40%  | TOTAL<br>PAYROLL<br>TAXES   |
|-------|-----------------|----------------------------------|-----------------------------|---------------------------|--------------------------|--------------------|-----------------------------|
| 1     | Griffith, Vicki | 0.00<br>\$ 43,052.00<br>0.00     | 0.00<br>\$ 2,669.22<br>0.00 | 0.00<br>\$ 624.25<br>0.00 | 0.00<br>\$ 56.00<br>0.00 | 0<br>\$ 28.00<br>0 | 0.00<br>\$ 3,377.48<br>0.00 |
|       |                 | <u>\$ 43,052.00</u>              | <u>\$ 2,669.22</u>          | <u>\$ 624.25</u>          | <u>\$ 56.00</u>          | <u>\$ 28.00</u>    | <u>\$ 3,377.48</u>          |

A/ CAPD WORKPAPER E-PAY-2.

**TENNESSEE AMERICAN WATER COMPANY**  
**TRA DOCKET #06-00290**  
**CAPITALIZATION OF PAYROLL TAXES**  
**FOR ATTRITION YEAR ENDING 2/28/08**

REVISED T-OTAX3

|                                | <u>PAYROLL<br/>TAXES<br/>(CAPD)</u> | <u>PAYROLL<br/>TAXES<br/>(COMPANY)</u> | <u>DIFFERENCE</u>             |
|--------------------------------|-------------------------------------|----------------------------------------|-------------------------------|
| <b><u>FICA TAXES</u></b>       |                                     |                                        |                               |
| UNION EMPLOYEES                | \$ 306,239 A/                       |                                        |                               |
| NON-UNION HOURLY EMPLOYEES     | 3,293 B/                            |                                        |                               |
| SALARIED EMPLOYEES             | 109,994 C/                          |                                        |                               |
| TOTAL                          | <u>\$ 419,526</u>                   |                                        |                               |
| CAPITALIZATION %               | 21.00% D/                           |                                        |                               |
| CAPITALIZED PORTION            | <u>\$ 88,100</u>                    |                                        |                               |
| NON UTILITY %                  | 0.00%                               |                                        |                               |
| NON UTILITY PORTION            | <u>\$ -</u>                         |                                        |                               |
| <b>EXPENSED PORTION</b>        | <u><u>\$ 331,426</u></u>            | <u>352,445 E/</u>                      | <u>(21,019)</u>               |
| <b><u>FUTA TAXES</u></b>       |                                     |                                        |                               |
| UNION EMPLOYEES                | 4,648 A/                            |                                        |                               |
| NON-UNION HOURLY EMPLOYEES     | 56 B/                               |                                        |                               |
| SALARIED EMPLOYEES             | 1,176 C/                            |                                        |                               |
| TOTAL                          | <u>5,880</u>                        |                                        |                               |
| CAPITALIZATION %               | 21.00% D/                           |                                        |                               |
| CAPITALIZED PORTION            | <u>\$ 1,235</u>                     |                                        |                               |
| NON UTILITY %                  | 0.00%                               |                                        |                               |
| NON UTILITY PORTION            | <u>\$ -</u>                         |                                        |                               |
| <b>EXPENSED PORTION</b>        | <u><u>4,645</u></u>                 | <u>4,897 E/</u>                        | <u>(252)</u>                  |
| <b><u>SUTA TAXES</u></b>       |                                     |                                        |                               |
| UNION EMPLOYEES                | 2,324 A/                            |                                        |                               |
| NON-UNION HOURLY EMPLOYEES     | 28 B/                               |                                        |                               |
| SALARIED EMPLOYEES             | 588 C/                              |                                        |                               |
| TOTAL                          | <u>\$ 2,940</u>                     |                                        |                               |
| CAPITALIZATION %               | 21.00% D/                           |                                        |                               |
| CAPITALIZED PORTION            | <u>\$ 617</u>                       |                                        |                               |
| NON UTILITY %                  | 0.00%                               |                                        |                               |
| NON UTILITY PORTION            | <u>\$ -</u>                         |                                        |                               |
| <b>EXPENSED PORTION</b>        | <u><u>\$ 2,323</u></u>              | <u>\$ 2,449 E/</u>                     | <u>\$ (126)</u>               |
| <br><b>TOTAL PAYROLL TAXES</b> | <br><u><u>\$ 338,393</u></u>        | <br><u><u>\$ 359,791</u></u>           | <br><u><u>\$ (21,398)</u></u> |

A/ CAPD WORKPAPER T-OTAX4

B/ CAPD WORKPAPER T-OTAX5

C/ CAPD WORKPAPER T-OTAX6

D/ CAPD WORKPAPER E-PAY-4.

E/ COMPANY Exhibit No. 2, Schedule 5, Page 1 of 1.

## TENNESSEE AMERICAN WATER COMPANY

TRA DOCKET #06-00290

SUMMARY OF TAXES OTHER THAN INCOME  
FOR ATTRITION YEAR ENDED FEBRUARY 28, 2008

REVISED T-OTAX0

| <u>Tax</u>         | <u>CAPD Amounts</u> |
|--------------------|---------------------|
| Property Tax       | \$ 2,552,758 A/     |
| TRA Inspection Fee | 64,706 B/           |
| FUTA Taxes         | 4,645 C/            |
| FICA Taxes         | 331,426 C/          |
| SUTA Taxes         | 2,323 C/            |
| Franchise Tax      | 352,833 D/          |
| Gross Receipts Tax | 326,853 E/          |
| Total              | <u>\$ 3,635,544</u> |

A/ CAPD work paper T-OTAX1.

B/ CAPD work paper T-OTAX2.

C/ CAPD work paper T-OTAX3.

D/ CAPD work paper T-OTAX8.

E/ CAPD work paper T-OTAX7.

## Depreciation Expense

[illegible]