

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

May 9, 2007

*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

**CHATTANOOGA MANUFACTURERS ASSOCIATION'S
POST-HEARING BRIEF ON E-CIS**

Chattanooga Manufacturers Association ("CMA") joins in the post-hearing brief submitted by the Consumer Advocate and submits the following additional comments.

During the post-hearing deposition of Tennessee American Water Company witness Mr. A. Joseph Van den Berg, who testified in support of the reasonableness of the company's investment in E-CIS which has been allocated to Tennessee, the witness revealed for the first time in this proceeding that the investment in E-CIS is not allocated, as one would expect, based on the number of customers in each jurisdiction but on a formula which takes into account the alleged "complexity" of the tariffs in each jurisdiction. As a result, the witness explained, Tennessee is allocated a substantially higher percentage of the E-CIS investment than would be allocated to Indiana, he said, if the allocations were calculated on a per customer basis. The reason for this, Mr. Van Den Berg explained, is that the Tennessee tariffs are "a complex set of tariffs," more complex, supposedly, than the company's tariffs in Indiana. See the attached pages from Mr. Van den Berg's deposition.

This allocation method is clearly unfair to Tennessee ratepayers. First, the E-CIS system is designed to handle customer-specific problems. It is a "Customer Information System." Like any customer-service center, the investment ought to be allocated based on the number of customers in each jurisdiction.¹

¹ It is CMA's understanding that the operating costs of E-CIS are, in fact, allocated on a per customer basis but that the investment in E-CIS is allocated on a different basis which takes into account the alleged complexity of the tariffs in each jurisdiction.

Second, the company's justification for allocating more investment per customer to Tennessee than, for example, to Indiana is apparently fictitious. Indiana American Water provides service to sixteen separate jurisdictions in Indiana. Each jurisdiction has its own tariff. The most complex tariff appears to be the tariff for "Northwest Indiana" which is ten pages long. Altogether, the tariffs for the sixteen Indiana jurisdictions total sixty-seven (67) pages.² The tariffs for Tennessee-American cover only three jurisdictions (Chattanooga, Lakeview, and Lookout Mountain) and comprise a total of only six (6) pages.

The impact of allocating this investment base, in part, on the alleged complexity of the tariffs is significant. According to the deposition testimony of Mr. Van den Berg, \$6.5 million in E-CIS investment has been allocated in Indiana's 300,000 customers while \$3.3 million in E-CIS investment has been allocated to Tennessee's 70,000 customers. See attached transcript pages from the deposition of Joseph Van den Bert. In other words, Tennessee ratepayers have been saddled with an investment in E-CIS of \$3.3 million when, based on a comparison with the number of customers in Indiana, that figure should be only \$1.85 million.

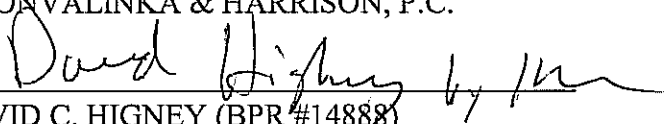
The TRA should not accept this transparent attempt to allocate proportionally more of the E-CIS investment to Tennessee and less of the investment to larger states such as Indiana. Whatever the company's motivation, their explanation that the allocation is based on the relative complexity of the company's tariffs is apparently without foundation.

In addressing the E-CIS issue, the TRA should, at a minimum, order Tennessee-American to re-allocate its share of the total investment in E-CIS on a per-customer basis and to re-calculate accordingly its Tennessee rate base.

² These tariffs are publicly available on the website of Indiana American Water.

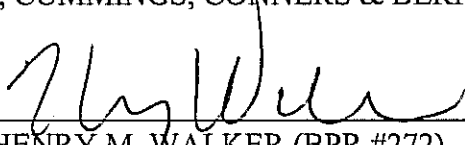
Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this May 9th day of May, 2007, the foregoing pleading of the Chattanooga Manufacturers Association was served either by fax, overnight delivery service or first class mail, postage prepaid, to all parties of record at their addresses shown below:

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For CMA

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EXAMINATION

BY MR. MCMAHAN:

3 Q. Mr. Van den Berg, Mike McMahan. A few
4 questions on behalf of the intervenors, City of
5 Chautauque. Good morning.

6 A. Good morning.

7 Q. If I can follow up on one of Mr. Butler's
8 questions. If I understood you correctly, you said
9 that the costs for Indiana was approximately
10 6.5 million for approximately 300,000 customers?

11 A. That is correct.

12 Q. And the cost for Tennessee was 3.3 million
13 with approximately 70,000 customers?

14 A. That's correct.

15 Q. Can you explain why with four times as many
16 customers, Indiana is only paying less than twice as
17 much money?

18 A. There are two driving factors to it given
19 that we're using per customer as your metric that
20 you're using.

21 With scale, you're taking and putting the
22 same amount of configuration requirements for two
23 customers as it is for 200,000 customers if the tariffs
24 are the same. So that if I have, in this case, 70,000,
25 and I have a complex set of tariffs that are required,

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1 that's going to be more expensive than it would be if I
2 had a single tariff for 70,000.

3 Likewise, if I had the same number of
4 tariffs for 200,000 customers as I have for 70,000, on
5 a per customer basis that will be a lower cost per
6 customer for the 200,000 than it is for the 70.

7 Q. So the portion of the software which is
8 calculating billing from tariffs you're saying is much
9 more expensive if there's a complicated tariff?

10 A. That is correct.

11 Q. I think you stated in your direct testimony
12 that you went to both of the call centers in Alton,
13 Illinois, and in Florida?

14 A. (Witness moves head up and down.)

15 Q. Please say yes so she can get that.

16 A. Yes. I'm sorry.

17 Q. While you were there, did you review any
18 correspondence, review any files relating to the
19 implementation of the ECIS system?

20 A. The purpose in my visit was to determine
21 whether or not the call center and the underlying
22 software that supports the call center in ECIS was
23 working effectively in a reasonable fashion.

24 And in visiting both Alton and Pensacola,
25 it is clear that that is the case. It was not to go in