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May 12, 2008

VIA EMAIL AND MAIL

Chairman Eddie Roberson
c/o Sharla Dillon
Tennessee Regulatory Authority
460 Robertson Parkway
Nashville, TN 37243-0505

filed electronically in docket office on 05/12/08

Re: **TRA Docket No. 08-0039**

Dear Chairman Roberson:

Enclosed please find Chattanooga Manufacturer Association's First Set of Data Requests to Tennessee American Water Company.

If you have any questions, please do not hesitate to contact me.

Very truly yours,


David C. Higney

DCH/dmm
Enclosure

cc: Mr. J. Richard Collier
Mr. Henry M. Walker
Mr. Michael A. McMahan
Mr. Harold L. North, Jr.
Mr. Frederick L. Hitchcock
Mr. Dale Grimes/Mr. Ross I. Booher
Mr. Robert E. Cooper, Jr. /Mr. Timothy C. Phillips/Mr. Ryan L. McGehee

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

IN RE:

PETITION OF TENNESSEE-
AMERICAN WATER COMPANY TO
CHANGE AND INCREASE CERTAIN
RATES AND CHARGES...

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DOCKET NO. 08-0039

**CHATTANOOGA MANUFACTURERS ASSOCIATION'S
FIRST SET OF DATA REQUESTS TO
TENNESSEE AMERICAN WATER COMPANY**

Chattanooga Manufacturers Association ("CMA"), by and through its counsel, hereby serves the following discovery and data requests to Tennessee American Water Company (hereinafter "TAWC", "Tennessee-American" or the "Company"):

DEFINITIONS

1. Unless otherwise noted, "Tennessee-American" "Company" or "TAWC" means Tennessee American Water Company, and its present and former officers, employees, agents, representatives, directors, and all other persons acting or purporting to act on behalf of Tennessee American Water Company.
2. The terms "you" and "your" refer to Tennessee American Water Company.
3. "The term "person" means any natural person, corporation, corporate division, partnership, other unincorporated association, trust, government agency, or entity.
4. The term "document" shall have the broadest possible meaning under applicable law. "Document" means every writing or record of every type and description that is in the

possession, custody or control of Tennessee American Water Company, including, but not limited to, correspondence, memoranda, drafts, workpapers, summaries, stenographic or handwritten notes, studies, publications, books, pamphlets, reports, surveys, minutes or statistical compilations, computer and other electronic records, files, tapes or printouts, including, but not limited to, electronic files, electronic mail (e-mail) files, portable files, temporary files, and/or external storage devices; and, copies of such writings or records containing any commentary or notation whatsoever that does not appear in the original. The term "document" further includes, by way of illustration but not limitation, schedules, progress schedules, time logs, drawings, computer disks, charts, projections, time tables, summaries of other documents, minutes, surveys, work sheets, drawings, comparisons, evaluations, laboratory and testing reports, telephone call records, personal diaries, calendars, personal notebooks, personal reading files, transcripts, witness statements and indices.

5. The term "referring or relating to" means consisting of, containing, mentioning, suggesting, reflecting, concerning, regarding, summarizing, analyzing, discussing, involving, dealing with, emanating from, directed at, pertaining to in any way, or in any way logically or factually connected or associated with the matter discussed.

6. "And" and "or" as used herein shall be construed both conjunctively and disjunctively and each shall include the other whenever such construction will serve to bring within the scope of these discovery requests any information that would otherwise not be brought within their scope.

7. "Affiliate" or "affiliated" means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another entity.

8. "Identify" or "identifying" or "identification" when used in reference to a document means to provide with respect to each document requested to be identified by these discovery requests a description of the document that is sufficient for purposes of a request to produce or a subpoena duces tecum, including the following:

- a) the type of document (e.g., letter, memorandum, etc.);
- b) the date of the document;
- c) the title or label of the document;
- d) the Bates number or other identifier used to number the document for use in litigation;
- e) the identity of the originator;
- f) the identity of each person to whom it was sent;
- g) the identity of each person to whom a copy or copies were sent;
- h) a summary of the contents of the document;
- i) the name and last known address of each person who presently has possession, custody or control of the document; and
- j) if any such document was, but is no longer, in your possession, custody or control or is no longer in existence, state whether it: (1) is missing or lost; (2) has been destroyed; or (3) has been transferred voluntarily or involuntarily, and, if so, state the circumstances surrounding the authorization for each such disposition and the date of such disposition.

GENERAL INSTRUCTIONS

1. If you contend that any response to any data request may be withheld pursuant to the attorney-client privilege, the attorney work product doctrine or any other privilege or basis, please provide a privilege log stating the following with respect to each such response in order to

explain the basis for the claim of privilege and to permit adjudication of the propriety of that claim:

- a) the privilege asserted and its basis;
- b) the nature of the information withheld, including a description that makes the document reasonably ascertainable, including its date, author and a description;
- c) the subject matter of the document, except to the extent that you claim it is privileged.

2. These requests are to be answered with reference to all information in your possession, custody or control or reasonably available to you. These requests are intended to include requests for information, which is physically within your possession, custody or control as well as in the possession, custody or control of your agents, attorneys, or other third parties from which such documents may be obtained.

3. If any data request cannot be answered in full, answer to the extent possible and specify the reasons for your inability to answer fully.

4. For each data request, provide the name of the company witness(es) or employee(s) responsible for compiling and providing the information contained in each answer.

DATA AND DISCOVERY REQUESTS

1. Please provide complete copies of any and all documents referred to or relied upon in responding to any and all of CMA's, the City of Chattanooga (the "City"), the Tennessee Attorney General's Consumer Advocate and Protection Division (the "CAPD"), the Tennessee Regulatory Authority Staff's and/or any other person or entity's discovery and data requests in this proceeding.
2. Please provide complete copies of all data requests issued to the Company in this proceeding by other parties, and complete copies of any and all documents referred to or relied upon in responding to said (whether ultimately produced in response or not)
3. Please identify all persons known to you, your attorney(s) or other agent(s), who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support or contradict each or any fact you rely upon to support your petitions, contentions and request(s) for relief in this docket, or any published materials by (or for) the Company, AWW, AWWC, or RWE, and any Affiliate thereto.
4. Please identify and produce a copy of all articles, journals, books or speeches written by or co-written in the past ten (10) years by any expert witness(es) or other witness(es) of the Company, whether published or not, relative to any issue raised in this proceeding.
5. For the period 2002 through 2007, provide copies of RWE, AWW, AWWC and/or TAWC's Annual Report to Shareholders, the annual report(s) filed with the Tennessee

Regulatory Authority or provided to members of the TRA or its Staff, and all annual and quarterly report documents filed with the federal Securities and Exchange Commission. To the extent you allege a final annual report does not exist, produce the most recent quarterly report(s) and any summary of "year-to-date" information for the year allegedly not finalized.

To the extent you contend that any such documents relative to the Company do not exist, produce such report(s) for any parent or affiliate in which the Company is included or reported, and produce any and all workpapers and communications to and from said parent or affiliate regarding or related to the Company's financial statements.

6. Concerning the Company's proposed capital additions from the November 30, 2007 test year up to the attrition year ending August 31, 2009, please provide the following:

- a. A reconciliation of actual to budgeted capital expenditures after the end of the test year up to the most current point available.
- b. Please provide a copy of the Company's five-year capital expenditure plan, with a complete explanation of all planned capital expenditures after year-end 2007.
- c. A detailed description of each of the capital expenditure programs through the end of August 2009 with an assessment of the certainty that each capital expenditure will actually be made.
- d. Please explain the adjustment to accumulated depreciation between the end of the November 2007 test year up through August 31, 2009.
- e. Please provide workpapers showing the adjustment to accumulated deferred income taxes from the end of the test year up through August 31, 2009.

7. Concerning the Company's revenue adjustments from the end of the test year through the attrition year, please provide the following:

- a. On electronic spreadsheet with all formulae intact, provide all workpapers showing the development of the normalization in test year numbers.

- b. An adjustment to revenues based on changes in number of customers between the test year and the end of the attrition year.
- c. Provide a five-year historical summary of the change in number of customers on each Tennessee-American rate schedule and how that information was used in projecting changes in number of customers through the end of the attrition year.
- d. Identify all subsidiaries of AWW that charge fees to Tennessee-American and identify the test year and attrition year cost, and explain how the fee is assessed.

8. Concerning management fees included in the Company's test year filing, please provide the following:

- a. Please identify the total American Water Works Corporation (AWW) and all associates' management fees and the percentage of those fees allocated to Tennessee-American in this proceeding.
- b. Please identify the methodology for allocating total parent company management fees to Tennessee-American.
- c. Please show the change in American Water Works total company management fees over the last five years.
- d. Please show the change in the allocation of total company management fees to Tennessee-American over the last five years.
- e. Please provide an explanation of how the Company plans to manage its management fees and to keep them competitive with alternative non-affiliate suppliers of comparable services.
- f. Please explain the impact on Tennessee operations if the number of customers at other American Water Works affiliates are reduced through municipalization, loss of load, or other events that might cause a reduction in the number of customers in the total system, and the relative increase in Tennessee-American customers relative to total AWW system.

9. Please provide complete copies of any and all workpapers supporting or contradicting Tennessee-American witness Michael J. Vilbert's testimony in this proceeding.

10. Please provide copies of all credit reports issued by major credit rating agencies on American Water Works, American Water Capital Corporation, and Tennessee-American Water Company over the last two years (2006-2008).

11. Please provide complete copies of all presentations made to the credit analysts and equity analysts by or on behalf of American Water Works, American Water Capital Corporation, and Tennessee-American Water Company over the last two years.

12. Concerning the Company's development of cash working capital included in rate base, please provide the following:

- a. A description of the purpose of including cash working capital in rate base.
- b. Identify all previous Tennessee Regulatory Authority precedent for developing cash working capital in the manner proposed by the Company in this proceeding.
- c. Please describe the purpose of a lead-lag study in estimating an appropriate amount of cash working capital for regulated utility operations.
- d. Please provide a comparison on Tennessee-American's method for estimating an appropriate amount of cash working capital for Tennessee operations relative to the methodology used by affiliated AWW water utilities in other jurisdictions.

13. Please provide a comparison of Tennessee-American's residential, commercial and industrial water rates, to those of other water utilities within a 500-mile radius of the Chattanooga, Tennessee service area.

14. Please provide an assessment of why the cost of water utility service in the Chattanooga, Tennessee area would be higher or lower than the cost of water utility service in each surrounding area as defined in question 13, above.

15. To the extent not already provided to CMA, either in response to the initial data requests by the Tennessee Regulatory Authority Staff in this proceeding, or in response to others in this proceeding, please provide copies of all responses which Tennessee-American made to all other parties' data requests in this proceeding with all workpapers on electronic spreadsheet and in

hard copy format, along with copies of all documents, reference material(s) and other sources relied upon by all witnesses for the Company in this proceeding.

16. Please provide a copy of TAWC's five-year and ten-year capital expenditure and operating expense budgets, and any documents reflecting any discussion, consideration, order, directive or vote (or similar instruction) to adjust, alter, manipulate, or deviate from the same.

17. Please provide a tabulation of the authorized rates of return in orders from around the country (if any), reviewed by or referred to or regarding any RWE, AWW, or TAWC affiliated entity, that supports or contradicts TAWC's opinion that an 11.75% return on common equity is fair, just, reasonable, or representative of current investor expectations for a water utility. Please include, but do not limit your response to, the jurisdiction, docket number, authorized return, number of customers served and dates of issue of the order(s) surveyed by Tennessee-American or its affiliate(s).

18. Please identify the credit rating for all affiliates that work with TAWC to access external debt markets and, if different, copies of credit rating reports issued for the TAWC affiliates referenced above by all credit rating agencies issued since January 1, 2006.

19. Provide any and all documents, calculations or workpapers created, used or referred to in determining the revenue effect(s) of the proposed rate structure.

20. Provide on electronic spreadsheet the cost of service model prepared and/or relied on by TAWC in this proceeding, and provide all workpapers on electronic spreadsheet and in hard copy supporting or contradicting the cost of service model referred to in this data request.

21. Provide any calculations or workpapers created, used or referred to rate class impacts or customer impacts, individually for each and every tariff to which any change is proposed, resulting from the proposed rate structure.

22. With reference Mr. Herbert's Direct Testimony, please identify the other allegedly similar system (if any) that were used to determine the relationship between maximum day and maximum hour ratios and produce any and all documents identifying, regarding or relating to such "other similar systems."

23. With reference to Mr. Herbert's Direct Testimony, please state the authority used as a source for the equivalent meter and service line ratios (Classification Factors 10 and 11).

24. Please provide an electronic copy of the 2007 Cost of Service Study prepared by Mr. Herbert for the Tennessee-American Water Company in 2007, and a list of trails, court actions, or agency regulatory proceedings (dockets or contested cases) in which Mr. Herbert has participated in the past ten (10) years.

25. Please identify in tabular format and provide a copy of all cost of service studies prepared by Mr. Herbert, or those working with him, for any other rate cases involving affiliates of TAWC or its parent(s) for the past five (5) years including, but not limited to, a summary of the conclusion(s) of each such study, whether such study recognized any subsidy by one rate class benefiting another class of customers, whether his proposed rate design requested an increase "across-the board" (*i.e.* allocated proportionally among the various customer classes so that each class, as a whole, would receive the same percentage increase as the other classes) or an increase that called for differential increases amongst customer classes (identifying the differential increases), whether his rate design was opposed, and whether his design was adopted.

26. Please provide a tabulation of projected capital investment dollars, for each of the Fiscal Years 2002 through 2007, identifying the dollar amount of investment actually expended in each

of those years and whether the Company invested or failed to invest the amount it projected would be invested.

27. Please identify for each of the last five (5) years the annual cost of all affiliate transactions to TAWC including, but not limited to, identifying the affiliate(s) involved, providing a description of the service(s) provided, amount(s) involved and the date(s) of service(s).

28. Please identify and produce any and all documents concerning the Company's marketing efforts that coincide with the filing and pursuit of the current rate case including, but not limited to, communications or documents concerning strategic advertising or marketing expense(s) at or near the time of the filing of the present rate case or any special project(s), fund(s), initiative(s), or focus group(s) by the Company or its parent(s) or affiliate(s), and identify whether such costs are included in base rates being considered in this docket.

Respectfully submitted,

GRANT, KONVALINKA & HARRISON, P.C.

By: 

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Attorneys for (Petitioning Intervenor)
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- and -

BOULT, CUMMINGS, CONNERS & BERRY, PLC

HENRY M. WALKER (BPR #272)
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Nashville, Tennessee 37203

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of May 2008, a true and correct copy of the foregoing First Round of Discovery to Tennessee American Water Company was served either by fax, overnight delivery service or first class mail-postage prepaid, to all parties of record at their addresses shown below: *E-Mail*

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