

May 12, 2008

*Via E-Mail and Fedex*

Chairman Eddie Roberson, Ph.D.  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 05/12/08

**Re: Docket No. 08-00039**  
**In Re: Petition of Tennessee American Water Company to Change and**  
**Increase Certain Rates**

Dear Chairman Roberson:

Enclosed please find an original and fourteen (14) copies of Intervenor City of Chattanooga's First Discovery Requests, which have been served today.

Please return one copy of the filing, which I would appreciate you stamping as "filed," and returning to me in the enclosed, self-addressed and stamped envelope.

With best regards, I am

Sincerely,

Frederick L. Hitchcock

FLH:kw  
Enclosures

Chairman Eddie Roberson, Ph.D.  
c/o Ms. Sharla Dillon  
May 12, 2008  
Page 2

cc: Dale Grimes, Esq. (w/encl.)  
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Henry M. Walker, Esq. (w/encl.)  
Michael A. McMahan, Esq. (w/encl.)

IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE: )  
PETITION OF TENNESSEE AMERICAN )  
WATER COMPANY TO CHANGE AND )  
INCREASE CERTAIN RATES AND )  
CHARGES SO AS TO PERMIT IT TO EARN )  
A FAIR AND ADEQUATE RATE OF )  
RETURN ON ITS PROPERTY USED AND )  
USEFUL IN FURNISHING WATER )  
SERVICE TO ITS CUSTOMERS )

Docket No. 08-00039

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CITY OF CHATTANOOGA'S FIRST DISCOVERY REQUESTS TO PETITIONER  
TENNESSEE AMERICAN WATER COMPANY

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Intervenor, the City of Chattanooga (Chattanooga), by and through counsel, submits the following First Discovery Requests (the "Requests") to Petitioner, Tennessee American Water Company ("TAWC"). The responses to the Requests shall be delivered to the offices of the City Attorney, 400 Pioneer Bank Building, Chattanooga, Tennessee 37402 in accordance with the Scheduling Order.

**INSTRUCTIONS AND DEFINITIONS**

A. These Requests are to be deemed as continuing, and you are requested to provide, by way of supplemental responses, such additional information as may be hereafter obtained by you or any person on your behalf which augment, supplement, or otherwise modify responses to these Requests.

B. The word "**Document**" shall include and mean, without limitation, the original and each draft and copy of any kind of written, printed, typed, recorded, or graphic matter, however produced or reproduced, of any kind or description, whether sent or received or neither. The term shall further include, without limitation, originals, all copies, all images, all backup or

archived copies, and all drafts of: papers, books, writings, memoranda, letters, electronic messages, electronic files, computer files, emails, correspondence, telegraphs, notes, book entries, accounts, statements of accounts, checks, cancelled checks, minutes of meetings, contracts, cables, telex messages, intra-office communications, intra-departmental communications, recordings or notes of telephone conversations, recordings or notes of other conversations, or meetings, affidavits, schedules, tabulations, calculations, computer files, and all other written or electronic records. The term "**Document**" includes the term "**Communication**".

C. The term "**Communication**" means any oral or written statement conveyed by one person or entity to another person or entity by whatever means, including electronic **Communications**, emails, and computer files.

D. If any **Document** called for by any request herein is to be withheld pursuant to any purported privilege or immunity:

(a) State the basis for such claim of privilege or immunity (e.g., attorney-client privilege, work product doctrine);

(b) Identify the **Document** being withheld by stating the name or title of the **Document**; the type of **Document**; its date, author, addressee, and copyee(s); a general description of its subject matter; its present location(s) and custodian(s); and each person who, to your knowledge, has seen it; and

(c) State the number and/or portion of the request to which each such **Document** would be responsive.

E. "**TAWC**" means the Petitioner, Tennessee-American Water Company.

F. "**TAWC Parent or Affiliate**" means (i) American Water Works Co., Inc. ("**AWWC**"); (ii) American Water Works Service Company, Inc. ("**AWWSC**"); (iii) American

Water Capital Corp. ("**AWK**"); (iv) Thames Water Aqua Holdings GmbH ("**Thames GmbH**"); (v) Thames Water Aqua US Holdings, Inc. ("**TWAUSHI**"); (vi) RWE Aktiengesellschaft ("**RWE**"); (vii) American Water Services AAET, LP ("**AWC LP**"); (viii) American Water Services Corp. ("**AWSCorp**"); (ix) American Water Resources ("**AWR**"); (x) American Anglian Environmental ("**AAE**"); (xi) American Carbon Services ("**ACS**"); (xii) all successors of any entity identified in items (i) through (xi); and (xii) all affiliates, subsidiaries, and parents of any entity identified in items (i) through (xi).

G. "**Operating Company**" means **TAWC** and any other company providing water service to the public, the majority of the capital stock of which is owned by **AWK** or any **TAWC Parent or Affiliate**.

H. "**Explain**" means to provide a detailed explanation of the specified subject matter and to provide all **Documents** reflecting, recording, referring to, reporting, or relating to the subject matter or the response.

I. "**Identify**" means: (i) when used with reference to an individual person, to state his/her full name, employer, job title, present or last known residence address and telephone number, and present or last known business address and telephone number; and (ii) when used with reference to a **Document**, means to state the type of the document, its date, author, addressee, any other recipient(s), general subject matter, present location, and custodian. If any document to be identified was, but no longer is, in your possession, state the disposition that was made of it and the reasons, facts, or circumstances associated with its disposition.

## DISCOVERY REQUESTS

1. Provide all *Documents* produced or introduced on behalf of *TAWC* in TRA Docket No. 06-00290 that *TAWC* marked or otherwise designated as "Confidential" or "Highly Confidential."

### RESPONSE:

2. Provide all *Documents* reflecting, constituting, recording, referring to, reporting, or relating to statements, "road show" presentations, or other presentations or projections provided or presented to any underwriter, broker, investor, institution, or other potential purchaser of stock of *AWK* since January 1, 2006.

### RESPONSE:

3. Provide copies of all Comprehensive Planning Studies completed since 2000 for or by *TAWC*.

### RESPONSE:

4. *Explain* any addition, subtraction, acceleration, delay, deferral, or change in any recommended capital improvement projects identified in any Comprehensive Planning Study completed or dated since January 1, 1993.

### RESPONSE:

5. *Identify* for each year since January 1, 2001, the number of employees by position at the National Call Centers and for each position set forth the unburdened base hourly wage or salary rate (without overheads). In the event there is more than one base hourly rate for each position, provide the average and median base hourly rates for each such position.

### RESPONSE:

6. For each capital expense listed in the Net Additions to UPIS shown in Exhibit 1, Schedule 2 ("Capital Expense"), **identify** the cost of the project utilizing the following tabular format:

Description of Capital Expense	Date Completed	Total Cost	Equipment Cost	Materials Cost	Labor Costs	Overhead Costs	Amount Paid to Contractor	Amount Paid to TAWC Parent or Affiliate

RESPONSE:

7. **Identify** the location, by latitude and longitude or by census tract and block number, of each Capital Expense **identified** in the Request No. 6 in excess of Five Hundred Dollars (\$500.00).

RESPONSE:

8. For each Capital Expense identified in response to Request No. 6, **identify** all amounts paid to any **TAWC Parent or Affiliate**, state the date of each such payment, and provide all **Documents** reflecting, recording, referring to, reporting, or relating to each such payment to a **TAWC Parent or Affiliate**.

RESPONSE:

9. **Identify** for each month beginning January 1, 2001, the total number of service calls received by **TAWC** and a breakdown of calls by type and **Identify** the reasons for changes in the volume of service calls from one annual period to another, including, without limitation, the changes in the volume of service calls from 2005 to 2006.

RESPONSE:

10. **Identify** all amounts paid by **TAWC** since January 1, 2003, to any **TAWC Parent or Affiliate**, and provide the information as to each such amount in the following format:

Payment Date	Amount of Payment	Purpose of Payment	If Payment for Services, Amount of Time Reflected in Charge	Hourly Rate Charge	If for Equipment of Materials, Description of Each Piece of Equipment or Material	Unit Charge for Each Piece of Equipment or Material	Agreement Under Which Provided (89 Service Agreement or Other)

RESPONSE:

11. Provide all **Documents** reflecting, recording, referring to, reporting, or relating to listings and comparisons of detailed monthly and year-to-date budgets to actual expenses incurred for the period January 1, 1998, through December 31, 2007.

RESPONSE:

12. Provide for each year and quarter since January 1, 2003, the complete audited financial statements (including income statement and balance sheet) for **AWWSC** and any other **TAWC Parent or Affiliate** that has been paid any amount by **TAWC**. If audited financial statements are not available, provide unaudited financial statements (including income statement and balance sheet) for such periods.

RESPONSE:

13. **Explain** the annual dividends per share of common stock paid by **TAWC** for fiscal year after January 1, 1996.

RESPONSE:



14. Identify all other ***Operating Companies*** that have applied for any water rate increase since September 1, 2006, providing for each the (i) date of the request, (ii) docket number, and (iii) status of the request.

RESPONSE:

15. Please provide a copy of all management audits completed since January 1, 1997, included any directed by the TRA, performed by or for ***TAWC, AWWSC***, or any other ***TAWC Parent or Affiliate*** other than the work performed in response to TRA Docket 06-00290 (Appendix 1 to the Direct Testimony of Joe Van Den Berg).

RESPONSE:

16. Please provide copies of the three most recent, publicly available (i.e. utility commission sponsored or otherwise in the public domain) utility management audits performed by Booz Allen Hamilton (BAH) and/or Joe Van Den Berg.

RESPONSE:

17. Please provide the Request for Proposal, the Proposal, any and all work papers, interview notes, data requests, data submissions, budget vs. actual and variance reports, FERC Form 60 Reports, and all other ***Documents*** reviewed in connection with the preparation (whether used or not) of Appendix 1 to the Direct Testimony of Joe Van Den Berg.

RESPONSE:

18. For all calculations and graphs, including all graphs in Exhibit 9-1 of Appendix 1, please provide all information used to create the graphs electronically in Excel format, and provide all ***Documents*** referencing or containing that information. The response shall include, without limitation, all data for the Statistical Outliers systematically removed by the “Inner Quartile Range Method” employed.

RESPONSE:

19. Please provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to findings and recommendations to **TAWC**, **AWWSC**, **AWCC**, any other **TAWC Parent or Affiliate**, or to any other person or entity resulting from or related to the work contained in Appendix 1 to the Direct Testimony of Joe Van Den Berg and/or other work intended to satisfy the motion of Director Pat Miller requiring a management audit in TRA Docket 06-00290. This request includes, without limitation all **Documents** constituting, referencing, containing, relating to, or referring responses to the recommendations, including remediation plans, schedules and progress reports associated with this work.

RESPONSE:

20. Referencing Exhibit 9-1, page 2 Data Sources and Calculations of Appendix 1 to the Direct Testimony of Joe Van Den Berg, please provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to the nature of the source accounts and the detailed FERC account and line descriptions for the Adjustments Data Field. This request includes, without limitation, all **Documents** constituting, referencing, containing, relating to, responding to, or referring to all adjustments made to the total O&M of the benchmarked companies.

RESPONSE:

21. Referencing Appendix 1 to the Direct Testimony of Joe Van Den Berg, Figure 3-2, **Identify** all calculations or adjustments made for the differences in O&M costs of Services provided relative to: the other Services (for example, between “Distribution” and “External Affairs”); and/or between specific Services provided AWWSC and the comparable electric and gas utilities (for example “Engineering & Environmental Operations”).

a. Provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to the calculations or adjustments.

b. If preliminary work in this regard was performed and abandoned, **Identify** all such work, state why it was performed, and provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to the preliminary work.

RESPONSE:

22. Referencing Appendix 1 to the Direct Testimony of Joe Van Den Berg, Figure 3-2, please provide

a. All **Documents**, electronically in Excel format and in other available media, constituting, referencing, containing, relating to, responding to, or referring to the 2005 and 2006 total O&M costs, adjusted in accordance with the adjustments outlined in Exhibit 9-1, page 2, of each individual Service performed by AWWSC or by any other party, **Identifying** the provider of each such Service.

RESPONSE:

b. For each individual Service that is not performed by the **AWWSC**, please provide all **Documents**, electronically in Excel format and in other available media, constituting, referencing, containing, relating to, responding to, or referring to 2005 and 2006 total O&M cost (at whatever organizational level(s) wherein the cost occurs, adjusted in accordance with the adjustments outlined in Exhibit 9-1, page 2) to provide said Service for all **Operating Companies** and all other **TAWC Parent or Affiliate** receiving service from **AWWSC**.

RESPONSE:

c. Please provide the average number of FTE's (for each year 2005 and 2006) engaged in providing each of the Services, and indicate if said FTE was provided by an employee of AWWSC, a local operating company, or other.

RESPONSE:

23. Besides Appendix 1 to the Direct Testimony of Joe Van Den Berg, please provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to other benchmarking studies or similar reports, performed by outside consulting or benchmarking firms (for example, but not limited to: Gartner, Ernst & Young, Towers-Perrin, Hackett, Saratoga, and industry or functional associations), whether in draft or final form, with all associated documentation, including, but not limited to definitions, instructions, data inputs, and supplementary reports that have been initiated or completed for **TAWC** or and **TAWC Parent or Affiliate** since January 1, 1997. The requested **Documents** include, without limitation, all **Documents** constituting, referencing, containing, relating to, responding to, or referring to internal analyses of these reports, including, without limitation, remediation plans, schedules and progress reports associated with follow-up for this work.

RESPONSE:

24. Please provide a schedule of all fees or charges billed to, charged to, owed by, accrued by, or paid by **TAWC** for expenses classified as Management Fees, **Identifying** for each such fee or charge its total amount; any discount allowed or taken; its nature; its purpose; the business unit or entity providing it; and the entity, functional area, business unit, or service provider by month for the last three calendar years (2005-2007). In this schedule, please **identify** the budget for each Management Fee or charge, the corresponding actual expenditure, the variance calculation, and detailed variance explanation, by month for the period.

RESPONSE:

25. On “Summary of Adjustments to Test Year Operating Expense” (Exhibit 2, Schedule 3 of the filing), please *Identify* in detail all adjustments (Column “Test Year Adjustments Present Rates” and “Attrition Year Adjustments”) for the Management Fees line (Line 11) and provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to such adjustments.

RESPONSE:

26. Testimony of Joe Van Den Berg indicates that “...the combination of all these analyses and their results...” is the basis for his conclusion that “...all costs billed to TAWC were incurred as a result of prudent management decisions by AWWSC’s management...” (Page 15, lines 13-16 in Direct Testimony of Joe Van Den Berg). Please provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to cost data reviewed by Joe Van Den Berg that aided in the arrival of this conclusion or upon which he relied in reaching such conclusion.

RESPONSE:

27. Referencing the Direct Testimony of Joe Van Den Berg, Appendix 1, Section 8, Cost Trends, please provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to calculation of or justification for the CPI Inflation Rate Adjustment of 3.23% (from 2005 to 2006), including, without limitation, all evidence (including CPI adjusted contracts, or leases) supporting the referenced inflation adjustment for the 2005-2006 AWWSC O&M spend.

28. Please provide a schedule that (i) lists all *AWWSC* O&M expenditures in years 2005 and 2006 that were specifically indexed by agreement to any inflation or escalation factor

and (ii) all *AWWSC* O&M expenditures in years 2005 and 2006 that were not indexed to an inflation or escalation factor. The sum of these columns of the schedule should total to the total *AWWSC* O&M expenditures for 2005-2006.

RESPONSE:

29. Please provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to any agreement covering expenditures listed in the table referenced in the previous Request.

RESPONSE:

30. Referring to the Direct Testimony of Joe Van Den Berg, Appendix 1, Section 8, Cost Trends, please state whether the 2005 “excluded extraordinary items” were adjusted by the 3.23% Inflation Rate Adjustment prior to reconciling the differences between 2005 and 2006 in both Figure 8.2 and the accompanying explanations. Please provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to any such adjustments.

RESPONSE:

31. Regarding to the Direct Testimony of Joe Van Den Berg, Appendix 1, Section 8, Cost Trends, Figure 8.3, were all of the Excluded Items in the 2005 Build Up inflated by the 3.23% Inflation Rate Adjustment? If so, please explain why it is appropriate to inflate Depreciation, Interest and Taxes in 2005 at this or any rate of inflation. Would the witness agree or disagree that these costs are not generally subject to inflation? Please explain your answer in detail.

RESPONSE:

32. Please provide a schedule indicating for calendar years 2004 through 2007 (i) the number of employees, by function, of *AWWSC*; (ii) the original approved budgeted FTE's for

each functional category of employees, and (iii) the actual FTE's for each functional category of employees these periods.

RESPONSE:

33. Please provide a schedule *Identifying* for each of calendar years 2004 through 2007 (i) the number of FTE's provided by contractors, by function, by *AWWSC*; (ii) the original approved budgeted FTE's for each functional category of employees, and (iii) the actual FTE's for each functional category of employees these periods.

RESPONSE:

34. Please provide a schedule *Identifying* for each of calendar years 2004 through 2007 (i) each *Operating Company* or *TAWC Parent of Affiliate* to which *AWWSC* provided services of any kind during each of calendar years 2004 through 2007; (ii) the total amount paid by each such company to *AWWSC* and (ii) the number of end-user customers for each identified company at the beginning and end of each calendar year.

RESPONSE:

35. Please provide a schedule indicating the number of customers serviced by *TAWC* for each of the years ending 2004-2007.

RESPONSE:

36. Please provide the cost allocation factor used by *AWWSC* for *TAWC* for the calendar years 2004-2007.

RESPONSE:

37. Please *Identify* how and when new allocation factors are established and implemented and provide a projection utilizing the latest approved budget information to

generate an *AWWSC* cost allocation factor for *TAWC* that reflects 2007 year-end customer totals.

RESPONSE:

38. Please *Identify*, in detail, in a format similar to Appendix 1, Exhibit 3-1 of the Direct Testimony of Joe Van Den Berg, any new or additional services, activities, or benefits provided by *AWWSC* to or for the benefit of *TAWC* during each of calendar years 2004-2007. *Identify* any enhancements or improvements to the services, activities, or benefits provided by *AWWSC* to *TAWC*, also *Identifying* for each the total O&M cost and FTE impact and the share of any such cost impact charged to or paid by *TAWC*. Please provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to any such enhancements or improvements.

RESPONSE:

39. Referencing to the Direct Testimony of Joe Van Den Berg, Appendix 1, Section 8, Cost Trends, please provide the same type of analysis, with the same level of detail for 2007. If an inflation factor is claimed, please *identify* any basis for such an inflation factor and provide all *Documents* constituting, referencing, containing, relating to, responding to, or referring to calculation or justification for such inflation factor.

RESPONSE:


40. Identify all amounts spent by or charged to *TAWC* for attorney fees, expert witness fees, salaries and overheads, or other expenses associated with TRA Docket No. 06-00290.

RESPONSE:

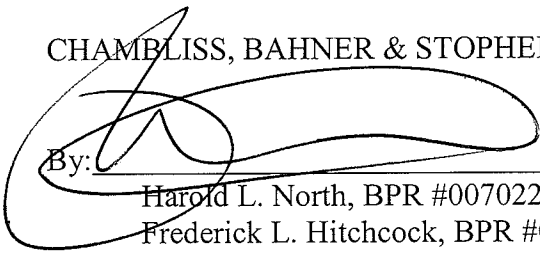


Respectfully Submitted,

CITY OF CHATTANOOGA, TENNESSEE  
RANDALL L. NELSON, CITY ATTORNEY

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**CERTIFICATE OF SERVICE**

This is to certify that the undersigned has this day served a true and correct copy of the foregoing pleading by electronic mail and by depositing same in the United States mail, postage prepaid, and addressed to the following:

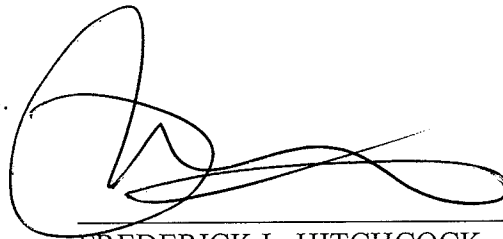
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This the 12th day of May, 2008.

A handwritten signature in black ink, appearing to read 'F. Hitchcock', written over a horizontal line.

FREDERICK L. HITCHCOCK