

June 2, 2008

Via E-Mail and Fedex

filed electronically in docket office on 06/02/08

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

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

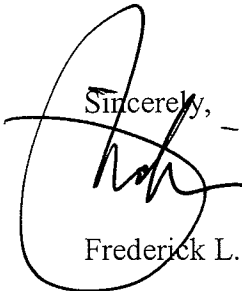
Dear Chairman Roberson:

Enclosed please find an original and five (5) copies of the following two documents which have been filed electronically and served today.

1. City of Chattanooga's Motion to Compel and to Extend Deadlines; and
2. Motion to Compel or Alternative Motion for Permission to Propound Additional Discovery Requests.

I would appreciate you stamping one copy of each document 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

June 2, 2008

Page 2

cc: Ryan L. McGehee, Esq. (w/encl.)
Timothy C. Phillips, Esq. (w/encl.)
David C. Higney, Esq. (w/encl.)
R. Dale Grimes, Esq. (w/encl.)
Ross Ian Booher, Esq. (w/encl.)
J. Davidson French, Esq. (w/encl.)
Adam Futrell, Esq. (w/encl.)
Erin Everitt, Esq. (w/encl.)
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

**MOTION TO COMPEL OR ALTERNATIVE MOTION FOR PERMISSION
TO PROPOUND ADDITIONAL DISCOVERY REQUESTS**

Intervenor, the City of Chattanooga ("Chattanooga") by and through counsel, hereby moves for an Order compelling the Petitioner, Tennessee American Water Company ("TAWC") to respond to Chattanooga's Requests Nos. 38, 39, and 40. Alternatively, Chattanooga moves for an Order providing relief from the 40-question limit set forth in Rule 1220-1-2-.11(5)(a). Request Nos. 38, 39, and 40 are included in Exhibit C. TAWC provided no responses.

Pursuant to the Hearing Officer's May 9, 2008, Order on Joint Objection to Discovery Question Limits, Chattanooga propounded precisely 40 questions. Certain of the 40 questions included instructions concerning the organization of responsive information, which TAWC has selectively characterized as "subparts." As reflected by Chattanooga's complete set of discovery requests attached as Exhibit C, none of Chattanooga's requests included unrelated subparts posing additional questions. Instead, whether set forth in tabular form or in outline form, the subordinate portions of the questions were an integral part of a single request, providing

instructions concerning the format or organization of the responses. Chattanooga has not in any way sought to expand the limit of 40 questions by including unrelated requests and subparts. It is significant to note that neither the Rule nor the May 9, 2008 Order addressed how "subparts" are to be counted.

Should the Hearing Officer conclude that it is appropriate that an Order be entered authorizing questions 38, 39, and 40 as additional requests above the limit previously established, Chattanooga respectfully moves for the entry of such an Order.

Respectfully submitted,

By: 

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Harold L. North, Jr.,
Chambliss, Bahner & Stophel, P.C.
1000 Tallan Building, Two Union Square
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Attorneys for the City of Chattanooga

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

By:  

Michael A. McMahan
Valerie Malueg
801 Broad Street, Suite 400
Chattanooga, TN 37450-0900

Attorneys for the City of Chattanooga

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 2nd day of June, 2007.



Frederick L. Hitchcock

RECEIVED

IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

2008 MAY 13 AM 10:01

IN RE:)
PETITION OF TENNESSEE AMERICAN)
WATER COMPANY TO CHANGE AND)
INCREASE CERTAIN RATES AND)
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T.R.A. DOCKET ROOM

Docket No. 08-00039

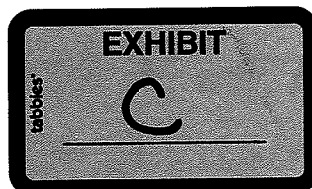
CITY OF CHATTANOOGA'S FIRST DISCOVERY REQUESTS TO PETITIONER
TENNESSEE AMERICAN WATER COMPANY

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.

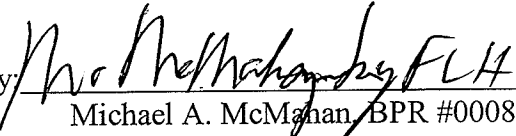
RESPONSE:

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.

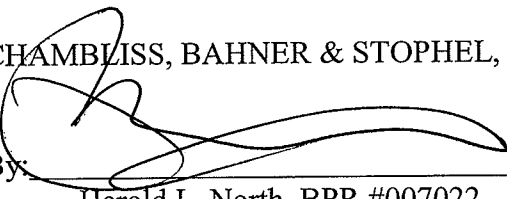
RESPONSE:

Respectfully Submitted,

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

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(423) 756-3000

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:

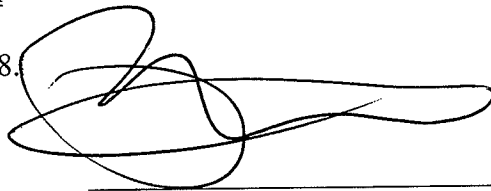
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This the 12th day of May, 2008.



FREDERICK L. HITCHCOCK

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

**IN RE:)
PETITION OF TENNESSEE AMERICAN)
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SERVICE TO ITS CUSTOMERS)**

Docket No. 08-00039

CITY OF CHATTANOOGA'S MOTION TO COMPEL AND TO EXTEND DEADLINES

Intervenor, the City of Chattanooga ("Chattanooga"), by and through counsel, submits this Motion seeking an Order compelling the Petitioner, Tennessee American Water Company ("TAWC"), to respond fully to discovery requests submitted by Chattanooga.

The Authority's Rules of Procedure specify that discovery should be sought and effectuated in accordance with the Tennessee Rules of Civil Procedure. Tenn. R. Civ. P. 26.02(1) specifies that parties may obtain discovery regarding any matter not privileged, which is relevant to the subject matter of the pending action. The Rule specifies that "It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence."

**I.
BACKGROUND**

In this proceeding, the Petitioner seeks an extraordinarily large increase in a petition filed ten (10) months after it received approval for a rate increase in excess of twelve percent (12%). The latest petition was filed the month before TAWC's German parent, RWE Aktiengesellschaft, sold a significant portion of its stake to the public in a long-awaited initial

public offering ("IPO"). In advertising the IPO, RWE Aktiengesellschaft's promotional material emphasized how TAWC's parent would increase investor return by a series of strategy that demand examination in this proceeding. These include dramatically increased capital investment, actions to "manage rate cases", and "'Tuck-ins' and acquisitions." Chattanooga's discovery requests have focused on aspects of these strategies, in an effort to determine if they are being implemented contrary to the interests of the citizens and ratepayers served by TAWC.

Chattanooga's discovery requests also focus on the compliance of TAWC with the TRA's instructions concerning evaluation of the prudence of charges to TAWC by TAWC's Affiliates.

In this motion, Chattanooga seeks to compel production of information that is highly relevant to the examination of TAWC's assertion and evaluation of its extraordinarily large rate demands.

Chattanooga further moves that the deadline for filing pre-filed testimony be extended to a date on or after twenty-six (26) days following TAWC's delivery of complete responses to Chattanooga's First Discovery Requests, and that subsequent deadlines be appropriately adjusted.

II. TAWC'S INCOMPLETE, EVASIVE, AND INADEQUATE RESPONSES

TAWC has asserted a series of extraordinarily broad, general and specific objections that mask the scope and completeness of its responses. A copy of TAWC's objections and its responses is attached as Exhibit A. Thus, for example, TAWC objected to a series of definitions of terms that Chattanooga used as a convenient way of avoiding repetition of lengthy descriptions. However, TAWC failed to specify whether information has been withheld in reliance upon its general objections, and in many cases, its specific objections. Chattanooga requests that TAWC be compelled to specify each instance in which any information has been withheld in reliance upon a general or specific objection.

It appears that TAWC may be using its general and specific objections to avoid disclosure of information known to and available to its affiliated companies, including the American Water Works Services Company ("AWWSC"), to which TAWC pays millions of dollars a year. Chattanooga requests that TAWC be ordered to provide all responsive information in the possession of, or known to, its affiliates.

TAWC continues to try to burden this regulatory process by its refusal to produce copies in this proceeding of "confidential" information that Chattanooga was required by a previous protective order in proceeding no. 06-00290 to destroy just months before TAWC filed its latest, extraordinary request.

As reflected herein, TAWC has refused to respond to requests that are clearly stated, specific, and highly relevant. TAWC has also sought to avoid discovery through its interpretation of Rule 12.20-1-2-.11(5) to avoid answering Chattanooga's forty (40) questions by asserting that some questions have subparts. A separate motion to compel and alternative motion for relief from the Rule's provision has been filed addressing that issue.

Chattanooga seeks an order compelling complete responses to the following requests:

A. Request No. 1 (seeking copies of all documents marked by TAWC as "confidential" or "highly confidential" produced in proceeding no. 06-00290): In response to TAWC's demands, protective orders were entered in Proceeding No. 06-00290 requiring, among other things, that documents marked by TAWC as "confidential" or "highly confidential" had to be destroyed after the conclusion of that proceeding. Request No. 1 sought copies of all of those documents. In response, TAWC refused to provide any documents. It failed to address at all documents it had marked "confidential" and argued that "highly confidential" documents are no

longer relevant because RWE Aktiengesellschaft sold to the public part of its stock in TAWC's parent.

B. Request No. 2 (seeking statements, presentations, and projections made to purchasers of stock): The representations, promises, and projections made to potential stock purchasers concerning TAWC's strategy for pumping up its rates and its return to investors are highly relevant to the evaluation of TAWC's extraordinary request in this proceeding. Documents presented to potential purchasers of publicly traded stock are not "highly confidential" – securities laws require that potential investors be told the same thing.

C. Request No. 4 (changes to capital improvement projects): TAWC's response was completely non-responsive.

D. Request No. 6 (seeking cost information on capital expenses): TAWC refused to respond to this question, as it did in the last proceeding. There is no merit to its argument that it cannot provide the requested breakdown for the capital expenses listed in Exhibit 1, Schedule 2, based on actual expenditures for 2007 and for early months of 2008 and budgeted expenditures for the remaining months covered by the schedule.

E. Request No. 7 (location of capital expenses): RWE Aktiengesellschaft has promised the purchasers of its stock in American Water Works Company ("AWK"), TAWC's parent, that it will increase their return by "Tuck-ins" and acquisitions. This request seeks the location of actual and proposed capital investments sought to be recovered in this rate request to evaluate whether they are used and useful for service to existing ratepayers or are designed to position TAWC to increase its earnings through "Tuck-ins" and acquisitions at or beyond the periphery of its service area.

F. Request No. 10 (payments to affiliates): TAWC acknowledges that it provided at least some of the requested information in response to a similar request in the previous proceeding, yet it refused to provide any information in response to this request.

G. Request No. 15 (management audits completed since January 1, 1997): TAWC incorrectly asserts that no management audits have been completed for TAWC, AWWSC or any other TAWC Parent or Affiliate since January 1, 1997. This assertion is incorrect. For example, the Pennsylvania Utility Commission's Bureau of Audits, Management Audit Division, completed a Focused Management and Operations Audit of Pennsylvania American Water Company in August, 2000. Upon information and belief, management audits have also been completed for AWWSC, AWK, and other TAWC Affiliates since January 1, 1997. TAWC should be required to produce complete copies of all such management audits.

H. Request No. 18 (Excel file used to generate graphs in Booz Allen Hamilton ("BAH") Report): The Excel file provided does not appear to be the file that was used to generate the graphs referenced in the request.

I. Request No. 19 (documents relating to findings of the BAH Report): In its narrative response, TAWC refers to certain organizational charts as being designated "confidential". However, these apparently have not been produced, and do not appear to be included within the TN-COC-01-Q19 attachment. TAWC should immediately provide the charts. TAWC's counsel has submitted a request, pursuant to the protective order, for an explanation of the designation of the charts and any other material as "confidential". Additionally, TAWC has apparently failed to provide any of the information requested concerning management responses to the BAH Report.

J. Request No. 22 (adjustments to account for differences in levels of services provided by service companies for other types of utilities): TAWC appears to hint that no adjustments were made by BAH to reflect different levels of services provided by service companies for other types of utilities. TAWC should be compelled to either provide details of those adjustments, as requested, or to acknowledge that no adjustments were made.

K. Request No. 23 (benchmarking studies of TAWC or any TAWC Parent or Affiliate since January 1, 1997): TAWC has refused to provide benchmarking studies that have been completed for TAWC Affiliates including AWWSC. Upon information and belief, the benchmarking studies demonstrate that the Service Company is not an efficient provider of services being charged to TAWC. TAWC should be required to provide complete copies of all such studies, as requested.

L. Request No. 32 (budgeted management service FTE's for 2005 and 2006): TAWC has refused to provide budgeted FTE's for 2005 and 2006, claiming, without any explanation, that these were not "readily available". These numbers are important to an analysis to the effectiveness and efficiency of services being charged to TAWC. They are also important to a review of the credibility of the BAH Report. See Exhibit B. (TN-COC-01-Q032-Attachment).

M. No responses were provided to Request Nos. 38 through 40. These are addressed under a separate motion.

III. **CONCLUSION**

For the reasons set forth above, Chattanooga requests that TAWC be compelled to immediately provide the requested information, and that the schedule for Chattanooga's

submission of its pre-filed testimony be delayed until a date at least twenty-six (26) days after the receipt of full responses to all requests.

Respectfully submitted,

By: 

Frederick L. Hitchcock (BPR No. 005960)

Harold L. North, Jr.,

Chambliss, Bahner & Stophel, P.C.

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Chattanooga, Tennessee 37402-2500

Attorneys for the City of Chattanooga

CITY OF CHATTANOOGA, TENNESSEE

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By: 

Michael A. McMahan

Valerie Malueg

801 Broad Street, Suite 400

Chattanooga, TN 37450-0900

Attorneys for the City of Chattanooga

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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Consumer Advocate and Protection Division
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ryan.mcgehee@state.tn.us

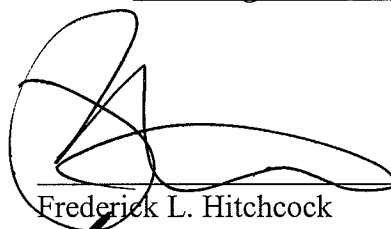
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This the 2nd day of June, 2007.



Frederick L. Hitchcock

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

IN RE:

PETITION OF TENNESSEE AMERICAN)	
WATER COMPANY TO CHANGE AND)	
INCREASE CERTAIN RATES AND CHARGES)	
SO AS PERMIT IT TO EARN A FAIR AND)	
ADEQUATE RATE OF RETURN ON ITS)	Docket No. 08-00039
PROPERTY USED AND USEFUL IN)	
FURNISHING WATER SERVICE TO ITS)	
CUSTOMERS)	

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

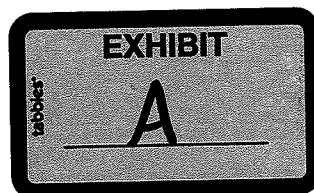
The Tennessee American Water Company ("TAWC") hereby responds as follows to the City of Chattanooga's ("COC") First Discovery Requests to Petitioner TAWC:

GENERAL OBJECTIONS

(1) TAWC objects to all requests that seek information protected by the attorney-client privilege, the work product doctrine and/or any other applicable privilege or restriction on disclosure.

(2) TAWC objects to the definitions and instructions accompanying requests to the extent definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations or orders of the Tennessee Regulatory Authority.

(3) TAWC objects to the definitions of the words "document," "you," "person," "persons," "affiliate," "affiliated," "identify," "identifying," "identification," and "referring or relating to," that accompany the data requests because such definitions are overbroad and unduly burdensome.



(4) The specific responses set forth below are based upon information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information and/or documents produced.

(5) TAWC is providing its responses herein without wavier of, or prejudice to, its right at any later time to raise objections to: (a) the competence, relevance, materiality, privilege, or admissibility of the response, or the subject matter thereof; and (b) the use of any response, or subject matter thereof, in any subsequent proceedings.

(6) TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

(7) TAWC objects to each request to the extent it is premature such that it seeks information concerning matters about which discovery is ongoing and/or seeks information to be provided by expert witnesses.

(8) TAWC objects to each request to the extent it seeks information outside TAWC's custody or control.

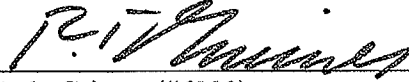
(9) TAWC objects to the COC's requests to the extent that they have exceeded the number of discovery requests authorized by the Tennessee Regulatory Authority in contested case proceedings pursuant to Rule 1220-1-2-.11(5)(a). As such, the TAWC has responded to the COC's first 40 requests (inclusive of subparts). The TAWC reserves all of its objections with respect to the discovery propounded by the COC that is in excess of the limit.

(10) TAWC objects to requests that call upon TAWC to create, categorize, manipulate, customize or otherwise organize data regarding time periods outside of TAWC's historical test

year. TAWC objects to all such requests because they are unduly burdensome, seek to have TAWC create work product and seek information that is not relevant to this rate case.

(11) TAWC's specific objections to each request are in addition to the General Objections set forth in this section. These General Objections form a part of each discovery response, and they are set forth here to avoid the duplication and repetition of restating them for each discovery response. The absence of a reference to a General Objection in response to a particular request does not constitute a waiver of any General Objection with respect to that discovery request. All responses are made subject to and without waiver of TAWC's general and specific objections.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "R. Dale Grimes", is written over a horizontal line.

R. Dale Grimes (#6223)

Ross I. Booher (#019304)

BASS, BERRY & SIMS PLC

315 Deaderick Street, Suite 2700

Nashville, TN 37238-3001

(615) 742-6200

Counsel for Petitioner

Tennessee American Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 28th day of May, 2008, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Timothy C. Phillips, Esq.
<input type="checkbox"/> U.S. Mail	Consumer Advocate and Protection Division
<input type="checkbox"/> Facsimile	Office of Attorney General
<input type="checkbox"/> Overnight	2nd Floor
<input checked="" type="checkbox"/> Email	425 5th Avenue North
	Nashville, TN 37243-0491
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Grant, Konvalinka & Harrison, P.C.
<input checked="" type="checkbox"/> Overnight	633 Chestnut Street, 9th Floor
<input checked="" type="checkbox"/> Email	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Overnight	Suite 700
<input checked="" type="checkbox"/> Email	1600 Division Street
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input type="checkbox"/> U.S. Mail	Special Counsel
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Overnight	Office of the City Attorney
<input checked="" type="checkbox"/> Email	Suite 400
	801 Broad Street
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input checked="" type="checkbox"/> Overnight	Chambliss, Bahner & Stophel, P.C.
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	Two Union Square
	Chattanooga, TN 37402



**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller/Others

Question:

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:

The Company objects to this question on the grounds that the requested information is unduly burdensome and is not relevant to this proceeding now that its parent company's (AWK) initial public offering has closed. Furthermore, the Company objects to this request on the grounds that it seeks Highly Confidential Information. The Company objects to the production of this highly confidential data without the entry of a protective order that includes heightened protections sufficient to protect highly confidential information.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller

Question:

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:

The Company objects to this request on the grounds that it is unduly burdensome and it seeks information that is irrelevant to this proceeding now that the IPO has been issued. Furthermore, the Company objects to this request to the extent it seeks Highly Confidential Information. The Company objects to the production of highly confidential data without the entry of a protective order that includes heightened protections sufficient to protect highly confidential information. Without waiving and subject to these objections, please see the public information about AWK which can be found at the following web sites: www.sec.gov and amwater.com (investor relations). Also see the attached "Road Show" presentation that is a public document.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: John S. Watson

Question:

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

Response:

The Company has not prepared a comprehensive planning study since 2000.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: John S. Watson/Michael Miller

Question:

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:

The Company objects to this request on the grounds the requested information is over broad, unduly burdensome, not available in the format requested and can not be easily or cost effectively created, and is irrelevant to this proceeding in relation to the extremely long timeframe requested in the question above.

CPS studies are prepared to identify areas of the Company's distribution system and water production/water quality facilities that need to be addressed in both its long and short-term planning horizons. The studies also take into account known areas needing to be addressed and others that are expected to need improvements based on trends, growth, and potential changes in service levels, water quality regulations, and other factors. The study makes recommendations as to the priority of those capital projects in the scope of the facts, expectations, and assumptions on which those studies are prepared. Those projects identified in the CPS are subject to change in scope and priority based on various factors that may and often do occur as each year's capital plan is developed.

During each year's planning process, the Company consistently reviews the recommended capital improvement projects which were identified in the 2000 CPS, along with many other capital investment needs not identified in the CPS, in order to develop the capital spending plan that best addresses the Company's

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

needs. During this process, factors such as the impact on customer rates and service reliability are taken into consideration as to what level of capital investment is requested for approval by the Company's Board of Directors. Given the nature of these studies, which requires the continuous reassessment of capital needs from year to year, and the fact that the CPS is meant to be a guide as to timing, the massive effort required to comply with this request would be unduly burdensome and not relevant to this proceeding.

Without waiving these objections, the Company reports that since the rate case filing in TRA Case Number 06-00290, the Company has reviewed the CPS within the planning process, and the rate base requested through the attrition year in this case includes CPS projects related to upgrades to the Citico Water Treatment Plant Improvement Project, the Missionary Ridge 1.25 million gallon storage tank and pipeline facilities, and the Lookout Mountain Supply Main project.

No projects have been subtracted from the CPS.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller

Question:

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 the median base hourly rates for each such position.

Response:

The Company objects to this question on the grounds that is overbroad, not readily available in the format requested and unduly burdensome given that it is not easily produced without incurring significant costs to conduct extensive records search for portions of the data. Further, the Company objects to the relevancy of the seven years of data requested. The Call Center costs have been fully reviewed and approved in a number of previous Company rate cases by the TRA.

Notwithstanding these objections, attached are the number of employees by position at the National Call Centers and their corresponding hourly rates at year end 2005, 2006 and 2007.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: John Watson

Question:

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 Cost	Overhead Cost	Amount Paid to Contractor	Amount Paid to TAWC Parent or Affiliate

Response:

TAWC objects to this question on the grounds that it is overly broad and unduly burdensome and that the information is not available in the requested format. Notwithstanding its objections, TAWC provides the following response. Please see the responses to TRA Data Request No. 1, questions 52 and 53. In addition, the information referenced in Exhibit 1 above relates to plant additions for the attrition year and are only now being, or at some point in the future, will be constructed prior to September 2009. Other than normal monthly spending for recurring-type construction (meters, small equipment, etc.), none of the projects are complete. If the significant amount of data provided about TAWC's capital projects to be completed in the attrition year, included in the TRA Data Requests referenced above, are insufficient for the City to review the Company's attrition year additions included in rate base, the Company will make available at its office in Chattanooga the files supporting each project from which the requested information can be derived at a mutually agreeable time.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: John Watson/Michael Miller

Question:

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:

The Company objects to this question on the grounds that it is unduly burdensome and over broad, and is not presently available in the format requested. Furthermore, the requested information is not relevant to this proceeding. Notwithstanding its objections, as stated in the Company's response to COC, Question 6, the requested information relates to attrition year additions of which the majority of those projects are currently under construction or will be constructed at some point in the future prior to September 2009. Due to the large volume of capital work orders involved in the Company's property records, at a mutually agreeable time, the Company will make available at its office in Chattanooga the files supporting each project from which the requested information can be derived.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller

Question:

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:

The Company objects to this question on the grounds that it is over broad and unduly burdensome. Furthermore, the requested information is not readily available in the requested format and would be very time-consuming and costly to convert to the requested format. As provided in the Company's response to COC Question 6, the utility plant additions shown on Exhibit 1, Schedule 2 of the Company's filing relate to attrition year utility plant additions. Attrition Year plant additions will be added to utility plant between December 2007 and August 2009. Many of those projects are currently in construction or will be constructed through August 2009.

Notwithstanding these objections, the Company attaches a schedule of the capitalized portion of the charges from AWWSC through March 2008.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller/John Watson

Question:

9. **Identify** for each month beginning January 1, 2001, the total number of service call 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:

The Company objects to this question on the grounds that the requested information is over broad, unduly burdensome, not readily available in the requested format and not available for a portion of the period requested. Further, the Company objects to the relevancy of the request to the current proceeding in regards to the complete seven year period requested.

Subject to and without waiving its objections, the Company does not have and cannot produce the information requested for the periods prior to July 2003, but see the attached documents. Those attachments include service metric reports provided to the TRA and the CAPD beginning with 2005. The service orders on this report relate to the total of actual service orders worked in the field. Also attached is a report for service orders generated from July 2003 through December 2007. This report is based on service orders issued. There are differences between the service orders issued to the field and the number worked by the field due to cancelation of service orders, particularly related to non-pay orders where the customer pays the bill prior to working of the order.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

The following are the primary reasons for the change in the number of the service orders from year to year.

2005-2004

- Increase in number of meter re-read orders, primarily related to increased staffing and priority of work.
- Increase in number of periodic meter change orders – increased emphasis on this area
- Increase in number of shut-off for non-pay orders – increased emphasis on this area including hiring of employees to accomplish this work.
- Increase in the number or remove meter orders related to the increase in collection efforts.

2006-2005

- Increase in the number of periodic meter change orders – additional emphasis on this area including hiring additional employees to accomplish this work.
- Increase in number of shut-off for non-pay orders – continue increase in emphasis on this area.
- Increase in turn-on of service for non-pay orders – related to increased collection efforts.
- Increase in number of zero usage orders – emphasis on stopped meters.

2007-2006

- Increase in meter change orders – continue emphasis on changing or testing meters based on length of service.
- Increase in zero usage order – continued emphasis on replacing stopped meters.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Responsible Witness: Michael Miller

Question:

10. **Identify** all amount 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 or 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:

The Company objects to this question on the grounds that it is unduly burdensome, requests information neither readily available nor in the format requested, and in part is not relevant to the current proceeding.

The exact same request was served on the Company in case number 06-00290, COC, Question 18. In that case, the Company provided data from 2005-2006 because a change in software made prior data unavailable. That obstacle has not changed. In addition to seeking unavailable data, the COC's request is unduly burdensome because the COC's request involves a voluminous amount of data, which was already provided to the COC in the previous case, which would be extremely costly and unnecessary to reproduce especially if the COC still have those responses. If the COC did not retain copies of the information from 2005-2006, the Company would suggest the COC should bear the cost of obtaining and copying that information from the official TRA files.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 08-00039
CITY OF CHATTANOOGA'S
FIRST DISCOVERY REQUESTS**

Subject to and without waiving its objections, the Company is providing two files formatted in accordance with the Company's previous response. The summary of the 2007 AWWSC bills to TAWC are included on the CD provided with these responses, labeled as "TN-COC-01-Q010-attachment 1." The Company is also providing the 2007 monthly recap of AWWSC charges by department, employee number, billed hours, pay rate and total labor charges. The 2007 monthly AWWC recaps are included on the CD provided with these responses, labeled as "TN-COC-01-Q010-attachment 2."

Also see the response to TRA-DR1-Question 14, which provides additional information about payments to AWWSC and other affiliated AWW subsidiaries.

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Responsible Witness: Michael Miller/John Watson/Sheila Miller

Question:

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:

The Company objects to this question on the grounds that the request is unduly burdensome and irrelevant to this proceeding to the extent that it seeks historical data from the past 10 years. The Company has already provided extensive data in this case for the historical test-year and attrition year set forth in the petition. Furthermore, the Company's data has been through extensive review before the TRA in numerous rate proceedings over the years.

Subject to and without waiving these objections, the Company's attaches monthly Income Statements for TAWC that compare actual to budget results for 2006, 2007 and through March 31, 2008

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Responsible Witness: Michael Miller

Question:

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:

The unaudited balance sheets and income statements for AWWSC and AWCC are attached for this response. Please refer to the response to TN-TRA-01-Q05 for the TAWC and AWW audited financial statements for 2005-2007. To the extent the request seeks information related to AWW and TAWC for 2003-2004, the Company objects on the grounds that such a request is unduly burdensome and not relevant to this proceeding. The information was previously supplied to the parties in this case in response to TN-TRA-01-Q05 in Docket No. 06-00290. In light of its previous submission, and the voluminous amount of data involved, the Company believes any party wishing to obtain that data should bear the cost of obtaining and copying that data from the official records of the TRA if the parties did not retain a copy of that information.

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Responsible Witness: Michael Miller

Question:

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

Response:

The Company objects to this question on the grounds that the requested information is irrelevant to this proceeding and previously provided to the City in its last rate case. The Company's policy regarding common dividends has not changed since that response.

Subject to and without waiving its objections, the Company provides the following response. The Company's policy is to pay quarterly dividends at 75% of the net income. The calculation is accumulative based on a fiscal year beginning with October of each year. The common dividend for the first quarter of each year is based on the actual fourth quarter earnings from the previous year times 75%. The second quarter dividends are the cumulative earnings for the prior six months times 75% less the first quarter dividend. The third quarter dividend is the cumulative earnings for the prior nine months times 75% less the first and second quarters actual dividends paid. The fourth quarter dividend is the cumulative earnings for the prior twelve months times 75% less the actual dividends paid in the first, second and third quarters. The process repeats itself each year.

The dividend policy has not changed during the period covered by this request.

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Responsible Witness: Michael Miller

Question:

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:

See attached.

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Responsible Witness: Michael Miller

Question:

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:

The Company objects to this question on the grounds that the requested information is overbroad, unduly burdensome, and in part not relevant to this proceeding.

Subject to and without waiving its objections, the Company responds as follows:
None.

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Responsible Witness: Joe Van den Berg

Question:

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:

Neither Booz Allen Hamilton nor Joe Van den Berg has performed publicly available utility management audits previously.

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Responsible Witness: Joe Van den Berg

Question:

17. Please provide the Request for Proposal, the Proposal, any and all workpapers, 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:

The Request for Proposal is attached as Attachment 1.

The Proposal is attached as Attachment 2.

Due to the size of FERC Form 60 reports, please refer to the enclosed CD file in the folder labeled TN-COC-01-Q017-ATTACHMENT 3.

Also reference the data included with the response to TN-COC-01-Q018.

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Responsible Witness: Joe Van den Berg

Question:

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 dates for the Statistical Outliers systematically removed by the "Inner Quartile Range Method" employed.

Response:

Please refer to the enclosed CD and the Excel workbook titled as TN-COC-01-Q018-2006 AWWSC by FUNCT by ACCT by O&M and Cap.xls.

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Responsible Witness: Joe Van den Berg/Michael Miller

Question:

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:

The Company objects to this question on the grounds the request is vague and ambiguous, overbroad, unduly burdensome, duplicative of information supplied elsewhere in various data requests by the CMA and CAPD, and in part has no relevancy to this proceeding. Please see the responses to COC, Questions 17 and 18, which contain the voluminous amounts of information upon which Mr. Van den Berg and Booz Allen relied to develop the independent management audit provided in this proceeding. In addition, please see the extensive expert testimony by Mr. Van den Berg about the independent audit performed already submitted by the Company, including 99 pages of supporting data in Appendix 1.

The Company provided Booz Allen with a voluminous amount of data from the previous TAWC rate case, case number 06-00290. The data supplied from case number 06-00290 included the testimony of Mr. Baryenbruch, Mr. Miller's direct and rebuttal testimony, COC-02-Q10-attachment 1-5, COC-02-Q11-attachment

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1&2, COC-02-Q16-attachment 1&2, CAD-01-part 2-Q18-attachment, CAD-01-part 2-Q19-attachment, CAD-01-part 2-Q20-attachment, CAD-01-part 2-Q21, CMA-01-Q16, COC-01-Q18-attachment, COC-01-Q19-attachment, COC-01-Q22, COC-01-Q38, COC-02-Q8, COC-02-Q9, COC-02-Q10, COC-02-Q11, COC-02-Q12, COC-02-Q16, COC-02-Q17, COC-02-Q18, COC-02-Q19, and COC-02-Q20. In addition, the Company provided Booz Allen with a copy of Director Miller's motion in case number 06-00290 and approved by the TRA. TAWC therefore objects to undertaking the extremely costly and time-consuming burden of replicating and re-supplying this massive amount of data (over 35,000 pages), when all of this material should already be in the possession of the COC from case number 06-00290.

Subject to and without waiving its objections, the Company is including correspondence found in a search of various files. The correspondence can be found on the enclosed CD in the folder labeled as TN-COC-01-Q19. BAH was also provided AWW organization charts. Due to the confidential nature of this information and the damage that could be caused to AWW and TAWC if its organization structure were available to its competitors, accordingly TAWC produces these charts as Confidential Information pursuant to the protective order entered on May 23, 2008.

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Responsible Witness: Joe Van den Berg

Question:

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. The 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:

Benchmarking data was obtained from the FERC Form 60 for each Service Company and from 10-K's for parent companies, except data for American Water, which was received from internal sources. Page 2 of Exhibit 9-1 details the sources and calculations used to perform the benchmarking assessments. The FERC Form 60's from which the data was obtained are attached as well. The assessment of each service company against its peers was conducted along several metrics, to be described in the subsequent paragraphs. The determination of "Average" was made based on the peer group average, +/- 10%. The summary of these assessments is as follows:

Metric	American Water	Peer Group Average	Assessment
2006 Service Company O&M as % of Total Assets	1.8%	2.1%	Below Average Cost
2006 Service Company O&M as % of Parent Co. O&M	12.3%	25.1%	Below Average Cost
2006 Service Company O&M as % of Parent Co. Revenue	10.8%	10.6%	Average Cost
2006 Service Company O&M per customer	\$ 68.5	\$ 171.9	Below Average Cost
2006 Service Company O&M per total company FTE	\$ 32.7	\$ 43.3	Below Average Cost
2006 Service Company O&M per Service Company FTE	\$ 140.0	\$ 231.6	Below Average Cost
Service Company O&M % Change (2005-2006)	24.0%	1.9%	Above Average Cost

All statistical outliers were removed from benchmarks based upon the Inner Quartile Range method, a standard method used to remove outliers.

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- ▶ The inter-quartile range (IQR) measures the density of the values in the second and third quartiles by subtracting the bottom of the first quartile from the bottom of the third quartile (BQ3 – BTQ).
- ▶ This range is multiplied by 1.5x and added and subtracted from BQ3 and BTQ to determine the range of usable values
 - Upper Limit = BQ3 + 1.5 * IQR
 - Lower Limit = BTQ – 1.5 * IQR
- ▶ Anything that falls above the upper limit or below the lower limit is removed from the peer set as a statistical outlier.

Service Company O&M Percent Change: The change in service company expenses from 2005 to 2006 was calculated from data on Schedule 15 of the FERC Form 60 for each service company. The data is as follows (see Form 60's for each company for more detail):

	2006 Service company	2005 Service company	SC O&M Expense Y-O-Y Change (%)
	ADJUSTED O&M Exp (sch. 15)	ADJUSTED O&M Exp (sch. 15)	
American Electric Power Company, Inc.	\$1,071,637,532	\$1,084,416,000	-1.18%
Allegheny Energy, Inc.	\$531,034,504	\$526,788,284	0.81%
Ameren Corporation	\$429,963,860	\$407,097,071	5.62%
Alliant Energy Corporation	\$279,322,435	\$253,523,203	10.18%
Black Hills Corporation	\$52,900,265	NA	0.00%
Dominion Resources, Inc.	\$661,123,405	\$601,234,486	9.96%
Duke Energy Corporation	\$725,887,282	\$676,585,308	7.29%
Entergy Corporation	\$710,186,667	\$669,995,704	6.00%
FirstEnergy Corp.	\$496,002,353	\$473,834,000	4.68%
KeySpan Corp.	\$60,531,449	\$70,106,268	-13.66%
National Grid USA	\$448,100,933	\$475,850,922	-5.83%
NiSource Inc.	\$297,844,986	\$334,550,573	-10.97%
Northeast Utilities	\$318,556,821	\$241,430,000	
Pepco Holdings, Inc.	\$359,667,014	\$356,261,000	0.96%
Progress Energy, Inc.	\$347,229,812	\$389,692,000	-10.90%
SCANA Corporation	\$228,046,775	\$232,674,574	-1.99%
Southern Company	\$983,503,893	\$883,456,000	11.32%
Xcel Energy, Inc.	\$685,327,466	\$673,111,124	1.81%
Exelon Corporation	\$748,950,067	\$628,271,000	19.21%
American Water	\$225,474,147	\$181,828,722	24.00%
Peer Group Average			1.85%

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Service Company O&M Expense as percent of the Total O&M: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Total Parent Company O&M data was pulled from 2006 10-K data. The data is as follows:

	2006 Service company	Parent Company	SC O&M Expense as a % of
	ADJUSTED O&M Exp (sch. 15)	2006 O&M (EV)	Parent O&M
American Electric Power Company, Inc.	\$1,071,637,532	\$3,639,000,000	29%
Allegheny Energy, Inc.	\$531,034,504	\$685,650,000	
Ameren Corporation	\$429,963,860	\$1,556,000,000	28%
Alliant Energy Corporation	\$279,322,435	\$807,200,000	35%
Black Hills Corporation	\$52,900,265	\$78,944,000	
Dominion Resources, Inc.	\$661,123,405	\$3,280,000,000	20%
Duke Energy Corporation	\$725,887,282	\$4,415,000,000	16%
Entergy Corporation	\$710,186,667	\$2,504,931,000	28%
FirstEnergy Corp.	\$496,002,353	\$2,465,000,000	20%
KeySpan Corp.	\$60,531,449	\$1,680,000,000	4%
National Grid USA	\$448,100,933	\$1,452,866,000	31%
NiSource Inc.	\$297,844,986	\$1,389,500,000	21%
Northeast Utilities	\$318,556,821	\$1,323,532,000	24%
Pepco Holdings, Inc.	\$359,667,014	\$1,456,700,000	25%
Progress Energy, Inc.	\$347,229,812	\$1,583,000,000	22%
SCANA Corporation	\$228,046,775	\$619,000,000	37%
Southern Company	\$983,503,893	\$3,519,000,000	28%
Xcel Energy, Inc.	\$685,327,466	\$1,773,526,000	39%
Exelon Corporation	\$748,950,067	\$3,868,000,000	19%
American Water	\$225,474,147	\$1,840,554,000	12%
Peer Group Average			25.1%

Service Company O&M Expense as Percent of the Revenue: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Total revenue was pulled from 2006 10K data and was adjusted to remove fuel expense and purchased power costs. The data is as follows:

	2006 Service company	Parent Company	SC O&M Expense as a % of
	ADJUSTED O&M Exp (sch. 15)	2006 Revenues	Parent Revenue
American Electric Power Company, Inc.	\$1,071,637,532	\$7,949,000,000	13%
Allegheny Energy, Inc.	\$531,034,504	\$1,888,254,000	
Ameren Corporation	\$429,963,860	\$3,781,000,000	11%
Alliant Energy Corporation	\$279,322,435	\$1,670,300,000	17%
Black Hills Corporation	\$52,900,265	\$453,409,000	12%
Dominion Resources, Inc.	\$661,123,405	\$9,828,000,000	7%
Duke Energy Corporation	\$725,887,282	\$9,952,000,000	7%
Entergy Corporation	\$710,186,667	\$5,649,848,000	13%
FirstEnergy Corp.	\$496,002,353	\$7,248,000,000	7%
KeySpan Corp.	\$60,531,449	\$3,296,400,000	2%
National Grid USA	\$448,100,933	\$3,944,932,000	11%
NiSource Inc.	\$297,844,986	\$3,124,600,000	10%
Northeast Utilities	\$318,556,821	\$2,253,590,000	14%
Pepco Holdings, Inc.	\$359,667,014	\$2,946,400,000	12%
Progress Energy, Inc.	\$347,229,812	\$5,462,000,000	6%
SCANA Corporation	\$228,046,775	\$1,707,000,000	13%
Southern Company	\$983,503,893	\$8,661,000,000	11%
Xcel Energy, Inc.	\$685,327,466	\$4,092,533,000	17%
Exelon Corporation	\$748,950,067	\$10,423,000,000	7%
American Water	\$225,474,147	\$2,093,067,000	11%
Peer Group Average			10.6%

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Service Company O&M Expense per Customer: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Total customer data aggregated from each operating company served by the service company based on 2006 10K data. The data is as follows:

	2006 Service company	Number of	SC O&M Expense in \$ Per
	ADJUSTED O&M Exp (sch. 15)	Retail Customers	Customer
American Electric Power Company, Inc.	\$1,071,637,532	5,151,000	\$208.04
Allegheny Energy, Inc.	\$531,034,504	1,548,600	\$342.91
Ameren Corporation	\$429,963,860	1,416,304	\$303.58
Alliant Energy Corporation	\$279,322,435	1,420,000	\$196.71
Black Hills Corporation	\$52,900,265	103,100	
Dominion Resources, Inc.	\$661,123,405	3,188,978	\$207.32
Duke Energy Corporation	\$725,887,282	3,900,000	\$186.12
Entergy Corporation	\$710,186,667	2,600,000	\$273.15
FirstEnergy Corp.	\$496,002,353	4,490,000	\$110.47
KeySpan Corp.	\$60,531,449	2,600,000	\$23.28
National Grid USA	\$448,100,933	4,145,000	\$108.11
NiSource Inc.	\$297,844,986	3,800,000	\$78.38
Northeast Utilities	\$318,556,821	2,090,000	\$152.42
Pepco Holdings, Inc.	\$359,667,014	1,926,000	\$186.74
Progress Energy, Inc.	\$347,229,812	3,100,000	\$112.01
SCANA Corporation	\$228,046,775	1,926,900	\$118.35
Southern Company	\$983,503,893	4,321,788	\$227.57
Xcel Energy, Inc.	\$685,327,466	5,231,000	\$131.01
Exelon Corporation	\$748,950,067	5,880,000	\$127.37
American Water	\$225,474,147	3,292,081	\$68.49
Peer Group Average			\$ 171.86

Service Company O&M Expense per Total Company FTE: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Parent company FTE data was pulled from the 2006 10K. The data is as follows:

	2006 Service company	# Employees	SC O&M in \$ Per Parent
	ADJUSTED O&M Exp (sch. 15)	(Parent Company, including SC)	Company Employee (in '000s)
American Electric Power Company, Inc.	\$1,071,637,532	20,442	\$ 52.42
Allegheny Energy, Inc.	\$531,034,504	4,362	
Ameren Corporation	\$429,963,860	5,151	\$ 83.47
Alliant Energy Corporation	\$279,322,435	8,988	\$ 31.08
Black Hills Corporation	\$52,900,265	819	\$ 64.59
Dominion Resources, Inc.	\$661,123,405	17,500	\$ 37.78
Duke Energy Corporation	\$725,887,282	25,600	\$ 28.35
Entergy Corporation	\$710,186,667	13,814	\$ 51.41
FirstEnergy Corp.	\$496,002,353	13,739	\$ 36.10
KeySpan Corp.	\$60,531,449	9,594	\$ 6.31
National Grid USA	\$448,100,933	N/A	\$ -
NiSource Inc.	\$297,844,986	7,439	\$ 40.04
Northeast Utilities	\$318,556,821	5,869	\$ 54.28
Pepco Holdings, Inc.	\$359,667,014	5,156	\$ 69.76
Progress Energy, Inc.	\$347,229,812	11,000	\$ 31.57
SCANA Corporation	\$228,046,775	5,683	\$ 40.13
Southern Company	\$983,503,893	26,091	\$ 37.70
Xcel Energy, Inc.	\$685,327,466	9,735	\$ 70.40
Exelon Corporation	\$748,950,067	17,200	\$ 43.54
American Water	\$225,474,147	6,900	\$ 32.68
Peer Group Average			\$ 43.27

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Service Company O&M Expense per Service Company FTE: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Total service company FTE's were pulled from an analysis of FERC Account 920 contained within the FERC Form 60 for each service company. The data is as follows:

	2006 Service company	# Employees	SC O&M in \$ Per SC Employee	
	ADJUSTED O&M Exp (sch. 15)	(Service Company)	(in '000s)	
American Electric Power Company, Inc.	\$1,071,637,532	5,934	\$	180.59
Allegheny Energy, Inc.	\$531,034,504	4,339	\$	122.39
Ameren Corporation	\$429,963,860	2,168	\$	198.32
Alliant Energy Corporation	\$279,322,435	1,506	\$	185.47
Black Hills Corporation	\$52,900,265	162	\$	326.54
Dominion Resources, Inc.	\$661,123,405	3,085	\$	214.30
Duke Energy Corporation	\$725,887,282	2,632	\$	275.79
Entergy Corporation	\$710,186,667	2,725	\$	260.62
FirstEnergy Corp.	\$496,002,353	2,950	\$	168.14
KeySpan Corp.	\$60,531,449	241	\$	251.17
National Grid USA	\$448,100,933	2,193	\$	204.33
NiSource Inc.	\$297,844,986	760	\$	391.90
Northeast Utilities	\$318,556,821	1,772	\$	179.77
Pepco Holdings, Inc.	\$359,667,014	1,676	\$	214.60
Progress Energy, Inc.	\$347,229,812	1,368	\$	253.82
SCANA Corporation	\$228,046,775	2,061	\$	110.65
Southern Company	\$983,503,893	3,567	\$	275.72
Xcel Energy, Inc.	\$685,327,466	3,304	\$	207.42
Exelon Corporation	\$748,950,067	1,974	\$	379.41
American Water	\$225,474,147	1,611	\$	139.96
Peer Group Average			\$	231.63

Service Company O&M Expense as percent of Total Assets: Service company O&M expense was pulled from Schedule 15 of the FERC Form 60 for each service company. Parent company assets data was pulled from 2006 10-K. "Total Assets" refers to total asset value net of accumulated depreciation. The data is as follows:

	2006 Service company	Parent Company	SC O&M as a % of Parent Company Assets
	ADJUSTED O&M Exp (sch. 15)	2006 Assets	
American Electric Power Company, Inc.	\$1,071,637,532	\$37,987,000,000	2.82%
Allegheny Energy, Inc.	\$531,034,504	\$8,552,446,000	
Ameren Corporation	\$429,963,860	\$19,578,000,000	2.20%
Alliant Energy Corporation	\$279,322,435	\$7,084,100,000	3.94%
Black Hills Corporation	\$52,900,265	\$2,244,676,000	2.36%
Dominion Resources, Inc.	\$661,123,405	\$49,269,000,000	1.34%
Duke Energy Corporation	\$725,887,282	\$68,700,000,000	1.06%
Entergy Corporation	\$710,186,667	\$31,082,731,000	2.28%
FirstEnergy Corp.	\$496,002,353	\$31,196,000,000	1.59%
KeySpan Corp.	\$60,531,449	\$14,437,500,000	0.42%
National Grid USA	\$448,100,933	\$20,681,691,000	2.17%
NiSource Inc.	\$297,844,986	\$18,156,500,000	1.64%
Northeast Utilities	\$318,556,821	\$11,303,236,000	2.82%
Pepco Holdings, Inc.	\$359,667,014	\$14,243,500,000	2.53%
Progress Energy, Inc.	\$347,229,812	\$25,701,000,000	1.35%
SCANA Corporation	\$228,046,775	\$9,817,000,000	2.32%
Southern Company	\$983,503,893	\$42,858,449,000	2.29%
Xcel Energy, Inc.	\$685,327,466	\$21,958,346,000	3.12%
Exelon Corporation	\$748,950,067	\$44,319,000,000	1.69%
American Water	\$225,474,147	\$12,783,059,000	1.76%
Peer Group Average			2.11%

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Responsible Witness: Joe Van den Berg

Question:

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 cost 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, 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:

Figure 3-2 within Appendix 1 does not include any calculations. It is purely a qualitative comparison of the number and types of services provided by service companies of other comparable utilities in the power industry.

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Responsible Witness: Joe Van den Berg/Michael Miller

Question:

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.
 - 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**.
 - 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:

- a. There is no O&M cost data within Figure 3-2. Figure 3-2 is purely a qualitative comparison of the number and types of services provided by service companies of other comparable utilities in the power industry.

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- b. The Company objects to this question on the grounds that it is vague and ambiguous, overbroad, unduly burdensome, requests data that is not readily available in the format requested, and requests information outside the scope of the independent audit performed by Booz Allen ("BAH"). Subject to and without waiving its objections, the Company responds that there is no O&M cost data within Figure 3-2. Figure 3-2 is purely a qualitative comparison of the number and types of services provided by service companies of other comparable utilities in the power industry. The scope of the audit only addressed services and costs provided by AWWSC in accordance with the RFP and the motion of Director Miller approved by the TRA in case number 06-00290.
- c. The Company objects to this question on the grounds that it is vague and ambiguous, overbroad, unduly burdensome, and the requested information is neither readily available in the format requested, nor within the scope of the independent audit. Subject to and without waiving its objections, Figure 3-2 is purely a qualitative comparison of the number and type of services provided by service companies of other comparable utilities in the power industry, and no determination was made as to 1) the number of FTE's for each of the listed services, or 2) for each of the listed service companies. Neither is the number of FTE's by service type or Company relevant to the intent of the figure. As for AWWSC, the scope of the audit addressed AWWSC services – those services under the AWWSC column on Figure 3-2 with a check mark are the services provided by AWWSC.

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Responsible Witness: Michael Miller

Question:

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:

The Company objects to this question on the grounds it is vague and ambiguous, overbroad, and in part requests information not relevant to this proceeding. Subject to and without waiving these objections, the parties to this case were provided the testimony and attachments of Pat Baryenbruch in case number 06-00290. Mr. Baryenbruch's testimony and attachments contained a comparison of cost for the AWWSC call center to those of a number of electric utilities. Such information should therefore be in the COC's possession and is also readily available on the TRA website.

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Responsible Witness: Michael Miller

Question:

- 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:

The Company objects to this request on the grounds that it is unduly burdensome, in particular because the information requested is not readily available in the requested format and is very costly to gather and produce. The Company also objects to this request on the grounds that it detracts from the Company's ability to address and support its historical test-year data and the adjustments developed to arrive at a reasonable attrition year and is not required by the TRA's recognized rate case procedures.

The Company filed its petition, testimony, exhibits, and workpapers fully supporting its case based on a test year ending on November 30, 2007. Test year data and schedules were prepared specifically for the historical test year utilized in the Company's filing. This request seeks the compilation of data for the year 2005, which is not within the historical test year adopted by the Company. It is burdensome and fundamentally unfair to require the Company to respond to a data request that, in essence, requires the Company to completely

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redo the data collection and analysis required to file its petition. The re-creation of every aspect of its case for multiple historical test years is not required by TRA rules and is not necessary for the COC to assess the Company's petition.

Subject to and without waiving its objections, the Company provides the following response. Please see attached schedules that provide the annual and monthly charges for 2006 and 2007 actual versus planned AWWSC costs by month. The amounts include all Service Company costs, both operations and maintenance and capital.

The AWWSC budget is prepared in two parts: one part for the national AWWSC functions and one part for the services provided by each regional AWWSC office. The allocations of the two budgets to the various subsidiaries are based on historical percentages charged to each subsidiary. Actual charges for the year are based on the actual direct and allocated time charged to each subsidiary in accordance with the 1989 Service Company Agreement. The level of direct charges to a subsidiary each year creates variances to budgets if those direct charges are significantly different than past historical experience. The need for direct charges in a particular year cannot always be anticipated in the planning process.

The increase in 2007 AWWSC costs charged to TAWC versus the plan was primarily the result of significantly more capitalized charges in 2007 related to several major construction projects, including preliminary design of the Citico Treatment Plant improvements. The 2007 Plan numbers shown did not include any capitalized costs, which are budgeted in the capital spending plan. The variance is also driven by increased SOX implementation costs, which are non-recurring in nature and are not included in the Company's management fee expense for the normalized historical test-year or attrition year in this proceeding.

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The 2006 Plan numbers shown did not include any capitalized costs, which are budgeted in the capital spending plan. The variance was also driven by increased SOX implementation costs, which are non-recurring in nature and are not included in the Company's management fee expense for the normalized historical test-year or attrition year in this proceeding. The other major variance relates to a one-time charge in 2006 for the adoption of FAS 87 accounting for pensions at AWWSC. This one-time charge is non-recurring in nature and is not included in the Company's management fee expense for the normalized historical test-year or attrition year in this proceeding.

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Responsible Witness: Michael Miller

Question:

25. On "Summary of Adjustments to Test Year Operating Expense" (Exhibit 2, Schedule of the filing), please **Identify** in detail all adjustments (Column "Test Year Adjustments Present Rates" and "Attrition Year Adjustments") for the Management Fees line (Line11) and provide all **Documents** constituting, referencing, containing, relating to, responding to, or referring to such adjustments.

Response:

This information was provided in response to TRA DR 1 Question 13. The working papers referenced therein are TN-TRA-01-Q013-MANAGEMENT FEES Pages 1 through 4. Also refer the Company's responses to TN-TRA-02-Questions 1 and 2, which contain information about the historical test-year normalization adjustments and attrition year adjustments for management fees and other revenue and expense adjustments.

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Responsible Witness: Joe Van den Berg

Question:

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, line 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:

The Company objects to this request as overbroad. The Company has previously submitted extensive data used to support the findings of Mr. Van den Berg in his direct testimony. Subject to and without waiving its objections, the Company refers the COC to Appendix 1 attached to Mr. Van den Berg's testimony, which contains 59 pages of detailed discussion and conclusions from the independent audit broken into nine sections that contains twenty-three illustrative "Figures" to support the conclusions. Appendix 1 also contains three Exhibits of extensive data and supporting information. Please also refer to the responses to COC, Questions 17, 18, 19 and the extensive information provided as attachments to those responses.

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Responsible Witness: Joe Van den Berg

Question:

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.

Response:

Nominal cost figures from the AWWSC accounting system used to determine the cost trends were normalized to 2006 dollars using the Consumer Price Index data available at the U.S. Department of Labor Statistics, Bureau of Labor Statistics. The calculations are shown below based upon two different base periods (1982-1984 and 1967). Both calculations provide a 3.23% CPI Inflation Rate Adjustment. These tables can also be found on the website of the U.S. Department of Labor Statistics, Bureau of Labor Statistics.

Series Id: CUUR0000SA0

Not Seasonally Adjusted

Area: U.S. city average

Item: All items

Base Period: 1982-84=100

Year	Annual
6	162.3
2003	184
2004	188.9
2005	195.3
2006	201.6
2007	207.342

BAH CALC

A
B

$$(B/A) - 1 = 3.23\%$$

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Series Id: CUUR0000AA0	
Not Seasonally Adjusted	
Area: U.S. city average	
Item: All items - old base	
Base Period: 1967=100	
Year	Annual
2003	551.1
2004	565.8
2005	585
2006	603.9
2007	621.106
2008	

BAH CALC

A
B

(B/A) - 1 = 3.23%

Source: <http://data.bls.gov/cgi-bin/surveymost?cu>

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Responsible Witness: Michael Miller

Question:

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:

No AWWSC expenditures were specifically indexed by agreement to any inflation or escalation factor. Please see attachment for non-indexed expenditures, which include the total costs of the service company.

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Responsible Witness: Michael Miller

Question:

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:

The Company objects to this question on the grounds that the request is overbroad and ambiguous.

Without waiving and subject to these objections, please refer to the Company's response to COC, Question 28. The 1989 Service Company Agreement incorporates no agreements associated with indexed inflationary costs in its allocations to operating subsidiaries, nor is the company aware of any such agreements that are incorporated in the costs incurred by the Service Company that are subsequently allocated. Please see a copy of the executed 1989 Service Company Agreement.

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Responsible Witness: Joe Van den Berg

Question:

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:

"Excluded extraordinary items" were part of excluded costs and therefore are not part of the dollar amount that was ultimately analyzed within the Cost Trends section. Consequently, it is not important whether or not these dollars were inflated, with the exception of being able to reconcile numbers. Booz Allen ("BAH") used Real 2005 dollars throughout the Cost Trends section. BAH decided to start with a Total Cost Baseline based upon Real 2005 dollars as opposed to Nominal 2005 dollars. BAH then needed to show what was excluded from the analysis in its Excluded Items section. Because the entire Total Cost Baseline was inflated by the 3.23% Inflation Rate Adjustment, each item removed in the Excluded Items was also shown at the inflation adjusted number to properly show the reconciliation between Excluded Items and the Total Cost Baseline, both at 2005 Real Dollars. It would have caused added confusion if some of the values depicted were in nominal dollars, while some were in real dollars. Alternatively, BAH could have removed all excluded items for 2005 in nominal dollars and then inflation adjusted the remaining dollar amount that was later analyzed; however, once again, BAH felt this would create added confusion and ultimately had no effect on the analysis.

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Responsible Witness: Joe Van den Berg

Question:

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:

Depreciation, Interest, and Tax were part of excluded costs and therefore were not part of the dollar amount that was ultimately analyzed within the Cost Trends section. Consequently, it is not important whether or not these dollars were inflated with the exception of being able to reconcile numbers. Booz Allen ("BAH") used Real 2005 dollars throughout the Cost Trends section. BAH decided to start with a Total Cost Baseline based upon Real 2005 dollars as opposed to Nominal 2005 dollars. BAH then needed to show what was excluded from the analysis in its Excluded Items section and, to avoid confusion, each item removed in the Excluded Items was also depicted at the inflation adjusted number to properly show the reconciliation between Excluded Items and the Total Cost Baseline, both at 2005 Real Dollars. BAH thought it would cause added confusion if some of the values depicted were in nominal dollars, while some were in real dollars. Alternatively, BAH could have removed all excluded items for 2005 in nominal dollars and then inflation adjusted the remaining dollar amount that was later analyzed; however, once again, BAH felt this would create added confusion and ultimately had no effect on the analysis.

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Responsible Witness: Michael Miller

Question:

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

Response:

Attached is a schedule that provides the number of employees and actual FTE's by function as of December 31, 2005, 2006 and 2007, and the budgeted FTE's for 2007. The actual number of employees and FTE's at December 31, 2004 and the budgeted employees and FTE's at December 31, 2004, 2005 and 2006 are not readily available.

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Responsible Witness: Michael Miller

Question:

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 for these periods.

Response:

(i) Below is the actual number of AWWSC FTE's provided by contractors by function as of December 31, 2005, 2006 and 2007. (ii) The budget information is not available by FTE

	As of December 31,		
	2005	2006	2007
Accounting	25	25	32
Administration	7	2	6
Audit			
Communications	2	1	1
Customer Service	6	5	22
Engineering			
Finance	10	8	9
Human Resources	1	1	2
Information Systems	6	9	9
Legal	1	1	1
Operations			
Rates & Revenue			
Risk Management			
Water Quality	2	2	1
Total Service Company	60	54	83

Please note that the vast majority of FTE's provided by contractors relates to special projects such as Sarbanes Oxley implementation, STEP projects, Large Construction Projects, etc. The Company eliminated all charges in the historical test management fees related to SOX implementation, STEP and Business

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Changes and did not include any charges for those items in its attrition year management fees. The historical test-year management fees were reduced by \$729,713 for those costs. Please refer to TRA-DR-01-Q13-MANAGEMENT FEES, pages 1 through 4 for the working papers related to this normalization adjustment for the historical test-year.

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Responsible Witness: Michael Miller

Question:

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 or any kind during each of calendar years 2004 through 2007; (ii) the total amount paid by each such company to ***AWWSC*** and (iii) the number of end-user customers for each identified company at the beginning and end of each calendar year.

Response:

The Company objects to this request on the grounds of relevancy as to the information requested regarding other AWW subsidiaries, and to the relevancy of 2004 data to this proceeding. The expenses of other AWW subsidiaries are not part of the Company's cost of service or the expenses included in TAWC's filing in this case.

Subject to and without waiving its objections, TAWC provides the following response. Please see attached schedules. The schedule does not contain 2004 due to a change in the Service Company Accounting System changed at the beginning of 2005, and the 2004 information is not readily available.

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Responsible Witness: John Watson

Question:

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

Response:

The customer count below is the total customers in all customer classifications.

2004	72,013
2005	72,660
2006	73,701
2007	74,540

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Responsible Witness: Michael Miller

Question:

36. Please provide the cost allocation factor used by **AWWSC** for **TAWC** for the calendar years 2005-2007.

Response:

Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100001	CP-ALL REGULATED CO'S (W & WW)	2.25	97.75	2.24	97.76	2.24	97.76
100002	CP-PLANT/REV/EMPLOY W/CHILE	2.04	97.96				
100003	CP-PLANT/REV/EMPLOY W/O CHILE	2.00	98.00	1.96	98.04	2.04	97.96
100004	CP-REV/EMPLOY W/ CHILE	1.95	98.05				
100005	CP-REV/EMPLOY W/O CHILE	1.88	98.12	1.83	98.17	1.95	98.05
100006	CP-REVENUE	1.97	98.03	1.94	98.06	1.97	98.03
100007	CP-BILLED PREMISES	2.43	97.57	2.41	97.59	2.24	97.76
100008	CP-EMPLOYEES	2.01	97.99	1.87	98.13	1.93	98.07
100010	CP-CAPEX	2.14	97.86	2.20	97.80	2.22	97.78
100012	CP-PURCHASE ORDERS	2.02	97.98	1.79	98.21		
100013	CP-INVOICES	2.02	97.98	1.79	98.21	2.01	97.99
100052	SE-ALL REGION REGULATED	6.95	93.05	6.92	93.08	6.92	93.08
100053	SE-ALL REGION REGULATED-NO O/H	6.95	93.05	6.92	93.08	6.92	93.08
100054	SE-PLANT/REV/EMPLOY	6.61	93.39	6.69	93.31	6.69	93.31
100055	SE-PLANT/REV/EMPLOY-NO O/H	6.61	93.39	6.69	93.31	6.69	93.31
100056	SE-REV/EMPLOY	6.44	93.56	6.58	93.42	6.58	93.42
100057	SE-REV/EMPLOY-NO O/H			6.58	93.42		
100058	SE-CAPEX	6.95	93.05	6.92	93.08	6.92	93.08
100059	SE-CAPEX-NO O/H	6.95	93.05	6.92	93.08	6.92	93.08
100066	CO 26 (TN) DIR CHG EXP	100.00	0.00	100.00	0.00	100.00	0.00
100067	CO 26 (TN) DIR CHG EXP-NO O/H	100.00	0.00	100.00	0.00	100.00	0.00
100103	TN 2004 RATE CASE AU0185	100.00	0.00				
100107	SEASONAL CHLORINATION AU0213	2.54	97.46				
100109	EPA TEST SURFACE H2O AU0216	2.55	97.45	2.55	97.45	2.55	97.45
100110	CAP PROG MGT/ASSET PLAN AU0221	2.42	97.58				
100111	SUPPLY CHAIN CAPEX-ALL REG'S	2.42	97.58	2.24	97.76	2.24	97.76

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Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100113	KNOWLEDGE SHARE PRJ AU0258	2.42	97.58	2.24	97.76		
100114	SOP-DECON PIPELINE SYS AU0259	2.54	97.46	2.33	97.67		
100115	IMPROVED DETECT E COLI AU0297	2.56	97.44				
100122	VOICE RECOGNITION AU0360	2.24	97.76				
100124	BUSINESS CHANGE TEAM AU0400	2.25	97.75	2.25	97.75		
100127	GROW BUSINESS PROGRAM AU0402	2.25	97.75				
100129	INTEGRATING REG/NONREG AU0410	2.25	97.75				
100130	PERF,BONUS,ASSET SALE AU0412	2.25	97.75				
100131	PARTNERSHIP APPROACH AU0417	2.25	97.75	2.25	97.75		
100132	LICENSE TO MANAGE AU0422	2.25	97.75	2.25	97.75		
100133	PHASE 4 REORGANIZATION AU0427	2.25	97.75				
100134	RESTOCKING BD POSITIONS AU0431	2.25	97.75				
100135	RESTRUC MISC PROPLE CST AU0433	2.25	97.75	2.25	97.75		
100136	BUS CHNG-REORG. RESOURCING	2.25	97.75	2.25	97.75		
100137	SEVERANCE AU0434	2.25	97.75	2.24	97.76		
100138	WEBSITE MAKE OVER AU0439	2.25	97.75	2.25	97.75		
100139	STEP -MANAGEMENT AU0440	2.25	97.75				
100140	SERV CO SPECIAL RES FND AU0443	2.25	97.75				
100144	STEP EAM2 T&D MAXIMO AU0506	2.25	97.75	2.25	97.75		
100145	STEP EAM1 PLANT MAXIMO AU0507	2.25	97.75				
100146	STEP-GIS AU0508	2.25	97.75	2.25	97.75		
100147	STEP TAX/FA MGMT AU0509	2.25	97.75	2.25	97.75		
100148	STEP-FICO AU0510	2.25	97.75	2.25	97.75		
100149	STEP-HRIS AU0511	2.25	97.75	2.25	97.75		
100150	STEP MATERIAL MGMT AU0512	2.25	97.75	2.25	97.75		
100151	STEP-INVENTORY BARCODE AU0513	2.25	97.75				
100152	STEP-REG/CCS AU0514	2.25	97.75	2.25	97.75		
100153	STEP-WO DIAGNOSTIC AU0515	2.25	97.75	2.25	97.75		
100154	STEP-BUS INFORMATION AU0516	2.25	97.75	2.25	97.75		
100155	STEP-PORTAL AU0517	2.25	97.75	2.25	97.75		
100156	STEP-BUS INTELLEGENCE AU0518	2.25	97.75	2.25	97.75		
100157	STEP-EAI AU0519	2.25	97.75	2.25	97.75		
100158	STEP-DOCUMENT MGMT AU0520	2.25	97.75				

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Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100159	STEP-SERVICE FIRST AU0521	2.25	97.75	2.25	97.75		
100160	STEP-MDSI PHASE 3 AU0522	2.25	97.75	2.25	97.75		
100161	STEP-SCADA DATA WHSE AU0523	2.25	97.75				
100199	ADVICE ON SRP, SERP AU0404	2.25	97.75				
100205	DIVERSITY COUNCIL AU0413	2.25	97.75				
100206	2003 SURVEY FOLLOW UP AU0414	2.25	97.75				
100207	PULSE SURVEY 2004 AU0415	2.25	97.75				
100209	LEGAL- COLL AGRMNTS AU0418	2.25	97.75	2.24	97.76		
100210	BENEFITS & IMPLEMENT AU0419	2.25	97.75				
100211	HR & UNION LEADER TRAIN AU0420	2.25	97.75				
100212	LEADERSHIP DEVELOPMENT AU0421	2.25	97.75	2.24	97.76		
100214	ATLANTA CONFERENCE 2004 AU0424	2.25	97.75				
100215	MGMT CONFERENCE IN 2005 AU0425	2.25	97.75				
100216	PHASE 3 REORGANIZATION AU0426	2.25	97.75	2.24	97.76		
100217	REVIEW OF POLICIES AU0428	2.25	97.75	2.24	97.76	2.24	97.76
100220	VIDEO/COMMUNICATIONS AU0435	2.25	97.75				
100225	BUS CHG-TOTAL REWARDS AU0446	2.25	97.75	2.24	97.76		
100503	SE-EMPLOYEES	6.49	93.51	6.42	93.58	6.42	93.58
100511	SE-PURCHASE ORDERS	6.61	93.39	6.65	93.35	6.65	93.35
100523	CP-ALL REGULATED CO-NO O/H			2.24	97.76		
100524	CP-CUST CALL CNTR REG CO.'S	2.43	97.57	2.43	97.57		
100526	UV DISINFECT WW PLANTS AU0212	2.56	97.44	2.56	97.44		
100527	ENDOCRINE DISRUPT SUBST AU0217	2.54	97.46	2.33	97.67	2.34	97.66
100528	NEG. PRESSURE TRANSIENT AU0218	2.54	97.46	2.33	97.67	2.34	97.66
100529	EVALUATE ORTHOPHOSPHATE AU0256	12.02	87.98	12.02	87.98	12.02	87.98
100530	R&D-GEN PROGRAM OPER AU0257	2.24	97.76				
100531	BURIED INFRASTR. MODEL AU0292			2.41	97.59		
100533	CP-ALL REGULATED WATER CO'S	2.35	97.65	2.33	97.67	2.34	97.66
100534	DATABASE-WST WTR PLANTS AU0204	2.25	97.75			2.24	97.76
100535	CROSS-CONNECT&BACKFLOW AU0208	2.35	97.65	2.33	97.67	2.34	97.66
100563	CO 26 (TN) DIR CHG CAPEX	100.00	0.00	100.00	0.00	100.00	0.00
100569	SEVERANCE - CORPORATE	2.25	97.75	2.24	97.76	2.24	97.76
100571	SEVERANCE-SOUTHEASTERN REGION	6.95	93.05	6.92	93.08		

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Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100579	STANDARD OPERATING PROCEDURE	2.25	97.75	2.24	97.76		
100590	FAIL ANLY ORIEN PIPE ASM STUDY	4.46	95.54	4.46	95.54	4.46	95.54
100591	AUTO METER READING MGT STUDY	1.34	98.66	1.34	98.66	1.34	98.66
100595	SUPPLY CHAIN SE-CAPEX ALL REG	6.95	93.05	6.92	93.08	6.92	93.08
100599	BUS CHNG- HR ACTION PLAN	2.25	97.75	2.24	97.76	2.24	97.76
100600	BUS CHNG-ANALYSIS INTO ACTION	2.25	97.75				
100601	BUS CHNG-IDEAS INTO ACTION	2.25	97.75	2.24	97.76		
100658	SE-BUS DEVELOPMENT GENERAL	2.99	97.01	2.99	97.01	2.98	97.02
100666	STEP-PROJECT MGT OFFICE	2.25	97.75				
100667	STEP-DESIGN AUTHORITY	2.25	97.75				
100694	CP-BUS DEVELOPMENT GENERAL	1.13	98.88	1.12	98.88	1.12	98.88
100709	MERCURY ITG TOOL	2.25	97.75	2.24	97.76	2.24	97.76
100710	ENVIROMENTAL REPORTING	1.97	98.03				
100713	EXTENDED KNOWLEDGE SHARING PRG	2.42	97.58				
100722	ON DEMAND SOFTWARE	2.25	97.75	2.24	97.76		
100736	CP-CAPEX REGULATED CO'S ONLY	2.24	97.76	2.24	97.76	2.24	97.76
100757	VOICE RECOGNITION (OLD 100122)	2.24	97.76	2.24	97.76	2.24	97.76
100768	STEP-CSC REPORTING	2.25	97.75	2.25	97.75		
100774	ENVIRONMENTAL REPORTING RECHRG	2.24	97.76	2.24	97.76		
100781	AF SEC REPORTING (REG/NONREG)			1.96	98.04		
100784	AF DIVESTITURE SUPPORT RECOVER			2.24	97.76	2.24	97.76
100785	AF REGULATORY APPROVAL RECOVER			2.24	97.76	2.24	97.76
100786	AF SARBANES OXLEY (REG)			2.24	97.76		
100788	AF SARBANES OXLEY (REG/NONREG)			2.04	97.96		
100792	CP-CUST CALL CNTRS COMBINED			2.24	97.76	2.24	97.76
100793	SSC & STEP RENT WRITE-OFF			2.25	97.75	2.25	97.75
100797	MARY MONIODES (O&M EXPENSES)			2.24	97.76		
100827	AF SARBANES-OXLEY IAS-REG/NONR			1.96	98.04	2.04	97.96
100851	CSC-2004 AWR FACILITY/OVERHEAD			2.43	97.57		
100852	CSC-2005 AWR FACILITY/OVERHEAD			2.43	97.57		
100856	POWERPLANT DATA CONVERSION			9.00	91.00	9.00	91.00
100858	MANAGE COLIFORMS & E.COLI			2.24	97.76	2.24	97.76
100859	LEAK REPAIR STUDY			2.24	97.76	2.24	97.76

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Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100864	AF DIVESTITURE SUPPORT - SER			6.92	93.08	6.92	93.08
100866	TENNESSEE 2006 RATE CASE			100.00	0.00	100.00	0.00
100867	MONTH END CLOSE PROJECT			1.96	98.04		
100885	MIDDLEWARE COST- CAPTURE&MANAGE			2.24	97.76		
100886	TELECOM INV ADM COST-CAP & MAN			2.24	97.76		
100887	TIVOLI SOLUTIONS MGMT COST			2.24	97.76	2.24	97.76
100888	PERFORMANCE REVIEW-CBS COSTS			2.24	97.76	2.24	97.76
100890	DESKTOP SERVICE COSTS			2.24	97.76	2.24	97.76
100892	AD DESIGN COST			2.24	97.76	2.24	97.76
100894	VOIP ARCHITECTURE COSTS			2.24	97.76	2.24	97.76
100895	MICROSOFT PRODUCTIVITY TOOL			2.24	97.76	2.24	97.76
100896	MERCURY INITIATIVE COSTS			2.24	97.76	2.24	97.76
100897	PERFORMANCE REVIEW-INFR&OPS			2.24	97.76	2.24	97.76
100898	RECLAIMED WATER STUDY			2.34	97.66	2.34	97.66
100900	POWERPLANT DATA CONV/TRAINING			2.24	97.76	2.24	97.76
100902	BUSINESS CASE WITH NO PROJ DEV			2.24	97.76	2.24	97.76
100903	AWWARF AM WORKSHOP			2.24	97.76	2.24	97.76
100908	SECURITY REPLACEMENT PROGRAM			5.00	95.00		
100918	RAPID AOC METHODS					2.34	97.66
100919	CLIMATE LEADERS PROGRAM (EPA)					2.24	97.76
100921	SCADA INTEGRATION/HYDR. MODELS					2.34	97.66
100924	PRESSURE MANAGEMENT WORKGROUP					2.34	97.66
100925	ENVIRONMENTAL MANAGEMENT					2.24	97.76
100926	PREPARATION & STD CONTR. DOC.					2.24	97.76
100928	COST ESTIMATING MANAGEMENT					2.24	97.76
100929	ENGINEERING SUPERVISION					2.24	97.76
100931	MATIERIALS MGT. COMMITTE					2.24	97.76
100935	AMR GUIDANCE & GOVERNANCE					2.34	97.66
100937	GIS GOVERNANCE & PLANNING					2.24	97.76
100938	MONITORING FOR WATER SECURITY					2.34	97.66
100939	PIPE CONDITION ASSESSMENT					2.34	97.66

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Formula	Description	2005		2006		2007	
		TN (%)age	Others (%)age	TN (%)age	Others (%)age	TN (%)age	Others (%)age
100940	PIPE REPLACEMENT NEEDSENT					2.34	97.66
100941	DAYLIGHT SAVING TIME					2.24	97.76
100944	CRYPTOSPORIDIUM INFECTIVITY					2.24	97.76
100946	DISTRIBUTION MAINTENANCE					2.34	97.66
100947	DISTRIBUTION REPLACEMENT					2.33	97.67
100948	LEARNING COUNCIL					2.34	97.66
100949	BPM PROJECT OPS LEAD					2.34	97.66
100954	AW ASSET NAMING HIERARCHY					2.24	97.76
100959	CORPORATE LEGAL-CODE OF ETHICS					2.04	97.96
100960	EPA PEER REVIEW PTA COST MODEL					2.34	97.66
100964	CMMS IMPLEMENTATION PROJECT					2.24	97.76
100967	IDSE					2.34	97.66
100972	SECURITY REPLACEMENT PROGRAM					4.71	95.29
100978	AWWARF #4152 - PRESSURE/WQ					2.34	97.66
100979	OPTIMIZED DISTRIBUTION SYSTEMS					2.34	97.66
100984	ZINC VS NON-ZINC P04					2.34	97.66
100985	TENNESSEE 2008 RATE CASE					100.00	0.00
100986	TN 2008 DEPRECIATION STUDY					100.00	0.00
50073227	INS (1) HYDRANT, WHITEHALL RD						
50089981	PAINTING NORTH END TANK			100.00	0.00		
50105482	PUR SCADA SYS JENKINS RD TANK					100.00	0.00
50112360	TIME & LABOR PROGRAMMING			100.00	0.00	100.00	0.00
50115530	TN SECURITY OVERALL			100.00	0.00	100.00	0.00
50121016	WATER TREATMENT PLANT STUDY					100.00	0.00

**TENNESSEE AMERICAN WATER COMPANY
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Responsible Witness: Michael Miller

Question:

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:

The Company objects to this question on the grounds that the request is unduly burdensome to the extent that it seeks data not readily available in the format requested. Subject to and without waiving its objections, the Company provides the following response:

All costs of the Service Company incurred in connection with services rendered by the Service Company that can be identified and relate exclusively to a water company, shall be charged directly to that that water company.

For costs incurred in rendering services that cannot be exclusively attributed to one particular water company, but rather to a group of water companies, the allocation factors shall be determined at the immediately preceding calendar year-end in accordance with Article II, section 2.4 of the Service Agreement.

The Company did not use its 2008/2009 budget to determine the attrition year revenues and expenses in its filing. Instead, the Company used the historical test-year ended November 2007, adjusted for known adjustments required to normalize the historical test-year for the base on which to develop the attrition year revenues and expenses in the filing. A combination of known and measurable adjustments and appropriate inflation factors were then applied to

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normalized historical test-year data to arrive at the attrition year revenues and expenses. This process incorporates the filing requirements for the Company under the TRA procedures. However, the 2007 year-end customer counts are provided in the attachment.

Tennessee American Water Company
Docket No. 08-00039
COC DR 1 Question 32

Corporate and Southeast Region

Number of Employees

	As of December 31,					
	2005		2006		2007	
	Corporate	SER	Corporate	SER	Corporate	SER
Accounting	115	3	153	3	158	2
Administration	32	6	30	5	32	3
Audit	8		11		8	
Communications	6	1	6	2	9	2
Customer Service	608	29	662	31	665	34
Engineering		2		2		1
Finance	56	14	67	17	73	18
Human Resources	39	6	39	5	38	6
Information Systems	97	1	106		122	
Legal	8	4	9	3	10	6
Operations	40	23	40	23	43	21
Rates & Revenue	14		19		18	
Risk Management	10	2	9	4	9	3
Water Quality	12	3	13	3	14	1
	1,045	94	1,164	98	1,199	97

Budget FTE's

	As of December 31,					
	2005		2006		2007	
	Corporate	SER	Corporate	SER	Corporate	SER
Accounting					150.0	0
Administration					33.0	19
Audit					9.0	0
Communications					9.0	6
Customer Service					578.0	32
Engineering						24
Finance					72.0	21
Human Resources					45.0	7
Information Systems					132.0	0
Legal					12.0	11
Operations					43.0	23
Rates & Revenue					18.0	0
Risk Management					11.0	5
Water Quality					50.0	9
	0.0	0.0	0.0	0.0	1,162.0	157

NOT READILY
AVAILABLE

Actual FTE's

	As of December 31,					
	2005		2006		2007	
	Corporate	SER	Corporate	SER	Corporate	SER
Accounting	113.0	3.0	151.5	3.0	156.5	2.0
Administration	31.5	6.0	30.0	5.0	32.0	3.0
Audit	8.0		11.0		8.0	
Communications	6.0	1.0	6.0	2.0	9.0	2.0
Customer Service	606.0	29.0	660.5	31.0	663.5	34.0
Engineering		2.0		2.0		1.0
Finance	56.0	14.0	66.5	17.0	72.5	18.0
Human Resources	39.0	6.0	39.0	5.0	38.0	6.0
Information Systems	97.0	1.0	106.0		122.0	
Legal	8.0	4.0	9.0	3.0	10.0	6.0
Operations	40.0	23.0	40.0	23.0	43.0	21.0
Rates & Revenue	14.0		18.0		18.0	
Risk Management	10.0	2.0	9.0	4.0	9.0	3.0
Water Quality	12.0	3.0	13.0	3.0	13.5	1.0
	1,040.5	94.0	1,159.5	98.0	1,195.0	97.0

*Corporate includes all service company offices other than the regional offices.

