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Attorneys at Law

A PROFESSIONAL LIMITED LIABILITY COMPANY

R. Dale Grimes

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OTHER OFFICES

KNOXVILLE

June 9, 2008

VIA HAND DELIVERY

filed electronically in docket office 6/9/2008

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

Re:

Petition of Tennessee American Water Company To Change And Increase Certain Rates And Charge 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

Dear Chairman Roberson:

Enclosed please find an original and seven (7) sets of copies of Tennessee American Water Company's Supplemental Response to the City of Chattanooga's Discovery Requests, dated May 12, 2008. In addition, TAWC includes two compact disks. The first compact disk contains TAWC's Supplemental Responses and any responsive attachments in their native Word, The second compact disk contains a pdf image of TAWC's Excel, or Adobe format. Supplemental Response.

Please return three (3) copies of this Supplemental Response to me by way of our courier, which I would appreciate your stamping as "filed."

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

With kindest regards, I remain

Very truly yours,

12.18 Turning

R. Dale Grimes

Enclosures

cc:

Hon. Ron Jones (w/o enclosure)

Hon. Sara Kyle (w/o enclosure)

Hon. Tre Hargett (w/o enclosure)

Ms. Darlene Standley, Chief of Utilities Division (w/o enclosure)

Richard Collier, Esq. (w/o enclosure)

Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (w/o enclosure)

Ms. Pat Murphy (w/o enclosure)

Timothy C. Phillips, Esq. (w/enclosure)

David C. Higney, Esq. (w/enclosure)

Henry M. Walker, Esq. (w/enclosure)

Michael A. McMahan, Esq. (w/enclosure)

Frederick L. Hitchcock, Esq., (w/enclosure)

Mr. John Watson (w/o enclosure)

Mr. Michael A. Miller (w/o enclosure)

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 9th day of June, 2008, upon the following:

[x] Hand-Delivery[] U.S. Mail[] Facsimile[] Overnight[x] Email	Timothy C. Phillips, Esq. Consumer Advocate and Protection Division Office of Attorney General 2nd Floor 425 5th Avenue North Nashville, TN 37243-0491
[] Hand-Delivery[] U.S. Mail[] Facsimile[x] Overnight[x] Email	David C. Higney, Esq. Counsel for Chattanooga Manufacturers Association Grant, Konvalinka & Harrison, P.C. 633 Chestnut Street, 9th Floor Chattanooga, TN 37450
[x] Hand-Delivery[] U.S. Mail[] Facsimile[] Overnight[x] Email	Henry M. Walker, Esq. Counsel for Chattanooga Manufacturers Association Boult, Cummings, Conners & Berry, PLC Suite 700 1600 Division Street Nashville, TN 37203
[] Hand-Delivery[] U.S. Mail[] Facsimile[x] Overnight[x] Email	Michael A. McMahan, Esq. Special Counsel City of Chattanooga (Hamilton County) Office of the City Attorney Suite 400 801 Broad Street Chattanooga, TN 37402
[] Hand-Delivery [] U.S. Mail [] Facsimile [x] Overnight [x] Email	Frederick L. Hitchcock, Esq. Harold L. North, Jr., Esq. Counsel for City of Chattanooga Chambliss, Bahner & Stophel, P.C. 1000 Tallan Building Two Union Square Chattanooga, TN 37402

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."

Supplemental Response:

Pursuant to the agreement reached between TAWC and the City at the June 4,

2008 status conference, the City seeks materials previously designated as

"Confidential Information," which the TAWC agrees to produce. The City has

agreed to forgo the Highly Confidential information sought in this Request unless

a Highly Confidential protective order is entered in which case the City reserves

the right to renew its request and the Company reserves its previously set forth

objections.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

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.

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental

Response. Subject to and without waiving its prior objections, TAWC refers the

City to the website where its investor relations information is maintained and is

readily available for inspection and reproduction at the City's convenience.

Specifically, this material is located in the in the Investor Relations section of the

Company's website. (See http://ir.amwater.com/). The Company continues to

search in good faith for any additional responsive materials; however, to date,

none have been located. To the extent that the Company locates any additional

responsive materials, the Company will supplement its response to this request.

Furthermore, pursuant to the parties' discussions on June 4, 2008, the City

clarified that it does not seek all information or communications with the TAWC's

parent company's underwriter, only investor information that was provided to any

prospective investor of whatever type (e.g. individuals, entities, pension funds,

etc.)

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

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.

Supplemental Response:

TAWC reserves and incorporates all objections previously set forth in its

response. Based upon the parties' meeting on June 4, 2008, TAWC

understands that the City has modified its request to seek data since 2000, rather

than 1993. Subject to its prior objections and based upon the City's modification,

the Company states that its files that contain the requested data are available for

the City's review at a mutually agreeable time. Additionally, the Company is

continuing its efforts to identify, to the extent it exists, existing sources of the

requested information that provide such information in a more concise format.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

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

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental Response. Subject to and without waiving its prior objections, the Company states that pursuant to discussions between the parties on June 4, 2008, the City will verify that TAWC's responsive information is in fact contained it TAWC's TRA submission.

To the extent the City has continuing concerns regarding the sufficiency of TAWC's supplemental response, the Company will work in good faith with the City to resolve these concerns.

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).

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental

Response. Subject to and without waiving its prior objections, TAWC states that

its offer to open its capital expense records related to these projects to the City

remains open. Further, based on discussions between counsel, the Company

understands that the City's Request can be satisfied by a map that depicts the

location of the Company's capital expense projects. Accordingly, the Company

agrees to create and produce a map that depicts the Company's capital expense

projects.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response after reviewing the map, the Company will work

in good faith with the City to resolve these concerns.

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)

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental Response. Subject to and without waiving its prior objections, based on discussions between counsel, the Company understands that the City's request will be satisfied by providing 2005, 2006 and 2007 data produced in the same format as in the last rate case. Accordingly, the Company will provide the 2005-2007 data in the same format as the last rate case.

To the extent the City has continuing concerns regarding the sufficiency of TAWC's supplemental response, the Company will work in good faith with the City to resolve these concerns.

FIRST DISCOVERY REQUESTS

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).

Supplemental Response:

TAWC incorporates its prior objections into this Supplemental Response.

Subject to and without waiving its prior objections, TAWC corrects its prior

response to state as follows: no audits of TAWC or AWWSC, apart from the

Booz Allen management study, have been conducted since 1997.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

FIRST DISCOVERY REQUESTS

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.

Supplemental Response:

The Company incorporates its prior response and objections into this

Supplemental Response. Subject to and without waiving its prior objections,

TAWC confirms that the data produced in response to the City's requests no. 17

and 18 comprise the data used to create Exhibit 9-1 in the Booz Allen report.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

FIRST DISCOVERY REQUESTS

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 to responses to the recommendations,

including remediation plans, schedules and progress reports associated with this

work.

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental

Response. Subject to and without waiving its prior objections, TAWC

supplements its response as follows:

As related to counsel discussions on June 4 and 6, the confidential organization

charts for AWWC were inadvertently omitted from the production and have been

supplementally produced by TAWC. Further, a supplemental search of relevant

personnel's email accounts was conducted and one additional potentially

responsive email was found and will also be produced.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

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

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 <u>each individual Service</u> 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.

Supplemental Response:

TAWC incorporates its prior response and objections into this Supplemental

Response. Notwithstanding its objections and in accordance with counsel

discussions on June 4, 2008, the Company supplements its response as follows:

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

The Company confirms that no adjustments for costs were made.

To the extent the City has continuing concerns regarding the sufficiency of TAWC's supplemental response, the Company will work in good faith with the City to resolve these concerns.

FIRST DISCOVERY REQUESTS

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.

Supplemental Response:

TAWC incorporates its prior objections into this Supplemental Response.

Notwithstanding its objections, the Company states that it continues to work in

good faith to address the City's June 4, 2008 inquiries regarding the Company's

response to this request and will follow up with the City's counsel regarding this

response as soon as possible.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

FIRST DISCOVERY REQUESTS

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.

Supplemental Response:

TAWC incorporates its prior objections into this Supplemental Response.

Notwithstanding its objections, the Company supplements its response as

follows:

The Booz Allen study relied on actual FTE data for 2005-2006 and not budgeted

FTE data for the same time period.

To the extent the City has continuing concerns regarding the sufficiency of

TAWC's supplemental response, the Company will work in good faith with the

City to resolve these concerns.

Ellen C Wolf/ADMIN/CORP/AWWSC 02/25/2008 04:17 PM To Mike Miller/WVAWC/AWWSC@AWW

cc Rochelle Kowalski/ADMIN/CORP/AWWSC@AWW

bcc

Subject Re: Fw: Booz Allen TAW management audit

I like your second option about adding the word cost.

Ellen C. Wolf Senior Vice President - CFO American Water (P) 856-346-8304 (F) 856-346-8330 Ellen.Wolf@amwater.com Mike Miller/WVAWC/AWWSC



Mike Miller/WVAWC/AWWSC 02/25/2008 04:07 PM

To Rochelle Kowalski/ADMIN/CORP/AWWSC@AWW

cc Ellen C Wolf/ADMIN/CORP/AWWSC@AWW

Subject Re: Fw: Booz Allen TAW management audit

We are already in the process of changing the chart on page 13. In the first couple of drafts I looked at there were 5 benchmarks that said better than average, one said average and one said worse than average (that being the year over year % increase). I had it changed because I didn't like the one term saying "worse than average".

I have talked to Booz and the chart will be changed in one of two ways (not sure which way is better just yet). One method will put it back to original form with 5 out of seven saying better than average or the other option to simply add the word cost to each benchmark description, i.e. Below average cost,(5), or average cost(1).

Do you have a preference?

Michael A. Miller American Water Works Service Co. P.O. Box 1906 Charleston, WV 25327

Office: 304-340-2009 Cell: 304-552-6419 Fax: 304-353-6332

Rochelle Kowalski/ADMIN/CORP/AWWSC

Rochelle

Kowalski/ADMIN/CORP/AW

WSC

02/25/2008 03:54 PM

To Mike Miller/WVAWC/AWWSC@AWW

CC

Subject Fw: Booz Allen TAW management audit

Rochelle Kowalski American Water 800 West Hersheypark Drive Hershey, PA 17033 717-531-3225(office) 717-531-3235 (fax) 717-756-8525 (mobile)

---- Forwarded by Rochelle Kowalski/ADMIN/CORP/AWWSC on 02/25/2008 03:55 PM -----

Ellen C

Wolf/ADMIN/CORP/AWWSC

02/25/2008 02:46 PM

To Rochelle Kowalski/ADMIN/CORP/AWWSC@AWW

cc Christopher C Buls/ADMIN/CORP/AWWSC@AWW, James

M Jenkins/MOAWC/AWWSC@AWW, John Watson/TAWC/AWWSC@AWW, Nina E Miller/AZAWC/AWWSC@AWW, Paul

Foran/ADMIN/CORP/AWWSC@AWW, Thomas J Considine/ADMIN/CORP/AWWSC@AWW, Walter

Lynch/NJAWC/AWWSC@AWW

Subject Re: Fw: Booz Allen TAW management audit

Rochelle

A nice report. The only comment I would make is on the chart on page 13. I would change the caption "below average" to maybe "better than average". Below indicts to me that we are worse (even though it does not say that in the paragraph above). I am concerned about someone taking the chart out of context.

Ellen

Ellen C. Wolf Senior Vice President - CFO American Water (P) 856-346-8304 (F) 856-346-8330 Ellen.Wolf@amwater.com Rochelle Kowalski/ADMIN/CORP/AWWSC Rochelle Kowalski/ADMIN/CORP/AW WSC

02/21/2008 12:12 PM

- To Ellen C Wolf/ADMIN/CORP/AWWSC@AWW, Walter Lynch/NJAWC/AWWSC@AWW
- CC Christopher C Buls/ADMIN/CORP/AWWSC@AWW, Thomas J Considine/ADMIN/CORP/AWWSC@AWW, James M Jenkins/MOAWC/AWWSC@AWW, John Watson/TAWC/AWWSC@AWW, Nina E Miller/AZAWC/AWWSC@AWW, Paul Foran/ADMIN/CORP/AWWSC@AWW

Subject Fw: Booz Allen TAW management audit

Attached is the draft of the TN Management Fee Audit report. I have not yet gone through the report but did not want to delay sending it to you.

Mike indicates below that the report is positive about the AWWSC structure and charges and intended to say that the report should *not* be a problem once it is discovered in other states.

We would like comments back by Tuesday of next week so the report can be finalized. Please let us know if you would like us to schedule time to discuss.

Regards,

Rochelle

Rochelle Kowalski American Water 800 West Hersheypark Drive Hershey, PA 17033 717-531-3225(office) 717-531-3235 (fax) 717-756-8555 (mobile)

----- Forwarded by Rochelle Kowalski/ADMIN/CORP/AWWSC on 02/21/2008 08:56 AM -----



Mike Miller/WVAWC/AWWSC 02/20/2008 07:44 PM

- To Rochelle Kowalski/ADMIN/CORP/AWWSC@AWW
- cc Paul Foran/ADMIN/CORP/AWWSC@AWW, Rod Nevirauskas/SHARSVCS/AWWSC@AWW, Tom McKitrick/ADMIN/CORP/AWWSC@AWW

Subject Booz Allen TAW management audit

Attached below is the updated version of the Booz Allen Report for TAW about the AWWSC charges. I have been through several revisions of the document prior to this point, but have not read this version yet. I wanted to go ahead and forward this to you for your reveiw to keep this process. I doubt that I will have any substantive changes to this version.

I believe the report is very positive about the AWWSC structure and charges, section 9 about benchmarking is very positive about how AWWSC charges compare to about 15 comparable electric utilities regarding seven benchmarking criteria. I would think this report should be a problem once it is discovered in other states, but it is important that this get the review by several sets of eyes at AWW. I would think you might want to provide Walter, Ellen and John Young a copy for review. I am providing a copy to Paul Foran given the national nature and implications of this report. I am also sending a copy to

Rod N. and Tom McKitrick since they and the SSC rates group were extremely involved with much of the data and other information supplied to Booz Allen.

I would hope that we could get comments by Tuesday of next week so that we can have Booz Allen finalize the report and begin preparing the testimony to support the study.

If you have question please let me know.

Michael A. Miller American Water Works Service Co. P.O. Box 1906 Charleston, WV 25327 Office: 304-340-2009

Cell: 304-552-6419 Fax: 304-353-6332

---- Forwarded by Mike Miller/WVAWC/AWWSC on 02/20/2008 06:11 PM -----



"Grimes, Dale"
<DGrimes@bassberry.com>
02/20/2008 05:34 PM

To <mmiller@wvawater.com>, <jwatson@amwater.com>

cc "Grimes, Dale" <DGrimes@bassberry.com>, "Booher, Ross" <rbooher@bassberry.com>

Subject Fw: updated report

FYI.

---- Original Message -----

From: Dowley, Eric [USA] <dowley eric@bah.com>

To: Grimes, Dale

Sent: Wed Feb 20 16:25:33 2008

Subject: updated report

Dale,

Attached is our updated report. Please let me know if you would like to discuss.

Thanks,

Eric Dowley

Booz | Allen | Hamilton

Office: 703.377.7990

Mobile: 202.549.5606

Dowley_Eric@bah.com

[attachment "AWWSC Cost Reasonableness Report_2_20_08.doc.zip" deleted by Ellen C Wolf/ADMIN/CORP/AWWSC]