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A PROFESSIONAL LIMITED LIABILITY COMPANY

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OTHER OFFICES

KNOXVILLE

MEMPHIS

June 18, 2008

**VIA HAND DELIVERY**

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

filed electronically in docket office on 06/19/08

**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 Requests Nos. 6, 16 and 17 of the Chattanooga Manufacturing Association's Discovery Requests. In addition, TAWC includes two compact disks. The first compact disk contains TAWC's Supplemental Responses and any responsive attachments in their native Word, Excel, or Adobe format. The second compact disk contains a pdf image of TAWC's 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,



Kathryn Hannen Walker

Enclosures

Chairman Eddie Roberson, PhD

June 18, 2008

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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*)

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
CHATTANOOGA MANUFACTURERS ASSOCIATION'S  
FIRST SET OF DATA REQUESTS**

**Responsible Witness:** John Watson/Mike Miller/Sheila Miller

**Question:**

6. Concerning the Company's proposed capital additions from the November 30, 2007 test year up to the attrition year ending August 31, 2009, please provide the following:
- a. A reconciliation of actual to budgeted capital expenditures after the end of the test year up to the most current point available.
  - b. Please provide a copy of the Company's five-year capital expenditure plan, with a complete explanation of all planned capital expenditures after year-end 2007.
  - c. A detailed description of each of the capital expenditure programs through the end of August 2009 with an assessment of the certainty that each capital expenditure will actually be made.
  - d. Please explain the adjustment to accumulated depreciation between the end of the November 2007 test year up through August 31, 2009.
  - e. Please provide workpapers showing the adjustment to accumulated deferred income taxes from the end of the test year up through August 31, 2009.

**Second Supplemental Response:**

TAWC reserves and incorporates its prior answers and all objections previously set forth in its responses. Notwithstanding its objections and without waiving them, TAWC further states that attached to this Response is the budget to actual comparisons for April through May, which is the reconciliation of actual to budgeted capital expenditures, as requested in Question 6(a) above. TAWC previously produced the schedules for the

prior quarters, which were current at the time of production; however, TAWC is providing the most current version to supplement its prior response. The attached document, along with the information that was previously produced in Response to this question and the project memorandums produced by TAWC in response to TN-TRA-01-Q53, are all of the documents under which the TAWC operates. TAWC further states that information responsive to this Request is contained in TAWC's response to TN-TRA-01-Q52. Based upon TAWC's search for responsive documents, TAWC states that no other responsive documents exist. To the extent that TAWC discovers any additional responsive documents, it will supplement its response.

Regarding Question 6(c) above, TAWC's prior Response included a typographical error and should reference the documents attached to the response to TN-CMA-01-Q26 rather than TN-COC-01-Q26.

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

STRATEGIC CAPITAL EXPENDITURE PLAN

Actual to Budget

Tennessee

Units = \$

Project Code	Brief Description of Proposed Expenditures	(IP, RP, PIA, PIA)	Period 4 Budget (1)	Period 4 Actual with Accruals (2)	Period 4 Variance (2-1)	Year to Date Budget (3)	Year to Date Actual (4)	Year to Date Variance (4-3)	Board Approved Budget 2009
DV	Projects Funded by Others (Contrib. / Adv / Refunds)	PIA	57,152	203,442	146,290	222,318	1,183,451	960,533	2,000,000
A	Mains - New	PIA	0	9,662	9,662	75,062	50,775	(24,287)	300,248
B	Mains - Replaced / Restored	PIA	150,000	60,845	(89,157)	738,661	272,181	(466,480)	1,600,000
C	Mains - Unscheduled	PIA	0	0	0	0	36,336	36,336	80,000
D	Mains - Relocated	PIA	20,000	6,673	(13,327)	20,000	41,419	21,419	220,000
E	Hydrants, Valves, and Manholes - New	PIA	7,000	(334)	(7,334)	23,500	8,666	(14,834)	99,500
F	Hydrants, Valves, and Manholes - Replaced	PIA	5,770	6,910	1,140	11,540	28,385	16,855	67,200
G	Services and Lateral - New	PIA	35,175	62,820	27,645	67,597	257,003	189,406	614,100
H	Services and Lateral - Replaced	PIA	9,232	15,108	5,876	32,564	42,147	9,583	119,700
I	Meters - New	PIA	34,039	47,468	13,429	85,723	207,085	121,362	590,045
J	Meters - Replaced	PIA	7,917	73,332	65,415	255,049	528,719	273,670	1,007,952
K	ITS Equipment and Systems	PIA	0	100,477	100,477	0	113,500	113,500	171,500
L	SCADA Equipment and Systems	PIA	0	0	0	20,000	20,000	0	75,000
M	Security Equipment and Systems	PIA	15,000	10,000	(5,000)	15,000	35,352	20,352	75,000
N	Offices and Operations Centers	PIA	26,719	0	(26,719)	26,719	7,849	(18,870)	80,581
O	Vehicles	PIA	177,617	0	(177,617)	186,451	41,606	(144,844)	468,785
P	Tools and Equipment	PIA	14,000	0	(14,000)	40,000	(6,157)	(48,157)	120,683
Q	Process Plant Facilities and Equipment	PIA	40,000	46,160	6,160	149,000	74,049	(74,951)	330,000
R	Capitalized Tank Rehabilitation / Painting	PIA	50,000	28,300	(21,700)	50,000	(203,758)	(253,758)	390,000
S	Engineering Studies	PIA	0	(11,364)	(11,364)	0	7,403	7,403	40,000
	<b>TOTAL RECURRING PROJECTS 80 - 97</b>		<b>649,621</b>	<b>660,077</b>	<b>10,456</b>	<b>2,019,783</b>	<b>2,744,022</b>	<b>724,239</b>	<b>6,450,295</b>
	<b>TOTAL RECURRING PROJECTS 81 - 97</b>		<b>582,469</b>	<b>456,634</b>	<b>(125,835)</b>	<b>1,796,865</b>	<b>1,560,571</b>	<b>(236,295)</b>	<b>6,450,295</b>
26020501	TN DOT Relocations	PIA	0	366	366	0	2,827	2,827	200,000
IP-2602-4	Ringold Rd @ I-75	PIA	30,000	0	(30,000)	50,000	0	(50,000)	1,260,000
26020503	Cilco WTP Pretreatment Phase 1	PIA	175,000	101,395	(73,605)	508,656	420,316	(89,340)	3,323,638
26020702	Missionary Ridge Storage Tank	PIA	25,000	0	(25,000)	50,000	0	(50,000)	225,000
26029804	CHAT-Replace Lkt Mtn Supp Mai	PIA	12,960	952	(12,008)	42,960	3,215	(39,745)	30,000
26020701	NRW Pressure Reduction	PIA	0	0	0	0	0	0	200,000
	New	New				0	0	0	0
	New	New				0	0	0	0
	New	New				0	0	0	0
	Unbudgeted					0	21,065	21,065	0
	<b>TOTAL INVESTMENT PROJECTS</b>		<b>242,960</b>	<b>102,714</b>	<b>(140,246)</b>	<b>652,616</b>	<b>447,423</b>	<b>(205,193)</b>	<b>5,238,538</b>
	<b>TOTAL GROSS</b>		<b>892,581</b>	<b>762,790</b>	<b>(129,791)</b>	<b>2,672,399</b>	<b>3,191,445</b>	<b>519,046</b>	<b>13,688,833</b>
	Acquisitions					0	0	0	0
	Net Advances, Refunds, and Contributions		(48,326)	(228,193)	(180,860)	(24,326)	(1,116,359)	(1,092,033)	(1,149,000)
	<b>Net US GAAP</b>		<b>844,255</b>	<b>534,604</b>	<b>(310,661)</b>	<b>2,648,073</b>	<b>2,075,086</b>	<b>(572,988)</b>	<b>12,539,833</b>

STRATEGIC CAPITAL EXPENDITURE PLAN

Actual to Budget

Tennessee

Units = \$

Project Code	Brief Description of Proposed Expenditures	(IP, RP, PIA, PNI)	Period 5 Budget (1)	Period 5 Actual with accruals (2)	Period 5 Variance (2-1)	Year to Date Budget (3)	Year to Date Actual (4)	Year to Date Variance (4-3)	Board Approved Budget 2008
DV	Projects Funded by Others (Contrib. Adv./ Refunds)		61,044	81,722	20,678	263,962	1,265,174	981,212	2,000,000
A	Mains - New	PIA	0	3,928	3,928	75,062	54,704	(20,358)	300,249
B	Mains - Replaced / Restored	PIA	130,000	118,853	(11,147)	868,861	390,834	(477,827)	1,500,000
C	Mains - Unscheduled		5,000	(8,712)	(13,712)	5,000	27,626	22,626	80,000
D	Mains - Relocated		20,000	35,466	15,466	40,000	76,885	36,885	230,000
E	Hydrants, Valves, and Manholes - New	PIA	7,000	3,512	(3,488)	30,500	12,277	(18,223)	99,500
F	Hydrants, Valves, and Manholes - Replaced	PIA	5,770	34,765	28,995	17,310	63,160	45,850	167,200
G	Services and Laterals - New	PIA	74,826	43,104	(31,722)	142,423	300,106	157,684	614,100
H	Services and Laterals - Replaced	PIA	10,040	20,132	10,092	42,604	62,279	19,675	119,700
I	Meters - New	PIA	75,710	38,344	(37,366)	161,433	245,429	83,996	590,045
J	Meters - Replaced	PIA	222,378	222,378	0	477,425	751,097	273,672	1,007,952
K	ITS Equipment and Systems	PIA	0	3,000	3,000	0	116,500	116,500	171,500
L	SCADA Equipment and Systems		0	5,770	5,770	20,000	25,770	5,770	75,000
M	Security Equipment and Systems	PIA	0	0	0	15,000	35,352	20,352	75,000
N	Offices and Operations Centers	PIA	0	0	0	26,719	7,782	(18,937)	80,581
O	Vehicles	PIA	79,000	(2,608)	(81,608)	265,451	38,998	(228,452)	488,785
P	Tools and Equipment	PIA	18,000	0	(18,000)	58,000	(8,157)	(66,157)	120,683
Q	Public Plant Facilities and Equipment	PIA	30,500	344,244	313,744	25,000	25,000	0	330,000
R	Capitalized Tank Rehabilitation / Painting	PIA	50,000	(30)	(50,030)	100,000	(203,808)	(303,808)	350,000
S	Engineering Studies	PIA	2,000	4	(1,996)	2,000	7,407	5,407	40,000
	TOTAL RECURRING PROJECTS 80 - 97		791,266	843,686	152,420	2,811,049	3,687,708	876,659	8,450,295
	TOTAL RECURRING PROJECTS 81 - 97		730,222	861,984	131,742	2,527,087	2,422,534	(104,553)	6,450,295
26020501	TN DOT Relocations	PIA	22,556	0	(22,556)	22,556	2,819	(19,737)	200,000
IP-2602-4	Ringold Rd @ I-75	PIA	10,000	0	(10,000)	60,000	0	(60,000)	1,260,000
26020503	Citico WTP Pretreatment Phase 1	PIA	175,000	111,875	(63,125)	684,656	532,191	(152,465)	3,323,538
26020702	Missionary Ridge Storage Tank	PIA	25,000	0	(25,000)	75,000	0	(75,000)	225,000
26029804	CHAT Replace Ltd Min Supp Mai	PIA	0	33	33	42,960	3,248	(39,712)	30,000
26020701	NRW Pressure Reduction	PIA	0	0	0	0	0	0	200,000
	New	New	0	0	0	0	0	0	0
	New	New	0	0	0	0	0	0	0
	New	New	0	0	0	0	0	0	0
	Unbudgeted		0	50,112	50,112	0	71,177	71,177	0
	TOTAL INVESTMENT PROJECTS		232,556	162,012	(70,544)	885,172	609,435	(275,737)	5,238,538
	TOTAL GROSS		1,023,822	1,105,698	81,877	3,686,221	4,297,144	600,922	13,686,333
	Acquisitions		0	0	0	0	0	0	0
	Net Advances, Refunds, and Contributions		0	(133,016)	(133,016)	(24,326)	(1,249,375)	(1,225,049)	(1,149,000)
	Net US GAAP		1,023,822	972,682	(51,140)	3,671,895	3,047,768	(624,127)	12,539,333

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
CHATTANOOGA MANUFACTURERS ASSOCIATION'S  
FIRST SET OF DATA REQUESTS**

**Responsible Witness:** John Watson/Michael Miller

**Question:**

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

**Second Supplemental Response:**

TAWC reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, TAWC states that information responsive to this Request is contained in the operating and capital budgets for 2008 through 2010, which were produced by TAWC in response to TN-TRA-01-Q18. Within the referenced document, the operating budgets are at pages 1, 5 and 9 and the capital budgets are located at pages 4, 8 and 12. TAWC further states that information responsive to this Request is contained in TAWC's response to TN-TRA-01-Q52, which are the additions and retirements by month for the forecasted period. Additionally, the Investment Project memoranda for the large capital projects that were included in the attrition year, which was previously produced in TAWC's Response to TN-TRA-01-Q53, are also responsive to this request. These memos explain the project scope and detail in the projected expenditures. TAWC further states, upon reasonable inquiry and information and belief, that no ten-year budgets exist in TAWC's possession, custody or control.

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

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
CHATTANOOGA MANUFACTURERS ASSOCIATION'S  
FIRST SET OF DATA REQUESTS**

**Responsible Witness:** Michael Miller

**Question:**

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

**Second Supplemental Response:**

TAWC reserves and incorporates all objections and answers previously set forth in its responses. Notwithstanding its objections and without waiving them, TAWC states that Mr. Miller relied on his review of the following rate case filings in making the statement regarding ROE's requested by other water utilities.

Virginia American - Case # - PUE2008-00009

West Virginia American - Case # - 08-0900-W-42T

Illinois American - Docket # - 07-0507

Ohio American - Case # 07-1112-WS-AIR

New Jersey American - BPU Case # - WR08010020

Missouri American - WR - 2008 - 0311

Furthermore, TAWC states that the entire testimony of Dr. Vilbert discusses the topic sought by this Request, thus no specific page reference can be given to more specifically set forth the responsive material. Additionally, TAWC's prior response



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
CHATTANOOGA MANUFACTURERS ASSOCIATION'S  
FIRST SET OF DATA REQUESTS**

included a reference to a road show presentation provided in response to COC Request No. 2; however, that document is not responsive to this Request.

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

## 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 18th day of June, 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.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
	Two Union Square
	Chattanooga, TN 37402

