

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

**IN RE:**

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

**TENNESSEE AMERICAN WATER COMPANY'S SECOND DISCOVERY REQUESTS  
TO CHATTANOOGA MANUFACTURERS ASSOCIATION**

Petitioner Tennessee American Water Company ("Petitioner" or "TAWC") serves these Discovery Requests on the Chattanooga Manufacturers Association ("CMA"), and asks that CMA provide responses to each request separately, fully, and in writing. CMA is also called upon to produce all documents and evidence requested herein. Furthermore, CMA is called upon to fulfill its duty to supplement its answers as far in advance of the beginning of any hearing as is reasonably possible if it is learned that any response is in any material respect incomplete, incorrect or has changed.

In these discovery requests, the terms "document" or "documents" or "documentation" refers to all written, reported, recorded or graphic matter (including all drafts, originals and nonconforming copies that contain deletions, insertions, handwritten notes or comments, and the like) however produced or reproduced to any tangible or intangible, permanent or temporary record and, without limitation, shall include the following: all letters, correspondence, records of conferences or meetings, memoranda, notes, printed electronic mail ("e-mail"), telegrams, telephone logs, teletypes, telexes, banking records, notices of wire transfer of funds, canceled checks, books of account, budgets, financial records, contracts, agreements, invoices, speeches,

transcripts, depositions, press releases, affidavits, communications with government bodies, interoffice communications, working papers, newspaper or magazine articles, computer data, tax returns, vouchers, papers similar to any of the foregoing, and any other writings of every kind and description (whether or not actually used) and any other records from which information can be obtained and translated into reasonably usable form, including without limitation, e-mail, voice recordings, video and audio recordings, photographs, films, tapes, data compilations and any other electronically stored information.

As used herein, the term “identify” in reference to any individual requires you to provide that individual's name, occupation, current and last known residential and business addresses, and current or last known residential and business telephone numbers. In reference to any other place, thing, concept, fact, or occurrence, the term “identify” requires you to provide all significant information concerning the subject matter of the interrogatory or request, in clear and unambiguous terms, to the fullest extent reasonably calculated to convey the requested information.

**DISCOVERY REQUEST NO. 1:**

Please provide any studies, documents, CMA Minutes, or correspondence from 2003-2008 possessed by the CMA or the TAWC customers represented by the CMA as of July 18, 2008 that address the impact of the cost of water on their business.

**RESPONSE:**

**DISCOVERY REQUEST NO. 2:**

Please provide any studies, documents, CMA Minutes, or correspondence from 2003-2008 possessed by the CMA or by the TAWC customers represented by the CMA as of July 18, 2008 that address development of alternative water supplies.

**RESPONSE:**

**DISCOVERY REQUEST NO. 3:**

Please provide any studies, documents, CMA Minutes, or correspondence from 2003-2008 possessed by the CMA or by the TAWC customers represented by the CMA as of July 18, 2008 that address the level of service or reliability of service provided by TAWC.

**RESPONSE:**

**DISCOVERY REQUEST NO. 4:**

Please provide any agreements or correspondence from 2003-2008 possessed by the CMA or by the TAWC customers represented by the CMA as of July 18, 2008 that address the service CMA provides to those customers in representing them in TAWC rate proceedings.

**RESPONSE:**

**DISCOVERY REQUEST NO. 5:**

Please provide the Return on Equity and Profit Margin for each customer represented by the CMA. If any of those customers represented by the CMA are segments of a larger business, please provide the ROE (if applicable) and the Profit Margin for the Chattanooga-based operation.

**RESPONSE:**

**DISCOVERY REQUEST NO. 6:**

Please provide the engagement letter, contract, any other correspondence and a schedule of fees paid by CMA to Michael Gorman or Brubaker Associates, Inc. during the last five years.

**RESPONSE:**

**DISCOVERY REQUEST NO. 7:**

For each TAWC customer testifying in this docket on behalf of the CMA, please provide a schedule listing the total annual amount their Chattanooga operations spent from 2003 to 2008 on each of the following: water, electricity, natural gas, sewer, and local property tax; and calculate the percentage each of the listed costs represents as compared to the total operating or budgeted cost for their Chattanooga operations.

**RESPONSE:**

**DISCOVERY REQUEST NO. 8:**

Identify and/or produce all communications between the CMA and its members regarding the hearing of this case.

**RESPONSE:**

**DISCOVERY REQUEST NO. 9 (TO MR. GORMAN):**

Please provide legible copies of the original sources relied upon to obtain the following data:

- a. growth rate forecasts from Zacks Investment Research and SNL Financial (Exhibit MPG-10),
- b. common equity ratios from *AUS Utility Reports* (Exhibit MPG-9),
- c. market to book ratios for the gas proxy group from *Mergent Public Utility Manual* and *AUS Utility Reports* (Exhibit MPG-15), and
- d. authorized rates of return for the companies included in the gas proxy group from Regulatory Research Associates (Exhibit MPG-16).

**RESPONSE:**

**DISCOVERY REQUEST NO. 10 (TO MR. GORMAN):**

With regard to your testimony on page 39 that a market-to-book ratio at or above 1.0 implies that regulatory authorized returns on common equity supported a utility's ability to issue

additional common stock without diluting existing shares, please provide the definition of “share dilution” as it is used in this context.

**RESPONSE:**

**DISCOVERY REQUEST NO. 11 (TO MR. GORMAN):**

With regard to your testimony on page 53 that the Missouri Public Service Commission rejected a financial risk adjustment proposed by a witness for AmerenUE that is comparable to the market value capital structure adjustment for financial risk utilized by Dr. Vilbert in this proceeding, please provide: (i) the page number(s) and line number(s) (if applicable) of the testimony of AmerenUE’s witness to which this statement refers; (ii) the docket number of the proceeding; (iii) the date on which the testimony was filed; and (iv) a reference to the specific part of the testimony in which the financial risk adjustment is described.

**RESPONSE:**

**DISCOVERY REQUEST NO. 12 (TO MR. GORMAN):**

Provide all source documents, including but not limited to workpapers, e-mails and interview notes, in a legible format indicating a basis for a water loss adjustment.

**RESPONSE:**

**DISCOVERY REQUEST NO. 13 (TO MR. GORMAN:**

Provide all source documents, including but not limited to, workpapers, e-mails, and interview notes, in a legible format related to all adjustments proposed as a part of Mr. Gorman's testimony.

**RESPONSE:**

Respectfully submitted,



R. Dale Grimes (#6223)

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*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 24th day of July, 2008, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Timothy C. Phillips, Esq.
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<input type="checkbox"/> Facsimile	Office of Attorney General
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