

**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

**SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND
PROTECTION DIVISION TO TENNESSEE AMERICAN WATER COMPANY**

To: Tennessee American Water Company, Inc.
c/o R. Dale Grimes, Esq.
Bass, Berry & Sims PLC
AmSouth Center
315 Deaderick Street, Suite 2700
Nashville, TN 37238

This Discovery Request is hereby served upon Tennessee American Water Company, ("TAWC" or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. The Consumer Advocate and Protection Division ("Consumer Advocate" or "CAPD") requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Ryan L. McGehee, on or before July 31, 2008.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be Company's, in particular, or knowledge, information or material possessed or available to Company's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that the Company supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the facts and substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term “you” shall mean and include: Tennessee American Water Company and all employees, agents and representatives thereof.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the

original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and

- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

SECOND DISCOVERY REQUESTS

DISCOVERY REQUEST NO. 1:

Please identify each material fact and every document that you rely on to support your contention(s), position(s) or belief(s) that any of the request(s) for relief, including any decrease in rates, made by the CAPD in TRA Docket No. 08-00039 should not be approved by the Tennessee Regulatory Authority (“TRA”).

RESPONSE:

DISCOVERY REQUEST NO. 2:

Please identify all persons known to you, your attorney, or other agent(s) who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Discovery Request No. 1 above.

RESPONSE:**DISCOVERY REQUEST NO. 3:**

Please produce each document, photograph, or any other article or thing whatsoever, which refers or relates to any part of your contention(s), position(s) or belief(s) that any of the request(s) for relief, including any decrease in rates, made by the CAPD in TRA Docket No. 08-00039 should not be approved, whether as to the issues of credibility or any other issue.

RESPONSE:**DISCOVERY REQUEST NO. 4:**

Please identify any person you intend to call as a fact or expert witness, the subject matter of the witness' testimony, the substance of the facts and opinions to be expressed and the basis and reasons therefor, the data, documents, materials or other information shown to, relied upon, created by or considered by the witness as part of this case and/or as a basis in forming his or her opinions, any exhibits to be used as a summary of or support for each such opinion, the qualifications of the witness, including a full resume, a list of all publications authored by the witness, the compensation

to be paid for the study and testimony, and a listing of any other cases in which the witness has testified at trial or by deposition.

RESPONSE:

DISCOVERY REQUEST NO. 5:

Please provide any and all documents identified or specified in your answers or responses to the discovery requests served upon you in this matter or relied on or referred to in responding thereto.

RESPONSE:

DISCOVERY REQUEST NO. 6:

Please provide any and all engagement letters and all expert reports and work papers (including drafts) which have been obtained from, created by or provided to any expert or witness.

RESPONSE:

DISCOVERY REQUEST NO. 7:

Please provide in electronic media (Word, Excel, or other Microsoft Office compatible format) and in hard copy all workpapers and other documents, generated by or relied upon by all TAWC witnesses.

RESPONSE:

DISCOVERY REQUEST NO. 8:

Please produce a copy of all trade articles, journals, treatises, speeches and publications of any kind in any way utilized or relied upon by any of the TAWC's proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in the captioned matter as well as all articles, journals, speeches, or books written or co-written by any TAWC witness

RESPONSE:

DISCOVERY REQUEST NO. 9:

Please identify and produce any and all documentation, items, reports, data, communications, and evidence of any kind that TAWC intends to offer as evidence at the hearing or to refer to in any way at the hearing.

RESPONSE:

DISCOVERY REQUEST NO. 10:

Please identify each person who provided information or participated in the preparation of the responses to each of these discovery requests, and for each such person specify the responses for which he or she provided information or participated in preparing, and describe the information

provided or the participation in preparation.

RESPONSE:

DISCOVERY REQUEST NO. 11:

Specifically identify each conclusion or aspect of the depreciation study and testimony set forth in Part II of the pre-filed testimony of CAPD witness Charles W. King that TAWC intends to contest, if any, and TAWC's grounds and/or bases therefor, including any facts and/or documents TAWC contends support those grounds.

RESPONSE:

DISCOVERY REQUEST NO. 12:

Specifically identify each conclusion or aspect of the weather normalization testimony set forth in Part III of the pre-filed testimony of CAPD witness Charles W. King that TAWC intends to contest, if any, and TAWC's grounds and/or bases therefor, including any facts and/or documents TAWC contends support those grounds.

RESPONSE:

DISCOVERY REQUEST NO. 13:

Please provide in hardcopy and electronic format a copy of all exhibits that TAWC and/or its witnesses plan to use, discuss, reference, and/or introduce into evidence at the hearing on the merits in this matter.

RESPONSE:**DISCOVERY REQUEST NO. 14:**

Please provide a copy of the 2007 Towers Perrin Actuarial Valuation Report for American Water Works Company, Inc. Pension Plan.

RESPONSE:**DISCOVERY REQUEST NO. 15:**

Please provide a copy of the invoices, credit statements, and insurance policies for all general insurance premiums other than group insurance for the last 24 months ended March 2008. (The invoices, statements and applicable insurance policies should identify policy numbers, type of coverage, amount of coverage and the term of coverage.)

RESPONSE:

DISCOVERY REQUEST NO. 16:

Please provide a copy of all current debt covenants requiring minimum cash compensating balances for Tennessee American Water Company.

RESPONSE:

DISCOVERY REQUEST NO. 17:

Please provide a copy of all current contract agreements between TAWC and its management service companies.

RESPONSE:

DISCOVERY REQUEST NO. 18:

Please provide the total sales tax billing, sewer billings, and lag days by month for the months of January, February, and March 2008 in the format of Tennessee American Water work papers TN-TRA-Q013-SALES & USE TAX, page 1 of 13; and TN-TRA-Q013-SEWER COLLECTIONS & USE TAX, page 1 of 14.

RESPONSE:

DISCOVERY REQUEST NO. 19:

Please identify each payee, amount paid to each payee, and business reason for the Lobbying Expenses recorded in JDE Account 575560 "Lobbying Expenses" for March 2007 (totaling \$15,601) and March 2008 (totaling \$300).

RESPONSE:

DISCOVERY REQUEST NO. 20:

Please state the business reasons for the Bank Service charges recorded in JDE Account 575100, "Bank Service Charges" for the 12 months ended March 31, 2008.

RESPONSE:

DISCOVERY REQUEST NO. 21:

Please provide in working Excel format a copy of the Orcom billing analysis for the months of April, May, June, and July of 2008. If the Orcom billing analysis for the month of July 2008 is not available at the time this request is answered, please provide it as soon as it becomes available.

RESPONSE:

DISCOVERY REQUEST NO. 22:

Please provide in working Excel format a copy of all Excel files submitted monthly to the Tennessee Regulatory Authority (“TRA”) for the months of April, May, June, and July 2008. (The monthly files should include a balance sheet, balance sheet by account, income statement, income statement by account, and statistical information.) If the Excel file submitted to the TRA for the month of July 2008 is not available at the time this request is answered, please provide it as soon as it becomes available.

RESPONSE:**DISCOVERY REQUEST NO. 23:**

Please provide corrected November 2007 and May 2008 TRA 3.06 surveillance reports. Specifically, except for the month of report, the figures presented in the November 2007 TRA 3.06 surveillance report are identical to the figures presented in the October 2007 report; and page 1 of the May 2008 TRA 3.06 surveillance report contains an incorrect figures for column (c) (“Amount for this Month Last Year”), column (e) (“Year-To-Date Last Year”), and column (g) (“12 Months-To-Date Last Year”).

RESPONSE:**DISCOVERY REQUEST NO. 24:**

In its S-1 Registration statement filed May 6, 2008 with the SEC, American Water Works (“AWW”) stated: “RWE intends to fully divest its ownership of American Water through the

consummation of one or more public offerings of common stock of American Water as soon as reasonably practicable, subject to market conditions.” Provide any study, document, emails and written material in possession of AWW and/or TAWC where RWE or RWE Aqua Holdings GmbH considered or considers what circumstances, financial or otherwise, constitute market conditions that “are reasonably practicable” for the public offerings of common stock.

RESPONSE:

DISCOVERY REQUEST NO. 25:

Please provide any study, document, emails and written material in possession of AWW and/or TAWC where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study of American Water Works' expected market value between now and 2010.

RESPONSE:

DISCOVERY REQUEST NO. 26:

Please provide any study, document, emails and written material in possession of AWW and/or TAWC where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study involving the issuance of a second class of stock or a proposal for a second class of stock.

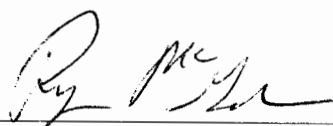
RESPONSE:

DISCOVERY REQUEST NO. 27:

Please provide any study, document, emails and written material in possession of AWW and/or TAWC where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study involving the issuance of dividends to AWW shareholders, whether actual or proposed.

RESPONSE:

RESPECTFULLY SUBMITTED,



RYAN L. McGEHEE
Assistant Attorney General
Office of the Attorney General and Reporter
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202-0207

Dated: July 24, 2008

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing is being served via U.S. Mail and/or electronic mail upon:

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Ross Ian Booher, Esq.
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1600 Division Street, Suite 700
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This the 27 day of July, 2008.



RYAN L. McGEHEE
Assistant Attorney General

#121715