

# TENNESSEE REGULATORY AUTHORITY

**Tre Hargett**, Chairman  
**Eddie Roberson**, Director  
**Sara Kyle**, Director  
**Mary Freeman**, Director



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460 James Robertson Parkway  
Nashville, Tennessee 37243-0505  
T.R.A. DOCKET ROOM

July 29, 2008

Ryan McGehee  
Assistant Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202-0207

RE: Docket No. 08-00039 – 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

Dear Mr. McGehee:

To further the Staff's review of the Direct Testimony filed with this Authority on July 18, 2008 by The Consumer Advocate and Protection Division ("CAPD"), please furnish the additional information as requested on the attached Staff Data Request. If you have questions regarding the attached request, please contact Patsy Fulton (extension 193) or Paul Greene (extension 156) for clarification before responding.

Thank you for your attention to this matter. Please provide all response by August 5, 2008, 2008.

Sincerely,

Darlene Standley  
Chief  
Utilities Division

Enclosure

C: Service List

1. The Authority issued a Data Request on May 12, 2008 that Tennessee American Water Company (TAWC) responded to on May 28, 2008. The Data Request sought detailed calculations of both expenses and revenues based on Exhibit No 2, Schedule 3 (*Summary of Adjustments to Operation and Maintenance Expenses*) and Exhibit No. 2, Schedule 2 (*Operating Revenues Per Books for the Test Year and for the Attrition Year Under Both Present and Proposed Rates*) respectively. The detailed calculations were provided; however, the accounting exhibits/schedules that were originally provided have not been filed with updated information to include the adjustments reflected in the Data Response of May 28, 2008. The following adjustments were provided:

- Customer Accounting: \$ 6,403
- General Office Expense: 3,825
- Other Maintenance Expense: 14,773
- Miscellaneous Expense: 38,556

A data request has been issued, requesting TAWC to provide all accounting exhibits/schedules with the new updated information based on the calculations provided in the Data Response of May, 28, 2008. It is also requested that the CAPD update its exhibits to reflect the same adjustments. Please respond by providing updated exhibits to include these adjustments.

2. Please explain why CAPD, in Direct Testimony of Terry Buckner, at page 10, lines 11-14 states CAPD's forecast of income taxes is about \$1 million lower than TAWC's income tax calculations when the Company projects approximately \$880,000 lower excise and federal income tax.<sup>1</sup>
3. Identify each normalizing adjustment made to each category of O & M expenses for the CAPD's test period of the twelve months ended 3/31/08 and identify the source of any such normalizing adjustments.
4. Identify each normalizing adjustment made to each category of billing determinates for the CAPD's test period of the twelve months ended 3/31/08 and identify the source of any such normalizing adjustments.
5. Did the CAPD quantify the amount of alcoholic beverages, limousines, professional sporting events and contributions included in management fee expenses? If so, provide quantification.
6. The CAPD's Direct Testimony of Terry Buckner dated July 18, 2008, page 6 line 4-8, states that in addition to CAPD including about \$500,000 in operating revenue, the CAPD also included associated expenses and rate base used to serve Walden's Ridge. How much did CAPD include for expenses and rate base used to serve Walden's Ridge?

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<sup>1</sup> Exhibits of CAPD, Schedule 3, p. 1 (July 18, 2008).

7. According to pages 35 and 36 of Terry Buckner's testimony, the CAPD developed their compounded growth factor utilizing one half of the customer growth of 1.18% plus the GDP chained price deflator growth of 2.46. Please provide a workpaper demonstrating how these factors are compounded from March 31, 2008 to August 31, 2009 to produce a compound growth factor of 3.7%.
8. Referencing CAPD Workpaper E-FP3 for Fuel and Power, the test period amount of \$2,368,041 does not include the test period Purchased Fuel amount of \$448. Please explain.
9. According to CAPD Workpaper E-FP3 for Fuel and Power, the forecasted Fuel and Power for the Attrition Period should be net of 15% Unaccounted For Allowance. The referenced Workpaper shows an Attrition Year CCF of 15,546,625 and related Fuel and Power of \$2,452,450. Explain how the CAPD calculated the amount of \$2,319,282 included in the CAPD's forecast on Exhibit CAPD, Schedule 5.
10. Please provide the source for the revenue amount of \$39,519,255 used to calculate the Uncollectible Expense on CAPD Workpaper E-UNC-1.