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A PROFESSIONAL LIMITED LIABILITY COMPANY

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OTHER OFFICES

KNOXVILLE
MEMPHIS

August 12, 2008

VIA E-MAIL AND HAND DELIVERY

Chairman Tre Hargett
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

filed electronically in docket office on 08/12/08

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 Hargett:

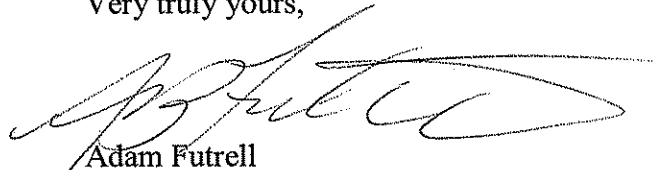
Enclosed please find an original and seven (7) sets of copies of Tennessee American Water Company's First Supplemental Response to the TRA's Data Request No. 5. In addition, TAWC includes two compact disks. The first compact disk contains TAWC's Supplemental Responses in their native Word format. The second compact disk contains a pdf image of TAWC's Supplemental Responses.

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,



Adam Futrell

Enclosures

Chairman Tre Hargett
August 12, 2008
Page 2

cc: Hon. Ron Jones (*w/o enclosure*)
Hon. Sara Kyle (*w/o enclosure*)
Hon. Eddie Roberson, PhD (*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
Tennessee Regulatory Authority Staff Data Request No. 5

Responsible Witness: Sheila Miller

Question:

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 exhibit/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

Please provide all accounting exhibits/schedules with the new updated information based on the calculations provided in the Data Response of May 28, 2008.

Response:

Attached are the following amended Accounting Exhibits/schedules detailing the adjustment for the inflation factor included in the data response of May 28, 2008 which are also included on the enclosed CD on the excel file labeled as TN-TRA-05-Q01.xls:

Amended Exhibit No. 1, Schedule 1 – Overall Financial Summary (See tab labeled as Exh 1 Sch 2 on the CD)

Amended Exhibit No. 2, Schedule 2, Pages 1 – 3 – Computation of Attrition Year Rate Base (page 3 Net Additions did not change) (See tab labeled as Exh 2 Sch 2 pg 1; Exh 2 Sch 2 pg 2; Exh 2 Sch 2 pg 3 on the CD)

Exhibit No. 2, Schedule 2 – Operating Revenues (new tariffs were not calculated and as a result this exhibit was not amended) (See tab labeled as Exh 2 Sch 2 on the CD)

Amended Exhibit No. 1, Schedule 3, Pages 1 – 6 – Computation of Working Capital (pages 4-6 did not change) (See tab labeled as Exh 1 Sch 3 pg 1; Exh 1 Sch 3 pg 2; Exh 1 Sch 3 pg 3; Exh 1 Sch 3 pg 4; & Exh 1 Sch 5 & 6 on the CD)

Amended Exhibit No. 2, Schedule 1 – Statement of Income (See tab labeled as Exh 2 Sch 1 on the CD)

Exhibit No. 2, Schedule 2 Operating Revenues (The Company did not change the tariffs or bill analysis from the original filing and as a result this schedule did not change) (See tab labeled as Exh 2 Sch 2 on the CD)

Amended Exhibit No. 2, Schedule 3 – Summary of Adjustments to Operation & Maintenance Expenses (See tab labeled as Exh 2 Sch 3 on the CD)

Exhibit No. 2, Schedule 4 – Pages 1 & 2 – Summary of Adjustments to Depreciation and Amortization Expenses (this Exhibit did not change) (See tab labeled as Exh 2 Sch 4 pg 1 & 2 on the CD)

Amended Exhibit No. 2, Schedule 5 – Summary of Adjustments to Taxes Other than Income (See tab labeled as Exh 2 Sch 5 on the CD)

Amended Exhibit No. 2, Schedule 6, Pages 1 & 2 – Summary of Income Taxes (See tab labeled as Exh 2 Sch 5 pg 1 & 2 on the CD)

The original capital structure and bill analysis were not amended.

The original excel files in response to TN-TRA-01-Q01 detailing the adjustments to customer accounting, general office, miscellaneous expense, and

maintenance expense are also included on the enclosed CD. The details of each adjustment to the inflation factor is highlighted in yellow for easy reference. The Company originally filed using an inflation factor of 2.3%, but this only included the month of the attrition period beginning in September 2008 through August 2009. The months from our historical test period ending November 30, 2007 through August 2008 were not included in the inflationary adjustment. The inflation factor was recalculated to include the entire twenty-one month period from the end of the historical test year to the end of the attrition period. This inflation factor calculates to 3.94% as shown on attachment 1. The calculation is also included on the enclosed CD on the tab labeled as "Inflation factor".

There is one correction to the inflation adjustment on the miscellaneous expense line. Originally the new inflation factor of 3.94% was applied to an ending balance that had also included the inflationary increase of the 2.3%. This has been corrected and reduces the adjustment of the inflation factor from \$38,556 to \$28,419. See this correction on the excel file included on the enclosed CD under the "Misc detail" tab.

Corrected schedules for each inflationary adjustment are attached and labeled as follows:

Customer Accounting Amended – an increase to expense of \$6,403
General Office Expense Amended – an increase to expense of \$3,825
Miscellaneous Expense Amended – an increase to expense of \$28,419
Maintenance Expense Amended – an increase to expense of 14,773

The attached exhibits also include adjustments for the following items to correct for more current chemical contract prices, more current EPB tariffs, and errors or omissions in the Company's original filing that have become apparent during this case:

- CWIP adjusted to a 13 month average (decrease to rate base of \$1,086,539). See attachment 2. The Company originally filed using the CWIP balance at the end of the attrition period. See the adjustment on the enclosed CD under the "CWIP" tab.
 - Fuel & Power adjusted to current tariff rates as of April 1, 2008, and the fuel cost adjustment (FCA) effective July 1, 2008 plus an average increase to the FCA for the attrition period (decrease expense of \$64,216). See attachments 3 and 4.
-

This variance is due to using actual tariff rates as of April 1, 2008 and the current fuel cost adjustment (FCA) as of July 1, 2008 plus an average percentage increase for the FCA for the attrition period. The average FCA of 30.89% was calculated on the change over the last three quarters beginning with the decrease from October 31, 2007 to January 1, 2008, the increase from January 1, 2008 to April 1, 2008, and the increase from April 1, 2008 to July 1, 2008. Due to the fluctuations in this fuel cost adjustment over the last two years, as indicated on attachment 5, the Company used the conservative approach by utilizing an average over the last three quarters. The FCA is embedded in the EPB usage charge tariff amount. To arrive at the new usage charge, the prior FCA amount must be subtracted from the current tariff "usage charge" and the new FCA added. See attachment 5 and the "FCA" tab on the enclosed excel file. The tariff rates that were used by the Company in making this adjustment are blocked on the Fuel and Power schedule as shown on attachment 6.

- Chemicals adjusted for 2009 contract prices for January – August 2009 (increase to expense \$509,950)

The chemical adjustment was amended to reflect the new 2009 contract chemical prices. The cost was prorated by multiplying the historical test year usage by the 2008 contract prices and utilizing 5/12's of that cost and multiplying the historical test year usage by the 2009 contract prices and utilizing 8/12's of that cost. An average cost per CCF is then calculated on the test year system

delivery. That average cost per CCF is then applied to the normalized system delivery to arrive at the normalized chemical cost and attrition year system delivery to arrive at the attrition year chemical cost.

The Company received bids for a one-year contract and a 90-day contract. Due to the fluctuations in pricing over time, the Company will accept the 1-year bid prices. See attachment 7 for the 2009 chemical contract prices. Also refer to the excel file on the enclosed CD under tab "chemical bids 2009". The chemical adjustment is detailed on attachment 8. Also refer to the excel file on the enclosed CD under tab "chemical adj".

The last three adjustments reduce working capital by eliminating the following items that the Company originally included in error:

- Eliminated average cash from working capital schedule (decrease in working capital of \$214,257)
- Eliminated prepaid insurance from working capital schedule (decrease in working capital of \$97,506)
- Eliminated unamortized debt expense from working capital schedule (decrease in working capital of \$290,559)

August 12, 2008 Supplemental Response:

Attached are signed award notifications for the 2009 chemical prices referenced in the prior response.

BRENNTAG**Brenntag Mid-South, Inc.**

3111 North Post Road
Indianapolis, Indiana 46226-6566
(317) 898-8632 phone
(317) 895-0614 fax
www.brenntagmidsouth.com

FAX COVER SHEET

TO: FAX NO.

856-727-6258

NAME

Jerry Coyne

COMPANY

DATE

NO. PAGES

(including this cover sheet)

FROM:

Don Field

My E-mail address is:

COMMENTS:

Supplier Number	Business Unit/Location	Part Number	Part Description	Product Code	2009 Price Quote 1 Year Effective 1-1-2009-12-31-2009
50009346	260201-CHAT-Production	220A-2000LB	Chlorine, 100%-2000LB	BC73	\$ 0.2230
50009346	260201-CHAT-Production	589A-BULK	Sodium Hydrox, 50%-Bulk	BC83	\$ 0.4110

Don Fuld
 8/3/08
Henry Thompson

P. O. Box 49000
Jacksonville Beach, FL 32240-9000
PH: 800.578.7891, Ext. 124
Fax: 904.249.6489
Email: lcibids@lcltd.com OR bkj@lcltd.com

The logo for LGI, LTD. is displayed in white, bold, sans-serif capital letters against a dark, textured rectangular background.**Fax**

To: Gerald Coyne
Senior Strategic Buyer
American Water Works

From: Betty Kendall-Jones
Vice President

Fax: 856.727.6258

Pages: 2, including cover page

Phone: 856.727.6219

Date: 08/04/08

Re: TN AWW Fluorosilicic Acid Award

CC:

Hello Jerry:

Following this cover is the signed spreadsheet.

Would you please confirm receipt of this fax?

Thank you.

Betty Kendall-Jones

Vice President

Supplier Name/Number	LCI	Business	Part	Part	2009 Price Quote 1 Year Effective 1-1-2009-12-31-2009	Physical Delivery Address
9001361		Unit/Location	Number	Description		
		260201-CHAT-Production	300A-BULK	HFS Acid,23%-Bulk	\$ 0.3075	1003 Riverside Drive, Chattanooga, TN., 37406

8/4/2008
Luciar Chemical Industries Ltd., dba LCI, Ltd.

Betty K Jones
Betty Kendall Jones
Vice President

TN-TRA-01-Q005, Attachment



**1601 Diehl Road
Naperville, IL 60563-1198
Tel (direct) 630-305-1531**

To: GERRY COYNE	From: PATRICIA A ALLEN ICG Municipal
CC:	Date: 8/04/08
Phone number:	Office location: Naperville, IL
fax number: 855-727-6258	Phone number: 630-305-1531 Mobile: 815-557-4246 Email: pallen@nalco.com

Urgent Reply ASAP Please comment Please review For your information

Total pages including cover: 2

COMMENTS:

Please call with any questions.

Patti

Customer service: 800-288-0879

TN-TRA-01-Q005, Attachment

Supplier Number	Business Unit/Location	Part Number	Part Description	Product Code	Product Code Effective	2009 Price Quote, 1 Year	Product Code Description	Physical Delivery Address
50013197	280201-CHAT-Production	420E-50LB	Polymr Non Pol- EZ 652 50LB	BC52	\$	2.9900	Polymer - Nonionic	1003 Riverside Drive, Chattanooga, TN, 37406
Grand Total								

Gettina Oliver
 11/1/2009 Thru 12/31/2009

TN-TRA-01-Q005, Attachment

**Activated Carbon****FAX COVER SHEET**

To : Jerry Coyne
Company : American Water Works
Fax #: 856-727-6258
From : Danielle McKee
Subject : Signed Notice of Award
Date : August 7, 2008
No. of Pages Including Cover: 3

Good Morning, Jerry!

Per your correspondence dated August 4, 2008 by e-mail, attached is a signed copy of the Notice of Award.

Please let me know if you need anything else.

Regards,

Danielle McKee
Inside Sales Assistant
Norit Americas Inc.
dmckee@norit-americas.com
Toll Free: 800-641-9245, Ext. 4793
Direct: 903-935-4793
Fax: 903-923-1003

TN-TRA-01-Q005, Attachment



**SOUTHERN WATER CONSULTANTS, INC.**P.O. Box 1230
FAX (256) 340-0033

Decatur, Alabama 35602

(256) 350-6133
TOLL FREE 1-800-272-1055**FAX TRANSMITTAL**

TO:	Gerald Coyne
FAX:	856 727 6258
FROM:	Paul Peters
DATE:	8-11-08
SUBJECT:	Bid Award
PAGES:	2 (including cover)

COMMENTS:*Signed Award Notification**Thanks!*

This communication is intended for the use of the addressee named herein and may contain legally privileged and confidential information. If you are not the intended recipient of this facsimile, you are hereby notified that any dissemination, review or use of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and mail the original to us at the above address. Thank you. If you do not receive any of the pages properly, please call.

Supplier Name	Southern Water	
Supplier Number	Business Unit/Location	Part Number
50010251	260201-CHAT-Production	380E-BULK

Part Description	Product Code	2009 Price Quote 1 Year Effective 1-1-2009-12-31-2009
PACL 80% basicity-Bulk	BC47	\$ 0.2748

Product Code Descrip	Physical Delivery Address
Polyaluminum Chloride	1003 Riverside Drive, Chattanooga, TN., 37406

Special Delivery Requirement Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.

Paul M Peters
Southern Water Consultants
August 11, 2008
[Signature]

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 12th day of August, 2008, upon the following:

☒ Hand-Delivery Timothy C. Phillips, Esq.
☐ U.S. Mail Consumer Advocate and Protection Division
☐ Facsimile Office of Attorney General
☐ Overnight 2nd Floor
☒ Email 425 5th Avenue North
Nashville, TN 37243-0491

☐ Hand-Delivery David C. Higney, Esq.
☐ U.S. Mail Counsel for Chattanooga Manufacturers Association
☐ Facsimile Grant, Konvalinka & Harrison, P.C.
☒ Overnight 633 Chestnut Street, 9th Floor
☒ Email Chattanooga, TN 37450

☒ Hand-Delivery Henry M. Walker, Esq.
☐ U.S. Mail Counsel for Chattanooga Manufacturers Association
☐ Facsimile Boulton, Cummings, Connors & Berry, PLC
☐ Overnight Suite 700
☒ Email 1600 Division Street
Nashville, TN 37203

☐ Hand-Delivery Michael A. McMahan, Esq.
☐ U.S. Mail Special Counsel
☐ Facsimile City of Chattanooga (Hamilton County)
☒ Overnight Office of the City Attorney
☒ Email Suite 400
801 Broad Street
Chattanooga, TN 37402

☐ Hand-Delivery Frederick L. Hitchcock, Esq.
☐ U.S. Mail Harold L. North, Jr., Esq.
☐ Facsimile Counsel for City of Chattanooga
☒ Overnight Chambliss, Bahner & Stophel, P.C.
☒ Email 1000 Tallan Building
Two Union Square
Chattanooga, TN 37402

