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FILE NO: 24419.50 [27520223]

June 2, 2009

**Via Overnight Delivery**

Office of the Tennessee Attorney General and Reporter  
Consumer Advocate and Protection Division  
ATTENTION: Mary Leigh White  
425 Fifth Avenue North  
Nashville, Tennessee 37243

**Re: Petition of Tennessee Water Service, Inc.  
to Change and Increase Certain Rates and Charges  
Docket No. 09-00017  
CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST  
TO TENNESSEE WATER SERVICE, INC.**

Dear Ms. White:

Enclosed is the response of Tennessee Water Service, Inc. to the Consumer Advocate's First Discovery Request in the above-referenced docket, along with attachments submitted in electronic form. There are two CD's included in this response. **We respectfully request that the information on the CD marked "CONFIDENTIAL" remain sealed.** Each of the documents on this CD has been individually stamped as confidential.

If you have any questions regarding the information provided, please let me know.

Sincerely,

Christopher J. Ayers

Enclosures  
/mkl

cc: Sharla Dillon, TRA Docket Manager (with CD's)  
J. Keith Coates, Jr., Esq. (*via e-mail, without enclosures*)

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF TENNESSEE WATER</b>	)	
<b>SERVICE, INC. TO CHANGE AND</b>	)	<b>DOCKET NO. 09-00017</b>
<b>INCREASE CERTAIN RATES AND</b>	)	
<b>CHARGES</b>	)	

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**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST TO TENNESSEE  
WATER SERVICE, INC.**

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Robert E. Cooper, Jr., Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate and Protection Division of the Office of Attorney General ("Consumer Advocate" or "CAPD"), hereby serves its First Discovery Request upon Tennessee Water Service, Inc., ("TWS" 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 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 Mary Leigh White, on or before June 3, 2009.

**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: TWS 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.

### **REQUESTED INFORMATION AND DOCUMENTARY MATERIALS**

1. Provide a copy of all **contracts** between TWS and all affiliated companies or entities.

**RESPONSE:** Please see the attached Tennessee Water Service Agreement titled "Exhibit A."

2. Provide a copy of all **contracts** between TWS and all non-affiliated companies or entities.

**RESPONSE:** The Company does not have any contracts with any non-affiliated companies or entities at this time.

3. Provide copies of all **tax returns**, state and federal, for the past three years for TWS, including but not limited to the following taxes: (a) Tennessee Gross Receipts Tax Returns; (b) Tennessee Franchise and Excise Tax Returns; (c) Property Tax Statement Tennessee Ad Valorem Tax Report; (d) Employer's Quarterly Federal Tax Returns (Form 941).

**RESPONSE:** Please see the attached Tennessee Gross Receipts Tax Returns for the years 2006, 2007 and 2008, marked "Exhibit B." Please see the attached Tennessee Franchise and Excise Tax Returns, marked "Exhibit C." Please see the attached Property Tax Statement, marked Exhibit D and Tennessee Ad Valorem Tax Reports, marked Exhibit E." TWS does not file a federal tax return. The parent company, Utilities, Inc., files a consolidated federal tax return for all of its subsidiaries.

4. Provide copies of all **audits** of TWS for the past three years.

**RESPONSE:** TWS is not individually audited by the parent company's independent auditors. TWS is included in the year end audits of the parent company as a whole, and the resulting audited financial statements are attached in response to item 10.

5. Provide a copy of the **General Ledger** in electronic format for TWS for the period December 2007 – December 2008.

**RESPONSE:** Please see the attached excel files marked "Exhibit F."

6. Provide a copy of the **General Ledger** in electronic format for TWS's parent company for the period December 2007 – December 2008.

**RESPONSE:** Please see the attached excel files marked "Exhibit G."

7. Provide a **chart of accounts** for TWS for the past three years.

**RESPONSE:** Please see the attached "Exhibit H" for the chart of accounts for TWS for the period of January 2006 through November 2006 with a tab titled, "GLAP COA" and the chart of accounts for the December 2006 through December 2008 titled, "JDE COA." The Company has also attached a file to assist in mapping the two charts of accounts, which can also be found in "Exhibit H" on a tab titled "mapping". The company currently uses the JDE COA.

8. Provide a **chart of accounts** for TWS's parent company for the period December 2007 – December 2008 .

**RESPONSE:** Please see the response to Item 7.

9. Provide a copy of all **financial statements** for TWS for the past three years.

**RESPONSE:** Please see the attached annual reports for the years ending December 31, 2006, 2007 & 2008 for TWS, marked "Exhibit I."

10. Provide a copy of all **financial statements** for TWS's parent company for the past three years.

**RESPONSE:** Please see attached copies of Utilities, Inc. audited financial statements for the years ending December 31, 2006, 2007 & 2008, marked "Exhibit J."

11. Provide a **consolidated balance sheet**, or the information needed to prepare a consolidated balance sheet.

**RESPONSE:** The information needed to prepare a consolidated balance sheet is provided in the response to item 14.

12. Provide a **consolidated balance sheet**, or the information needed to prepare a consolidated balance sheet for TWS's parent company.

**RESPONSE:** Please see the audited financial statements provided in response to Item 10 for a consolidated balance sheet for the parent company.

13. Provide a **summary of purchased water expenses**, including gallons of water purchased and produced from 2004 to the current month.

**RESPONSE:** Please see the attached summary of purchased water expense titled "Exhibit K".

14. Provide the **trial balance** for the twelve months ended December 31, 2008 for TWS.

**RESPONSE:** Please see the attached trial balance for the twelve months ended December 31, 2008 for TWS marked "Exhibit L."

15. Are any expenses including, but not limited, to entertainment and lodging, related to legal expenses, lobbying expenses or consulting expenses (provide amounts) included by TWS in their income statements?

**RESPONSE:** There are no expenses for entertainment and lodging, related to legal expenses, lobbying expenses or consulting expenses included in TWS' income statements.

16. Provide details of **payroll expenses** including amounts, names, and job titles, for the past



three years.

**RESPONSE:** The Company is providing the 2005 and 2006 allocation manuals in hard copy format which detail the payroll expenses for TWS and the rest of affiliate companies of Utilities, Inc. The 2007 payroll expenses were saved electronically on the enclosed disk titled, "2007 Allocations." All documentation provided in response to this item is deemed privileged, and should be treated as such.

17. Identify any and all **expert witnesses** TWS intends to call in support of the petition in this docket, and for each expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds (including, without limitation, any factual bases) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including, but not limited to, the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, work-papers, and file notes produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

**RESPONSE:** TWS has not identified any expert witness that it foresees calling upon in support of this petition at this time.

18. Identify any and all **non-expert witnesses** TWS intends to call in support of the petition in this docket and any position(s) their testimony is intended to support.

**RESPONSE:** The following non-expert witnesses may be called to support the company's position that an increase in water rates is prudent and necessary, and their testimony will reflect that: Ms. Kirsten Weeks, Manager, Regulatory Accounting; Mr. John Hoy, Chief Regulatory Officer, Regulatory Accounting; Mr. John Williams, Director of Governmental Affairs, Regulatory Accounting; Mr. Martin Lashua, Regional Director, Atlantic Operations; Mr. Carl Daniel; Regional Vice President, Atlantic Operations.

19. Please produce copies of all documents -- including, without limitation, work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- that TWS contends support the factual assertions, conclusions, or opinions of any TWS witness in this matter, as well as copies of all hearing exhibits that you will introduce, use, or reference during the hearing for this matter.

**RESPONSE:** TWS may introduce, use, or reference any of the documents included in its response to these discovery requests. TWS has identified no additional documents that it intends to use at this time.

20. Please produce copies of all **hearing exhibits** that you will introduce, use, or reference during the hearing for this matter.

**RESPONSE:** Please see the Company's response to Item 19.

21. Please provide **Schedules A – E and Schedules 1 – 11**, in electronic format, for the twelve months ended December 31, 2007 and December 31, 2008, as requested by the TRA on April 1, 2009.

**RESPONSE:** Please see the attached Schedules A-E, in electronic format, for the twelve months ended December 31, 2007 and 2008, as requested by the TRA on April 1, 2009, marked "Exhibit N" and "Exhibit O" respectively.

22. Please provide **Schedules A – E and Schedules 1 – 11**, in electronic format, a forecasted attrition year, as requested by the TRA on April 1, 2009.

**RESPONSE:** Please see the attached Schedules A-E, in electronic format, as a forecasted attrition year, as requested by the TRA on April 1, 2009, marked "Exhibit P."

23. Prove the cost of long-term debt and short-term debt capital as of April 2009.

**RESPONSE:** Please see the attached documentation of consolidated short term and long term debt marked "Exhibit Q".

24. Provide the current balances of each note and bond used in calculating long-term debt cost.

**RESPONSE:** Please see the response to item 23.

25. If any such notes or bonds are callable, identify the note or bond and provide the terms and conditions of the call.

**RESPONSE:** Please see the attached \$180M long-term note marked "Exhibit R" and the \$87M short-term note titled "Exhibit S" for all terms and conditions of the loans.

26. Provide the daily balances for all forms of short-term debt and provide the fixed charges and carrying charges being applied to the short-term debt.

**RESPONSE:** Please see the attached file, marked "Exhibit T" for the daily balances for all forms of short-term debt and the associated fixed and carrying charges.

27. Provide the current balance for common equity and preferred equity, if any.

**RESPONSE:** There is a \$1,000 balance in the common equity account for TWS as of December 31, 2008.

Respectfully submitted, this 2<sup>nd</sup> day of June, 2009

HUNTON & WILLIAMS LLP



Christopher J. Ayers

P.O. Box 109

Raleigh, North Carolina 27602

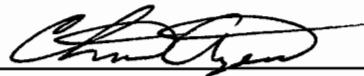
Phone: (919) 899-3000

Attorney for Tennessee Water Service, Inc.

### **CERTIFICATE OF SERVICE**

I hereby certify that on this 2<sup>nd</sup> day of June, 2009, a copy of the foregoing RESPONSE TO CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST TO TENNESSEE WATER SERVICE, INC. has been duly served upon all parties of record by overnight delivery as addressed below:

Sharla Dillon, Docket & Records Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

  
\_\_\_\_\_  
Christopher J. Ayers