

**BASS, BERRY & SIMS PLC**  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

**ROSS BOOHER**  
Tel: (615) 742-7764  
rboohar@bassberry.com

315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TN 37238-3001  
(615) 742-6200

www.bassberry.com

OTHER OFFICES

KNOXVILLE  
MEMPHIS

September 15, 2009

**Via Hand-Delivery**

Hon. Sara Kyle, Chairman  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

**Re: Tennessee American Water Company's  
Request for Proposal for a Management Audit  
Docket No. 09-00086**


Dear Chairman Kyle:

Enclosed please find an original and five (5) copies of Tennessee American Water Company's Notice of Filing of Clarification Letters Regarding the Request for Proposal. I request that one (1) copy of this document be stamped as "filed," and returned to me with our courier.

Please note that this material also has been transmitted electronically to the Tennessee Regulatory Authority today.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me. Thank you.

Sincerely,



Ross Booher

RB/smb  
Enclosures

cc: Hon. Eddie Roberson, Ph.D.  
Hon. Mary W. Freeman  
Ms. Darlene Standley, Chief of Utilities Division  
Gary Hotvedt, Esq.  
Kelly Cashman-Grams, Esq.

Chairman Sara Kyle  
September 15, 2009  
Page 2

Rebecca Montgomery, Esq.  
Richard Collier, Esq.  
Ryan McGehee, Esq.  
Mr. John Watson  
Mr. Michael A. Miller

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

**IN RE:**

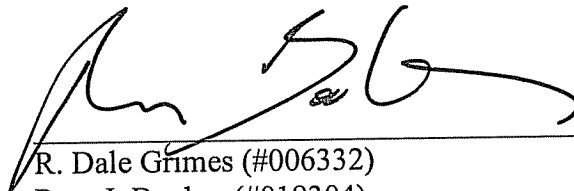
**TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR  
PROPOSAL FOR A MANAGEMENT  
AUDIT**

**Docket No. 09-00086**

**NOTICE OF FILING OF CLARIFICATION LETTERS  
TO POTENTIAL BIDDERS FOR REQUEST FOR PROPOSAL**

Tennessee American Water Company ("TAWC") hereby provides notice of the filing of the Clarification Letters regarding the Request for Proposal which were sent by TAWC on September 11, 2009.

Respectfully submitted this 15<sup>th</sup> day of September, 2009.



R. Dale Grimes (#006332)  
Ross I. Booher (#019304)  
BASS, BERRY & SIMS, PLC  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
(615) 742-6244

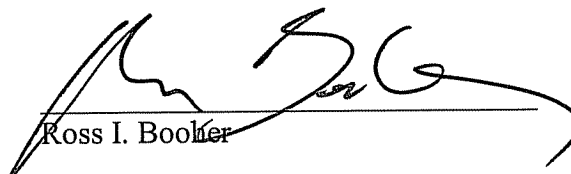
*Attorneys for Tennessee American Water Company*

**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing has been mailed to the following, postage prepaid, on this 15<sup>th</sup> day of September, 2009:

Richard Collier, General Counsel  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Ryan McGehee, Esq.  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P. O. Box 2027  
Nashville, TN 37202

  
\_\_\_\_\_  
Ross I. Booker

8083784.1

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [alucas@tcba.com](mailto:alucas@tcba.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:19 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Thompson, Cobb, Basilio & Associates, PC.pdf](#)

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Mr. Lucas:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Thompson, Cobb, Basilio & Associates, PC.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.



---

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Albert Lucas  
Thompson, Cobb, Basilio & Associates, PC  
1101 15th NW, Suite 400  
Washington, KC 20005

Re: Request for Proposal

Dear Mr. Lucas,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. *See* RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and



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therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

(1) employs or retains the “principal in charge of the management audit” as described in the RFP, and such principal is an “independent certified public accountant” who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a “certified public accounting firm” (as such term is defined in the team’s RFP Response) which provides the “principal in charge of the management audit” as described in the RFP and, where such principal is an “independent certified public accountant” who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP’s provisions regarding the role of the certified public accountant, attestation, the independent CPA’s opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the “principal in charge of the management audit” will supervise the management audit and may direct the audit in order to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP; and

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(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller*

**From:** Mike Miller  
**Sent By:** Lisa Brooks  
**To:** Frederick.Umbach@protiviti.com  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:18 PM  
**Attachments:** TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf  
Clarification Letter - Protiviti.pdf

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Mr. Umbach:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Protiviti.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.



---

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Frederick S. Umbach  
Protiviti  
10 Woodbridge Center Drive  
Woodbridge, NJ 07095

Re: Request for Proposal

Dear Mr. Umbach,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. *See* RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

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therefore the intent of the term "certified public accounting firm" ("CPA firm") in the RFP), where such management consulting firm:

(1) employs or retains the "principal in charge of the management audit" as described in the RFP, and such principal is an "independent certified public accountant" who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a "certified public accounting firm" (as such term is defined in the team's RFP Response) which provides the "principal in charge of the management audit" as described in the RFP and, where such principal is an "independent certified public accountant" who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP's provisions regarding the role of the certified public accountant, attestation, the independent CPA's opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA's opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP's language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer's alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office's Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

(2) in the "definition section" referenced in "Section B, Response to the RFP, No. 4," the term "certified public accounting firm" should be defined in the manner in which the proposer uses such term in its Response. This "definition section," which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the "principal in charge of the management audit" is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the "principal in charge of the management audit" will supervise the management audit and may direct the audit in order to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP; and

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(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

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I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael S. Miller*



**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [info@workgreer.com](mailto:info@workgreer.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:17 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Work & Greer, PC.pdf](#)

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Mr. Work:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Work & Greer, PC.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Dwight S. Work  
Work & Greer, PC  
209 Sixth Avenue North  
Nashville, TN 37219

Re: Request for Proposal

Dear Mr. Work,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

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therefore the intent of the term "certified public accounting firm" ("CPA firm") in the RFP), where such management consulting firm:

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(2) teams with a "certified public accounting firm" (as such term is defined in the team's RFP Response) which provides the "principal in charge of the management audit" as described in the RFP and, where such principal is an "independent certified public accountant" who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP's provisions regarding the role of the certified public accountant, attestation, the independent CPA's opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA's opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP's language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer's alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office's Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

(2) in the "definition section" referenced in "Section B, Response to the RFP, No. 4," the term "certified public accounting firm" should be defined in the manner in which the proposer uses such term in its Response. This "definition section," which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the "principal in charge of the management audit" is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the "principal in charge of the management audit" will supervise the management audit and may direct the audit in order to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP; and

---

(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.


Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller* / 



**From:** Mike Miller  
**Sent By:** Lisa Brooks  
**To:** halnovak@whnconsulting.com  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:17 PM  
**Attachments:** TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf  
Clarification Letter - WHN Consulting.pdf

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Mr. Novak:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - WHN Consulting.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

A handwritten signature in black ink, appearing to read "Gary Hotvedt", is written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Hal Novak  
WHN Consulting  
19 Morning Arbor Place  
The Woodlands, TX 77381

Re: Request for Proposal

Dear Mr. Novak,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. *See* RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

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therefore the intent of the term "certified public accounting firm" ("CPA firm") in the RFP), where such management consulting firm:

(1) employs or retains the "principal in charge of the management audit" as described in the RFP, and such principal is an "independent certified public accountant" who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a "certified public accounting firm" (as such term is defined in the team's RFP Response) which provides the "principal in charge of the management audit" as described in the RFP and, where such principal is an "independent certified public accountant" who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP's provisions regarding the role of the certified public accountant, attestation, the independent CPA's opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA's opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP's language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer's alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office's Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

(2) in the "definition section" referenced in "Section B, Response to the RFP, No. 4," the term "certified public accounting firm" should be defined in the manner in which the proposer uses such term in its Response. This "definition section," which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the "principal in charge of the management audit" is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the "principal in charge of the management audit" will supervise the management audit and may direct the audit in order to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP; and

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(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.


Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller* / 

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [chris.kasparian@bain.com](mailto:chris.kasparian@bain.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:16 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Bain & Company, Inc.pdf](#)

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Mr. Kasparian:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Bain & Company, Inc.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

---

**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

A handwritten signature in black ink, appearing to read "G. Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer





Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Bain & Company, Inc.  
131 Dartmouth Street  
Boston, MA 02116

Re: Request for Proposal

Dear Sir or Madam,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

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Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

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Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP’s provisions regarding the role of the certified public accountant, attestation, the independent CPA’s opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the “principal in charge of the management audit” will supervise the management audit and may direct the audit in order to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP; and

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Also, please note the clarifications of the following RFP references:

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Sincerely,

*Michael A. Miller*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [info@mcfaddenconsulting.com](mailto:info@mcfaddenconsulting.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:15 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - McFadden Consulting Group, Inc.pdf](#)

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To Whom It May Concern:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - McFadden Consulting Group, Inc.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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A handwritten signature in black ink, appearing to read 'Gary Hotvedt', is written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

McFadden Consulting Group, Inc.  
625 York Street, Suite 107  
Denver, Colorado 80209

Re: Request for Proposal

Dear Sir or Madam,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

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therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

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(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

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(4) a clear and specific plan of how the “principal in charge of the management audit” will supervise the management audit and may direct the audit in order to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP; and

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(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [barberkd@bv.com](mailto:barberkd@bv.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:15 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Black & Veatch Corporation.pdf](#)

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Mr. Barber:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Black & Veatch Corporation.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

---

**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

A handwritten signature in black ink, appearing to read "Gary Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Keith Barber  
Black & Veatch Corporation  
11401 Lamar Avenue  
Overland Park, KS 66211

Re: Request for Proposal

Dear Mr. Barber,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant...." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. See RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

(1) employs or retains the “principal in charge of the management audit” as described in the RFP, and such principal is an “independent certified public accountant” who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a “certified public accounting firm” (as such term is defined in the team’s RFP Response) which provides the “principal in charge of the management audit” as described in the RFP and, where such principal is an “independent certified public accountant” who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP’s provisions regarding the role of the certified public accountant, attestation, the independent CPA’s opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the “principal in charge of the management audit” will supervise the management audit and may direct the audit in order to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP; and

(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller/A*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [b.michael.riggins@accenture.com](mailto:b.michael.riggins@accenture.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:14 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Accenture.pdf](#)

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Mr. Riggins:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Accenture.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

---

**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

A handwritten signature in black ink, appearing to read "G. Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Mike Riggins  
Accenture  
Two Hannover Square, Suite 1520  
Raleigh, NC 27601

Re: Request for Proposal

Dear Mr. Riggins,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. *See* RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

(1) employs or retains the “principal in charge of the management audit” as described in the RFP, and such principal is an “independent certified public accountant” who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a “certified public accounting firm” (as such term is defined in the team’s RFP Response) which provides the “principal in charge of the management audit” as described in the RFP and, where such principal is an “independent certified public accountant” who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP’s provisions regarding the role of the certified public accountant, attestation, the independent CPA’s opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

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Sincerely,

*Michael A. Miller/L*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [dantoni@kpmg.com](mailto:dantoni@kpmg.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:13 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - KPMP LLP.pdf](#)

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Mr. Antoni:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - KPMP LLP.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:	)	
	)	
TENNESSEE AMERICAN WATER	)	DOCKET NO.
COMPANY'S REQUEST FOR PROPOSAL FOR	)	09-00086
MANAGEMENT AUDIT	)	

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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A handwritten signature in black ink, appearing to read "Gary Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer





Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. David F. Antoni  
KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103

Re: Request for Proposal

Dear Mr. Antoni,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

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Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

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(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

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(4) a clear and specific plan of how the "principal in charge of the management audit" will supervise the management audit and may direct the audit in order to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP; and

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I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller* / 

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [khale@deloitte.com](mailto:khale@deloitte.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:12 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Deloitte & Touche LLP.pdf](#)

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Ms. Hale:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Deloitte & Touche LLP.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

)  
)  
)  
)  
)

DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

---

**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.



---

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Ms. Kathy Hale  
Deloitte & Touche LLP  
400 W. 15th Street, Suite 1700  
Austin, Texas 78701

Re: Request for Proposal

Dear Ms. Hale,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. See RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

(1) employs or retains the “principal in charge of the management audit” as described in the RFP, and such principal is an “independent certified public accountant” who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a “certified public accounting firm” (as such term is defined in the team’s RFP Response) which provides the “principal in charge of the management audit” as described in the RFP and, where such principal is an “independent certified public accountant” who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP’s provisions regarding the role of the certified public accountant, attestation, the independent CPA’s opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA’s opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP’s language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer’s alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office’s Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the “principal in charge of the management audit” will supervise the management audit and may direct the audit in order to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP; and

---



(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

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I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller/*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [pmc@pmc-management.com](mailto:pmc@pmc-management.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:11 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - PMC-Management Consultants, Inc.pdf](#)

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Mr. Lawrence:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - PMC-Management Consultants, Inc.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:	)	
	)	
TENNESSEE AMERICAN WATER	)	DOCKET NO.
COMPANY'S REQUEST FOR PROPOSAL FOR	)	09-00086
MANAGEMENT AUDIT	)	

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.



---

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Gerald Lawrence  
PMC - Management Consultants, Inc.  
43304 Hillhead Place  
Leesburg, VA 20176

Re: Request for Proposal

Dear Mr. Lawrence,

I write to you to regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant..." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

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therefore the intent of the term “certified public accounting firm” (“CPA firm”) in the RFP), where such management consulting firm:

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All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of “certified public accounting firm,” a clear statement to that effect;

(2) in the “definition section” referenced in “Section B, Response to the RFP, No. 4,” the term “certified public accounting firm” should be defined in the manner in which the proposer uses such term in its Response. This “definition section,” which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the “principal in charge of the management audit” is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA’s opinion and attestation to each of the areas set forth in the RFP;

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Sincerely,

*Michael A. Miller*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [pschumaker@schuco.com](mailto:pschumaker@schuco.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:10 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Schumaker & Company, Inc.pdf](#)

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Ms. Schumaker:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Schumaker & Company, Inc.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:	)	
	)	
TENNESSEE AMERICAN WATER	)	DOCKET NO.
COMPANY'S REQUEST FOR PROPOSAL FOR	)	09-00086
MANAGEMENT AUDIT	)	

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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A handwritten signature in black ink, appearing to read "Gary Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Ms. Patricia H. Schumaker  
Schumaker & Company, Inc.  
3101 Walnut Ridge Drive  
Ann Arbor, Michigan 48103

Re: Request for Proposal

Dear Ms. Schumaker,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

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All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

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Sincerely,

*Michael A. Miller*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [wdoherly@huronconsultinggroup.com](mailto:wdoherly@huronconsultinggroup.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:09 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Huron Consulting Services.pdf](#)

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Mr. Doherty:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Huron Consulting Services.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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This matter came before the Hearing Officer upon the September 8, 2009 filing of *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* ("Letter"), which due to the timeframe involved also requested expedited consideration. In its July 16, 2009 *Order Moving Request for Proposal to New Docket*, the panel directed the Hearing Officer to handle preparation of this matter as expeditiously as possible. At the regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the Request for Proposal ("RFP") filed in this docket on June 11, 2009, with some minor changes. The panel also directed the Company to issue the RFP as soon as possible and to file the RFP with the service list associated with this docket file.

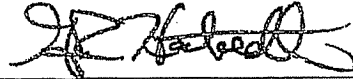
Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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**IT IS THEREFORE ORDERED:**

1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

2. Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.



---

Gary Hotvedt, Hearing Officer





Michael A. Miller  
Director of Rates and Regulation  
American Water  
P.O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. William Doherty  
Huron Consulting Services  
550 W. Van Buren Street  
Chicago, Illinois 60607

Re: Request for Proposal

Dear Mr. Doherty,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

The Authority ordered that the RFP be issued "for a comprehensive management audit by an independent certified public accountant...." Authority Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 13, 2009) (emphasis added) ("2008 Final Order"). Likewise, the Authority's subsequent July 16, 2009 Order regarding the requirements of the RFP reiterates that the contemplated management audit is to be performed by a "certified public accountant." Authority Order, Docket No. 08-00039, at 2 (July 16, 2009). Neither order defines or requires the management auditor to be a "certified public accounting firm." The terms "CPA" and "certified public accounting firm," however, appear repeatedly in the RFP, which states that "[t]he successful bidder shall be... 'a certified public accounting firm' as defined by GAAP." RFP at 5, ¶ 4 (emphasis added). The RFP also states that each RFP response ("RFP Response") should include "[a] definition section specifically defining all key terms used in the response to this RFP." RFP at 7, ¶ 5.

After considering questions raised by the RFP's use of the term "certified public accounting firm," Tennessee American has determined that the definition of the term "certified public accounting firm" is not reasonably ascertainable in the GAAP. Accordingly, the RFP's use of the term "certified public accounting firm" (including its abbreviated form, "CPA firm") is hereby clarified as follows:

Each proposer is permitted to define the term "certified public accounting firm" consistent with the manner in which such proposer uses the term in such proposer's RFP response. *See* RFP at 7, ¶ 5 (stating each RFP response should include "[a] definition section specifically defining all key terms used in the response to this RFP").

Furthermore, a management consulting firm could meet the letter and intent of the 2008 Final Order's requirement "for a comprehensive management audit by an independent certified public accountant" (and

therefore the intent of the term "certified public accounting firm" ("CPA firm") in the RFP), where such management consulting firm:

(1) employs or retains the "principal in charge of the management audit" as described in the RFP, and such principal is an "independent certified public accountant" who is qualified to provide the independent CPA attestation described in the 2008 Final Order; or

(2) teams with a "certified public accounting firm" (as such term is defined in the team's RFP Response) which provides the "principal in charge of the management audit" as described in the RFP and, where such principal is an "independent certified public accountant" who is qualified to provide the independent attestation described in the 2008 Final Order.

Similarly, proposers are encouraged to thoroughly address their proposed approaches to the RFP's provisions regarding the role of the certified public accountant, attestation, the independent CPA's opinion and the application of the GAAS to the management audit, including as follows:

(1) specify the manner, method and/or approach the proposer will take to determine whether the management audit complies with GAAS; and,

(2) to the extent a proposer determines one or more standards, terms, or actions (e.g., GAAS, attestation, an independent CPA's opinion, etc.) cannot reasonably or possibly apply to an aspect of the management audit where the RFP's language appears to require the application of such standard, term, or action, proposers are encouraged to specifically explain any such determination and such proposer's alternate approach to any such aspect of the management audit, setting forth any specific alternate standard(s) such proposer proposes to apply (e.g., U.S. Government Accountability Office's Yellow Book standards, NARUC standards, etc.).

All RFP Responses are also encouraged to include:

(1) if the proposer was unable to ascertain the GAAP definition of "certified public accounting firm," a clear statement to that effect;

(2) in the "definition section" referenced in "Section B, Response to the RFP, No. 4," the term "certified public accounting firm" should be defined in the manner in which the proposer uses such term in its Response. This "definition section," which may be presented in the form of a glossary of terms, should also include the definitions of other key terms used by the proposer in its RFP Response (e.g., Yellow Book Standards, independence, attestation, CPA, NARUC, certified public accountant, etc.);

(3) a description of how the "principal in charge of the management audit" is an independent certified public accountant who is qualified and certified to supervise the management audit and to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP;

(4) a clear and specific plan of how the "principal in charge of the management audit" will supervise the management audit and may direct the audit in order to provide the independent CPA's opinion and attestation to each of the areas set forth in the RFP; and

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(5) an explanation of the proposer's approach to attestation, the independent CPA's opinion and the application of GAAS, including how, in what manner, to what, and by whom they will be applied and the definition of and explanation of any other standards (e.g., Yellow Book, NARUC, etc.) or approaches that will be applied to the management audit. For example, if some standards will be applied by a CPA and others by a management consultant, a RFP Response would be improved by delineating which standards will be applied to what aspects of the project, how they will be applied and how such roles will be allocated.

Also, please note the clarifications of the following RFP references:

(1) In Section B, Response to the RFP No. 4, the RFP references "Section A, Specific Requirements, Paragraph 13." This quoted reference should instead be to "Section B, Qualifications of Proposers, No. 3;"

(2) In Section B, Response to the RFP No. 6, the RFP references "Section A, Specific Requirements, Paragraph 17." Instead of Paragraph 17, this reference should be to "Section B. Qualifications of Proposers, No. 7."

I hope this letter clarifies the RFP. I am sending this letter to all those to whom I sent the RFP. Any inquiries regarding the RFP should be submitted to Tennessee American in writing. Tennessee American will process such inquiries as set forth in the RFP. See RFP, Section A, Proposal Information, Conditions, Instructions & Format. **The RFP response deadline has been extended to September 25, 2009.** I encourage you to submit a proposal in response to the RFP.

Sincerely,

*Michael A. Miller*

**From:** [Mike Miller](#)  
**Sent By:** [Lisa Brooks](#)  
**To:** [Admin@libertyconsultinggroup.com](mailto:Admin@libertyconsultinggroup.com)  
**Subject:** Order Approving Proposed Clarification Letter for TAWC RFP  
**Date:** 09/11/2009 07:09 PM  
**Attachments:** [TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf](#)  
[Clarification Letter - Liberty Consulting Group.pdf](#)

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Mr. Antonuk:

Attached below is an Order issued today by the Tennessee Regulatory Authority regarding the Request for Proposal ("RFP") for Tennessee American Water Company ("TAWC"). Please be advised that the deadline to submit the RFP has been extended until Friday, September 25, 2009, to ensure that prospective proposers have sufficient time to consider and apply the additional guidance provided in the attached Clarification Letter. Note that any inquiries regarding the RFP should be submitted **in writing** to TAWC. TAWC will process such inquiries as set forth in the RFP.



TRA ORDER Approving Proposed Clarification Letter 9-11-09 .pdf



Clarification Letter - Liberty Consulting Group.pdf

Michael A. Miller  
American Water Works Service Co.  
P.O. Box 1906  
Charleston, WV 25327  
Office: 304-340-2009  
Cell: 304-552-6419  
Fax: 304-353-6332

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2009

IN RE:

TENNESSEE AMERICAN WATER  
COMPANY'S REQUEST FOR PROPOSAL FOR  
MANAGEMENT AUDIT

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DOCKET NO.  
09-00086

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ORDER APPROVING PROPOSED CLARIFICATION LETTER

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Authority Staff has reviewed the Letter, and has found that such proposed clarification is warranted and acceptable. Therefore, the Hearing Officer approves the immediate issuance of the Letter. Due to the timeframe involved with the Letter and the underlying RFP, Tennessee American Water Company, in its discretion, may extend the due date of the responses to the RFP for one additional week, from September 18, 2009 until September 25, 2009.

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1. *Tennessee American Water Company's Request for Approval of Proposed Clarification Letter Regarding Request for Proposal* filed in this docket on September 8, 2009 is approved for immediate issuance.

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A handwritten signature in black ink, appearing to read "Gary Hotvedt", written over a horizontal line.

Gary Hotvedt, Hearing Officer



Michael A. Miller  
Director of Rates and Regulation  
American Water  
P O. Box 1906  
Charleston, WV 25327  
P 304-340-2980  
F 304-353-6332  
Mike.Miller@amwater.com

September 11, 2009

Mr. Jon Antonuk  
Liberty Consulting Group  
65 Main Street  
Quentin, PA 17083

Re: Request for Proposal

Dear Mr. Antonuk,

I write to you regarding the Request for Proposal ("RFP") for a management audit of American Water Works Service Company ("AWWSC") which I sent to you and other invited proposers last month on behalf of Tennessee American Water Company ("Tennessee American"). Tennessee American has received questions regarding aspects of the RFP, including the use of the term "certified public accounting firm" (sometimes abbreviated as "CPA firm") in the RFP. This letter of clarification regarding the RFP has been approved by the Tennessee Regulatory Authority ("Authority").

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Sincerely,

*Michael A. Miller* / *AM*