

# TENNESSEE REGULATORY AUTHORITY



RECEIVED  
2010 OCT 26 PM 2:23  
T.R.A. DOCKET ROOM  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

VIA FAX AND US MAIL

October 26, 2010

R. Dale Grimes  
Bass, Berry & Sims PLC  
150 Third Avenue South, Suite 2800  
Nashville, TN 37201

RE: Docket No. 10-00189 – PETITION OF TENNESSEE AMERICAN WATER COMPANY TO CHANGE AND INCREASE CERTAIN RATES AND CHARGES SO AS TO PERMIT IT TO EARN A FAIR AND ADEQUATE RATE OF RETURN ON ITS PROPERTY USED AND USEFUL IN FURNISHING WATER SERVICE TO ITS CUSTOMERS

Dear Mr. Grimes:

To further the Staff's investigation of the reasonableness of the rates filed with this Authority on September 17, 2010 by Tennessee American Water Company, it is requested that you furnish additional information on the attached Staff Data Request No. 2. Please pay particular attention to the directions provided in the first section labeled "Administrative." If you have questions regarding any item number in the attached request, please contact Paul Greene (extension 156) or Pat Murphy (extension 178) for clarification before responding.

Thank you for your attention to this matter. Please provide all responses by November 29, 2010.

Sincerely,

David Foster  
Chief  
Utilities Division

Enclosure

C: John S. Watson

## **TRA DATA REQUEST NO. 2**

### **ADMINISTRATIVE**

⇒The Tennessee Regulatory Authority (“TRA”) requires an original and thirteen (13) copies of the filing (an original and four (4) copies of electronic filings).

⇒All schedules requested as an electronic file are to be provided in Microsoft Excel (with working formulas) or Microsoft Word readable format.

⇒Please respond fully to each question, even if the data has been partially supplied in prior filings or dockets. Do not simply reference data provided in response to other data requests.

⇒Each copy of the responses should be placed in loose-leaf binders with each item tabbed. Each response should begin by restating the item request. If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.

⇒For each item responded to, indicate the witness whose testimony would encompass the information requested, where applicable.

⇒For data requested that is also supplied in summary form on the PSC 3.06 reports for the test period only, please reconcile your response to these reports if a variance exists.

⇒Unless otherwise specifically requested, information shall be required for the Tennessee operations only.

### **MISCELLANEOUS:**

88. If TAWC is granted a rate increase, please discuss the benefits provided to both ratepayers and stockholders.

89. Provide a price-out (volumes and rates) schedule for the proposed tariff rates.

90. Discuss the rationale for choosing the twelve months ending March 31, 2010 as the test period rather than another twelve month period?

91. Did the Company use the March 31, 2010 test period amounts for all expense, revenue and rate base categories? If not, please explain.

92. Provide an explanation of and detailed calculations supporting all test year normalizing adjustments and attrition period adjustments (by line item) found on

the following schedules. Group your responses by schedule. Do not reference other previous data responses or direct testimony as your response.

- a. Exhibit No. 1, Schedule 2, Page 1 of 3;
- b. Exhibit No. 2, Schedule 1, Page 1 of 1;
- c. Exhibit No. 2, Schedule 2, Page 1 of 1;
- d. Exhibit No. 2, Schedule 3, Page 1 of 1;
- e. Exhibit No. 2, Schedule 4, Page 1 of 2;
- f. Exhibit No. 2, Schedule 5, Page 1 of 1; and
- g. Exhibit No. 2, Schedule 6, Page 1 of 2.

93. Discuss all measures and/or programs that TAWC has in place to encourage water conservation. Include all expenses related to these activities by month since January 2008. Also, provide the results of any studies showing how much water and related costs TAWC contends these programs have saved.
94. Provide a copy of the Business Plan Review and benchmarks for each month of the test period. (Reference Watson testimony, pages 6-7). Provide copies of all meeting minutes, emails, inter-company memorandums, transcriptions, or any other form of communication in which these plans were discussed.
95. With regard to the Management Audit, Mr. Miller states on page 32 of his direct testimony in Recommendations II-2 and II-4 that additional documents will be provided. What date do you expect these documents to be provided?

#### REVENUES:

96. Reference TAWC's response to TRA-01-Q20. Provide the same information, using the same format (by location, by meter size and by volumetric rate band) for each month from January 2010 to September 2010.
97. Staff reviewed the 3.06 reports submitted for each month of 2009 and 2010 (report page titled "Water Meters in Service at the End of the Period"). These 3.06 reports document modest monthly growth, which is supported by the Company's response to TRA-01-Q22. There are material differences, however, noted between the data reported on the 3.06 reports and the Company's response to TRA-01-Q20.
- a. With these referenced differences in mind, please review the Company's response to TRA-01-Q20 (2007-2009) for accuracy.
  - b. Regardless of whether the initial response to TRA-01-Q20 was correct or incorrect, provide the following information electronically in Excel (with working formulas) in the format requested (do not use the Company's format in TRA-01-Q20):

- i. The number of meters (billed or unbilled): (1) by location, (2) by rate class, (3) by meter size, (4) by month from December 2006 through September 2010. Subtotal this information by calendar year and for the 9 months ended September 2010.
  - ii. The actual volumetric usage (sum of billed and unbilled): (1) by location, (2) by rate class, (3) by rate band, (4) by month from December 2006 through September 2010. Subtotal this information by calendar year and for the 9 months ended September 2010.
  - iii. On a separate tab in the Excel file by each location, provide a summary of the information above, i.e. totals for each calendar year and the 9 months ended September 2010.
98. Reference TAWC's response to TRA-01-Q20. Provide the total actual number of meters by location by meter size and the total actual volumetric usage by rate band for the years 2006, 2007, 2008, 2009 and by month from January 2010 to September 2010. This information should be provided in the same format as TAWC's response to Question #20.
99. Provide the following information regarding the method the Company used to normalize test year revenues, as discussed in Ms. Sheila Miller's testimony:
  - a. The date each new customer was added during the test period, the customer charge and usage by month for each new customer for the remainder of the test period, and the calculations used to normalize each new customers monthly customer charge and usage. Show each customer separately on an Excel spreadsheet with working formulas, totaling each individual new customer's effect on the test period and the total new customer effect on the test period;
  - b. The termination of service date for each lost customer during the test period, the usage of each lost customer during the test period and the calculations made to normalize revenues for each lost customer. Show each customer separately on an Excel spreadsheet with working formulas, totaling each individual lost customer's effect on the test period and the total lost customer effect on the test period;
  - c. Provide a five year volumetric usage history by month individually for each "large user," in the context this terminology is used in Sheila Miller's testimony, page 6, line 1 on an Excel spreadsheet with working formulas totaling the usage by customer by year and the total of all such customers by month and year;
  - d. Provide the changes in usage (individually for each "large user") that occurred during the test period and explain all business reasons why these changes occurred. (If necessary, contact each user to inquire why the changes occurred.);

- e. Provide each individual calculation used to normalize the changes in usage for individual “large user” that occurred during the test period. Additionally, provide the monthly bills for the test period for each user and summarize this information on an Excel spreadsheet with working formulas, showing the monthly usage and total test period usage for all large users ; and
  - f. Provide each individual calculation used to make attrition period adjustments for each individual “large user”.
100. Provide all factors used to calculate growth through the attrition period for each revenue category. Additionally, provide a detailed calculation (referenced to all source data) used to determine each revenue growth factor used by the Company to grow the normalized test period amounts to the attrition period amounts.
101. Provide the amount of each line item weather normalization adjustments TAWC made for each revenue category and the same line item results with all weather normalization removed.
102. Provide the total revenue dollar effect of each weather normalization adjustment made by the Company for each location, by customer class and meter size.
103. Provide the total dollar amount of all weather normalization adjustments made by the Company.
104. In its response to TRA-01-Q22, the Company provided expected monthly growth for residential and commercial customers. Please provide the expected monthly growth for industrial, other public authorities, sales for resale, and private fire service. Additionally, provide the percentage growth attributable to each service area and meter size. Response should be provided on an Excel spreadsheet with working formulas.
105. How many reconnect fees and disconnect fees does the Company expect to collect each month by location during the attrition period?
106. Provide a 5-year history (by month) of all disconnects and reconnects by location, by meter size, by customer class. Indicate the current and proposed service charges for these services by location, by meter size, by customer class.
107. Provide workpapers demonstrating average monthly customer usage is 4,153 gallons as stated by Mr. Miller on page 2 of his direct testimony.
108. Provide workpapers with calculations demonstrating average residential bill of \$21-\$30 as stated by Mr. Miller on page 3 of his direct testimony.

109. Please discuss TAWC's position regarding the implementation of a mechanism that would maintain the average revenue per customer by on annual basis. Specifically, a revenue per customer would be calculated for a customer class (e.g., residential by meter size) based upon the attrition year revenues and meters adopted in this proceeding. Each year, the actual revenue per customer (meter) would be compared to the benchmark revenue per customer (meter). If the revenue per customer declines, then rates would be adjusted to bring the revenue per customer back up to the benchmark. If the revenue per customer increases, then customers' rates would be adjusted to reduce the revenue per customer back to the benchmark.
110. Discuss which classes that such a mechanism should apply and whether a WNA would be necessary under this approach?
111. Discuss whether approval of the aforementioned mechanism should include a reduction to the Company's approved return on equity to reflect any associated reduced risk. If so, quantify the reduction to the approved return on equity.

#### EXPENSES:

112. The attrition period salary and wage amount of \$5,680,299 includes \$146,640 for Incentive Plan Costs "2010 Costs Accrued Thru March 31, 2010". Explain this Incentive Plan, its purpose and how the cost is calculated. (Reference TRA-01-Q13).
113. Provide documentation from EPB that the rate will increase 6% effective October 1, 2010 and another 6% on October 1, 2011. (Reference Watson testimony, page 27).
114. Provide a summary of Total Gallons of Water Treated; Total Gallons of Water Billed; and Total Gallons of Water Unaccounted For, by month for the period April 2009 through September 2010.
115. Provide a copy of actual monthly bills from EPB for April 2009 through September 2010.
116. Provide the system delivery amount by month for Citico and total Booster stations for the period April 2009 through September 2010.
117. Provide a copy of the latest bid responses for liquid chlorine, liquid caustic soda, hydrofluoric acid, zinc orthophosphate, filter aid and poly aluminum chloride. Provide copies of the resulting contracts. (Reference Watson testimony, page 27).

118. Provide copies of the chemical invoices for April 2009 through September 2010, by month.
119. Provide documentation from the Chattanooga Sanitary Board supporting the 3% increase on January 1, 2010, 2.75% increase on October 1, 2010, and 2.75% increase on April 1, 2011.
120. Regarding the management fees, provide the Company's rationale for increasing the normalized test period amount using an inflation factor of 3% for the 12-months ended March 31, 2011 and another 3% inflation for the 9-months ended December 31, 2011. (TRA-01-Q13-MANAGEMENT FEES, page 1 of 12)
121. What is TAWC's current group insurance premium (direct and/or allocated)? To document this premium, provide a copy of the latest premium notice and any other documented premium adjustments that will take effect prior to September 1, 2011.
122. Explain and price out the employee contribution referenced in Sheila Miller's testimony, page 11.
123. Provide a price out (by vendor) of the costs to prepare this case, as shown on TRA-01-Q13-REGULATORY EXPENSE. Provide invoices supporting these amounts. Provide the Company's basis for any estimated amounts.
124. Discuss all measures that TAWC has implemented to keep rate case expenses at a reasonable level.
125. How did TAWC (or AWWC) develop the 2011 inflationary increases for Insurance Other Than Group found on Company worksheet TRA-01-Q13-INSURANCE OTHER THAN GROUP, when actual premium amounts decreased overall from 2009 (\$551,546.77) to 2010 (\$448,786.56)?
126. Reference Sheila Miller testimony, page 13. Ms. Miller states that the historical test period for Customer Accounting was \$857,278. However, the schedule provided in TRA-01-Q13 shows this amount at the attrition period number. Which one is correct?
127. In the last case, the Consumer Advocate provided a workpaper showing TAWC book balance for Collecting Expense (Acct. 575200) at March 31, 2008 was \$25,040. Provide an explanation for the significant increase at March 31, 2010 to \$97,095.

128. Reference Customer Accounting Expense. Itemize the individual service charges that make up Bank Service Charges (Acct. 575100) of \$269,799 at March 31, 2010.
129. The following questions relate to Miscellaneous Expenses (S. Miller testimony, page 16):
- a. Provide documentation for the January 2010 increase in the cost of service for Tennessee One-Call System of \$3,705;
  - b. Provide documentation supporting the average unit cost of fuel at 7/20/10 used to calculate the increase of \$23,856 to the 2009 transportation fuel costs to arrive at the attrition period expense (TRA-01-Q13-MISCELLANEOUS EXPENSE, page 2 of 6); and
  - c. Update TAWC Schedule (TRA-01-Q13-Fuel Purchases 2009) from January 2010 through September 2010.
130. Please refer to TRA-01-Q013-MAINTENANCE EXPENSES, page 1 of 6. After careful review of the General Ledger, Staff calculated the following test year balances for the Maintenance Accounts listed. Please reconcile the amounts shown by the Company on its schedule with the amounts taken from the General Ledger.

Account	Subsidiary	Description	General Ledger Amount	Company Amount
620000	21	Mat & Sup Maint SS	136,697.90	145,098.43
620000	23	Maint & Sup Maint WT	106,802.82	107,473.53
620000	24	Maint & Sup Maint TD	242,257.24	279,710.16
675850	24	Paving/Backfill TD	320,488.70	404,350.62

131. Provide copies of all invoices received from Schumaker, Work and Greer for the Management Audit.
132. Please update TAWC Schedule (TRA-01-Q13-Paving Order '09 vs.'10) through September 2010.
133. What did TN utility management review board set as an acceptable Non Revenue Water percentage? (Reference Watson testimony, page 8 and Exhibit JSW-8, page 4 of 5).



RATE BASE:

134. Provide workpapers showing the calculations to determine the FIN 48 offset once the company determines that its position may not be accepted. (Reference Miller testimony, page 67).
135. Reference Exhibit No. 1, Schedule 3 Pg. 1 of 6. Provide supporting workpapers with calculations for line item #13 "Unamortized Debt Expense." Provide the 13 month dates that were used to calculate the average and workpapers with the calculations for line #15 "Other Deferred Debits."
136. Reference Exhibit No. 1, Schedule 2, pg. 1 of 3. Provide the 13 month dates used to calculate the average and include workpapers with the calculations for the following:
  - a. Line 26 (Accumulated Amortization of Utility Plant Capital Lease;
  - b. Line 30 (Customer Advances for Construction);
  - c. Line 32 (Contributions in Aid of Construction);
  - d. Line 34 (Unamortized Investment Tax Credit); and
  - e. Line 36 (Utility Plant Acquisition Adjustment).
137. Provide a reconciliation between the amounts listed for March 2010 on Exhibit 1, Schedule 2, pg 1 of 3 and the amounts listed for March 2010 on TRA-01-Q056-ATTACHMENT. Provide all work papers and calculations supporting the reconciliation.
138. Provide the account balances at the end of each month from April 2010 through September 2010 for each rate base item.