

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

IN RE:

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PETITION OF TENNESSEE-  
AMERICAN WATER COMPANY TO  
CHANGE AND INCREASE CERTAIN  
RATES AND CHARGES

DOCKET NO. 10-00189

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**CHATTANOOGA MANUFACTURERS ASSOCIATION'S  
FIRST SET OF DATA REQUESTS TO  
TENNESSEE AMERICAN WATER COMPANY**

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Chattanooga Manufacturers Association ("CMA"), by and through its counsel, hereby serves the following discovery and data requests to Tennessee American Water Company (hereinafter "TAWC", "Tennessee-American" or the "Company"):

**DEFINITIONS**

1. Unless otherwise noted, "Tennessee-American" "Company" or "TAWC" means Tennessee American Water Company, and its present and former officers, employees, agents, representatives, directors, and all other persons acting or purporting to act on behalf of Tennessee American Water Company.

2. The terms "you" and "your" refer to Tennessee American Water Company.

3. The term "person" means any natural person, corporation, corporate division, partnership, other unincorporated association, trust, government agency, or entity.

4. The term "document" shall have the broadest possible meaning under applicable law. "Document" means every writing or record of every type and description that is in the possession, custody or control of Tennessee American Water Company, including, but not limited to, correspondence, memoranda, drafts, workpapers, summaries, stenographic or

handwritten notes, studies, publications, books, pamphlets, reports, surveys, minutes or statistical compilations, computer and other electronic records, files, tapes or printouts, including, but not limited to, electronic files, electronic mail (e-mail) files, portable files, temporary files, and/or external storage devices; and, copies of such writings or records containing any commentary or notation whatsoever that does not appear in the original. The term "document" further includes, by way of illustration but not limitation, schedules, progress schedules, time logs, drawings, computer disks, charts, projections, time tables, summaries of other documents, minutes, surveys, work sheets, drawings, comparisons, evaluations, laboratory and testing reports, telephone call records, personal diaries, calendars, personal notebooks, personal reading files, transcripts, witness statements and indices.

5. The term "referring or relating to" means consisting of, containing, mentioning, suggesting, reflecting, concerning, regarding, summarizing, analyzing, discussing, involving, dealing with, emanating from, directed at, pertaining to in any way, or in any way logically or factually connected or associated with the matter discussed.

6. "And" and "or" as used herein shall be construed both conjunctively and disjunctively and each shall include the other whenever such construction will serve to bring within the scope of these discovery requests any information that would otherwise not be brought within their scope.

7. "Affiliate" or "affiliated" means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another entity.

8. "Identify" or "identifying" or "identification" when used in reference to a document means to provide with respect to each document requested to be identified by these

discovery requests a description of the document that is sufficient for purposes of a request to produce or a subpoena duces tecum, including the following:

- a) the type of document (e.g., letter, memorandum, etc.);
- b) the date of the document;
- c) the title or label of the document;
- d) the Bates number or other identifier used to number the document for use in litigation;
- e) the identity of the originator;
- f) the identity of each person to whom it was sent;
- g) the identity of each person to whom a copy or copies were sent;
- h) a summary of the contents of the document;
- i) the name and last known address of each person who presently has possession, custody or control of the document; and
- j) if any such document was, but is no longer, in your possession, custody or control or is no longer in existence, state whether it: (1) is missing or lost; (2) has been destroyed; or (3) has been transferred voluntarily or involuntarily, and, if so, state the circumstances surrounding the authorization for each such disposition and the date of such disposition.

### **GENERAL INSTRUCTIONS**

1. If you contend that any response to any data request may be withheld pursuant to the attorney-client privilege, the attorney work product doctrine or any other privilege or basis, please provide a privilege log stating the following with respect to each such response in order to

explain the basis for the claim of privilege and to permit adjudication of the propriety of that claim:

- a) the privilege asserted and its basis;
- b) the nature of the information withheld, including a description that makes the document reasonably ascertainable, including its date, author and a description;
- c) the subject matter of the document, except to the extent that you claim it is privileged.

2. These requests are to be answered with reference to all information in your possession, custody or control or reasonably available to you. These requests are intended to include requests for information that is physically within your possession, custody or control as well as in the possession, custody or control of your agents, attorneys, or other third parties from which such documents may be obtained.

3. If any data request cannot be answered in full, answer to the extent possible and specify the reasons for your inability to answer fully.

4. For each data request, provide the name of the company witness(es) or employee(s) responsible for compiling and providing the information contained in each answer.

5. For each data request, please provide the data requested in no less than the same format as such data would be provided to TRA Staff pursuant to the instructions in the TRA Staff's data requests (i.e., electronic spreadsheet formats, native files, workpapers).

### **DATA AND DISCOVERY REQUESTS**

1. Referring to the first data request of TRA Staff, Item No. 21, if not already provided to CMA in response to this question and CMA's prior requests for native format data

responses to TRA staff's requests, please provide the requested workpapers on electronic spreadsheet with all formulas intact.

2. Please provide copies of all presentations Tennessee-American Water Company or its parent company have made to credit and/or equity analysts over the last two years.

3. Please provide copies of all credit reports for American (Water) Capital Corp., American Water Works ("AWW"), and Tennessee-American Water Company issued by Standard & Poor's, Moody's, and Fitch over the last two years.

4. Concerning the Company's current and pro forma management service fees included in its cost of service, please provide the following:

- a. Identify the total Service Company fees or cost allocated amongst all affiliate companies such as and including TAWC.
- b. A break out the above service fees cost between internal labor and other.
- c. A complete description of all Service Company fees included in "a." above.
- d. A copy of the allocation formulas used to allocate "a." across all operating utility affiliates, including TAWC, on electronic spreadsheet with all formulas intact.
- e. A list and description of all changes to Service Company employees, services, and other operations that either have changed the number of Service Company employees, or allocated Service Company deliverables to affiliates, and the change in Service Company fees reflecting those changes in employee levels and operations listed above.

5. Please outline the amount of lost and unaccounted for water on the utility system, and estimate the cost the Company incurs related to unaccounted for water in terms of power, chemical cost, and other cost items (identify each separately).

6. Please provide an analysis of how the Company's percentage of lost and unaccounted for water compares to other regional water utilities, and describe all efforts the Company has been undertaking in order to minimize its cost of lost water.

7. Please also describe the impact on the Company's expected amount of lost and unaccounted for water created by replacement of large transmission mains to Lookout Mountain, and other areas in TAWC's service territory (identify each separately).

8. With respect to American Water Works, please provide a breakout of American Water Works' capital structure, and how it is consolidated with all of its operating utility affiliates. Please specifically state how Tennessee-American's stand-alone capital structure is included in American Water Works' (or any other American Water entity's) consolidated capital structure.

9. Please provide all supporting documentation for the Company's working capital request.

10. Please provide the following information regarding tank painting:

- a. Please list each individual tank the Company either owns or rents. Please indicate the ownership for each tank (own or rent).
- b. Please provide for each tank listed in "a." above, the last time the tank was painted internally and externally. List dates for each type of painting.
- c. Please provide the dollars expended to paint the tank either internally or externally.

- d. Please provide the projected future date when each tank will be painted internally and externally. List dates for each type of painting.
  - e. Please provide actual tank painting expense for the last five years and the amount included in the Company's cost of service.
11. Please provide the revenues and net-writeoffs of the Company for the last five years. Please provide the Company policy for writing off a doubtful account, including timeframes.
12. Please provide the cash payments for any injuries and damages expense for the last five years.
13. Please provide the maintenance expense incurred by the Company for the last five years. Please provide the information excluding internal labor. Also provide the information identifying the account to which the expense was charged.
14. Please provide a copy of all incentive plans in effect during the test year, a list of participants for the Company and any entity that allocates cost to the Company. Include, in the incentive compensation plan information, detailed descriptions of each component of any scorecard being used (if applicable).
15. Relative to all incentive compensation plans requested, please provide any additional data related to the employee's performance, measurement and award cost not included in TAWC's response to CMA Data Request 14, above.
16. Please explain and quantify any known changes in electric tariffs or usage the Company will be subjected to during the test year and any changes that will affect the future ongoing operation of the Company.

17. For each of the Company's pumping facilities, please provide the kilowatt hour energy usage by month for the test year and for each of the preceding 60 months.
18. Please provide the total waste disposal expenses for the test year and each of the preceding five years.
19. Please provide the following items:
  - a. Any reports covering main breaks for the test year and the two previous years;
  - b. A summary of main breaks by size of main that broke for the test year and each of the previous five years;
  - c. Identify all charges in the general ledger that relate to main breaks; and
  - d. The total amount expensed for the test year and each of the previous five years for main breaks.
20. Please provide the annual total overtime hours, expense and capital amount for the test year and each of the preceding five years.
21. Please provide the allocation and basis for allocation of payroll and benefits for employees who also work for affiliated companies.
22. Please provide on electronic spreadsheet with all workpapers and formulas intact TAWC witness Herbert's class cost of service study.
23. Please provide on electronic spreadsheet with all formulas intact a copy of all allocation factors and other calculations TAWC witness Herbert made to create his cost of service study.
24. Please identify all persons known to you, your attorney(s) or other agent(s), who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support or contradict each or any fact you rely



upon to support your petitions, contentions and request(s) for relief in this docket, or any published materials by (or for) the Company, AWW, AWWC, and any Affiliate.

25. Please identify and produce a copy of all articles, journals, books or speeches written by or co-written in the past ten (10) years by any expert witness(es) or other witness(es) of the Company, whether published or not, relative to any issue raised in this proceeding.

26. Please provide complete copies of any and all workpapers supporting or contradicting Tennessee-American witnesses relative to the Company's Cost of Capital and rate of return testimony in this proceeding.

27. Please provide in tabular format the authorized rates of return in orders from around the country (if any), known to, presented by, reviewed by or referred to by any Company witness or employee relative to any AWW or TAWC affiliated entity, that supports or contradicts TAWC's opinion that an 11.5% return on common equity is fair, just, reasonable, or representative of current investor expectations for a water utility. Please include, but do not limit your response to the jurisdiction, docket number, authorized return, number of customers served and dates of the order(s) surveyed by any witness for Tennessee-American or its affiliate(s), the date the return rate became known to the Company witness, and the bases (if any) why a different return should be awarded to TAWC.

28. Please provide an electronic copy of the 2007 Cost of Service Study and the current Cost of Service study prepared by Mr. Herbert for the Tennessee-American Water Company, and a list of trials, court actions, or agency regulatory proceedings (dockets or contested cases) in which Mr. Herbert has participated in the past five (5) years.

29. Please identify in tabular format and provide a copy of all cost of service studies prepared by Mr. Herbert, or those working with him, for any other rate cases involving affiliates

of AWW or its parent(s) for the past five (5) years including, but not limited to, a summary of the conclusion(s) of each such study, whether such study recognized any subsidy by one rate class benefiting another class of customers, whether his proposed rate design requested an increase “across-the board” (*i.e.* allocated proportionally among the various customer classes so that each class, as a whole, would receive the same percentage increase as the other classes) or an increase that called for differential increases amongst customer classes (identifying the differential increases), whether his rate design was opposed, and whether his design was adopted.

30. Please provide a tabulation of projected capital investment dollars, for each of the Fiscal Years 2002 through 2010, identifying the dollar amount of investment actually expended in each of those years and whether the Company invested or failed to invest the amount it projected would be invested.

31. Please provide a copy of every advertisement (print; audio; video; electronic) issued or placed during the test year by the Company and/or on behalf of the Company by American Water Affiliate that allocates costs to Tennessee American. For each advertisement, please provide a breakdown of costs relative to the advertisement by account and indicate how much of the cost of the advertisement has been included in the Company’s revenue requirement. Please indicate any allocation of advertising costs from any Affiliate and the account where those costs are booked. Please indicate if the Company has a classification method for the various types/functions of advertising and, if so, indicate the classification of each advertisement provided.

32. Please provide a tabulation relative to the Company for each type of advertising and cost for the test year and the past two years by the Company and/or on behalf of the Company by AWW, TAWC or any American Water Affiliate, identifying the bases for any

statements implying that the Company's "customer" or "ratepayer" is not paying for advertising campaigns, specifically including, but not limited to, a detailed explanation of such claims relative to: (a) radio advertising over 2009 and 2010 in the Chattanooga SMSA; (b) any other radio advertising; (c) full-page, half-page, quarter-page or other advertisements in the Chattanooga Times Free Press; (d) advertising in periodicals 2009 and 2010 in the Chattanooga SMSA; (e) any outside vendors paid for such services or advertising; and (f) the removal or change in said advertisement as to whom is paying for the advertisement. Please include all memoranda, correspondence and communications relative to that advertising and cost.

33. Concerning the Company's development of cash working capital included in rate base, please provide the following:

- a. A description of the purpose of including cash working capital in rate base.
- b. Identify all previous Tennessee Regulatory Authority precedent for developing cash working capital in the manner proposed by the Company in this proceeding.
- c. Please describe the purpose of a lead-lag study in estimating an appropriate amount of cash working capital for regulated utility operations.
- d. Please provide a comparison on Tennessee-American's method for estimating an appropriate amount of cash working capital for Tennessee operations relative to the methodology used by affiliated AWW water utilities in other jurisdictions.

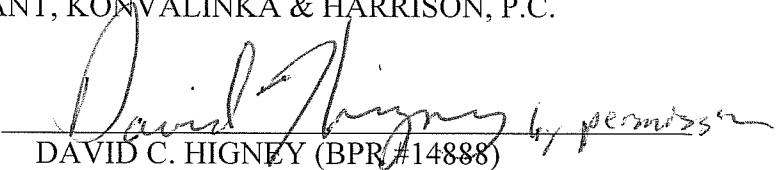
34. Please provide complete copies of any and all documents (in native format, where applicable) referred to or relied upon in responding to any and all of CMA's, the City of Chattanooga (the "City), the Tennessee Attorney General's Consumer Advocate and Protection

Division (the "CAPD"), the Tennessee Regulatory Authority Staff's and/or any other person or entity's discovery and data requests in this proceeding, and or in complying with the TRA's Minimum Filing Guidelines.

Respectfully submitted,

GRANT, KONVALINKA & HARRISON, P.C.

By:

by permission  
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Attorneys for (Petitioning Intervenor)

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- and -

BRADLEY ARANT BOULT CUMMINGS, PLC

HENRY M. WALKER (BPR #272)

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P.O. Box 340025

Nashville, Tennessee 37203

## CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of November, 2010, a true and correct copy of the foregoing First Round of Data Requests/Discovery to Tennessee American Water Company was served either by fax, overnight delivery service or first class mail-postage prepaid, to all parties of record at their addresses shown below:

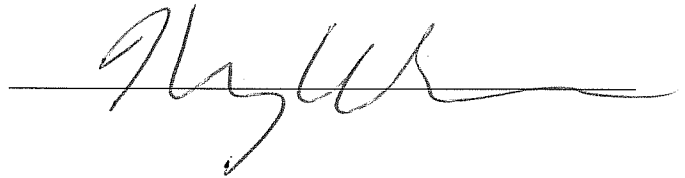
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A handwritten signature in black ink, appearing to read "R. L. McGehee", is written over a horizontal line.