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December 2, 2010

Via Hand-Delivery

Chairman Mary W. Freeman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

**Re: *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***
Docket No. 10-00189

Dear Chairman Freeman:

Enclosed please find the original and five (5) sets of copies of Tennessee American Water Company's First Supplemental Responses to the Chattanooga Regional Manufacturers Association's Data Requests #2, 3, 5, 6, 10, 13, 19 and 21.

A compact disk has been provided for each set which contains copies of the responses, in their native Word format. In addition, we are including a disc marked "Docket Manager Disc," which contains the entire filing in PDF format.

Please file the original and four copies of these Responses and stamp the additional copy as "filed". Then please return the stamped copies to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG:smb
Enclosures

Chairman Mary Freeman

December 2, 2010

Page Two

cc: Hon. Sara Kyle (*w/o enclosure*)
Hon. Eddie Roberson (*w/o enclosure*)
Mr. David Foster, Chief of Utilities Division (*w/o enclosure*)
Richard Collier, Esq. (*w/o enclosure*)
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)
Ryan McGehee, Esq. (*w/enclosure*)
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Katharine M. Mapes, Esq. (*w/enclosure*)
Donald L. Scholes, Esq. (*w/enclosure*)

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **Michael A. Miller**

Question:

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.

Response:

This information is on the American Water Works Company (“AWWC”) website at:
amwater.com/investor_relations/news_and_events/archives.

December 1, 2010 Supplemental Response:

Following the path described above should lead to the website address:
<http://ir.amwater.com/phoenix.zhtml?c=215126&p=irol-presentations>

The above-referenced website contains all presentations made to credit and/or equity analysts by Tennessee-American Water Company or its parent company.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **Michael A. Miller**

Question:

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.

Response:

Please see attached credit reports labeled as TN-CMA-01-Q3-ATTACHMENT for American Water Capital Corp and American Water Works. Tennessee American did not have any credit reports over the last two years.

December 1, 2010 Supplemental Response:

The Company does not have in its possession any reports other than those created by Standard & Poor's.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **Michael A. Miller/John Watson**

Question:

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).

Response:

Please see the attached document labeled as TN-CMA-01-Q05-ATTACHMENT. Actual information is detailed through September 2010. Forecasted information is included from October 2010 through December 2010. The attrition year is based on the Company's filing and can be found in the working papers filed in response to TN-TRA-01-Q13 and labeled as TRA-01-Q 013-FUEL AND POWER, Pages 1 to 20.

The Company objects to the portion of this question requesting an estimate of the cost the Company incurs related to unaccounted for water ("UFW") in terms of power, chemical costs and other items on the grounds that the question is overly broad, unduly burdensome and the information is not in the possession of the Company in the format requested. Without waiving these objections, every water system experiences a level of unaccounted for water commensurate with a vast number of factors present in each specific system, such as, terrain, system pressures, age of system, complexities of the hydraulics of the system, elevations, etc. The mitigation of unaccounted for water in a specific system requires extensive capital investment to escalate the rate of replacement of mains, services, meters, etc. Many studies and publications by agencies such as AWWA, U.S. EPA, and state regulatory agencies have indicated that additional capital spending and replacements are a critical need in many water systems across the country. Many State Commissions (i.e. TRA) have recognized this need for additional capital replacements for rate recovery in the form of Distribution System Improvement

Surcharges (“DSIS”) and other innovative rate recovery mechanisms because the cost (revenue requirement) needed to materially reduce UFW exceeds the savings in the incremental cost to produce the water (i.e. power, chemicals and waste disposal). Any analysis of the impact of reducing the cost of UFW needs to take into consideration the capital costs necessary to lower UFW with the cost savings in incremental production costs netted against that cost. See the study performed by Black and Veatch provided as Exhibit JSW-11 attached to the direct testimony of Mr. Watson. The Company does not have in its possession a schedule that addresses the net cost to rate payers if it undertook the full capital improvements necessary to materially lower UFW, but believes that it would be a significant cost (higher rates) to the customers. In addition, the Company believes its UFW ratio to system delivery is below many other regional water providers in Tennessee. See the response to TN-CMA-01-Q6.

December 1, 2010 Supplemental Response:

The Company does not estimate the costs the Company incurs related to unaccounted for water in terms of power, chemical cost, and other cost items. Those calculations can be completed from the information the Company has previously provided.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **John Watson/Michael A. Miller**

Question:

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.

Response:

The Company is attempting to obtain data regarding the percentage of unaccounted for water for other Tennessee water providers. The Company will supplement its response with the data that can be obtained and analyzed in order to provide an “apples to apples” comparison to TAWC. Attached to this response identified as TN-CMA-01-Q6-ATTACHMENT is a recent publication of the Tennessee Association of Utility Districts that indicates that excessive water loss percentage is 35%.

Mr. Watson’s testimony in this case provides an extensive discussion of the efforts of TAWC to address the level of unaccounted for water at pages 38-44.

December 1, 2010 Supplemental Response:

The Company has requested information from other water providers, but no information has been provided to the Company. The Company cannot compel the other water providers to provide the information. The Company will supplement if the required information is provided.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **John Watson**

Question:

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.

Response:

Please see the attached document labeled as TN-CMA-01-Q10-ATTACHMENT that provides the Company's historical and projected scheduling of tank painting activity. The Company objects to the portion of this request regarding costs and the level of rate base as being overly broad and unduly burdensome. Tank painting costs are capitalized and are included in the Company's historical test-year utility plant balances (accounts 330000 and 304301) with corresponding offsets for the per books levels of accumulated depreciation and deferred income taxes (i.e. rate base) all of which are provided in response to TN-TRA-01-Q013, labeled as TRA-01-Q013-RATE BASE, page 15 of 62. In arriving at the attrition year 13-month average rate base the Company included one tank painting for the St. Elmo 2 tank, see the response to TN-TRA-01-Q013, labeled as TRA-01-Q013-RATE BASE, pages 5-14 under Budget Code R.

December 1, 2010 Supplemental Response:

As the Company stated at the November 22, 2010 status conference, it owns all tanks and the data provided is the most recent data.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **John Watson/Sheila Miller**

Question:

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.

Response:

See the attached schedule identified as TN-CMA-01-Q13-ATTACHMENT.

December 1, 2010 Supplemental Response:

The schedule provided did exclude internal labor.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **John Watson**

Question:

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.

Response:

The Company objects to this question on the grounds that the requested information is overly broad, unduly burdensome, and not in the possession of the Company in the format requested. Notwithstanding the objection, attached to this response identified as TN-CMA-01-Q19-ATTACHMENT is the main break report maintained by the Company. The main break expense is included in the general ledger in accounts 620000.24, 675000.24 and 675650.24 which can be found in the response to TN-TRA-0Q09 and TN-CMA-01-Q13-ATTACHMENT. The capitalized main break replacement amounts can be found in the responses to TN-TRA-01-Q18-Attachment, pages 7 and 8 of 8 under the RP number RP-26-C Unscheduled Mains. Also see the response to TN-TRA-01-Q51-ATTACHMENT, pages 1-20 under the RP number RP-26-02-C1.

December 1, 2010 Supplemental Response:

The Company does not track the information requested by each main break.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST SET OF DATA REQUESTS OF THE
CHATTANOOGA MANUFACTURERS ASSOCIATION**

Responsible Witness: **Michael A. Miller**

Question:

21. Please provide the allocation and basis for allocation of payroll and benefits for employees who also work for affiliated companies.

Response:

The Company objects to this question on the grounds that it does not identify a timeframe and accordingly is overly broad. Without waiving this objection, see the attached document labeled TN-CMA-01-Q21-ATTACHMENT. AWWSC employees that charged TAWC during the twelve months ending March 31, 2010 are identified by function because overhead is not recorded by employee.

American Water Works Service Company (“AWWSC”) provides services that are either charged directly to the company incurring the expense (e.g., Tennessee American Water Company) or are allocated to the company through an allocation formula. If a Service Company employee is performing a function that is specific to Tennessee American, that employee’s time, plus benefit and administrative overhead, would be charged directly to Tennessee American. If the services of a Service Company employee benefit a group of American Water affiliates, or benefits all American Water affiliates, then an allocation factor (updated annually) based on number of customers in each entity would be used to determine the portion of the expense allocated to that individual entity, such as Tennessee American. In addition, please see the data regarding allocation and internal controls surrounding AWWSC charges covered in the Management Audit attached as Exhibit MAM-8 to Mr. Miller’s testimony under Section II-Affiliate Relationships and Transactions Review and Section III-Internal Controls Review.

December 1, 2010 Supplemental Response:

The Company believes it has responded to this request and has provided the requested information as it understands the question.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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)

DOCKET NO. 10-00189

AFFIDAVIT

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL A. MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing responses to the First Supplemental Responses to the Chattanooga Regional Manufacturers Association's Data Requests #2, 3, 5, 6, 10, 13, 19 and 21 were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 1ST day of December, 2010.

Michael A. Miller
(signature)

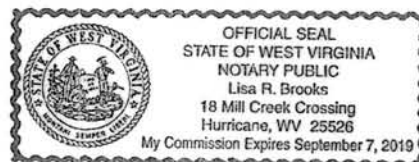
Michael A. Miller
(printed name)

Sworn to and subscribed before me this 1ST day of December, 2010.

Lisa R. Brooks
NOTARY PUBLIC

My Commission Expires:

September 7, 2019



CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served by way of the method(s) indicated, on this the 2nd day of December, 2010, upon the following:

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<input type="checkbox"/> U.S. Mail	Mary L. White, Esq.
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