

R. DALE GRIMES  
TEL: (615) 742-6244  
FAX: (615) 742-2744  
dgrimes@bassberry.com

**BASS**  
**BERRY • SIMS**<sup>PLC</sup>  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW  
150 THIRD AVENUE SOUTH, SUITE 2800  
NASHVILLE, TN 37201  
(615) 742-6200  
[www.bassberry.com](http://www.bassberry.com)

OTHER OFFICES:  
KNOXVILLE  
MEMPHIS

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 Consumer Advocate and Protection Division's Data Requests #9, 10, 35, 37 and 43.

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*)  
Mary L. White, Esq. (*w/enclosure*)  
David C. Higney, Esq. (*w/enclosure*)  
Henry M. Walker, Esq. (*w/enclosure*)  
Michael A. McMahan, Esq. (*w/enclosure*)  
Valerie L. Malueg, Esq. (*w/enclosure*)  
Frederick L. Hitchcock, Esq. (*w/enclosure*)  
Harold L. North, Jr., Esq. (*w/enclosure*)  
Mark Brooks, Esq. (*w/enclosure*)  
Scott H. Strauss, Esq. (*w/enclosure*)  
Katharine M. Mapes, Esq. (*w/enclosure*)  
Donald L. Scholes, Esq. (*w/enclosure*)

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**            **James H. Vander Weide**

**PART II: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL & MISCELLANEOUS**

**Question:**

9.        Provide the historical risk premium of common stocks (S&P 500) over one-year, five-year, ten-year, and twenty-year Treasury Bonds or Bills as reported in Morningstar's *Stocks, Bonds, Bills, and Inflation, 2010 Valuation Yearbook* referenced by Dr. Vander Weide in his Direct Testimony of pages 36, 38, and 39.

**Response:**

Dr. Vander Weide does not reference the historical risk premium of common stocks (S&P 500) over one-year, five-year, or ten-year Treasury bonds or bills in his testimony. The historical risk premium of common stocks over 20-year Treasury bonds as reported in *2010 Ibbotson<sup>®</sup> SBBI<sup>®</sup> Stocks, Bonds, Bills, and Inflation<sup>®</sup> Valuation Yearbook* is 6.7 percent, as Dr. Vander Weide states on pp. 38 – 39.

**December 1, 2010 Supplemental Response:**

In addition to the fact that Dr. Vander Weide does not reference the historical risk premium of common stocks (S&P 500) over one-year, five-year, or ten-year Treasury bonds or bills in his testimony, the requested material is copyrighted.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**         **James H. Vander Weide**

**PART II: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL & MISCELLANEOUS**

**Question:**

10.     Provide a copy of and a citation for the source document for Dr. Vander Weide's I/B/E/S growth rates.

**Response:**

The I/B/E/S growth rates used in Dr. Vander Weide's studies and shown in his schedules are downloaded electronically directly from Thomson Reuters. There is no source document.

**December 1, 2010 Supplemental Response:**

The I/B/E/S growth rates relied upon by Dr. Vander Weide are shown in Schedule 1-1 to his testimony. The information was obtained from a proprietary database for which Dr. Vander Weide pays a subscription fee. The Company has provided a citation to the source and cannot produce a copy of the database.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**         **Michael A. Miller**

**PART III: EXPENSES**

**Question:**

35.     Provide the actual and forecasted number of AWWSC employees as of December 2004, December 2005, December 2006, December 2007, December 2008, December 2009, September 2010, and December 2011 in the format of Exhibit IV-13 in the Schumaker & Company, Management Audit Report, August 2010, pages 106-110.

**Response:**

The Company objects to this question on the grounds that the production of the data is unduly burdensome, not in the possession of the Company in the format requested and costly to produce, and in part not yet completed or easily accessible to the Company. Without waiving these objections the Company responds as follows.

Please note - the data represented in Schumaker Exhibit IV-13 represents employee counts as of August 2009.

Preparing the response in the format of the Schumaker exhibit, as well as reproducing data for December 2004 would be extremely labor intensive. December 2011 budget information is still being prepared and is also not available for presentation.

Please see the attached document labeled as TN-CAPD-01-PART III-Q35-ATTACHMENT for employee counts by function and business unit for December 2005 through December 2009 and as of September 2010.

**December 1, 2010 Supplemental Response:**

The Company believes the employee count by function is available from a source other than the prior accounting system, which is not accessible or useable. The employee count cannot be provided by each business unit as requested because the Company did not track the information at that level of detail prior to 2005. The Company will produce the total number of employees of AWWSC for 2004 as soon as possible but not later than Friday, December 10, 2010.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**            **Michael A. Miller**

**PART III: EXPENSES**

**Question:**

37.     In the format of TRA-01-Q042-ATTACHMENT, for the 12 months ended December 2011, provide the “total budgeted amount of charges subject to allocation or direct charge to all affiliates” from AWWSC, AWCC, and ACS by month, by affiliated entity, as well as the “total amount of budgeted direct charges and budgeted allocated charges to each affiliate” from AWWSC, AWCC, and ACS by month, by direct amount, by allocated amount, by affiliated entity in the format of TRA-01-Q042-ATTACHMENT.

**Response:**

The 2011 budget process is still on-going and 2011 numbers have not been finalized at this time. The Company did not determine its 2011 attrition year AWWSC costs from a budget. The attrition year AWWSC costs were determined based on the actual costs for the 12 months ending March 2010 adjusted for non-recurring expenses and other expenses not normally recognized for rate recovery by the TRA, and then adjusted for an annual escalator representative of the combination of salary increase and increases in employee benefit costs.

The Company objects to providing the information requested for any other “affiliate companies” as being totally irrelevant, unlikely to lead to the discovery of admissible evidence, unduly burdensome, and overbroad.

**December 1, 2010 Supplemental Response:**

The Company has agreed to provide the 2011 AWWSC budget as soon as it becomes finalized. TAWC will provide the 2011 budget for AWWSC and the costs estimated to

be charged to TAWC, by business unit and by direct charge or allocation. The Company will also provide a separate report that breaks down the 2011 budget by account number and the portion charged to TAWC.



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**            **Michael A. Miller**

**PART III: EXPENSES**

**Question:**

43.     Provide TAWC's portion of AWWSC's Operating Expenses from each of the AWWSC departments for the year 2004 in the format of Exhibit II-10 per the Schumaker & Company, Management Audit Report, August 2010, page 25.

**Response:**

The Company objects to this question on the grounds that the requested information is not in the possession of the Company in the format requested and it would be extremely burdensome and costly to produce, if it could be created at all. Due to a modification in the accounting system that took place in 2005, 2004 Service Company charges are not readily available. To recreate the records and present them in a comparable fashion to the Schumaker exhibit would be extremely labor intensive.

**December 1, 2010 Supplemental Response:**

As TAWC stated during the November 22, 2010 hearing, providing data for 2004 AWWSC charges from the former accounting system would be extremely burdensome, if not impossible. Even if TAWC possesses the requested information on backup tapes, the Company would first have to see if this information was even possible to restore. However, TAWC is currently attempting to determine whether this information is available from another source and whether it can be provided in the format requested.

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 Consumer Advocate and Protection Division's Data Requests #9, 10, 35, 37 and 43 were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 1<sup>st</sup> day of December, 2010.

Michael A. Miller  
(signature)

Michael A. Miller  
(printed name)

Sworn to and subscribed before me this 1<sup>st</sup> 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 2<sup>nd</sup> day of December, 2010, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Ryan McGehee, Esq.
<input type="checkbox"/> U.S. Mail	Mary L. White, Esq.
<input type="checkbox"/> Facsimile	Counsel for the Consumer Advocate
<input type="checkbox"/> Overnight	and Protection Division
<input checked="" type="checkbox"/> Email	OFFICE OF THE ATTORNEY GENERAL
	425 5th Avenue North, 2nd Floor
	Nashville, TN 37243-0491
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Regional
<input type="checkbox"/> Facsimile	Manufacturers Association
<input checked="" type="checkbox"/> Overnight	GRANT, KONVALINKA & HARRISON, P.C.
<input checked="" type="checkbox"/> Email	633 Chestnut Street, 9th Floor
	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Regional
<input type="checkbox"/> Facsimile	Manufacturers Association
<input type="checkbox"/> Overnight	BRADLEY, ARANT, BOULT, CUMMINGS, PLC
<input checked="" type="checkbox"/> Email	1600 Division Street, Suite 700
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input type="checkbox"/> U.S. Mail	Valerie L. Malueg, Esq.
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Overnight	Office of the City Attorney
<input checked="" type="checkbox"/> Email	100 East 11 <sup>th</sup> Street, Suite 200
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input checked="" type="checkbox"/> Overnight	CHAMBLISS, BAHNER & STOPHEL, P.C.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
	Two Union Square
	Chattanooga, TN 37402

☒ Hand-Delivery  
☐ U.S. Mail  
☐ Facsimile  
☐ Overnight  
☒ Email

Mark Brooks, Esq.  
Counsel for Utility Workers Union of America,  
AFL-CIO and UWUA Local 121  
521 Central Avenue  
Nashville, TN 37211

☐ Hand-Delivery  
☐ U.S. Mail  
☐ Facsimile  
☒ Overnight  
☒ Email

Scott H. Strauss, Esq.  
Katharine M. Mapes, Esq.  
Counsel for UWUA, AFL-CIO and UWUA Local 121  
SPIEGEL & MCDIARMID LLP  
1333 New Hampshire Avenue, NW  
Washington, DC 20036

☒ Hand-Delivery  
☐ U.S. Mail  
☐ Facsimile  
☐ Overnight  
☒ Email

Donald L. Scholes, Esq.  
Counsel for Walden's Ridge Utility District and Signal Mountain  
BRANSTETTER, STRANCH & JENNINGS PLLC  
227 Second Avenue North  
Fourth Floor  
Nashville, TN 37201

  
\_\_\_\_\_