

BASS

BERRY • SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

150 THIRD AVENUE SOUTH, SUITE 2800
NASHVILLE, TN 37201
(615) 742-6200

www.bassberry.com

R. DALE GRIMES

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

OTHER OFFICES:

KNOXVILLE
MEMPHIS

December 9, 2010

Via Hand-Delivery

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

filed electronically in docket office on 12/09/10

**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) copies of Tennessee American Water Company's Response to the City of Chattanooga's Second Motion to Compel. This material is also being filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please file the original and four copies of this material 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 9, 2010

Page 2

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*)

THE CITY'S RENEWED MOTION TO COMPEL ITS FIRST DISCOVERY REQUESTS
SHOULD BE DENIED

items since the status conference. There are absolutely no other intervening reasons warranting the City's act of re-arguing these items for a third time *after* the status conference. Because the City has pursued this route, however, TAWC is compelled to briefly respond.

With respect to Items G and K, the City misstates that these Items remain unresolved. During the November 22, 2010 status conference, the parties agreed to a compromise for both these Items and TAWC followed up by providing the agreed-to information. Accordingly, these Items have been resolved.

B. Forcing All The Parties To Provide Privilege Logs Would Needlessly Increase Costs And Create An Undue Burden On All The Parties

Forcing TAWC, and necessarily all the parties, to produce a privilege log is the very epitome of the type of non-productive exercise that unnecessarily drives up the cost of rate cases. Having the parties create catalogues of descriptions of items withheld as privileged will do nothing to advance the rate-making process. All six intervenors would ultimately expend considerable amounts of money compiling and producing privilege logs, which are exceedingly burdensome and time-consuming to create. Meanwhile, the possibility of uncovering a shred of information that will have any legitimate effect on the determination of the appropriate rate increase is remote, at best. This case will be decided on the accounting records of TAWC and the application of accepted methodologies – not on whatever distractions the City may try to create in litigating over the form and content of an entirely useless privilege log.

The City's assertion that "[s]uch a log will not increase the burden upon TAWC or any other party..." is simply untrue. (*See* City Motion at 2.) The City, which has complained about the cost of rate case proceedings in the past, is certainly aware of the financial burden and time constraints that its request will create for the parties, particularly TAWC. In the interests of

advancing this rate case and avoiding unnecessary expense and burdensome steps, TAWC, once again, requests that the Hearing Officer deny this request.

L. Request No. 11

The City's Item "L" addresses Request No. 11, which seeks financial statements (income statements and balance sheets) for TAWC parent and affiliates that receive payments from TAWC.¹ In response, TAWC provided the unaudited balance sheets and income statements for both AWWSC and AWCC.² In addition, TAWC has provided financial statements for AWE as part of the consolidated, audited financial statements of AWWC provided in TN-TRA-01-Q005, and has advised that TAWC also made payments (for purchase/lease of carbon) to AWE in response to TRA-01-Q014. TAWC objected to the Request to the extent it sought information on other affiliate companies because the other affiliate companies' financials have no relevance to this rate making proceeding. TAWC receives no service from and pays no costs to those other subsidiaries. In its motions, the City argues that it is entitled to this information because part of TAWC's request for a rate increase includes recovery for payments made to affiliates and parents. The requested information, regarding only financial statements of AWWSC, AWCC and AWE – the only affiliates to whom TAWC made payments – has been produced in discovery responses and TAWC filings. The City has no reason to seek financial statements of the affiliates that have received no payments from TAWC. Moreover, collecting this data from all the affiliates would be unduly burdensome.

G. Request No. 3

TAWC agreed, as a matter of compromise, with respect to the City's Item "G" during the November 22, 2010 status conference to search for and provide the capital plan referred to in its

¹ A complete copy of the Requests and Responses raised in the City's Motion is appended to this Motion.

² AWE information is included in the non-regulatory segment of AWWC's 10-K and 10-Q, available on AWWC's website amwater.com.

Response. Hr’g Tr. 44:3-8; 45:25-46:2. TAWC subsequently referred the City to the capital plan, which had been provided in the Schumaker work papers filed in response to the TRA Staff’s First Data Request Q13. (*See* December 1, 2010 Supplemental Response to Request 3 (filed December 2, 2010).) In TAWC’s email dated December 3, 2010 to the TRA and parties, TAWC provided a clarification of where the capital plan was located in the work paper documents – specifically, in the sub folder “Sheila Miller” of the attachment to TRA-01-Q13. Although TAWC believes it has fully responded to this Request, in the interest of advancing this proceeding TAWC agrees to further supplement its Response by providing a list of CPS projects since 2000 and the activity undertaken on those projects in the same format that was provided to, and accepted by, the City in the 2008 Rate Case in response to a similar document request.

K. Request No. 8

The City’s argument on Item K is completely unfounded. During the November 22, 2010 status conference, TAWC agreed to resolve this Item by producing the “representation letters made by management to the auditors.” Hr’g Tr. 52:11-14. Mr. Hitchcock stated that was a “really generous offer” and was “what I asked for.” Hr’g Tr. 53:3-7. Accordingly, TAWC provided these representation letters in its December 1, 2010 supplemental production (filed December 2, 2010), which the City acknowledges. (*See* City Motion at 2-3.) Claiming now in its Motion that “[t]hose representation letters do not provide information responsive to the Request” is disingenuous.

The City also claims that TAWC did not provide any “auditor confirmation materials.” The parties never agreed that TAWC had to provide any “auditor confirmation materials” to resolve this Item. Regardless, these auditor confirmation materials are contained in the auditor’s letter that accompanies the PWC annual report that has been provided in this case in TRA-01-

Q005-ATTACHMENTS 1 through 3. At the time the City filed its Motion, it was well aware of the facts stated herein, as TAWC reiterated its full compliance with this request and explained that the City already was in possession of the “auditor confirmation materials” in TAWC’s December 1 and December 3, 2010 emails to the City and TRA. Accordingly, Item K has been fully resolved and the Hearing Officer need not take further action.

TAWC COMPLIED WITH ITS DISCOVERY OBLIGATIONS
IN RESPONDING TO REQUESTS 32-86

O. Requests 32-35 and 37

The City’s Motion demands the production of all materials relied on by TAWC’s witness, Mr. Baryenbruch, and all other experts. TAWC provided the information relied upon by its experts, in full compliance with these Requests, in TRA-01-Q13 (in the witness subfolders). As stated in its Responses, TAWC has therefore produced the work papers relied upon by Mr. Baryenbruch, along with his testimony. TAWC also has provided Mr. Baryenbruch’s data request and the 2009 Service Company income statement in response to the City’s Request 29. Because TAWC has already produced all the materials relied upon by its experts to support their opinions, TAWC has complied with this Request as well as the agreement of all the parties, including the City, on what expert materials would be produced.

P. Request 38

TAWC properly objected to this Request in its Response because Mr. Young’s testimony before the California Public Service Commission, regarding California third-party billing and collections agreements and the “billing contracts” to which he referred, have no relevance to this proceeding. California American Water Company does not provide third-party billing services whereas TAWC does provide such services. Because California and Tennessee operations differ so greatly on this subject, Mr. Young’s testimony on the California operations offers no insight

into TAWC's operations and is simply an "apples to oranges" comparison. Notwithstanding these objections, TAWC did direct the City to page 31 of the Schumaker Management Audit that discusses the third party billing services provided by TAWC. The Hearing Officer should not compel any further response to this Request.

Q. Requests 40, 41 and 42

The City's argument regarding these three Requests demonstrates, at best, that the City did not read TAWC's responses before filing its motions to compel, or else, that the City is using the discovery process to harass and drive up the costs of litigating rate cases.

Requests 40, 41 and 42 read: "Please *Explain* how all [costs / revenues / capital expenses and debt] associated with the "Service Line Protection Program" *offered by TAWC to its customers are recorded on the books and records of TAWC.*" (emphasis added). In each of its Responses, TAWC explained that "TAWC does not offer a Service Line Protection Program . . . [t]he program is offered by AWR and the costs of AWR for inspections, repairs and other work related to the Service Line Protection Program are recorded on the books of AWR."

This answer directly responds to the question asked. TAWC cannot understand how the City can read these Requests and Responses and then argue in its Motion that the answer is "vague" or that TAWC has not affirmatively stated that it does not record these items on TAWC's books.

Additionally, TAWC properly objected on several grounds, including relevance, because TAWC does not provide this service and accordingly no costs are incurred by TAWC. By way of further explanation, TAWC directed the City to its responses to TN-CAPD-01-Q77 and Q78 and to the Schumaker Audit Report that address this topic. The Schumaker Audit Report only addressed this Program because the auditor analyzed all affiliate transactions. The only

“revenue” earned by TAWC relating to the Service Line Protection Program is the 40 cents per bill it receives for billing services. This is stated in the Schumaker Audit and is referenced in the Response. (See Exhibit MAM-8 pg. 42 of 143.) The revenue received by TAWC for the billing service it provides on behalf of AWR has been discussed in detail in TAWC’s response to TN-CAPD-Part III-Q77 and Q78.

R. Request 43

City Request 43 asked to identify and provide information related to monthly payments paid by TAWC since January 1, 2007 to AWWC or AWWC subsidiaries. In its Motion, the City simply claims that TAWC has refused to provide this information. TAWC, however, has provided ample information responsive to this request. For example, TAWC provided voluminous data responsive to this Request in TN-COC-01-10 (Docket 08-00039) and directed the City to that Response. The City already has the information it now requests for AWE and AWCC for the years 2006 and 2007, broken down by month, in Docket 08-00039. In response to City Request 43, TAWC also provided AWWSC monthly hours and charges for the years 2005 through September 2010 and the associated full-time equivalent positions allocated to TAWC, by function, in an accompanying attachment. This attachment also shows yearly totals and FTE’s by function. Furthermore, TAWC directed the City to TRA-01-Q014 and TN-COC-01-Q61. The monthly payment amounts for AWE and AWCC from January 2008 through December 2009 are included in response to TRA Request 14. COC Request 61 contains further information on allocated and direct charges to AWWSC and the AWWSC costs charged to TAWC. Accordingly, TAWC has fully answered this Request and there is no need to compel any further response.

S. Request 50

The City's argument on this Request reads, in its entirety:

This case will involve significant issues concerning proper allocation of AWWSC expenses and other common expenses among regulated and unregulated subsidiaries of AWWC. The information sought in this Request is needed to evaluate the allocation procedures. To the extent that financial statements are provided in response to Request No. 11 (Item L, above), it will be unnecessary to duplicate the information in response to this Request.

(City Motion at 5-6.)

Unfortunately, TAWC is left to guess at what the City's issue might be and to preemptively defend its more than adequate discovery response. This Request sought the complete audited (or unaudited if this was the only form available) financial statements, income statements and balance sheets "for AWWSC and AWWC and each subsidiary or affiliate of AWWC" from 2006 through 2012. The extreme breadth of this Request is evident on its face, given that AWWC has approximately 52 subsidiaries. Moreover, the financial statements of *all* subsidiaries and affiliates certainly have no relevance to TAWC's requested rate increase, particularly when TAWC only receives services from or makes payments to three affiliates/subsidiaries: AWWSC, AWCC and AWE. With respect to AWWSC and AWCC, TAWC's Response to City Request 11 contains the unaudited financial statements of AWWSC and AWCC. The Response to City Request 11 contained this information from December 2005 through September 2010. TAWC has committed to providing AWWSC's 2011 budget to the Intervenor when that information becomes available. With respect to AWE's financial statements, the City can find these included in the non-regulated segment of AWWC's 10-Q and 10-K reports on AWWC's website.

In addition, TAWC provided the consolidated audited financial statements of AWWC for 2005 to 2009 in response to TRA Request 5 (TN-TRA-01-Q005). All AWWC subsidiaries'

financial information is included as part of AWWC's consolidated audited financial statements. The City can find AWWC's 2010 quarterly, audited 10-Q reports on the AWWC website, amwater.com.

The response to TRA Request 5 also contains the audited financial statements of TAWC for 2005 to 2009. TAWC's 2011 budget information was provided in response to TRA Request 18. The City's request for 2012 information is irrelevant to this proceeding because it is past the attrition year.

TAWC has more than adequately responded to this Request. Further, the Management Audit ordered by the TRA addresses the allocation issues raised by the City in its Motion. To go back now and essentially "redo" the Management Audit is simply another example of needless expense and burden.

T. Requests 52 and 53

Requests 52 and 53 seek the identity, copies of, and expenses associated with, advertisements paid for by AWWC and all its subsidiaries and affiliates in the area serviced by TAWC. This broad request has no relevance to this rate case because, as TAWC explained in its Response, AWWC does not allocate any advertisement expenses to TAWC and TAWC has eliminated all advertising expenses that were charged to it by AWWSC for the test-year and attrition year and is not including these in the requested cost of service in this case. Because TAWC is not seeking to recover any charges to it for advertisements, these advertisements have no relevance to rate making in this case.

The City argues simply that "Chattanooga has the right to test the apparent TAWC claim that it has not paid for any advertisements through obtaining the requested information." (City Motion at 6.) TAWC stated under oath in its written Response that AWWC has not allocated

any advertising cost to TAWC and that TAWC has further eliminated all AWWSC advertising expenses from this case. The City now essentially wants TAWC to re-affirm that this is true, which is nothing but a needless waste of time and resources.³

U. Request 57

Request 57 reads: “Identify all expenses and investments that are recorded on the books of regulated water and wastewater companies of which AWWC is a majority owner that were incurred or utilized in the provision of *Non-Regulated Service*” for 2005-2011. Also, the Request asks to identify all accounts where these investments were recorded.

TAWC provided the answer to this question in its response, which is simply that there are no expenses and investments for non-regulated subsidiaries recorded on the books of TAWC or AWWC’s regulated subsidiaries. This is because non-regulatory revenue is not allocated to either TAWC or other AWWC’s regulated subsidiaries. Although irrelevant, the City, however, can see the revenues generated from non-regulated subsidiaries by looking at AWWC’s 10-K for 2008-2009 and its 10-Q for 2010, both of which can be found on AWWC’s website. TAWC provided the specific page numbers for this information for both the 10-K and 10-Q.

V. Request 58

Request 58 sought the number of customers receiving *Non-Regulated Service* for each non-regulated service made available to TAWC’s customers. TAWC provided a complete answer in its sworn Response. TAWC referenced its responses to CAPD Requests 78 and 79 that contain the number of customers receiving non-regulated services from AWR. Once again, the City is using the motion to compel process to ask TAWC to re-affirm what it has already sworn to in its Responses submitted under oath. TAWC’s original response very clearly

³ Unfortunately, this has become a global issue with respect to the City’s use of the discovery and motion to compel process in this Rate Case.

addresses the purported issue raised by the City in its Motion and therefore the Hearing Officer need not compel any further response.

W. Request 85

Request 85 states “For *all expenses* included in the ‘Summary Bill Reports,’ during *each year 2003 through 2009, and monthly for 2010*, please provide *for each category of service* and *for each month a description of the purpose and amount of each expense.*” The burden of forcing TAWC to go through each category, by month, over an eight year period and describing the purpose and amount of *each expense* is evident on its face. The categories of service that AWWSC provides remain materially the same as those included in the 1989 Service Agreement and have not otherwise changed since the 2008 Rate Case. Most importantly, the entire Management Audit did exactly what the City asks TAWC to do in this Request. By way of further explanation, in its Response, TAWC directed the City to specific sections of the Management Audit and to specific Information Requests in the Schumaker work papers that are responsive. The City can simply read the Management Audit for this information. Certainly, TAWC is not required to perform another management audit on its own to satisfy the City’s Request.

Conclusion

TAWC has made every effort to fully comply with the City’s Discovery Requests. Accordingly, for all of the reasons set forth in TAWC’s Responses, in its response to the City’s first Motion to Compel, and in this Motion, the City’s Motion to Compel should be denied.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", written over a horizontal line.

R. Dale Grimes (#006223)

E. Steele Clayton (#017298)

C. David Killion (#026412)

BASS, BERRY & SIMS PLC

150 Third Avenue South, Suite 2800

Nashville, TN 37201

(615) 742-6200

Attorneys for Petitioner

Tennessee American Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 9th day of December, 2010, upon the following:

<input type="checkbox"/> Hand-Delivery	T. Jay Warner, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Ryan McGehee, Esq.
<input type="checkbox"/> Facsimile	Mary L. White, Esq.
<input type="checkbox"/> Overnight	Counsel for the Consumer Advocate and Protection Division
<input checked="" type="checkbox"/> Email	Office of the Attorney General
	P.O. Box 20207
	Nashville, TN 37202

<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Grant, Konvalinka & Harrison, P.C.
<input type="checkbox"/> Overnight	633 Chestnut Street, 9th Floor
<input checked="" type="checkbox"/> Email	Chattanooga, TN 37450

<input type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Overnight	1600 Division Street, Suite 700
<input checked="" type="checkbox"/> Email	Nashville, TN 37203

<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Valerie L. Malueg, Esq.
<input type="checkbox"/> Facsimile	Special Counsel
<input type="checkbox"/> Overnight	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Email	Office of the City Attorney
	100 East 11 th Street, Suite 200
	Chattanooga, TN 37402

<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input 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
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
Katharine M. Mapes
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
Counsel for Walden's Ridge Utility District and Signal Mountain
Branstetter, Stranch & Jennings PLLC
227 Second Avenue North
Fourth Floor
Nashville, TN 37201



**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: John Watson

Other Participating Employees: None

Question:

3. *Explain* any addition, subtraction, acceleration, delay, deferral, or change in any recommended capital improvement projects identified in any Comprehensive Planning Study completed or dated since January 1, 2000.

Response:

The Company objects to this request on the grounds the requested information is over broad, unduly burdensome, not available in the format requested and can not be easily or cost effectively created, and is irrelevant to this proceeding in relation to the extremely long timeframe requested in the question above.

CPS studies are prepared to identify areas of the Company's distribution system and water production/water quality facilities that need to be addressed in both its long and short-term planning horizons. The studies also take into account known areas needing to be addressed and others that are expected to need improvements based on trends, growth, and potential changes in service levels, water quality regulations, and other factors. The study makes recommendations as to the priority of those capital projects in the scope of the facts, expectations, and assumptions on which those studies are prepared. Those projects identified in the CPS are subject to change in scope and priority based on various factors that may and often do occur as each year's capital plan is developed.

During each year's planning process, the Company consistently reviews the recommended capital improvement projects which were identified in the 2000 CPS, along with many other capital investment needs not identified in the CPS, in order to

develop the capital spending plan that best addresses the Company's needs. During this process, factors such as the impact on customer rates and service reliability are taken into consideration as to what level of capital investment is requested for approval by the Company's Board of Directors. Given the nature of these studies, which requires the continuous reassessment of capital needs from year to year, and the fact that the CPS is meant to be a guide as to timing, the massive effort required to comply with this request would be unduly burdensome and not relevant to this proceeding.

Without waiving these objections, the Company reports that since the rate case filing in TRA Case Number 08-00039, the Company has reviewed the CPS within the planning process, and the rate base requested through the attrition year in this case includes CPS projects related to upgrades to the Citico Water Treatment Plant Improvement Project, and the Lookout Mountain Supply Main project.

No projects have been subtracted from the CPS.

December 1, 2010 Supplemental Response:

During the November 22, 2010 Status Conference before the TRA, the Company agreed to supplement this response by directing the City of Chattanooga to the Company's capital budget plans. Accordingly, please see the Company's response to TRA-01-Q13, subfolder "rate base", that contains the Company's 2010 and 2011 capital budgets.

Particularly, please see pages 1 through 4 that contain the budget capital spending information from April 2010 through December 2011. Please also see pages 5 through 14 that contain the information in pages 1 through 4 separated into the month the project is transferred from CWIP to the utility plant as utility plant additions. Pages 15 through 22 contain the 13-month average utility plant balance for the attrition year.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller/John Watson

Other Participating Employees: None

Question:

8. For each Capital Expense identified in response to Request Nos. 4, 5, and 6, produce all *Documents* indicating, referring to, or regarding the date that the addition to plant associated with the Capital Expense was put in service and *explain* how the addition to plant was used and useful to *TAWC* ratepayers as of that date.

Response:

The Company objects to this question on the grounds that it is overly broad and unduly burdensome, and is of such detail to not be relevant or necessary for the establishment of fair and reasonable rates in this proceeding. The Company's plant additions and plant balances each year are subject to management's representations that they are used and useful for the provision of service. Management's representations have been confirmed by its independent outside auditors, PwC, in each of the annual reports (audited financial statements of TAWC) issued by PwC supported by statistically valid sampling of numerous capital project files and UPIS additions and retirements. The Company would indicate that all utility plant in service ("UPIS") requested in rate base for this case and completed through September 2010 (the latest monthly completed accounting close) is used and useful in the business. There are literally thousands of individual additions to UPIS each year including thousands of mass property additions (i.e. individual replacements of meters, meter installations, service lines, hydrants, mains, booster pumps, electrical equipment, vehicles, computers, field service equipment, etc). The Company further objects because it would be unduly burdensome for the Company to provide explanations of each UPIS addition and how it is used in providing service. The descriptions of the types of property are ample and self-evident of the types of UPIS

additions, i.e., meters, services, hydrants, cars, trucks, mains, tanks, booster stations, etc. It would take thousands of work hours to recap the information as requested and would cost the Company to undue burden and expense. The Company is willing to make its massive property records available to the City for review and would be willing for the City to pick a mutually agreeable representative sample from the extensive information provided in response to TN-COC-01-Q4 thru Q6 for review at the Company's office in Chattanooga.

December 1, 2010 Supplemental Response:

During the November 22, 2010 Status Conference before the Hearing Officer, the Company agreed to supplement this response by providing copies of management's representation letters to its outside auditors representing that the plant additions and plant balances are used and useful. Accordingly, please see the attached Confidential Documents labeled TN-COC-01-Q8-SUPPLEMENTAL-CONFIDENTIAL ATTACHMENT 1 and ATTACHMENT 2 that contain the representation letters for the 2008 and 2009 Annual Audited Financial Statements. These Confidential Documents are being submitted pursuant to the Protective Order entered in this matter.

By way of further assistance, the Company directs the City to paragraph 42 of the 2008 report letter and paragraph 52 of the 2009 report letter that speak specifically to utility plant used and useful status.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: Bob Engle

Question:

11. Provide for each year and quarter since January 1, 2003, the complete audited financial statements (including income statement and balance sheet) for *AWWSC* and any other *TAWC Parent or Affiliate* that has been paid any amount by *TAWC*. If audited financial statements are not available, provide unaudited financial statements (including income statement and balance sheet) for such periods.

Response:

The unaudited balance sheets and income statements for AWWSC and AWCC are attached for this response and identified as TN-COC-01-Q11-ATTACHMENT.

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.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Patrick Baryenbruch/Michael A. Miller

Other Participating Employees: None

Question:

32. Please provide all *Documents* constituting, containing, referring to, or relating to recommendations contained in the *Baryenbruch Report*.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome. The Company further objects to this request to the extent it seeks privileged communications or work product. Without waiving these objections, at the Monday November 22, 2010 status conference the intervenors, TRA and the Company agreed that communications with expert witnesses would not be produced. The Company has produced Mr. Baryenbruch's testimony and the work papers that support his testimony. See the Company's response TN-TRA-01-Q13, subfolder Patrick Baryenbruch. In addition, see the Company's response to TN-COC-01-29.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Patrick Baryenbruch/Michael A. Miller

Other Participating Employees: None

Question:

33. Please *Identify* all persons, including, without limitation, all employees, contractors, agents, and officers of *TAWC, AWWC, AWWSC*, or any subsidiary or affiliate of any of them, who had any written or verbal *Communication* with *Baryenbruch* since January 1, 2008.

Response:

The Company objects to this request on the grounds that it is overly broad, unduly burdensome, and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. The Company further objects to this request to the extent it seeks privileged communications or work product. Without waiving these objections, at the Monday November 22, 2010 status conference the intervenors, TRA and the Company agreed that communications with expert witnesses would not be produced. The Company has produced Mr. Baryenbruch's testimony and the work papers that support his testimony. See the Company's response TN-TRA-01-Q13, subfolder Patrick Baryenbruch. In addition, see the Company's response to TN-COC-01-29.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Patrick Baryenbruch/Michael A. Miller/John Watson

Other Participating Employees: None

Question:

34. Please provide all *Documents* constituting, containing, referring to, or relating to written or verbal *Communications* by persons identified in response to the previous Request.

Response:

The Company objects to this request on the grounds that it is overly broad, unduly burdensome, and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. The Company further objects to this request to the extent it seeks privileged communications or work product. Without waiving these objections, at the Monday November 22, 2010 status conference the intervenors, TRA and the Company agreed that communications with expert witnesses would not be produced. The Company has produced Mr. Baryenbruch's testimony and the work papers that support his testimony. See the Company's response TN-TRA-01-Q13, subfolder Patrick Baryenbruch. In addition, see the Company's response to TN-COC-01-29.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Patrick Baryenbruch

Other Participating Employees:

Question:

35. Please provide the request for proposal, the proposal, any and all *Workpapers*, interview notes, data requests, data submissions, budget vs. actual and variance reports, FERC Form 60 Reports, and all other *Documents* reviewed in connection with the preparation (whether used or not) of the *Baryenbruch Report*. Please provide all *Workpapers* and supporting *Documents* used to develop this study.

Response:

The Company objects to this request on the grounds that it is overly broad, unduly burdensome, and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. The Company further objects to this request to the extent it seeks privileged communications or work product. Without waiving these objections, at the Monday November 22, 2010 status conference the intervenors, TRA and the Company agreed that communications with expert witnesses would not be produced. The Company has produced Mr. Baryenbruch's testimony and the work papers that support his testimony. See the Company's response TN-TRA-01-Q13, subfolder Patrick Baryenbruch. In addition, see the Company's response to TN-COC-01-29.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Patrick Baryenbruch

Other Participating Employees: Michael A. Miller

Question:

37. Please provide all *Workpapers* or other *Documents* prepared in connection with, transmitted in connection with, or which concern, refer to, or relate to the *Baryenbruch Report*, including, without limitation all *Workpapers* and source *Documents* that support the calculation of the \$59 per customer figure depicted on page 11 of the *Baryenbruch Report*.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome. The Company further objects to this request to the extent it seeks privileged communications or work product. Without waiving these objections, at the Monday November 22, 2010 status conference the intervenors, TRA and the Company agreed that communications with expert witnesses would not be produced. The Company has produced Mr. Baryenbruch's testimony and the work papers that support his testimony. See the Company's response TN-TRA-01-Q13, subfolder Patrick Baryenbruch. In addition, see the Company's response to TN-COC-01-29.

Please see TN-COC-01-Q37-ATTACHMENT for the calculation of the \$59 per customer. The FERC back-up data for the calculation can be found on the enclosed CD in Folder TN-COC-01-Q37. Please refer to the excel file labeled as TN-COC-01-Q37-ATTACHMENT 2.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: Tom McKittrick

Question:

38. Identify and provide copies of all *Documents* constituting, referring to, or relating to billing contracts referred to in testimony of John S. Young, Jr. before the Public Utilities Commission of the State of California.

Response:

The Company objects to this question on the grounds that it is overly broad, unduly burdensome, and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, Mr. Young's testimony addressed third party billing and collections agreements for the California operations. TAWC does provide third-party billing services such as sewer billing services to the City of Chattanooga and several other sanitary boards in the Chattanooga area. TAWC's situation is entirely different than California American's situation. Please see page 31 of the Schumaker Management Audit regarding third party billing services provided by TAWC.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: None

Question:

40. Please *Explain* how all costs associated with any inspections, repairs, or other work undertaken in connection with the "Service Line Protection Program" offered by *TAWC* to its customers are recorded on the books and records of *TAWC*. Please provide all worksheets, income and expense statements, invoices, and other *Documents* that address how these costs are treated for accounting and ratemaking purposes.

Response:

The Company objects to this question on the grounds that the request is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, TAWC does not offer a Service Line Protection Program. See the response to TN-CAPD-01-Q77 and Q78. The program is offered by AWR and the costs of AWR for inspections, repairs and other work related to the Service Line Protection Program are recorded on the books of AWR. See also the Schumaker Report (Exhibit MAM-8 attached to the direct testimony of Mr. Miller at page 42 of 143).

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: None

Question:

41. Please *Explain* how all revenues associated with the "Service Line Protection Program" offered by *TAWC* to its customers are recorded on the books and records of *TAWC*. Please provide all worksheets, income and expense statements, invoices, and other *Documents* that address how these costs are treated for accounting and ratemaking purposes.

Response:

The Company objects to this question on the grounds that the request is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, TAWC does not offer a Service Line Protection Program. See the response to TN-CAPD-01-Q77 and Q78. The program is offered by AWR and the costs of AWR for inspections, repairs and other work related to the Service Line Protection Program are recorded on the books of AWR. See also the Schumaker Report (Exhibit MAM-8 attached to the direct testimony of Mr. Miller at page 42 of 143).

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: None

Question:

42. Please *Explain* how all capital expenses and debt associated with the "Service Line Protection Program" offered by *TAWC* to its customers are recorded on the books and records of *TAWC*. Please provide all worksheets, income and expense statements, invoices, and other *Documents* that address how these costs are treated for accounting and ratemaking purposes.

Response:

The Company objects to this question on the grounds that the request is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, TAWC does not offer a Service Line Protection Program. See the response to TN-CAPD-01-Q77 and Q78. The program is offered by AWR and the costs of AWR for inspections, repairs and other work related to the Service Line Protection Program are recorded on the books of AWR. See also the Schumaker Report (Exhibit MAM-8 attached to the direct testimony of Mr. Miller at page 42 of 143).

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: George Conroy

Question:

43. Please *Identify* all monthly amounts paid by *TA WC* since January 1, 2007, to *AWWC* or any *AWWC* subsidiary or affiliate, and provide the information as to each such amount in the following format:

Payment Date	Amount of Payment	Purpose of Payment	If Payment for Services, Amount of Time Reflected in Charge	Hourly Rate Change	If for Equipment of Materials, Description of Each Piece of Equipment or Material	Unit Charge for Each Piece of Equipment or Material	Agreement Under Which Provided (89 Service Agreement or Other)

Response:

The Company objects to this question on the grounds that it is unduly burdensome, requests information neither readily available nor in the format requested, and in part is not relevant to the current proceeding.

COC's request involves a voluminous amount of data, which was already provided to the COC in the previous case. Please see the response to TN-COC-01-10 in Docket No. 08-00039.

Also, see the response to TRA-01-Q014, which provides additional information about payments to AWWSC, AWCC and AWR (formerly known as American Anglian Technologies). In addition, see the response to TN-COC-01-Q61 that also provides data responsive to this request.

Please see the attached file identified as TN-COC-01-Q43-ATTACHMENT which presents total Service Company hours and charges for TAWC for the years 2005 through September 2010 and the associated full-time equivalent positions allocated to TAWC by function. TN-COC-01-Q43 Attachment includes a summary schedule that shows the yearly totals and FTE's by function. The other schedules provide a breakdown of the charges by month for the years 2005 through 2010.

December 8, 2010 Supplemental Response:

Attachment(s) previously provided in response to this request in PDF format that are Excel files are enclosed on the accompanying CD labeled as TN-COC-01-Q43.xlsx.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: Sheila Miller

Question:

50. Please provide for each year and quarter since January 1, 2006 and as projected for 2010, 2011, and 2012, the complete audited financial statements (including income statement and balance sheet) for *AWWSC* and *AWWC* and each subsidiary or affiliate of *AWWC* affiliate. If audited financial statements are not available, provide unaudited financial statements (including income statement and balance sheet) for such periods.

Response:

The Company objects to this request on the grounds that the request is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, see the Company's response to TN-COC-01-Q11 that attached the unaudited financial statements of AWWSC and AWCC, both of which provide direct services to TAWC. Also, see the response to TN-TRA-01-Q005 that provides the consolidated (reflecting the consolidated operation of all AWWC subsidiaries) audited financial statements of AWWC and the audited financial statements of TAWC for 2005-2009. The 2010 publicly available audited financial statements of AWWC can be found at amwater.com.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: Sheila Miller

Question:

52. Please *Identify* and provide copies (in the original medium and format) of all advertisements published in newspapers or other media, radio advertisements, and TV advertisements paid for by *AWWC* or any subsidiary or affiliate of *AWWC* since January 1, 2008 to date which were placed, displayed, or distributed in any area served by *TAWC*.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, AWWC does not allocate any cost to TAWC. The Company eliminated all advertising expense charged to TAWC by AWWSC in the historical test-year and the attrition year from its requested cost of service in this case. See the Company's working papers provided in response to TN-TRA-01-Q013, at TRA-01-Q013-MANAGEMENT FEES, pages 1 and 11 of 12.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: None

Question:

53. Please provide a detailed listing of all expenditures for the advertisements identified in response to the previous Request, for all advertisements incurred by business unit 032068 CORP Marketing, and for all other advertisements since January 1, 2008 to date showing the amount, date, and payee. Explain which of these expenditures were charged to *TAWC* in whole or part and which were included in the historic, normalized, and attrition test years.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, AWWC does not allocate any cost to TAWC. The Company eliminated all advertising expense charged to TAWC by AWWSC in the historical test-year and the attrition year from its requested cost of service in this case. See the Company's working papers provided in response to TN-TRA-01-Q013, at TRA-01-Q013-MANAGEMENT FEES, pages 1 and 11 of 12.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: None

Question:

57. *Identify* the all expenses and investments that are recorded on the books of regulated water and wastewater companies of which *AWWC* is a majority owner that were incurred or utilized in the provision of *Non-Regulated Service* for the years 2005, 2006, 2007, 2008, 2009, the test year, the attrition year, and as projected for 2010 and 2011. *Identify* all accounts in which these expenses and investments were recorded.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, AWWC does not receive the revenues of its non-regulated subsidiaries, AWWC receives a return on its equity investment if and when the subsidiary board takes such action. Non-regulatory revenue is not allocated to TAWC or the other AWWC regulated subsidiaries. For information regarding the revenues generated from non-regulated subsidiaries see AWWC's 10-K for 2008-2009 (page 136) and 10-Q (page 17) for 2010 available on AWWC's website, amwater.com. The Company does not include non-regulated revenue for AWWC's non-regulated subsidiaries in the calculation of the revenue requirement in this case.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller/John Watson

Other Participating Employees: Jim Bozman

Question:

58. For each *Non-Regulated Service* that has been made available to customers of *TAWC* or any other regulated subsidiary or affiliate of *AWWC*, *Identify* the number of customers who ordered, purchased, or subscribed to the *Non-Regulated Service* each year since first made available.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, see the responses to TN-CAPD-01-Q77 and Q78 for the current customers receiving AWR services.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: Michael A. Miller

Other Participating Employees: Tom McKittrick/Others

Question:

85. For all expenses included in the "Summary Bill Reports," during each year 2003 through 2009, and monthly for 2010, please provide for each category of service and for each month a description of the purpose and amount of each expense.

Response:

The Company objects to this request on the grounds that it is overly broad and unduly burdensome and seeks information that is not relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, the types of services provided to TAWC are governed by the 1989 Service Company Agreement and the types of functional services provided by AWWSC have not materially changed since 1990 or since the Company's 2008 rate case. The Company provided significant information to Schumaker and Company during the management audit provided as Exhibit MAM-8 to Mr. Miller's direct testimony. The entire report (all sections) contains discussions, findings and recommendations on the types and breadth of services provided to TAWC by AWWSC and would indicate the entire report is responsive to this request. In addition the Company would specifically cite to Section II-A., beginning on page 13 of the management audit report referenced above. The Company would also refer the City to the response to TN-COC-01-Q19-CONFIDENTIAL ATTACHMENT provided on CD, with specific reference to Schumaker discovery request IR #3 which is directly responsive to this question.