

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN 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

AFFIDAVIT

I, Terry Buckner, Analyst, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

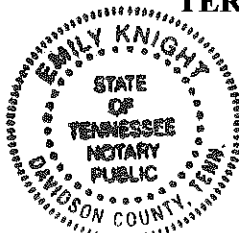


TERRY BUCKNER

Sworn to and subscribed before me
this 5th day of January, 2011.



NOTARY PUBLIC



My commission expires: Aug. 23, 2011

My Comm. expires AUG. 23, 2011

1 Q. Please state your name for the record.

2 A. My name is Terry Buckner.

3
4 Q. By whom are you employed and what is your position?

5 A. I am employed by the Consumer Advocate and Protection Division
6 (“Consumer Advocate”) in the Office of the Attorney General for the state of
7 Tennessee (“Office”) as a Regulatory Analyst.

8
9 Q. How long have you been employed in conjunction with the public utility
10 industry?

11 A. I have been employed in conjunction with the public utility industry
12 for over thirty-two years. Before my current employment with the Office, I
13 was employed by the Comptroller’s Office for the state of Tennessee for
14 nearly two years as the Assistant Director responsible for public utility
15 audits after approximately eight years of prior employment with the Office.
16 Formerly, I was employed with the Tennessee Public Service Commission
17 (“Commission”) in the Utility Rates Division as a financial analyst for
18 approximately six years. My responsibilities included testifying before the
19 Commission as to the appropriate cost of service for public utilities
20 operating in Tennessee. Prior to my employment with the Commission, I
21 was employed by TDS Telecom for eight years and the First Utility District
22 of Knox County for three years.

23
24 Q. What is your educational background and what degrees do you hold?

25 A. I have a Bachelors degree in Business Administration from the
26 University of Tennessee, Knoxville with a major in Accounting. I am also a
27 Tennessee Certified Public Accountant (“CPA”) and a member of the
28 American Institute of Certified Public Accountants.

1 Q. Would you briefly describe your responsibilities as a Regulatory Analyst
2 with the Consumer Advocate?

3 A. I prepare testimony and financial exhibits in rate proceedings as an
4 employee with the Consumer Advocate. Additionally, I review filings by
5 Tennessee public utilities, which are subject to the jurisdiction of the
6 Tennessee Regulatory Authority ("TRA").

7
8 Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to represent the forecasted financial
10 exhibits prepared by the Consumer Advocate ("Exhibits of Consumer Advoca-
11 cate") and provide my exhibit of work papers ("work papers of Terry Buck-
12 ner") for forecasted Operation and Maintenance expenses, Depreciation Ex-
13 pense, Taxes Other Than Income, Income Taxes, and Rate Base for Tennes-
14 see American Water Company ("TAWC") for the attrition year ending De-
15 cember 31, 2011.

16
17 SUMMARY OF RESULTS

18
19 Q. Please summarize the results of the Consumer Advocate forecast of
20 TAWC's earnings for the attrition year.

21 A. The attrition year in this case is the twelve months ending December
22 31, 2011. For the attrition year, TAWC asked for a \$9.984 million rate in-
23 crease in its original petition before the TRA, whereas the Consumer Advoca-
24 cate's forecasted results show that customer rates should actually be in-
25 creased by \$0.589 million instead, which is a difference of \$9.395 million be-
26 tween TAWC's forecast and the Consumer Advocate's forecast. The \$9.395
27 million difference is primarily due to the following areas of disagreement be-

1 tween TAWC and the Consumer Advocate: (1) The Consumer Advocate be-
2 lieves that TAWC will collect about \$1.1 million more in operating revenue
3 than the revenue estimates included in TAWC's rate increase petition. Con-
4 sumer Advocate witnesses, Mr. John Hughes and Mr. Hal Novak, will ad-
5 dress the difference in revenue forecasts; (2) The Consumer Advocate is pro-
6 jecting about \$2.88 million less in operation and maintenance expenses than
7 the amount projected by TAWC; (3) The Consumer Advocate's calculation
8 of depreciation expense is approximately \$0.174 million less than the depre-
9 ciation expense projected by TAWC; (4) The Consumer Advocate forecasts
10 approximately \$0.274 million less in "taxes other than income taxes" than
11 the taxes projected by TAWC; (5) The Consumer Advocate's calculation of
12 rate base is about \$2.167 million less in revenue requirement when applying
13 the Consumer Advocate's recommended rate of return; and (6) The amount
14 of revenue required for TAWC to have an opportunity to earn a fair profit is
15 about \$2.47 million less in the Consumer Advocate's forecast due to the Con-
16 sumer Advocate's computation of a lower cost of capital. The difference in
17 gross revenue conversion factors and interest synchronization comprised the
18 remainder of the revenue requirement difference.

19 Accordingly, the Consumer Advocate's position is that TAWC has re-
20 quested over \$9.395 million more in customer rates than the company actual-
21 ly needs to meet their expenses and provide a fair return to their sharehold-
22 ers while providing quality water services to TAWC's customers. Although
23 there are many underlying details supporting the Consumer Advocate's posi-
24 tion, all of which are discussed below and shown in the testimony, work pa-
25 pers, and exhibits of the Consumer Advocate's witnesses, the six areas dis-
26 cussed above serve as an overview of the primary areas of disagreement be-

1 tween TAWC and the Consumer Advocate in this case.

2
3 **Q.** Please summarize why the Consumer Advocate is projecting about \$2.88
4 million less in Operation and Maintenance (“O&M”) expenses than
5 TAWC.

6 **A.** The \$2.88 million difference in O&M expenses between the Consumer
7 Advocate and TAWC is due to the Consumer Advocate’s projecting: (1)
8 about \$0.765 million in lower O&M Labor; (2) about \$0.1 million less in Fuel
9 and Power Expense; (3) approximately \$0.138 million less in Chemical Ex-
10 pense (4) about \$1.6 million less in management fees; (5) about \$0.092 mil-
11 lion less in Pension Expense; (6) \$0.185 million less in regulatory expense;
12 and (7) about \$0.164 million less in Insurance Other than Group.

13 The salaries and wages difference of \$0.765 million is due to the Con-
14 sumer Advocate’s rejection of TAWC’s forecasted employee levels for the at-
15 trition year. The Consumer Advocate rejects this projection because TAWC
16 continues to demonstrate in case after case an overstated number of em-
17 ployees when compared to what they actually keep on the payroll. As a re-
18 sult, TAWC’s customers have actually been charged for an employee level
19 that TAWC never achieved for the entire forecast period. Customers’ water
20 rates should not be set on employee levels that are never sustained. In addi-
21 tion, the Consumer Advocate rejects TAWC’s plan to charge customers for
22 bonuses paid to salaried employees for increasing the regulated earnings of
23 the company, an activity that benefits TAWC’s shareholders by moving
24 money to their pockets from the pockets of TAWC’s customers. Since cus-
25 tomers are provided no benefit from this activity, they should not have to pay
26 any costs associated with it.

1 The \$0.1 million in Fuel and Power is primarily driven by the growing
2 level of unaccounted for water loss. This is the same reason for the \$0.138
3 million difference in Chemical Expense. The Consumer Advocate's calcula-
4 tions with the limit of a fifteen percent unaccounted for water percentage is
5 consistent with TRA Order #08-00039.¹

6 The difference in TAWC's and the Consumer Advocate's management
7 fee forecast is about \$1.6 million. TAWC's growth in management fees ex-
8 ceeds any economic or cost-savings justification, and has far out-stripped in-
9 flation. Furthermore, the allocation of costs from the service company to
10 TAWC is not cost causative.

11 The \$0.092 million difference in Pension Expense is due to the adop-
12 tion of a higher capitalization rate by the Consumer Advocate for the attri-
13 tion year.

14 The \$0.185 million difference in regulatory expense stems from the
15 Consumer Advocate's disagreement with the reasonableness of these
16 charges. In particular, the actual regulatory expense that TAWC wants to
17 charge customers includes costs from TRA Docket #06-00290, which had a
18 three year amortization period. Also, the Consumer Advocate does not be-
19 lieve that customers should be called upon to pay TAWC's legal bills for pur-
20 suing a rate increase which, as demonstrated by the testimony and exhibits
21 of the Consumer Advocate's witnesses, is without merit. As a result, the
22 Consumer Advocate has included 50% of the projected rate case costs in this
23 docket.

24 The \$0.163 million difference in Insurance Other Than Group is pri-
25 marily due to the use of a later test period.

¹ TRA Order dated January 13, 2009, TRA Docket No. 08-00039, Page 17.

1 Q. Please summarize why the Consumer Advocate is projecting about
2 \$0.174 million less in depreciation expenses than the amount projected
3 by TAWC.

4 A. This difference in depreciation expense is primarily attributable to the
5 Consumer Advocate's application of the current depreciation rates to pro-
6 jected ending monthly plant in service balances with a starting point of Sep-
7 tember 30, 2010. This methodology is more precise than TAWC's method,
8 which applied the current depreciation rates to a thirteen month average
9 plant in service balance.
10

11 Q. Please summarize why the Consumer Advocate's forecast of taxes other
12 than income taxes is about \$0.274 million lower than TAWC's other tax
13 calculations.

14 A. This difference is primarily due to the Consumer Advocate's computa-
15 tion of lower property taxes. In computing its property tax forecast, the
16 Consumer Advocate used a more recent property assessment value than
17 TAWC.
18

19 Q. Please summarize the \$2.167 million difference in revenue requirements
20 attributable to the Consumer Advocate's computation of a lower rate
21 base for TAWC.

22 A. The Consumer Advocate's rate base is approximately \$18.9 million
23 lower than the forecasted amount by TAWC. The Consumer Advocate's Ac-
24 cumulated Deferred Income Taxes make up \$16.5 million of this difference.
25 TAWC has improperly departed from recognizing the Accumulated Deferred
26 Income Taxes recorded on their books at September 30, 2010.

1 Q. Please summarize the \$2.47 million difference in revenue requirements
2 attributable to the Consumer Advocate's computation of a lower cost of
3 capital for TAWC.

4 A. Based on the cost of capital testimony of Consumer Advocate witness
5 Dr. Chris Klein, the Consumer Advocate incorporated a lower overall rate of
6 return on rate base than TAWC requested in its rate increase petition. This
7 lower return decreases the revenue requirements of TAWC by about \$2.47
8 million. The testimony of Consumer Advocate witness Klein sets forth the
9 details of the Consumer Advocate's position on the cost of capital in this
10 case.

11
12 RATEMAKING THEORY AND PRACTICE
13

14 Q. What is a public utility?

15 A. In the context of this case, a public utility is a business formed as a
16 shareholder-owned corporation. Even though the public utility in this case
17 is a for profit corporation, it is also important to note that this public utility
18 is:

19 an organization that has been designated by law as a
20 business affected with a significant public interest, and
21 that also possesses all of the following characteristics: (1)
22 The business is essentially free from direct competition,
23 i.e., it operates in a monopolistic environment; (2) The
24 business is required by law to charge rates for its services
25 that are reasonable and not unjustly discriminatory; (3)
26 The business is allowed to earn (but not guaranteed) a
27 "reasonable" profit; and (4) The business is obligated to
28 provide adequate service to its customers, on demand.²
29

1 Q. Does TAWC possess these public utility characteristics?

2 A. Yes. TAWC is a shareholder-owned public utility³ that has been
3 granted the advantage of operating in a monopolistic environment in ex-
4 change for special obligations, namely, the requirement to provide adequate
5 service to all customers at rates that are just, reasonable, and non-
6 discriminatory.

7
8 Q. From a regulated ratemaking perspective, what is the TRA called upon
9 to do in this proceeding?

10 A. In a rate case such as this one, the TRA is asked to establish the
11 amount of revenues that the utility should collect in order to cover its rea-
12 sonable and necessary expenses and to reasonably compensate the utility's
13 investors for their investment in the plant and equipment necessary to pro-
14 vide utility service to the public. The following ratemaking formula can be
15 used to express this concept:

$$\begin{aligned} &\text{Revenue Requirement} = (\text{Rate Base} \times \text{Rate of} \\ &\text{Return}) + \text{Operations and Maintenance Expense} \\ &+ \text{Depreciation Expense} + \text{Taxes.} \end{aligned}$$

16
17
18
19 In this equation, "Rate Base" is essentially the plant and equipment
20 paid for by the investors in the utility. The "Rate of Return" is comprised of
21 two major components: (1) the "Cost of Debt," which constitutes the interest
22 rate on borrowed money and (2) the "Return on Shareholders' Equity"
23 ("ROE"), which is the rate of compensation that flows to the owners of the
24 utility for their investment. "Operations and Maintenance Expense" is the
25 costs of operating the utility day-to-day, such as payroll, employee benefits,

² *Accounting for Public Utilities*, Hahne and Aliff §1.01.

1 fuel and power to pump the water, chemicals to treat the water supply,
2 rents, office supplies, postage and billing costs, etc. “Depreciation Expense”
3 is the systematic recovery of the cost of the plant and equipment over their
4 useful lives. “Taxes” are the business taxes owed by the utility to federal,
5 state, and municipal governments, such as income taxes, payroll taxes, prop-
6 erty taxes, and franchise taxes. In order to arrive at the appropriate amounts
7 for each component of the ratemaking formula, the TRA should consider the
8 expert witness testimony of economists, accountants, and other subject mat-
9 ter experts. These experts usually calculate the amount of each component
10 of the ratemaking formula for the “Attrition Year.” In making their “Attrition
11 Year” forecast, ratemaking experts often consider “Test Year” data.

12
13 **Q. Please explain the difference between a “Test Year” and an “Attrition**
14 **Year.”**

15 **A.** A “Test Year” is a measure of a utility’s financial operations and in-
16 vestment over a specific twelve month period. It is the “raw material” for de-
17 veloping an Attrition Year measure of the utility’s financial operations and
18 investment (that is, the utility’s Rate Base, Operations and Maintenance Ex-
19 pense, Depreciation Expense, and Taxes). Therefore, the selection of the test
20 year is quite important:

21 The selection of the timing of the test year may be the
22 most significant single factor in the rate-making process.
23 The more outdated the test year levels of operations, the
24 more critical is the need for significant restatement to
25 produce representative levels of future conditions.⁴
26

³ TAWC is a subsidiary of American Water Works Company, Inc. (“AWWC”).

⁴ *Accounting for Public Utilities*, Hahne and Aliff §7.03.

1 An "Attrition Year," also known as a forecast period, is the "finished product"
2 and is to be representative of the period for any rate adjustment. The Attri-
3 tion Year can also be viewed as the first year during which the TRA's rate or-
4 der will be applied.

5 In this docket, TAWC's filing used a test year ended March 2010 and
6 an attrition year ending December 2011. In an effort to eliminate outdated fi-
7 nancial information and to shorten the forecast window, the Consumer Ad-
8 vocate has adopted the test year ended September 2010 in its forecast for the
9 attrition year ending December 2011.

10
11 **Q. Has TAWC made an issue of the "Test Year"?**

12 **A.** Yes, the Company's direct testimony provides a section on "The Proper
13 Test-Year."⁵

14
15 **Q. Does the Consumer Advocate agree with TAWC's assertions?**

16 No. TAWC confuses updating financial information with the use of
17 multiple test periods. The issues between the parties should be the different
18 forecasted amounts within the attrition year. Consumer Advocate witness,
19 Hal Novak, will address the historical rate making practice of updating test
20 periods in Tennessee. The Consumer Advocate regularly updates the test
21 year for all the public utility rate filings in Tennessee. TAWC is the only
22 public utility in Tennessee to make an issue of the Consumer Advocate's
23 practice of updating test periods. The Consumer Advocate would also cite
24 the rebuttal testimony of Mr. David Foster in TRA Docket #05-00258 in
25 support of updating test periods. (Terry Buckner Exhibits) Mr. Foster testi-

⁵ TAWC Direct Testimony, M. Miller Pages 16-20.

1 fied that the TRA may use a historical test period, forecast test period, or a
2 combination of both in setting rates.

3
4 **Q.** Please explain how the TRA should calculate any adjustment in custom-
5 er rates to be applied during the attrition year.

6 **A.** Once the TRA arrives at the appropriate Revenue Requirement for the
7 attrition year (as described above), it must then determine whether a rate
8 adjustment is needed. If the Revenue Requirement is greater than the
9 amount of operating revenue forecasted for the attrition year at present cus-
10 tomer rates, then a rate increase is required. However, if the Revenue Re-
11 quirement is less than the amount of operation revenue forecasted for the at-
12 trition year at present customer rates, then a rate decrease is required.

13 In determining whether a rate increase or rate decrease is warranted,
14 the TRA should again consider the testimony of the parties' expert wit-
15 nesses. In addition to forecasting the Revenue Requirement for the attrition
16 year, these experts also forecast the amount of operating revenue that the
17 utility is expected to collect during the attrition year at the current customer
18 rates set forth in the utility's tariff.

19
20 **OPERATION AND MAINTENANCE EXPENSES**

21
22 **Q.** Please describe the components of O&M Expenses.

23 **A.** There are 17 O&M Expense categories subject to forecast in this dock-
24 et. The first category is forecasted O&M Labor. This category was projected
25 based on a payroll price-out.

26 In two categories, Fuel & Power and Chemicals, there is a direct cor-

1 relation between TAWC's forecasted revenues and the volume of water fil-
2 tration expenses accounted for in these two O&M Expense categories.
3 Thus, these two categories were projected based on the volume of water fil-
4 tration built into the revenue forecast.

5 For the categories of Management Fees, Pension Expense, Regulatory
6 Expense and Insurance Other than Group, the Consumer Advocate has fore-
7 casted these amounts based on TRA precedent and the history of O&M Ex-
8 penses for TAWC.

9 For the other eleven categories, the Consumer Advocate primarily
10 adopted the amounts per account for the twelve months ended September
11 30, 2010 and grew each amount by half of the customer growth of .89%⁶ plus
12 the annual GDP Chained Price Deflator growth rate of .76%.⁷ The combined
13 growth rate from September 2010 through December 31, 2011 is approximate-
14 ly 1.51%. This methodology is the standard procedure that the Consumer
15 Advocate uses to forecast non-salary and wage O&M Expenses in rate pro-
16 ceedings before the TRA. Due to the large number of differences between
17 the Consumer Advocate and TAWC in the amounts within O&M expense
18 categories, as well as the amounts within expense accounts within each cat-
19 egory, the Consumer Advocate will address only the significant net differ-
20 ences in its O&M expense forecast and the O&M expense forecast of
21 TAWC. The details of the forecast, however, are presented in the Consumer
22 Advocate's work papers, which are referenced in the following discussion of
23 each O&M category.

⁶ John Hughes work paper, R-CUSTOMER GROWTH, Index of work papers, page 97.

⁷ Terry Buckner work paper, E-GDP, Index of work papers, page 45.

1 Q. What are the significant differences between TAWC and the Consumer
2 Advocate in O&M Expenses for the forecasted attrition year?

3 A. Consumer Advocate work paper E-REC-1⁸ provides a reconciliation of
4 the differences in the calculation of O&M Expenses.

5 The significant differences in O&M Expense for the forecasted attri-
6 tion year are: (1) \$765,188 in lower labor costs; (2) \$100,370 in lower Fuel and
7 Power costs; (3) \$138,408 in lower Chemicals expense; (4) \$1,555,185 in low-
8 er Management Fees; (5) \$92,701 in lower Pension costs; (6) \$184,634 in
9 lower Regulatory Expense and (7) \$163,642 in lower Insurance Other than
10 Group. Accordingly, the Consumer Advocate's total O&M Expense forecast
11 is \$2,876,208 lower than TAWC's forecast.

12
13 Q. Please describe your forecast methodology for O&M Labor.

14 A. Total O&M Labor was primarily calculated using actual employee le-
15 vels, actual wage rates per employee, actual overtime hours as of September
16 2010, and prospective pay raises at January 1 of each year per TAWC's policy
17 for salary and non-union employees. The union employees receive an annual
18 pay raise at November 1 of each year per their contract.⁹ The O&M Labor
19 amount was derived from the calculated total salary and wage dollars minus
20 salary and wage dollars charged to capitalization, i.e., work on capital
21 projects. The capitalized salaries and wages were calculated using TAWC's
22 actual average capitalization rate for the twelve months ended December 31,
23 2008. The capitalization rate utilized by TAWC is not representative of the
24 plant additions to be incurred during the attrition year. TAWC opted to

⁸ Terry Buckner work paper, E-REC-1, Index of work papers, page 1.

⁹ TAWC response to TRA request #33, TN-TRA-Q033-ATTACHMENT, Page 8 of 31.

1 limit their capital additions in 2009 to the amount of internal financing, i.e.,
2 depreciation expense. The capitalized salaries and wages removed from the
3 total calculated salaries and wages forecast is accounted for in rate base. Fo-
4 recasting O&M salaries and wages through this price-out methodology is
5 the standard procedure that the Consumer Advocate uses to forecast salaries
6 and wages in rate proceedings before the TRA.

7
8 **Q. Please explain the differences in the calculation of O&M Labor.**

9 **A.** Consumer Advocate work paper E-PAY-6¹⁰ provides a reconciliation of
10 the differences in the calculation of O&M Labor. In summary, O&M Labor
11 as forecasted by TAWC for the attrition year is overstated by \$765,187.

12 The significant differences between TAWC and the Consumer Advo-
13 cate in the calculation of O&M Labor are attributable to the following:

14 (1) According to TAWC's testimony, the forecast of O&M Labor in-
15 cludes 110 employees for the attrition year;¹¹ TAWC adopted the overtime
16 hours and the capitalization rate of 15.83%¹² for the test period ended March
17 2010; TAWC's O&M Labor is \$5,680,299¹³.

18 (2) Consumer Advocate work papers E-PAY-1, E-PAY-2, and E-PAY-
19 3¹⁴ provide a price out of all employees for the attrition period. The Consum-
20 er Advocate adopted an employee level of 104. The Consumer Advocate used
21 the actual capitalization rate for the twelve months ended December 31, 2008
22 of 20.57% and the Consumer Advocate excluded 70% of TAWC's Annual In-

¹⁰ Terry Buckner work paper, E-PAY-6, Index of work papers, page 9.

¹¹ TAWC Direct Testimony, J. Watson, Page 21, Question 24, Line 15.

¹² TAWC Direct Testimony, S. Miller, Page 7, Line 6.

¹³ TAWC Exhibit No. 2, Schedule 3, Page 1 of 1, Line No. 1.

¹⁴ Terry Buckner work papers, Index of work papers, pages 2-4.

centive Plan (“AIP”).

Q. Why did the Consumer Advocate use current employee levels in its forecast rather than TAWC’s projection of future employee levels?

A. The Consumer Advocate primarily used current employee levels because TAWC has a known and measurable history of inflating its employment levels. Historically, TAWC does not achieve or maintain their forecasted employment levels. TAWC’s continued requests to set rates on an inflated employee level instead of a realized employee level should be denied.

In TRA Docket #03-00118, TAWC included in its forecast 119 employees.¹⁵ Subsequent to the TRA Order, TAWC cut the number of employees to 108 at the end of July 2003. The actual average employee level for the attrition year in TRA Docket #03-00118 was 113¹⁶ rather than the 119 TAWC had forecasted. As a result, the actual O&M Labor expense for TRA Docket #03-00118 was \$4,631,351¹⁷ instead of TAWC’s forecast of \$5,066,066¹⁸.

In TRA Docket #04-00288, TAWC included in its forecast 106¹⁹ employees for the attrition year ended December 2005. Yet, the average employee level for that period was only 99.²⁰ TAWC forecasted O&M Labor expense of \$4,383,883²¹ for the attrition year. Again, TAWC’s forecasted O&M Labor expense was significantly overstated for the TRA Docket #04-

¹⁵ TRA Docket #04-00288, Direct Testimony, M. Miller, Page 14, Lines 17-18.

¹⁶ Terry Buckner work paper, E-PAY-5, Index of work papers, page 8.

¹⁷ TRA Docket #04-00288, TAWC Exhibit No.2, Schedule 3, Page 1 of 1, Line 1.

¹⁸ TRA Docket #03-00118, S. Valentine Exhibit No. 2, Schedule 3, Page 1 of 1, Line 1.

¹⁹ TRA Docket #04-00288, Direct Testimony, M. Miller, Page 14, Lines 16-17.

²⁰ Terry Buckner work paper, E-PAY-5, Index of work papers, page 8.

1 00288 attrition year. The actual O&M Labor expense for the same period
2 was \$3,765,383²² rather than TAWC's forecast of \$4,383,883.

3 In TRA Docket #06-00290, TAWC contended that it would need 111
4 employee positions.²³ Yet, TAWC averaged only 108 employees. At one
5 point, TAWC stated in the proceeding it would have 110 employees by the
6 following Monday in April of 2007.²⁴ Yet, based on TAWC's response, that
7 employment level either did not occur or was quite brief. Consumer Advo-
8 cate work paper E-PAY-5²⁵ compares the actual employee levels of TAWC
9 with the forecasted employee levels by TAWC. A Consumer Advocate
10 chart²⁶ from this data demonstrates that TAWC has repeatedly maintained
11 employee levels below their forecasted employee levels included in their rate
12 filings before the TRA.

13 As previously mentioned, TAWC has included 110 employees in this
14 docket, which is an additional three new positions, according to TAWC's
15 testimony. The three new positions are: Finance Manager; Government Af-
16 fairs Specialist, and Non-Revenue Water Supervisor.²⁷ The Consumer Advo-
17 cate has excluded the salary of the Government Affairs Specialist. Ratepay-
18 ers should not be required to compensate for lobbying and political influence
19 activities, which are not necessary in the provision of water service. The In-
20 diana Utility Regulatory Commission found:

21 ²¹ TRA Docket #04-00288, Exhibit No. 2, Schedule 3, Line 1.

²² TRA Docket #06-00290, TAWC Rebuttal Exhibit MAM-15, Page 2 of 2.

²³ TRA Docket #06-00290, Rebuttal Testimony, J. Watson, Page 6.

²⁴ TRA Docket #06-00290, Transcript dated 4/18/07, afternoon session, Page 272, J. Watson.

²⁵ Terry Buckner work paper, E-PAY-5, Index of work papers, page 8.

²⁶ Terry Buckner work paper, Index of work papers, page 12.

²⁷ TAWC Direct Testimony, J. Watson, Question 18, Pages 17-18.

1 Based on the evidence presented, the Commission is not
2 convinced that government affairs is more or something
3 other than a lobbying group, and Indiana American has
4 not convinced the Commission that lobbying activities
5 are beneficial to the provision of utility service to its
6 customers.²⁸
7

8 The position of Finance Manager was eliminated in TRA Docket #04-
9 00288 as a part of TAWC's reorganization. In fact, TAWC paid \$93,659²⁹ in
10 severance pay to Mr. Dan Bailey, who was the business/finance manager at
11 TAWC. Yet, in this docket, TAWC petitions that the Finance Manager po-
12 sition be restored. Historically, TAWC has difficulty in finding the appro-
13 priate employee configuration for providing water service to its customers.

14 Further, the Consumer Advocate has learned of the retirements of
15 TAWC employees, Monty Bishop and Randall Taylor. The Consumer Advo-
16 cate has not included the salaries for these two positions in its payroll ex-
17 pense forecast. Ratepayers should not have to continue to pay for salaries
18 and wages for retirees.

19 Given the history of TAWC's employment representations and man-
20 agement practices, the Consumer Advocate recommends to the TRA that on-
21 ly known and measurable salaries and wages necessary for the provision of
22 water service be included in the attrition year. TAWC averaged 104 em-
23 ployees for the test year ended September 2010.

24 Therefore, the TRA should reject the O&M Labor Expense forecast of
25 TAWC and set rates on actual employee levels, not on speculative employ-
26 ment positions that never materialize. Indeed, the employment history clear-

²⁸ Re Indiana-American Water Company, Inc. Cause No. 43680, Order dated April 30, 2010, Page 68.

²⁹ TRA Docket #04-00288, TRA Data Request #9.

1 ly demonstrates that such speculative levels are not achieved and therefore
2 are not proper for rate making purposes. TAWC “can be subject to econom-
3 ic downturns and must hold the line on expenses and employee growth dur-
4 ing lean times.”³⁰ TAWC’s employment history also demonstrates that the
5 current employee level is sufficient for operation of the company. According
6 to the Affiliate Audit Report of TAWC, the company’s “success at meeting
7 service appointments has generally exceeded 99% in the last six years with
8 only two exceptions”.³¹
9

10 Q. Are there any other differences in O&M Labor that you wish to discuss?

11 A. Yes. The Consumer Advocate also has disallowed seventy percent, or
12 \$102,646 of O&M Labor for “incentive payroll.” The incentive payroll
13 known as AIP is based on two performance measures: (1) Financial; and (2)
14 Operational.³² Seventy percent of the AIP is based on the financial operating
15 results of TAWC.³³ Under the incentive plan, TAWC increases the compen-
16 sation to its employees for increasing TAWC’s regulated earnings. Because
17 there is no mechanism under the incentive plan for TAWC’s ratepayers to
18 share in these increased earnings, TAWC’s employees and shareholders will
19 reap all of the financial rewards of these higher earnings. Additionally, rate-
20 payers are the sole source of TAWC’s regulated earnings; therefore, the in-
21 centive plan is a circular one whose success is built into this very docket, re-
22 warding TAWC’s employees and shareholders for merely increasing water

³⁰ TRA Order #08-00039, dated January 13, 2009, Page 13.

³¹ Schumaker & Company Affiliated Audit Report dated August 2010, Page 121.

³² TAWC response to TRA Data Request #37 and 2010 Plan per Direct Testimony of Ralph C. Smith, Consumer Advocate Division, W. Va. Case No. 10-0920-W-42T, dated November 12, 2010, Page 35, Exhibit RCS-2.

³³ TAWC response to TRA-01-Q-037-ATTACHMENT, Page 7 of 36.

1 rates charged to ratepayers. This is illustrated by the following: If TAWC's
2 employees are successful in increasing the company's earnings, even to the
3 point of earning above the authorized rate of return set by the TRA, TAWC
4 will reward its employees for this effort through the AIP. In such a case, ra-
5 tepayers would not only be unreasonably burdened by the over-earnings, but
6 under TAWC's proposal, they also would have to pay an "over earnings sur-
7 charge" in the form of the AIP. The Consumer Advocate does not object if
8 the company wants to reward its employees for increasing its earnings from
9 regulated operations; however, the cost of these rewards should be charged
10 to those that benefit from the AIP — the company's shareholders — not the
11 ratepayers. For these reasons, there is no reasonable basis to charge this
12 portion of the cost of the incentive plan to ratepayers, as these plan benefits
13 will inure entirely to TAWC's employees and shareholders whereas the in-
14 centive plan's associated burdens will fall directly on ratepayers. In fact,
15 TAWC paid out financial rewards to its salary employees in 2009 following
16 the rate increase awarded to it in January 2009.

17 As a result, seventy percent of the incentive amount has been excluded
18 and should be borne solely by TAWC's shareholders. The Consumer Advo-
19 cate's treatment of incentive payroll is in accord with established TRA
20 precedent.³⁴ Of note, utility incentive plans have been recently limited or
21 disallowed in Louisiana, Kentucky, Idaho, Connecticut, Illinois and Oklaho-
22 ma.³⁵

³⁴ TRA Docket #06-00290, Order dated June 10, 2008, Page 24.

³⁵ *Entergy Louisiana, Inc., Ex Parte*, 2005 WL 372935 (May 25, 2005); *Commonwealth Edison Co. v. Illinois Commerce Commission*, 2009 WL 3048420 (September 17, 2009); *In re Public Service Co. of Oklahoma*, 270 P.U.R. 4th 205 (January 14, 2009); *In re United Water Idaho Inc.*, 2005 WL 3091674 (September 20, 2005); and *In re Kentucky-American Water Co.*, 2010 Case No. 2010-00036, December 14, 2010.

1 Q. What is the primary issue with Fuel and Power Expense?

2 A. The primary difference between TAWC and the Consumer Advocate
3 concerns the amount of Fuel and Power Expense for the loss of unaccounted
4 for and non-revenue water. The unaccounted for and non-revenue water loss
5 has continued to grow.³⁶ Consistent with the TRA's Order in Docket No. 08-
6 00039³⁷, the Consumer Advocate has capped the amount of unaccounted for
7 and non-revenue water loss to fifteen percent in its calculation of Fuel and
8 Power Expense. Also, the Consumer Advocate has incorporated the fuel cost
9 adjustment as of November 1, 2010.

10 Therefore, the Consumer Advocate recommends that \$2,410,868³⁸ be
11 adopted by the TRA to take into account known and measurable price in-
12 creases and capping the loss of unaccounted for and non-revenue water at
13 15% as established by the TRA.

14
15 Q. What is the primary issue with Chemicals Expense?

16 A. Again, the primary difference between TAWC and the Consumer Ad-
17 vocate concerns the amount of Chemicals Expense for the loss of unac-
18 counted for and non-revenue water. The unaccounted for and non-revenue
19 water loss has continued to grow.³⁹ Consistent with the TRA's Order in
20 Docket No. 08-00039⁴⁰, the Consumer Advocate has capped the amount of
21 unaccounted for and non-revenue water loss to fifteen percent in its calcula-
22 tion of Chemicals Expense. Additionally, the Consumer Advocate has incor-

³⁶ TAWC response TRA-01-Q013-FUEL AND POWER, Page 20 of 20.

³⁷ TRA Order dated January 13, 2009, Page 15.

³⁸ Terry Buckner work paper E-FP, Index of work papers, Page 14

³⁹ TAWC response TRA-01-Q013-FUEL AND POWER, Page 20 of 20.

⁴⁰ TRA Order dated January 13, 2009, Page 15.

1 porated the price adjustments as disclosed to the TRA.⁴¹

2 Therefore, the Consumer Advocate recommends that \$930,961⁴² be
3 adopted by the TRA to take into account known and measurable price in-
4 creases and capping the loss of unaccounted for and non-revenue water at
5 15% as established by the TRA.

6
7 **Q. What are Management Fees?**

8 A. Management Fees are the result of a service agreement between
9 American Water Works Service Company ("AWWSC") and TAWC in
10 effect as of January 1, 1989. AWWSC

11
12 is a service company that is designed to aid, assist, and
13 advise other subsidiaries, such as TAWC, in their
14 business operations by providing accounting,
15 administration, communications, corporate secretarial,
16 engineering, financial human resources, information
17 technology, operations, rates and revenue, risk
18 management, and water quality services.⁴³

19
20 Management Fees may be directly charged or allocated from AWWSC to
21 TAWC.

22
23 **Q. What is the history of the Management Fees issue for TAWC?**

24 A. Management Fees have been an issue in Tennessee for the last five
25 years.

26 In TRA Docket #04-00288, as a result of reorganization, TAWC
27 included a 22% increase of \$555,664 in Management Fees which brought the
28 total forecasted 2005 Management Fees to \$3,062,940. TAWC represented

⁴¹ TAWC response TRA-02-Q117-ATTACHMENT 3.

⁴² Terry Buckner work paper E-CHEM2, Index of work papers, Page 16.

⁴³ Schumaker & Company, Affiliate Audit Report, August 2010, Page 13.

1 that this increase would “enable the Company to operate more efficiently
2 and cost effectively while at the same time improving and enhancing the
3 service that the Company provides.”⁴⁴ Reorganization in this instance meant
4 the elimination of jobs in Chattanooga and the creation of jobs in other
5 AWWSC locations. However, TAWC has booked \$3,716,559 in 2005 and
6 \$4,376,059 in 2006 for Management Fees.⁴⁵

7 Subsequently, in TRA Docket #06-00290, TAWC forecasted
8 \$4,064,421 for the attrition year ended February 2008, a 33% increase over
9 the 2005 forecast amount. In support for this level of increase, TAWC
10 claimed that full time employees (“FTEs”) had been shifted to the Regional
11 Service Company.⁴⁶ Further, TAWC claimed that it was not appropriate to
12 use the 2005 forecasted amount because it was a settlement amount.⁴⁷ In
13 support of their forecasted Management Fees, TAWC filed a an exhibit using
14 a starting point of March 31, 2004 per TRA Docket #03-00118 to compare an
15 inflated fully loaded company labor to their forecasted management fees and
16 forecasted labor.⁴⁸ TAWC had management fees of \$4,734,432 for 2007⁴⁹
17 which results in a 56% increase over the forecasted December 2005 amount.
18 Despite the claims of TAWC, rates were set in TRA Docket #04-00288 for
19 the forecast period ending December 31, 2005 and a Management Fee amount
20 of approximately \$3 million. This Management Fee amount was not the
21 result of settlement, but was simply TAWC’s amount included in its filing.

22 In TRA Docket #08-00039, the Consumer Advocate based its forecast
23 of an appropriate Management Fees amount using the 2005 amount as a
24 starting point. The Consumer Advocate contended that TAWC’s level of

⁴⁴ TRA Docket #04-00288, Direct Testimony of M. Miller, Pages 14-15, Lines 15-16 and Lines 2-4.

⁴⁵ Schumaker & Company, Affiliate Audit Report, August 2010, Exhibit II-10, Page 25.

⁴⁶ TRA Docket #06-00290, Rebuttal Testimony, M. Miller, Page 53, lines 29-30.

⁴⁷ TRA Docket #06-00290, Rebuttal Testimony, M. Miller, Page 54, lines 7-10.

⁴⁸ TRA Docket #06-00290, Rebuttal Exhibit MAM-15, Page 1 of 2.

⁴⁹ Schumaker & Company, Affiliate Audit Report, August 2010, Exhibit II-10, Page 25.

1 Management Fees was simply not just and reasonable for the ratepayers.
2 While TAWC's other expenses continue to rise, there was no offset
3 anywhere in TAWC's forecast to account for the rise in Management Fees.
4 Therefore, contrary to TAWC's position, their forecasted Management Fees
5 did not provide a more cost efficient operation. Even TAWC concedes this.⁵⁰
6 Additionally, TAWC's management audit known as the Independent Cost
7 Assessment Report ("ICAR") concluded that the growth from 2005 to 2006
8 was "Above the average cost change"⁵¹ of the peer group. A 33% increase
9 without any offset is also unreasonable and out of step with TAWC's current
10 growth indicators such as inflation and customer growth.

11 As a result, in Docket #08-00039, the TRA found that the performed
12 management audit "did not adequately address the issue of prudence of the
13 management fees, and that the audit was not an independent audit as
14 ordered in TRA Docket No. 06-00290."⁵² Also, "a majority of the panel voted
15 to set the Management Fee attrition year expense amount at \$3,529,933."⁵³
16 Finally, the TRA,

17
18 ordered the Company to develop a Request for Proposal
19 ("RFP") for a comprehensive management audit by an
20 independent certified public accountant....Further, the
21 audit shall evaluate and attest to the charges allocated to
22 TAWC, including the efficiency of processes and/or
23 functions performed on behalf of TAWC, as well as the
24 accuracy and reasonableness of the allocation factors
25 utilized.⁵⁴
26

27 On September 10, 2010, an Affiliate Audit Report was filed by
28 Schumaker & Company in TRA Docket #09-00086.

⁵⁰ TRA Docket #06-00290, Rebuttal Testimony, M. Miller, Page 54, Lines 10-13.

⁵¹ TRA Docket #08-00039, TAWC Direct Testimony, J. Van Den Berg, Page 12.

⁵² TRA Docket #08-00039, Order dated January 13, 2009, page 20.

⁵³ TRA Docket #08-00039, Order dated January 13, 2009, page 21.

⁵⁴ TRA Docket #08-00039, Order dated January 13, 2009, page 22.

1 By TAWC's own admission, the forecasted 2011 Management Fees for
2 TAWC will be 46.55%⁵⁵ higher than their 2005 Management Fees amount.
3 A 2005 amount which was \$.7 million more than the original TAWC
4 forecasted amount in TRA Docket #04-00288.

5 Therefore, the forecasted Management Fees in this docket are more
6 than double the amount in 2004 for an annual increase of over 14% annually.
7 This annual growth rate exceeds any just and reasonable economic growth
8 measurement.

9
10 Q. In your previous answer, you referred to the Affiliate Audit Report filed
11 by Schumaker & Company in TRA Docket #09-00086. What is the
12 Consumer Advocate's general opinion of the Schumaker & Company
13 Report?

14 A. In the opinion of the Consumer Advocate, the Schumaker & Company
15 Report is somewhat limited in scope. However, the Consumer Advocate
16 would caution the TRA against issuing a clean bill of health for the amount
17 requested for Management Fees in this rate case as TAWC seems to imply.
18 My concerns with the Schumaker Report fall into two main categories: (1)
19 the correctness of the allocation method between AWWSC and TAWC; and
20 (2) the regulatory correctness of the total amount generated by AWWSC
21 before it is allocated. In summary, the Consumer Advocate is concerned
22 about how much is allocated and how that amount is allocated to Tennessee.

23
24 Q. What is the Consumer Advocate's concern with the use of the
25 Schumaker & Company Report to attempt to validate the allocation
26 method used by AWWSC?

27 A. As the Consumer Advocate will discuss in more detail later, the
28 Schumaker & Company Report notes that "cost allocation methodologies

⁵⁵ TAWC Direct Testimony, Mr. Mike Miller, Exhibit MAM-10, Page 1 of 1.

1 impacting TAWC are generally reasonable”, but then points out the method
2 used is a “simplification mechanism that is not necessarily based on cost-
3 causative factors.”⁵⁶ As discussed later, the TRA should not accept the overly
4 “simple” method proposed by TAWC, but should adopt a more “cost-
5 causative” approach it has used in other recent dockets involving Tennessee
6 utilities.

7
8 **Q. What is the Consumer Advocate’s concern with the use of the**
9 **Schumaker & Company Report to attempt to validate the total costs of**
10 **AWWSC that are allocated to TAWC?**

11 **A.** The Consumer Advocate believes that the TRA should not read too
12 much into the Schumaker & Company Report. Upon examining the
13 Schumaker & Company Report at Page 42, one will see that their analysis of
14 total costs is based on a review of various studies performed by TAWC
15 witness, Mr. Baryenbruch. Thus the real test for determining what is the
16 proper costs to be allocated will be determined in this case, where Mr.
17 Baryenbruch can be cross-examined, and are not from the Schumaker &
18 Company Report. The Consumer Advocate wants to make clear that it is
19 not finding fault with the Schumaker & Company Report on this point, but
20 simply making the TRA aware that the Schumaker & Company Report did
21 not have the scope to go into the various studies performed by Mr.
22 Baryenbruch in as much detail as can be done in this docket.

23 In addition to various studies by Mr. Baryenbruch, the Schumaker &
24 Company Report also referred to a “Service Company Cost Study” performed
25 by Deloitte and Touche in 2009. This study compared the cost of certain
26 services expected to be obtained by Illinois American Water Company
27 (“IAWC”) from AWWSC to the costs that would be incurred if such

⁵⁶ Schumaker & Company, Affiliate Audit Report, August 2010, Finding II-2, Page 40.

1 services were obtained in the open market.⁵⁷

2 However, the Illinois Commerce Commission, the regulatory body
3 that ordered the report, found that the report did not have the information as
4 requested and concluded as follows:

5
6 However, IAWC did not provide the information
7 specified above in this rate filing. With no basis for
8 comparison of the lower of cost or market for these
9 services, the Commission cannot adequately determine
10 whether the increases in management fees proposed in
11 this case by IAWC are just and reasonable. Thus the
12 Commission agrees with AG's position on this issue and
13 concludes that the Service Company Fees should be
14 capped at 5% over the amount approved in the 07-0507
15 Order.⁵⁸

16
17 Q. Has the Consumer Advocate reviewed the "Customer Based Cost
18 Allocation Analysis" submitted on behalf of TAWC?

19 A. Yes. The "Customer Based Cost Allocation Analysis"⁵⁹ was provided
20 by TAWC on December 28, 2010.

21
22 Q. Regarding the "Customer Based Cost Allocation Analysis" ("Analysis"),
23 what are the Consumer Advocate's conclusions?

24 A. The Schumaker & Company Report of TAWC dated August 2010 has
25 a finding that the cost allocation methodologies of AWWSC are not
26 necessarily based on cost causative factors.⁶⁰ The Analysis, however, does
27 not support the finding, instead it supports the concept of cost allocation
28 based on the number of customers as "a rational and reasonable way to

⁵⁷ Schumaker & Company, Affiliate Audit Report, August 2010, Page 44.

⁵⁸ Order dated April 13, 2010 Illinois Commerce Commission, Page 47, Docket No, 09319.

⁵⁹ TAWC response TN-CAPD-01-PART III-Q110-SUPPLEMENTAL ATTACHMENT.

⁶⁰ Schumaker & Company, Affiliate Audit Report, August 2010, Finding II-2, Page 40.

1 allocate.”⁶¹ The Analysis reasons that the number of customers is less
2 “volatile” than other cost allocation metrics. As a result, once the veneer is
3 removed, the Analysis ends up with over 70% of the costs subject to
4 allocation being allocated based on customers, i.e., business as usual.

5 The Consumer Advocate, however, believes that the weighting of cost
6 allocation based on customers is too heavy and does not fully follow cost
7 causative factors. Allocated costs from AWWSC are sometimes referred to
8 as indirect costs. Indirect costs and their allocation are explained as follows:

9
10indirect costs include costs such as administrative and
11 general costs, sometimes referred to as indirect overhead
12 costs, and cannot be identified with a particular service or
13 product. These indirect or “residual” costs which cannot
14 be specifically attributed to a product, service or affiliate
15 and for which there are no cost causative relationships,
16 are typically accumulated or “pooled” and then allocated
17 in the same ratio as all other costs are assigned or
18 allocated (using a general allocator based on total
19 company expenses). One method for allocating indirect
20 costs would be to spread such costs using a general
21 allocator based on how all operation and maintenance
22 (“O&M”) costs are assigned or allocated. Allocation of
23 indirect costs, which have no readily identifiable cost
24 causative relationships, on the basis of how all other costs
25 have been allocated on a cost causative basis is a proxy or
26 surrogate for allocating indirect costs on a cost causative
27 basis. Some companies allocate indirect costs using
28 multi-factor allocation formulas based on factor such as
29 labor costs, plant investment or revenues.⁶²

30
31 It is within this context, that the Consumer Advocate’s allocation

⁶¹ TAWC response TN-CAPD-01-PART III-Q110-SUPPLEMENTAL ATTACHMENT, Page 5.

⁶² COST ALLOCATION AND AFFILIATE TRANSACTIONS, A Survey and Analysis of State Cost Allocation issues and Transfer Pricing Policies, Robert L. Hahne, Bernard L. Uffelman, Michael Ambrosio, Kent Francois, June 1999, Pages 9-10.

1 methodology as described later is developed.

2 Therefore, the Analysis and its related costs should be dismissed by
3 the TRA and not borne by the ratepayers.

4
5 Q. What is the appropriate amount of Management Fees to be included for
6 setting rates in this docket?

7 A. The Consumer Advocate recommends a Management Fee attrition
8 year amount of \$3.671 million⁶³ in this docket. This amount is consistent
9 with the TRA's adopted methodology in Docket #08-00039.

10
11 Q. What amount of Management Fees is TAWC seeking in this docket?

12 A. TAWC is seeking \$5.226 million.⁶⁴ In support of their amount, the
13 Company has performed numerous mathematical gymnastics in an attempt
14 to show that the increased Management Fee increases resulting from
15 reorganization provided savings to the customers: (1) in TRA Docket #06-
16 00290, the savings were calculated to be \$(41,016)⁶⁵; (2) in TRA Docket #08-
17 00039, the savings were calculated to be \$25,902⁶⁶; and (3) in this docket, the
18 savings are \$1,229,864⁶⁷. The \$1.2 million amount was included in TAWC's
19 Tennessee State Court of Appeal in TRA Docket #08-00039. With each
20 numeric invention, the numbers and the assumptions used by the Company
21 in their fruit basket comparisons cast doubt as to their veracity.

22 Q. Is the amount of Management Fees sought by TAWC in this docket just

⁶³Terry Buckner work paper E-MANAGEMENT FEES SUMMARY, Index of work papers,
Page 18.

⁶⁴ Direct Testimony of M. Miller, Page 40, Line 6.

⁶⁵ TRA Docket #06-00290, TAWC Rebuttal Testimony, Exhibit MAM-15, column (7).
Page 1 of 2.

⁶⁶ TRA Docket #08-00039, TAWC Rebuttal Testimony, Exhibit MAM-10, column (7).
Page 1 of 2.

⁶⁷ TAWC Direct Testimony, M. Miller, Exhibit MAM-11, column (11), Page 1 of 2.

1 and reasonable for setting rates?

2 A. No.

3
4 Q. Please provide an overview of why the Management Fees amount as
5 proposed by TAWC is not just and reasonable for setting rates.

6 A. The reorganization of TAWC has been an expensive endeavor for its
7 customers. Total service company charges were \$98,876,416⁶⁸ in 2004, when
8 AWWSC had 1,204⁶⁹ employees. Of that amount, TAWC incurred
9 \$2,129,911. At the end of 2009, AWWSC's total charges were \$217,863,671⁷⁰
10 when AWWSC had 1,559⁷¹ employees (1,642 at August 2009)⁷². Of the total
11 AWWSC charges, TAWC incurred \$4,881,682.⁷³ This comparison alone
12 does not demonstrate efficiency or effectiveness. In fact, it is contrary to
13 what should occur with economies of scale and business synergy. In fact,
14 TAWC exhibit MAM-1, Page 1 of 2 reflects a simultaneous decline in
15 TAWC's earnings with the reorganization of American Water.

16 The TAWC Management Fee amount is not just and reasonable
17 because it includes costs unnecessary for the provision of water service,
18 which includes the following: (1) It over-allocates charges to TAWC
19 primarily based on non-cost causative factors; (2) It includes Annual
20 Incentive Plan ("AIP") compensation, which is primarily based on financial
21 goals; (3) It includes Stock Based Compensation Expense, also known as

⁶⁸ TAWC response TRA Docket #06-00290, TN-CAPD-01-PART II-Q018-ATTACHMENT, Page 1 of 18.

⁶⁹ TAWC response TN-CAPD-01-PART III-Q-35-SECOND SUPPLEMENTAL ATTACHMENT, Page 4 of 4.

⁷⁰ Schumaker & Company, Affiliate Audit Report, August 2010, Exhibit II-9, Page 24.

⁷¹ TAWC response TN-CAPD-01-PART III-Q-35-ATTACHMENT, Page 4 of 4.

⁷² Schumaker & Company, Affiliate Audit Report, August 2010, Page 19.

1 Long Term Incentive Plan (“LTIP”) compensation; (4) It includes Business
2 Development expense, which is devoted to non-regulated operations⁷⁴; (5) It
3 includes External Affairs expense, which is devoted to marketing,
4 advertising, lobbying, and political influence; (6) It includes non-recurring
5 accounting charges for changes in financial reporting to the IRS; (7) It
6 includes double counting and excessive growth for payroll increases; (8) It
7 does not comport with current economic conditions; and (9) It includes non-
8 normalized salaries. Consumer Advocate work paper E-TAWC MGMT
9 FEES SUMMARY documents the amounts for each correction.
10

11 **Q.** Please explain how it over-allocates costs to TAWC.

12 **A.** As previously mentioned, the Schumaker & Company affiliate audit
13 report of TAWC dated August 2010 has a finding that the cost allocation
14 methodologies of AWWSC are not necessarily based on cost causative
15 factors.⁷⁵ The Consumer Advocate agrees with the finding. Moreover, the
16 AWWSC method of allocating costs using the number of customers has
17 been described as a “relatively blunt” method of allocation.⁷⁶ Direct costs are
18 caused through installing facilities, operating and maintaining facilities, and
19 serving ratepayers. As a result, the Consumer Advocate believes an
20 allocation factor should be applied to indirect costs based on direct cost
21 causative factors through the use of equally weighted percentages of Plant in
22 Service, Direct Operations and Maintenance Expense and Number of

⁷³Schumaker & Company, Affiliate Audit Report, August 2010, Exhibit II-9, Page 24.

⁷⁴AWWSC Declaration of J. Young, PUC of California Docket #09-07-021, dated Oct. 7, 2009, Tier One Allocations, Page 10 of 15.

⁷⁵Schumaker & Company, Affiliate Audit Report, August 2010, Finding II-2, Page 40.

⁷⁶Overland Consulting, Regulatory Audit of California American Water Company, dated September 11, 2008, Page 2-18.

1 Customers. This is the same composite allocation methodology used by
2 Atmos Energy Corporation.⁷⁷ Also, this allocation methodology was applied
3 to Tennessee Wastewater Systems in TRA Docket #08-00202. Moreover,
4 Chattanooga Gas Company uses a composite allocation factor for many of
5 the services provided by its service company within Atlanta Gas Light. The
6 Consumer Advocate's cost causative allocation factor is 1.87% of the
7 regulated water companies⁷⁸, which is much lower than the 2.24% allocation
8 factor for TAWC's test period ending March 2010. When the Consumer
9 Advocate's regulated cost causative allocation factor is incorporated into the
10 total regulated and non-regulated costs of AWWSC at September 2010, the
11 resulting cost causative factor for TAWC is 1.76%.⁷⁹ The cost causative
12 allocation methodology is even more relevant given that TAWC's plant
13 additions could be deferred or delayed due to a lack of funding, i.e., if
14 Company management deems that other jurisdictions receive the funding for
15 plant additions over Tennessee, then those jurisdictions should pay its fair
16 share of Management Fees.

17 Using the Consumer Advocate's allocation cost causative factor
18 reduces TAWC's forecasted Management Fees by \$1,060,971.⁸⁰
19
20
21
22

23 Q. Please explain why the AIP amount is not just and reasonable.

⁷⁷ TRA Docket #08-00197, MFR #57.

⁷⁸ Terry Buckner work paper E-MANAGEMENT FEES ALLOCATION, Index of work papers, Page 20.

⁷⁹ Terry Buckner work paper E-TAWC MGMT FEES ALLOC, Index of work papers, Page 21.

⁸⁰ Terry Buckner work paper E-TAWC MGMT FEES ALLOC1, Index of work papers, page 23.

1 A. The AIP was revised in 2009 and 2010. Within each annual AIP, 70%⁸¹
2 of the compensation is based on financial metrics. The financial metrics are
3 Diluted Earnings Per Share and Operating Cash Flow. AWWSC charges
4 TAWC for AIP. Again, because there is no mechanism under the incentive
5 plan for TAWC's ratepayers to share in these increased earnings, TAWC's
6 employees and shareholders will reap all of the financial rewards of these
7 higher earnings. Additionally, ratepayers are the sole source of TAWC's re-
8 gulated earnings; therefore, the incentive plan is a circular one whose success
9 is built into this docket, rewarding TAWC's employees and shareholders for
10 merely increasing water rates charged to ratepayers. This is illustrated by
11 the following: If TAWC's employees are successful in increasing the compa-
12 ny's earnings, even to the point of earning above the authorized rate of return
13 set by the TRA, TAWC will reward its employees for this effort through the
14 AIP. In such a case, ratepayers would not only be unreasonably burdened by
15 the over-earnings, but under TAWC's proposal, they also would have to pay
16 an "over earnings surcharge" in the form of the AIP. The Consumer Advocate
17 does not object if the company wants to reward its employees for increasing
18 its earnings from regulated operations; however, the cost of these rewards
19 should be charged to those that benefit from the AIP — the company's
20 shareholders — not the ratepayers. For these reasons, there is no reasonable
21 basis to charge this portion of the cost of the incentive plan to ratepayers, as
22 these plan benefits will inure entirely to TAWC's employees and sharehold-
23 ers whereas the incentive plan's associated burdens will fall directly on rate-
24 payers. In fact, TAWC paid out financial rewards to its salary employees in
25 2009 following the rate increase awarded to it in January 2009.

⁸¹ 2009 and 2010 Annual Incentive Plan Highlight Brochure, Page 5.

1 Therefore, the Consumer Advocate believes a re-allocated \$142,610⁸²
2 from AIP should be removed from TAWC's Management Fees amount. The
3 Consumer Advocate's treatment of incentive payroll is in accord with estab-
4 lished TRA precedent.⁸³

5
6 **Q.** Please explain why the Stock Compensation Expense is not just and
7 reasonable.

8 **A.** Again, the Stock Compensation Expense is to provide executive or
9 director compensation based on the financial performance of American
10 Water's stock price. There is no just and reasonable basis to charge this type
11 of compensation to the ratepayers. Furthermore, Stock Compensation
12 Expense was excluded by the Kentucky Public Service Commission.⁸⁴

13 Therefore, the Consumer Advocate has removed a re-allocated
14 \$64,703⁸⁵ of Stock Compensation Expense from TAWC's Management Fees
15 amount.

16
17 **Q.** Please explain why the Business Development Expense is not just and
18 reasonable.

19 **A.** Business Development Expense is devoted primarily to non-regulated
20 operations and is not specifically disclosed in the original affiliate agreement
21 between TAWC and AWWSC. TAWC cited the Walden's Ridge revenues
22 as a result of Business Development Expense.⁸⁶ However, Walden's Ridge
23 was not included in regulated revenues until the TRA ordered TAWC to
24 treat Walden's Ridge revenues consistently with the Signal Mountain

⁸² Terry Buckner work paper, E-TAWC MGMT FEE AIP, Index of work papers, Page 25.

⁸³ TRA Docket #06-00290, Order dated June 20, 2008, Page 24.

⁸⁴ *In re Kentucky-American Water Co.*, 2010 Case No. 2010-00036, December 14, 2010, Page 33.

⁸⁵ Terry Buckner work paper, E-TAWC MGMT FEE STOCK, Index of work papers, Page 29.

⁸⁶ TAWC response to City of Chattanooga DR #69.

1 revenues⁸⁷, i.e., regulated revenues. Furthermore, Business Development
2 Expense was excluded by the Public Utilities Commission of the State of
3 California⁸⁸ and the Kentucky Public Service Commission.⁸⁹

4 Therefore, the Consumer Advocate has removed a re-allocated
5 \$79,034⁹⁰ of Business Development Expense from TAWC's Management
6 Fees amount.

7
8 Q. Please explain why the External Affairs Expense is not just and
9 reasonable.

10 A. External Affairs Expense includes marketing, advertising, and
11 government affairs. These activities are unnecessary in the provision of
12 water service. Regulators have traditionally removed costs incurred to
13 influence politicians or legislation. Also, marketing and advertising
14 involving brand and reputation building, image building, and support for
15 business development should not be included in the cost of service to
16 ratepayers, because the monopolistic character of a water company makes
17 these activities unnecessary.

18 Therefore, the Consumer Advocate has removed a re-allocated
19 \$138,802⁹¹ of External Affairs Expense from TAWC's Management Fees
20 amount.

21
22
23
24 Q. Please explain why non-recurring accounting expense is not just and
25 reasonable.

⁸⁷ TRA Docket #08-00039, Order dated January 13, 2009, Page 11.

⁸⁸ *In re California-American Water Co.*, Decision 09-07-021, July 9, 2009, Page 102.

⁸⁹ *In re Kentucky-American Water Co.*, 2010 Case No. 2010-00036, December 14, 2010,
Pages 39-41.

⁹⁰ Terry Buckner work paper, E-TAWC MGMT FEE BUS DEV, Index of work papers, Page 26.

⁹¹ Terry Buckner work paper, E-TAWC MGMT FEE EXT AFF, Index of work papers, Page 24.

1 A. TAWC incurred an allocation of \$27,978 in accounting expense due to
2 an accounting change filed with the Internal Revenue Service (“IRS”). This
3 amount is non-recurring and has not been properly normalized by TAWC.
4 The accounting change has been partially approved by the IRS and has been
5 incorporated in this docket.

6 Therefore, the Consumer Advocate has removed a non-recurring re-
7 allocated accounting expense amount of \$21,991⁹² from TAWC’s
8 Management Fees amount.

9
10 Q. Please explain why double counting and excessive growth of payroll
11 increases is not just and reasonable.

12 A. TAWC has increased their Management Fees amount for the test
13 period ending March 2010 by an annual 3% growth factor through the
14 attrition year. However, a portion of the payroll amount has already received
15 a 2.5% increase effective January 1, 2010.⁹³ It is not just and reasonable to add
16 a 3% increase on payroll for the test period ending March 2010, when the
17 Management Fee payroll has already received an increase effective January 1,
18 2010. Also, if a 2.5% increase is appropriate for 2010, then a 2.5% increase is
19 appropriate for the attrition year of 2011.

20 Therefore, the Consumer Advocate has removed a re-allocated
21 \$40,836⁹⁴ from TAWC’s Management Fees amount consistent with annual
22 payroll increase of 2.5% for years 2010 and 2011.

23
24 Q. Please explain how the growth rate for Management Fees does not
25 comport with current economic conditions.

⁹² TAWC response to Consumer Advocate Discovery Request #108.

⁹³ Direct Testimony of Britton P. Ellis, Virginia State Corporation Commission, Page 27, Q22,
Case No. PUE-2010-00001, dated September 24, 2010, E-TAWC MGMT FEE PAYROLL1.

⁹⁴ Terry Buckner work paper, E-TAWC MGMT FEE PAYROLL1, Index of work papers,
Page 30.

1 A. Again, TAWC has increased their test period ending March 2010 by an
2 annual 3% growth factor through the attrition year. However, the Consumer
3 Advocate believes that an annual growth factor of 1.65% from March 2010
4 through the attrition year is more appropriate and consistent with the TRA
5 Order in Docket No. 08-00039, given the current state of the economy.

6 Therefore, the Consumer Advocate has removed \$150,728⁹⁵ from
7 TAWC's Management Fees amount for the attrition year 2011.
8

9 Q. Please explain why non-normalized payroll is not just and reasonable.

10 A. AWWSC has fewer employees at September 2010 than December 31,
11 2009.⁹⁶ The functions of CSC and Finance have incurred the majority of the
12 reductions in employees. Severance pay has been appropriately excluded
13 from TAWC's Management Fee forecast, but not the payroll amount.

14 Therefore, the Consumer Advocate has removed a re-allocated
15 \$28,331⁹⁷ from TAWC's Management Fees amount for the attrition year 2011.
16

17 Q. Please summarize the net effect of the Consumer Advocate adjustments
18 to TAWC's forecasted Management Fees.

19 A. The net effect of the Consumer Advocate adjustments results in a
20 Management Fee forecasted amount of \$3,515,578⁹⁸, which is slightly lower
21 than the TRA methodology amount of \$3,670,849 adopted in TRA Docket
22 No. 08-00039 for the attrition year.
23

24 Q. Have Management Fees been an issue in other state jurisdictions?

25 A. Yes. Management Fees are known to have been an issue in California,

⁹⁵ Terry Buckner work paper, E-TAWC MGMT FEE GDP, Index of work papers, Page 27.

⁹⁶ TAWC response to Consumer Advocate DR #35.

⁹⁷ Terry Buckner work paper, E-TAWC MGMT FEE PAYROLL2, Index of work papers,
Page 31.

⁹⁸ Terry Buckner work paper, E-TAWC MGMT FEE SUMMARY, Index of work papers,
Page 22.

1 Illinois, New Jersey, Ohio, and West Virginia.

2 In California, California American Water Company (“Cal-Am”)
3 proposed an increase of 51% for AWWSC management fees, from \$5,532,550
4 authorized for 2006 to \$8,357,126 for test year 2009. In its Order dated July
5 10, 2009, the Public Utilities Commission of the State of California states the
6 following:

7
8 Confronted with “seemingly endless” increases in
9 administrative costs, the Commission has adopted the
10 rate of customer growth as a guideline for evaluating
11 proposed increases in Administrative and General Costs
12 such as those proposed by Cal-Am in its General Office
13 application. Although not an absolute cap, proposed
14 increases that exceed the rate of customer growth must
15 meet a “heavy burden” to demonstrate reasonableness.
16 Inflation is often added in as well, resulting in inflation
17 plus the rate of customer growth as the overall standard
18 beginning point for analysis of this type of proposed
19 increases.

20
21 In Illinois, the Illinois Commerce Commission ruled on April 13, 2010
22 that Illinois American Water Company’s (“IAWC”) Service Company Fees
23 (i.e. Management Fees) should be capped at 5% over the amount approved in
24 the 07-0507 Order. Also, the April 13, 2010 Order stated the following:

25
26 The Commission points out that it does question whether
27 IAWC is doing everything possible to be efficient in
28 controlling its management fees to avoid passing
29 unnecessary costs to ratepayers.

30
31
32 In New Jersey, as of the date of this testimony, a management audit is
33 awaiting completion.

1
2 In Ohio, the Public Utilities Commission of Ohio ruled on June 23,
3 2010 that of the \$4,060,453 in Management Fees sought by Ohio American
4 Water Company, amounts of \$962,568 and \$499,435 should be excluded for
5 setting rates. Moreover, the Staff of the Public Utilities Commission of Ohio
6 stated in their report dated November 27, 2009 the following:
7

8 Clearly the cost for support services, those services
9 provided at regional and/or corporate sites, enjoyed an
10 aggressive growth curve in relation to overall Ohio
11 American Water O&M costs.
12

13 In West Virginia, the Public Service Commission of West Virginia
14 ruled on March 25, 2009 that 50% of the 3% payroll increase in Management
15 Fees would be allowed. Also, the March 25, 2009 Order stated the following:
16

17 On March 28, 2008, the Company in *West Virginia American*
18 *Water Company*, Case No. 07-0998-W-42T (“2007 Rate
19 Case”), received a \$14.5 million dollar rate increase
20 pursuant to a settlement that all parties, including the
21 Company, agreed was fair and reasonable. The
22 Commission approved that settlement. On April 30,
23 2008, little more than a month after receiving the \$14.5
24 million in additional revenue, the Company filed a notice
25 of intent to file another rate case. On May 30, 2008,
26 barely two months after receiving approval of that \$14.5
27 million dollar rate increase settlement, the Company filed
28 this rate case seeking an additional \$14,755,000. It is that
29 rate increase that we are now called upon to decide.
30

31 One of the central arguments advanced by the Company
32 in this proceeding is that, because of the way the
33 Company is regulated (actually much the same as other
34 utilities are regulated), it is difficult for the Company to
35 meet revenue and rate of return expectations at the
parent company level and in the “real world” financial

1 community.

2 Something, however, is sorely missing in the Company's
3 testimony. That is the extent to which the Company
4 made diligent efforts to live within the total revenues that
5 resulted from the last rate case and to which the
6 Company freely agreed. The Company, at the time of
7 making its May 2008 filing had the impact of less than
8 two months of the \$14.5 million annual increment in
9 revenues approved in the 2007 Rate Case when it filed
10 this case.

11 It is difficult to believe that the Company, in generating
12 another rate case within 60 days of its last rate order, gave
13 meaningful contemplation and consideration to how it
14 might operate differently in order to achieve its
15 authorized rate of return or what efforts it might take to
16 produce a reasonable financial performance within a
17 budget that recognized the revenue limits of its last rate
18 case. It would have been commendable if the Company
19 had concluded that, while the 2008 settlement (the \$14.5
20 million) was not everything that it had asked for, it was a
21 reasonable settlement proposal that the Company had
22 supported and to which it had agreed. Such an attitude
23 should have led the Company management to plan for
24 ways to live within its income rather than to plan for an
25 immediate new rate increase request.

26 The Commission would like to have seen some
27 acknowledgement of the possible need for belt tightening;
28 some indication of possible deferral or reconsideration of
29 capital projects; some effort to operate in a more
30 conservative manner; some possible deferral of
31 acquisitions; or some expressed understanding and
32 concerns for the financial hardships facing its customers
33 that were beginning to become evident in early 2008.
34 These statements might have required the Company to
35 attempt to lower its public profile, but the Company
36 could also have expressed its concern that it must balance
37 its historic spending patterns and the interests of its
38 shareholders with the interests of its customers,
39 employees, and the State of West Virginia. The Company

1 could have acknowledged that its customers are having a
2 tough time with their expenses, including the rates of the
3 Company, and that the Company would be looking
4 closely at its budget and operations to see if, for at least
5 the next year or so, the (sic) it could live within the
6 revenues generated by the last rate proceeding. It,
7 instead, immediately filed another rate case.

8
9 Therefore, the concerns and the action of the TRA on this issue have
10 not been unwarranted. The Management Fees of AWWSC have been and
11 remain a concern across the regulatory landscape.

12
13 **Q. Regarding the current AWWSC/TAWC affiliate agreement, what does**
14 **the Consumer Advocate recommend?**

15 **A.** While TAWC contends that the services provided in the 1989
16 agreement are “materially the same services”, the Consumer Advocate agrees
17 with Finding II-4 of the Schumaker & Company affiliate audit report that
18 the current agreement is not sufficiently descriptive.

19 Therefore, the Consumer Advocate recommends that the TRA order
20 AWWSC and TAWC to initiate a new affiliate agreement outlining the
21 services to be provided, the basis for the services, the method of allocation,
22 and the current organizational structure.

23
24 **Q. Regarding the service company costs comparison with other utility**
25 **organizations, what are the comments of the Consumer Advocate?**

26 The Schumaker & Company affiliate audit report has an exhibit
27 comparing the 2008 service company operating expenses per customer with
28 other service company organizations.⁹⁹ Additionally, TAWC compares their
29 cost per customer to the cost per customer for service companies reporting

⁹⁹ Schumaker & Company, Affiliate Audit Report, August 2010, Exhibit IV-15, Page 112.

1 to the Federal Energy Regulatory Commission (“FERC”).¹⁰⁰

2 The Consumer Advocate, however, does not believe that TAWC’s
3 service company comparisons are particularly meaningful just because they
4 are easily accessible through FERC. For example, TAWC neglected to
5 include Atmos Energy’s (“Atmos”) service company costs to Tennessee,
6 which are about \$39¹⁰¹ per customer compared to \$59¹⁰² per customer for
7 TAWC. Furthermore, Atmos has approximately 3.2¹⁰³ million meters in
8 service at September 2010, which is equivalent to American Water’s total
9 customers. Atmos, however, is not required to identify its service company
10 costs with FERC.
11

12 **Q. What are the primary issues with Pension Expense?**

13 **A.** Secondly, the Consumer Advocate used the actual capitalization rate
14 for the twelve months ended December 31, 2008 of 20.57%, which is consis-
15 tent with the level of TAWC’s forecasted plant additions.

16 Therefore, the Consumer Advocate’s forecasted Pension Expense of
17 \$1,552,412 is just and reasonable.
18

19 **Q. Please explain the difference in the calculation of Regulatory Expense.**

20 **A.** Regulatory Expense includes the following items: (1) Cost of Service
21 studies; (2) Cost of Depreciation studies; and (3) Cost of Rate Case ex-
22 penses. In its calculation of Regulatory Expense for the attrition year, the
23 Consumer Advocate has included only the amortization of the cost of service
24 studies performed in TRA Docket #06-00290¹⁰⁴ at \$8,000 per year; and in

¹⁰⁰ TAWC Direct Testimony, P. Baryenbruch, Page 4 of 8, Lines 14 and 15.

¹⁰¹ TRA Docket #08-00197, MFR #43, March 2010 TRA 3.03 Surveillance Report.

¹⁰² TAWC Direct Testimony, P. Baryenbruch, Exhibit IV-Question 1. Page 9.

¹⁰³ Atmos Form 10-K for the fiscal year ended September 30, 2010, Page 10.

¹⁰⁴ TRA Docket #06-00290, Direct Testimony, S. Miller, Page 12, Lines 1-3.

1 TRA Docket #08-00039 at \$3,200¹⁰⁵ per year. The results of the cost of ser-
2 vice study performed in this docket should not be adopted by the TRA or its
3 related cost for setting rates. The cost of service study is discussed in Con-
4 sumer Advocate witness, Mr. Hal Novak's direct testimony. Additionally,
5 the Consumer Advocate has included the remaining amortization of the de-
6 preciation study in TRA Docket #08-00039 amounting to \$7,826¹⁰⁶. Finally,
7 the Consumer Advocate has included the amortization of rate case costs
8 sought by TAWC in TRA Docket #08-00039¹⁰⁷ at \$68,750; and one half of the
9 rate case costs sought at \$107,500¹⁰⁸ per year in this docket, which is consis-
10 tent with the TRA's Order in Docket No. 08-00039. The total of all the
11 amortization amounts to \$195,284 in Regulatory Expense for the attrition
12 year.

13 Yet, TAWC now seeks to set rates on Regulatory Expense amounting
14 to \$379,918¹⁰⁹ per year. TAWC has included \$65,579¹¹⁰ in rate case amortiza-
15 tion from TRA Docket No. 06-00290. The rates from that docket went into
16 effect in May 2007. TAWC proposed, and the TRA adopted, a three year
17 rate case amortization, which expired May 2010.¹¹¹ Much of the rate case
18 costs incurred by TAWC are for the protection of its shareholders' interests
19 and to the detriment of the ratepayers. TAWC recorded \$2,766,525¹¹² in

¹⁰⁵ TRA Docket #08-00039, Direct Testimony, M. Miller, Page 20, Lines 21-22.

¹⁰⁶ Terry Buckner work paper, RB-DEPR STUDY, Index of work papers, Page 94.

¹⁰⁷ Terry Buckner work paper, RB-DEFERRED RATE CASE EXPENSE, Index of work papers, Page 93.

¹⁰⁸ Ibid.

¹⁰⁹ TAWC Direct Testimony, M. Miller, Page 53, Line 21.

¹¹⁰ TAWC response TN-TRA-02-Q92d-ATTACHMENT, Page 11 of 28.

¹¹¹ TRA Docket #06-00290, Order dated June 20, 2008, Page 28.

¹¹² TAWC response TN-CAPD-01-PART III-Q70-ATTACHMENT, Page 1 of 1, Line No. 17.

1 Regulatory Expense for the attrition year in the last docket, most of which
2 was at the discretion of company management. TAWC should be more cir-
3 cumspect in their rate case expenditures because it is not indicative of a
4 soundly managed utility. Finally, the Consumer Advocate would echo the
5 following:

6 We recommend the Commission require CalAm to
7 organize rate filing and workpaper support in
8 hierarchical fashion, with summarized rate filing
9 information rolling up from more detailed work paper
10 support. Quantitative information in the work papers
11 should tie forward either to more summarized
12 workpapers, or to tables in the rate filing. All rate filing
13 schedules and workpapers should be referenced so that
14 the source data, and the workpapers that contain detail
15 tying forward to the schedules can be located. In other
16 words, the filing and workpapers should contain
17 referencing and cross-referencing and source
18 identification that is standard in utility regulatory filings
19 containing accounting data.¹¹³
20

21 The Consumer Advocate believes that a better documented rate filing
22 by TAWC would lessen discovery issues with all the parties and the TRA.

23 Therefore, the TRA should reject TAWC's Regulatory Expense
24 amount of \$379,918 as unduly unjust and unreasonable to ratepayers for set-
25 ting prospective rates, and adopt the Consumer Advocate's calculation of
26 \$195,284.
27

28 **Q. What are the primary issues with Insurance Other than Group Expense?**

29 **A. The first primary difference between TAWC and the Consumer Advo-**

¹¹³ Overland Consulting Regulatory Audit of California American Water Company, dated September 11, 2008, Page 1-9.

1 cate is the lack of recognition by TAWC in its forecast for retrospective cre-
2 dits for workman's compensation claims. Also, this is one of the categories,
3 which is significantly different due to the utilization of a test period by the
4 Consumer Advocate. TAWC's forecasted amount "is based on the Compa-
5 ny's 2010 actual insurance premiums and adjusted for inflationary increases
6 for the attrition year."¹¹⁴

7 Therefore, the Consumer Advocate recommends that \$322,262 be
8 adopted by the TRA to take into account known and measurable changes.
9

10 **Q. Please summarize the forecast differences in O&M expense.**

11 **A.** TAWC attributes 41%¹¹⁵ of their requested increase to O&M expense.
12 TAWC's forecasted O&M of \$23.6 million is 42%¹¹⁶ higher than their fore-
13 casted amount of \$16.7 million for the year ending 2005, which is a 7% annual
14 growth rate. TAWC claims that O&M expenses have "increased only 2.5%
15 per year on average"¹¹⁷ over the last eight years. However, the 2.5% per year
16 average is based on numerous exclusions.¹¹⁸ The cumulative GDP growth
17 rate over the same period is less than one third of TAWC's cumulative O&M
18 growth rate.

19 Moreover, the Ohio Staff of the Public Service Commission of Ohio
20 stated the following:

21 Staff concludes that Ohio American Water needs to
22 change its business model to better control costs and to
23 better reflect economic conditions in the market it
24

¹¹⁴ TAWC Direct Testimony, S. Miller, Page 13, Lines 12-14.

¹¹⁵ TAWC Direct Testimony, Exhibit MAM-2.

¹¹⁶ Terry Buckner work paper, E-REC-1, Line 20, Column (5), Index of work papers, Page 1.

¹¹⁷ TAWC Direct Testimony, J. Watson, Page 7, Lines 21-22.

¹¹⁸ TAWC Direct Testimony, Exhibit MAM-4, Page 2 of 2, Note 1.

1 serves....Staff believes that costs have reached a serious
2 point at Ohio American where major processes need to be
3 altered and institutional changes need to be
4 implemented....No longer can Ohio American afford to
5 absorb corporate costs at will.¹¹⁹
6

7 The Consumer Advocate has reached the same conclusions for TAWC.
8 As a result, the Consumer Advocate's forecast of O&M amounts to \$20.7
9 million, which is a 24% growth rate over the forecasted \$16.7 million for the
10 year ending 2005. This growth rate exceeds the cumulative GDP growth
11 rate.

12 Some of this increase is related to the forecasted volumetric usage,
13 which incurs more fuel & power and chemical costs. As previously men-
14 tioned, the Consumer Advocate capped these costs, which allowed the lost
15 and unaccounted for water percentage not to exceed 15%.

16 Therefore, since TAWC's actual O&M growth rate exceeds any just
17 and reasonable economic basis, the TRA should reject their O&M expense
18 forecast.
19

20 DEPRECIATION EXPENSE

21
22 Q. Please explain the calculation of Consumer Advocate Depreciation and
23 Amortization Expense.

24 A. TAWC has forecasted Depreciation and Amortization Expense of
25 \$4,877,687¹²⁰ for the attrition year. TAWC calculated Depreciation Expense
26 by applying the current depreciation rates times a 13 month average of de-

¹¹⁹ Ohio American Water Company, Case Number 09-391-WS-AIR, Pages 79-80.

¹²⁰ TAWC Exhibit No. 2, Schedule 4, Page 1 of 2, Line 13.

preciable property through the end of the attrition year. TAWC and the Consumer Advocate did not calculate depreciation expense on plant accounts having a book value of zero or less. Specifically, accounting for depreciation expense is “no more nor no less than the cost of the asset”¹²¹. Based on the depreciation rates approved in TRA Docket #08-00039, the Consumer Advocate calculated Depreciation and Amortization Expense of \$4,703,804¹²², which is \$173,883 less than the projected depreciation expense of TAWC. The Consumer Advocate applied the current depreciation rates to the actual September 30, 2010 plant in service balances and the net monthly plant additions and retirements¹²³ by month through December 31, 2011.

Therefore, the Consumer Advocate recommends that \$4,703,804 be adopted by the TRA for Depreciation and Amortization Expense.

TAXES OTHER THAN INCOME TAXES

Q. What are the significant differences from TAWC in Taxes Other Than Income for the forecasted attrition year?

A. The significant differences in Taxes Other Than Income for the attrition year are: (1) higher Gross Receipts Tax and State Franchise Tax in the Consumer Advocate forecast; and (2) lower TRA Fees, Property and Payroll Taxes in the Consumer Advocate forecast. The Consumer Advocate's Taxes Other Than Income amount is \$273,813 lower than TAWC's forecasted

¹²¹ *Public Utility Accounting: Theory and Application*, James E. Suelflow, Michigan State University Public Utilities Studies, P. 102.

¹²² Terry Buckner work paper, E-DEP, Index of work papers, Page 53.

123 TAWC response TRA DR #52 and Consumer Advocate DR #59.

1 amount.

2
3 Q. Please explain the Consumer Advocate's calculation of Gross Receipts
4 Tax and State Franchise Tax.

5 A. In August of each tax year, TAWC pays a tax to the State of Tennessee
6 on gross receipts for the tax year ending the following June 30, which is
7 based on the gross receipts from TAWC's prior year ending December 31.
8 Therefore, state gross receipts tax paid in August of 2010 will be based on
9 gross receipts for the fiscal year ending December 31, 2009. This tax will be
10 amortized from the period July 1, 2010 through June 30, 2011. The last half of
11 the attrition year was based on actual gross receipts for the twelve months
12 ending September 30, 2010. The Consumer Advocate's calculation of Gross
13 Receipts Tax is \$174,347 higher than TAWC's forecast and is predicated on a
14 zero State Excise Tax amount. The State Franchise and Excise Taxes are de-
15 ducted from the calculated Gross Receipts Tax using identical reporting pe-
16 riods. TAWC's 2009 State Franchise and Excise Tax return indicates an
17 \$8,179,643 Net Operating Loss ("NOL") from prior years.¹²⁴ The Company
18 utilized \$1,619,035 of the NOL. Therefore, there was zero State Excise Taxes
19 due in 2009. TAWC, however, deducted \$150,586¹²⁵ in estimated State
20 Excise Taxes from its Gross Receipts Tax calculation.

21 The State Franchise Tax was calculated using forecasted plant in ser-
22 vice and accumulated depreciation net of forecasted plant additions and re-
23 tirements. This forecasting method appropriately matches the Gross Re-
24 cepts Tax and State Franchise Tax years with the attrition period in this
25 docket. The Consumer Advocate's forecasted State Franchise Tax is \$13,565

¹²⁴ TAWC response TN-CAPD-01-PART III-Q-55-ATTACHMENT, Page 49 of 90.

1 higher than TAWC's forecasted amount.

2
3 **Q. Please explain the Consumer Advocate's calculation of Property Taxes.**

4 **A.** Consumer Advocate work paper T-OTAX1A provides the calculation
5 of property taxes. The Consumer Advocate adopted the 2010 gross assess-
6 ment for the attrition year 2011, even though Consumer Advocate work pa-
7 per T-OTAX1 shows that TAWC's gross assessment has declined over the
8 last two years. The current economic climate has contributed to the decline
9 in property values. While the appraisal of public utility property can use
10 two different approaches, the balance sheet approach and the income ap-
11 proach, it is largely a matter of judgment by the appraiser. Yet, the appraiser
12 should not ignore current economic conditions. Consequently, municipali-
13 ties must raise property tax rates to offset the decline in appraisal values of
14 public utility property. The City of Chattanooga is one such municipality
15 with this circumstance.

16 As a result, the Consumer Advocate took a ratio of 2009/2010 assess-
17 ments times the 2009 taxes paid for the Georgia jurisdictional property and a
18 ratio of 2009/2010 assessments times the current 2010 tax rates for Tennes-
19 see jurisdictional property.

20 TAWC, however, ignores the decline in assessments and uses the 2008
21 assessment amount times the new City of Chattanooga tax rate to forecast
22 its attrition year property tax amount.

23 Therefore, the Consumer Advocate property tax amount of \$2,572,725,
24 which is \$363,343 lower than TAWC's forecasted amount should be adopted
25 by the TRA.

¹²⁵ TAWC response TN-TRA-02-Q92f-ATTACHMENT, Page 7 of 9.

1
2 **Q. Please explain the Consumer Advocate's calculation of Payroll Taxes.**

3 A. Consumer Advocate work paper T-OTAX3 provides a comparative
4 summary of the differences in the calculation of Payroll Taxes.

5 The work paper indicates lower payroll taxes of \$52,369. In part, this
6 variance is due to the differing capitalization rates as previously alluded to in
7 the discussion of the O&M salaries and wages. The Consumer Advocate has
8 performed empirical calculations on forecasted Tennessee employees for the
9 test period ending September 2010, which averaged 104 employees. Howev-
10 er, TAWC has 110¹²⁶ employees for their payroll tax calculation.

11 Therefore, the payroll tax calculation for TAWC is too high because of
12 the differing employee levels, supporting documentation, and the capitaliza-
13 tion rates and should be rejected by the TRA.

14
15 **Q. Please compare the calculation of TRA Inspection Fee between the Con-**
16 **sumer Advocate and TAWC.**

17 A. Consumer Advocate work paper T-OTAX2 provides the Consumer
18 Advocate's calculation, which uses the revenues and uncollectible expense
19 for the twelve months ended September 30, 2010. In large part, the difference
20 in the two forecasted amounts is due to TAWC forecasting much higher rev-
21 enues for 2010.¹²⁷ TAWC's forecasted 2010 revenues are higher than their fo-
22 recasted attrition year revenues at present rates.

23 Therefore, the Consumer Advocate's TRA Inspection Fee amount
24 properly matches known and measurable revenues with the current TRA In-
25 spection Fee rates and should be adopted by the TRA.

¹²⁶ TAWC Direct Testimony of J. Watson, Page 21, Question 24, Line 15.

1
2 RATE BASE
3

4 Q. Please explain the difference in forecasted Plant in Service.

5 A. The Consumer Advocate forecasted plant in service by using actual
6 plant balances as of September 30, 2010. Forecasted plant additions and re-
7 tirements, which were provided by TAWC itself, were then added to actual
8 balances at September 30, 2010 to arrive at monthly plant in service amounts
9 through December 31, 2011. A thirteen month plant in service average was
10 calculated in the amount of \$225,457,700.¹²⁸

11 TAWC has forecasted \$226,384,490¹²⁹ for plant in service.

12 The Consumer Advocate's attrition year forecast of plant in service is
13 \$926,790¹³⁰ lower than the TAWC's forecasted amount due to the utilization
14 of a more recent test period balance.
15

16 Q. Please explain the difference in Construction Work in Progress
17 ("CWIP").

18 A. The Consumer Advocate forecasted CWIP using a thirteen month av-
19 erage based on the balance of \$5,889,966 at September 30, 2010 and fore-
20 casted capital spending and plant additions by TAWC.

21 As a result of using a later test period, the Consumer Advocate's attri-
22 tion year forecast of CWIP is \$1,520,103¹³¹ lower than the TAWC forecasted

¹²⁷ TAWC response TN-TRA-02-Q92f-ATTACHMENT, Page 6 of 9.

¹²⁸ Terry Buckner work papers, RB-PLANT, Index of work papers, Page 86.

¹²⁹ TAWC Exhibit No. 1, Schedule 2, Page 3 of 3, Line 62.

¹³⁰ Consumer Advocate Exhibit, Schedule 2, Line 1.

¹³¹ Consumer Advocate Exhibit, Schedule 2, Line 2.

1 amount.

2 **Q. Please explain the difference in Working Capital Requirement.**

3 A. TAWC has included the following items in their calculation of Work-
4 ing Capital Requirement: Prepaid Taxes; Materials & Supplies; Deferred
5 Regulatory Expenses; Unamortized Debt Expense; Other Deferred Debits;
6 Lead/Lag Study; and less Incidental Collections. TAWC used a thirteen
7 month average for the test year ended March 2010 to calculate Prepaid Taxes,
8 and Materials and Supplies for the attrition year ending December 2011. The
9 Consumer Advocate included thirteen month averages for each using the test
10 period ended September 2010.

11 Regarding the Deferred Regulatory Expenses, the Consumer Advocate
12 has forecasted \$310,734,¹³² while TAWC has forecasted \$630,897¹³³ for a dif-
13 ference of \$320,163. The difference is primarily due to the level of rate case
14 costs submitted by TAWC in a previous TRA docket, which were approved,
15 and the actual costs TAWC claims it incurred for the rate cases.

16 Again, the TRA should reject TAWC's Deferred Regulatory Expense
17 amount of \$630,897 as unduly unjust and unreasonable to ratepayers for set-
18 ting prospective rates. TAWC should not profit from the inclusion in rate
19 base of their excessive regulatory expenses.

20 TAWC performed a new Lead/Lag study for this case. The Consumer
21 Advocate believes that a payment lag for the current portions of state excise
22 tax and federal income tax should be calculated on the basis of the statutory
23 payment requirements of a calendar year's liability paid in four equal install-
24 ments on April 15, June 15, September 15, and December 15. On this basis, a

¹³² Terry Buckner work paper, RB-DEFERRED REGULATORY EXPENSE, Index
of work papers, page 92.

¹³³ TAWC response TRA-01-Q013-WORKING CAPITAL, Page 36 of 56.

lag of approximately 37 days is calculated.¹³⁴

Using the Consumer Advocate's forecasted revenue, expenses, and Lead/Lag changes, the Lead/Lag Study amount is \$758,675.¹³⁵ The Consumer Advocate did not thoroughly examine each and every Lead/Lag as offered by TAWC and its silence at this date should not be construed as agreement.

Therefore, the Consumer Advocate's forecasted Working Capital Requirement is \$132,701 lower than the forecasted TAWC amount.

Q. Please explain the difference in forecasted Accumulated Depreciation.

A. The Consumer Advocate forecasted Accumulated Depreciation by using actual balances as of September 30, 2010. Forecasted monthly depreciation expense and retirements were then added to actual balances at September 30, 2010 to arrive at monthly Accumulated Depreciation amounts through December 31, 2011. A thirteen month Accumulated Depreciation average was calculated for the attrition year Accumulated Depreciation in the amount of \$73,137,622,¹³⁶ which is \$559,578¹³⁷ greater than TAWC.

Q. Please explain the difference in Accumulated Deferred Income Tax.

A. The Consumer Advocate forecasted Accumulated Deferred Income Tax by using actual book balances as of September 30, 2010 and their projected balances through December 31, 2011. The incremental change for the attrition year resulted from the projected tax depreciation less the book de-

¹³⁴ *Accounting for Public Utilities*, Hahne & Aliff § 5.04[4], Page 5-25.

¹³⁵ Terry Buckner work paper, RB-CWC, Index of work papers, page 91.

¹³⁶ Terry Buckner work paper, RB-ACCUMULATED DEPRECIATION, Index of work papers, Page 101.

¹³⁷ Consumer Advocate Exhibit, Schedule 2, Line 8.

1 preciation times the statutory state and federal tax rates. Forecasted tempo-
2 rary differences were spread evenly from the starting point to the end of the
3 attrition year. A thirteen month average was then calculated for the attrition
4 year, which is consistent with the methodology used for all primary rate base
5 categories. In this docket, tax depreciation in excess of book depreciation is
6 the only component of Accumulated Deferred Income Taxes generating de-
7 ferred tax differences. As a result, the Consumer Advocate forecasts Accu-
8 mulated Deferred Income Tax in the amount of \$33,664,910,¹³⁸ which is
9 \$16,511,095¹³⁹ higher than the forecasted amount of TAWC.

10 TAWC has utilized a rather maverick approach to calculating its Ac-
11 cumulated Deferred Income Taxes. In this docket, their approach complete-
12 ly ignores the book balances for Accumulated Deferred Income Taxes and
13 has limited the temporary differences to accelerated depreciation on post
14 1980 assets. Apparently, their approach is some vague response to the lan-
15 guage within the TRA's Order in Docket #08-00039.¹⁴⁰

16
17 **Q. Did the Consumer Advocate include Statement of Financial Accounting**
18 **Standard ("SFAS") 109 assets and liabilities in its calculation of Accumu-**
19 **lated Deferred Taxes, and why?**

20 **A.** Yes. SFAS 109 was effective for fiscal years beginning after December
21 15, 1992.¹⁴¹ SFAS 109 superseded SFAS 96 and APB No. 11 adopting a balance
22 sheet approach for measuring deferred tax liabilities and assets using the
23 enacted tax rates. A deferred tax liability is recognized for "temporary differ-

¹³⁸ Terry Buckner work paper, RB-ADIT, Index of work papers, page 104.

¹³⁹ Consumer Advocate Exhibit, Schedule 2, Line 10.

¹⁴⁰ TRA Order dated January 13, 2009, TRA Docket #08-00039, Page 44.

¹⁴¹ AICPA, Accounting for Deferred Income Taxes: SFAS No. 109/FIN48, Page 1-21.

1 ences” that will result in taxable amounts in future years. The term “tempo-
2 rary differences” replaced the term “timing differences” used in APB 11. A de-
3 ferred tax asset is recognized for temporary differences that will result in de-
4 ductible amounts in future years and for carryforwards. SFAS 109 requires
5 financial statement disclosure of deferred tax liabilities and deferred tax as-
6 sets. In the 2008 audit report of TAWC’s external auditors, SFAS 109 finan-
7 cial statement disclosure is provided.¹⁴² However, in the 2009 audit report,
8 SFAS 109 financial statement disclosure is not provided.

9 The Consumer Advocate has included the net SFAS 109 assets and lia-
10 bilities in the rate base calculation because they represent a source of funds
11 that are cost free by the U. S. Treasury in support of rate base investment.
12

13 **Q. Did the Consumer Advocate include the FIN 48 amount in its calcula-**
14 **tion of Accumulated Deferred Taxes, and why?**

15 **A.** Yes. FIN 48 is an interpretation issued in June 2006 to clarify the ac-
16 counting for uncertain tax positions under SFAS 109. TAWC has set aside
17 an amount in compliance with FIN 48 due to their accounting change to ex-
18 pense small units of property formerly capitalized for tax purposes. The ac-
19 counting change was partially approved in October 2009 with the Company
20 receiving final approval in February 2010. “In addition, the change in tax ac-
21 counting method generated a net operating loss which the Company has
22 substantially monetized.”¹⁴³ At December 2009, the FIN amount was \$1.852
23 million.¹⁴⁴ SFAS 109 requires that interest and penalties must also be recog-
24 nized on FIN 48 amounts and must be recognized in the financial state-

¹⁴² TAWC response TRA-01-Q005-ATTACHMENT 2, page 20 of 25.

¹⁴³ TAWC response TRA-01-Q005-ATTACHMENT 3, page 20 of 26.

¹⁴⁴ Ibid.

1 ments. TAWC, however, has not accrued any interest or penalties related to
2 income tax matters such as FIN 48.¹⁴⁵ “Interest must be accrued on any
3 amount recorded as a liability under FIN 48 at the rates imposed by the rele-
4 vant taxing authorities on tax underpayments. In addition, where appropri-
5 ate, any applicable penalties must be accrued.”¹⁴⁶ The statute of limitations
6 on a portion of this amount will begin to expire in 2010.¹⁴⁷

7 While uncertainty remains about the final disposition of the FIN 48
8 amounts with the IRS, the Consumer Advocate recommends that the FIN 48
9 amount be included as a deduction from rate base. Conversely, TAWC has
10 excluded the FIN 48 amount for setting rates in this docket.

11 Given TAWC’s propensity for bi-annual rate filings, if a portion of the
12 FIN 48 amount reverses, then the TRA can take corrective action on the
13 amount in the next docket.

14
15 **Q. Please discuss SFAS 71 assets and liabilities.**

16 **A.** While the overall objective of SFAS 109 is to recognize the future tax
17 consequences of events that have been recognized between the financial
18 statements and tax returns, the SFAS 71 goal is to recognize the future in-
19 flows and outflows that result from the rate-making process for regulated
20 companies when compared to financial reporting. Temporary differences oc-
21 cur under SFAS 71, which create regulated assets and regulated liabilities.
22 For example, financial reporting for pension expense is subject to SFAS 87,
23 but in Tennessee pension expense is based on cash contributions to the
24 pension plan. Consequently, an amount is recorded for the temporary differ-

¹⁴⁵ TAWC response TRA-01-Q005-ATTACHMENT 3, page 21 of 26.

¹⁴⁶ KAWC, Case No. 2010-00036, Rebuttal testimony of Mr. James I Warren, page 34, Lines 2-4.

¹⁴⁷ TAWC response TRA-01-Q005-ATTACHMENT 3, Page 21 of 26.

1 ence between regulated accounting and financial accounting. The regulatory
2 assets and liabilities under SFAS 71 are typically not included in the calcula-
3 tion of rate base. In an attempt to capture all of the SFAS 109 regulatory as-
4 sets and liabilities in TRA Docket #08-00039, the Consumer Advocate mis-
5 takenly included SFAS 71 amounts in its calculation of rate base.

6 Additionally, TAWC,

7 has recorded a regulatory asset for the additional reve-
8 nues expected to be realized as the tax effects of tempo-
9 rary differences previously flowed through to customers
10 reverse. These temporary differences are primarily related
11 to the difference between book and tax depreciation on
12 property placed in service before the adoption by the
13 Commission of full normalization for rate-making pur-
14 poses. The regulatory asset for income taxes recoverable
15 through rates is net of the reduction expected in future
16 revenues as deferred taxes previously provided, attributa-
17 ble to the difference between state and federal income tax
18 rates under prior law and the current statutory rates, re-
19 versed over the average remaining lives of the related as-
20 sets.¹⁴⁸

21
22 It is this regulatory asset which TAWC has failed to demonstrate and docu-
23 ment when the tax effects of the temporary difference to customers has re-
24 versed over the lives of the related assets. Moreover, TAWC has failed to
25 show the Orders of the TRA or its predecessor the PSC authorizing the es-
26 tablishment of a regulatory asset.

27
28 **Q.** Please summarize the calculation of Rate Base amounts for the attrition
29 year.

30 **A.** With the recognition of TAWC's forecasting errors, the use of a more

¹⁴⁸ TAWC response TRA-01-Q005-ATTACHMENT 3, Page 17 of 26.

1 recent test period, and the inclusion of FIN 48 amounts, the forecasted net
2 rate base of the Consumer Advocate is \$18.9 million lower than the rate base
3 amount submitted by TAWC for the period ended December 31, 2011.

4
5 CONCLUSIONS REGARDING REVENUE REQUIREMENTS
6

7 Q. Please summarize the comparison of the forecasts of TAWC and Con-
8 sumer Advocate.

9 A. TAWC is asking the TRA for a 26% to 28% or \$9.984 million¹⁴⁹ in-
10 crease for most of their tariffed rates. According to TAWC, the primary rea-
11 sons for the increase are: (1) Increased Rate Base; (2) Increased Operation
12 and Maintenance Expenses; (3) Increased Cost of Capital and (4) Declining
13 growth in Revenues.¹⁵⁰ As previously discussed, the Consumer Advocate
14 forecast takes issue with TAWC's forecast of Revenues, Operation and
15 Maintenance Expenses, Rate Base, and TAWC's Cost of Capital (See Dr.
16 Chris Klein's direct testimony).

17 Therefore, the Consumer Advocate asks the TRA to adopt its forecast
18 and deny TAWC's forecast as unjust and unreasonable for the ratepayers.
19

20 Q. What is TAWC currently earning?

21 A. The September 2010 TRA 3.06 surveillance report for TAWC indicates
22 a 4.24%¹⁵¹ rate of return for the twelve months ended September 2010. For
23 TAWC's test period ending March 2010 in this docket, the March 2010 TRA
24 3.06 surveillance report for TAWC indicates a 4.29% rate of return. It is the

¹⁴⁹TAWC direct testimony, M. Miller, direct testimony, Page 2, Lines 12-13.

¹⁵⁰TAWC direct testimony, M. Miller direct testimony, Exhibit MAM-2.

1 Consumer Advocate's contention that TAWC's reported return is prospec-
2 tively understated due to non-recurring Operations and Maintenance Ex-
3 penses, understated Accumulated Deferred Taxes and excessive Manage-
4 ment Fees.

5
6 Q. What is the history of rate increases for TAWC?

7 A. In TRA Docket #03-00118, the 2003 rate filing of TAWC, the TRA au-
8 thorized a revenue increase of \$2,745,274. This increase resulted in an aver-
9 age rate increase of 9.48% for water service. In TRA Docket #04-00288, the
10 TRA authorized a .93% increase in tariffed rates amounting to \$297,005. In
11 TRA Docket #06-00290, the TRA authorized a revenue increase of
12 \$4,079,865¹⁵², which resulted in a 13% increase. In docket #08-00039,
13 TAWC requested an additional revenue increase of \$7,644,859, the TRA au-
14 thorized a revenue increase of \$1,655,541 or 4.37% for most customers.

15
16 Q. What about TAWC's inability to achieve the 10.20% Return on Equity
17 ("ROE") authorized by the TRA in Docket No. 08-00039?

18 A. TAWC wrongly blames the TRA for its inability to achieve the 10.20%
19 ROE as authorized by the TRA in Docket No. 08-00039.¹⁵³ TAWC com-
20 plains about the imposition of the double leverage capital structure, which is
21 a long-standing regulatory practice in Tennessee. Further, TAWC com-
22 plains about disallowing the cost to process a rate request when it incurs
23 \$2.7 million in regulatory cost for the attrition year ended August 2009. In
24 fact, if the TRA had granted the entire request of TAWC, TAWC would still

¹⁵¹ Page 2, Line 42.

¹⁵² TRA Docket #06-00290, Order dated June 10, 2008, Page 51.

¹⁵³ TAWC Direct Testimony, M. Miller, Pages 8 and 9.

1 not have achieved a 10.20% ROE for the attrition year. This fact is exacer-
2 bated when the delay and deferrals of plant additions during the attrition
3 year are considered. Moreover, only one American Water Company earned
4 an ROE above 10% in 2009.¹⁵⁴ The source of TAWC'S inability to achieve a
5 10.20% ROE is found in their mirror. A faulty cost of service structure is the
6 main source of TAWC's inability to achieve a just and reasonable rate of re-
7 turn. American Water concedes as much with their admission of "inefficien-
8 cies, workarounds, and rework" as a basis for their business transformation
9 initiative.¹⁵⁵ Ironically, American Water boasts to investors that its Earnings
10 Per Share ("EPS") growth has surpassed Water, Gas and Electric Peers.¹⁵⁶
11

12 **Q. Please summarize TAWC's petition for a rate increase in this docket.**

13 **A.** TAWC's petition for a rate increase would be onerous on Chattanooga-
14 gans; it would outstrip inflation and it is not supported by the faulty cost
15 structure of TAWC or the economic environment in which the company op-
16 erates. TAWC claims that its "customers are receiving water at a great val-
17 ue."

18 However, it is the Consumer Advocate's contention in this docket that
19 the customers should not have to pay more because recent history indicates
20 that TAWC is unable to operate within their own budgets. TAWC's current
21 earnings are not due to a lack of revenues, but are due to excessive and un-
22 warranted spending. Finally, continuance of large price increases in water
23 rates will stunt usage and revenue growth.¹⁵⁷

¹⁵⁴ TAWC response TN-CAPD-SUPPLEMENTAL-Q126-ATTACHMENT, Page 1 of 1.

¹⁵⁵ American Water 2009 Form 10-K, Page 33.

¹⁵⁶ Institutional Investor Meetings, August 2010, Page 6.

¹⁵⁷ American Water 2009 Form 10-K, Page 45.

1
2
3 Q. Did the Consumer Advocate review TRA Discovery Request #109 to
4 TAWC in this docket?

5 A. Yes. The request describes what is generally known as a “decoupling
6 mechanism” and then requests TAWC to state a position as to whether it
7 supports the implementation of such a mechanism. TAWC did not request
8 a decoupling mechanism in its petition.
9

10 Q. Did the TRA issue a similar discovery request to the Consumer
11 Advocate in this docket?

12 A. Yes. The Consumer Advocate stated its opposition to the
13 implementation of a decoupling mechanism.
14

15 Q. What is a decoupling mechanism?

16 A. A decoupling mechanism is a “tracker” or true-up mechanism, which
17 insures, in this docket, a water utility with a fixed level of revenues
18 regardless of customer’s volumetric water usage. At the end of a period,
19 revenue per customer would be trued-up with the actual revenues per
20 customer collected by TAWC during the period. Ratepayers would be
21 responsible for any short-fall in revenues due to economic or business
22 reason on a per customer basis.
23

24 Q. What are the Consumer Advocate’s concerns regarding the
25 implementation of a decoupling mechanism?

26 A. The Consumer Advocate has several concerns. Current rate base
27 regulation affords the utility an “opportunity” to earn a just and reasonable
28 rate of return. A decoupling mechanism “guarantees” a utility a fixed level of
29 revenue with ratepayers acting as an insurer for a substantial amount of

1 business risk. Revenues can fall for many economic reasons. By placing the
2 ratepayers of Chattanooga in the role of acting as an insurer of TAWC's
3 revenues, TAWC would be immune to all manner of economic risks that
4 formerly affected revenues. In my opinion, a decoupling mechanism can
5 further erode the incentive of a utility to control its operating costs.

6
7 **Q. Are decoupling mechanisms widespread among water utilities?**

8 **A.** No. California has recently implemented decoupling for water
9 utilities in concert with utility sponsored and ratepayer funded water
10 conservation programs. Obviously, California has a large population with
11 many different types of commerce and limited water resources.

12
13 **Q. What would be the effect of a decoupling mechanism on TAWC's**
14 **ratepayers?**

15 **A.** Ratepayers would be paying more for less volumetric usage. The
16 burden of any true-ups would apply equally to all ratepayers even though
17 some consumers are actively conserving water.

18
19 **Q. Does the Consumer Advocate believe that now is the appropriate time**
20 **to consider implementing a decoupling mechanism for TAWC?**

21 **A.** No. Shifting the burden of risk to ratepayers is not good public
22 policy, especially in light of the current economic conditions. This was
23 noted by the Connecticut Department of Public Utility Control in 2010 in
24 rejecting a decoupling mechanism for a water utility:

25
26 Quite simply, now is not the appropriate time for the
27 Company to propose implementing a revenue adjustment
28 mechanism such as the WCAM on the Company's
29 ratepayers, whom the Company has readily

acknowledged are facing difficult and uncertain times.¹⁵⁸

Q. What other options does the TRA have in considering the encouragement of water conservation in this docket?

A. The Consumer Advocate believes that the TRA should consider water conservation in the context of TAWC's level of unaccounted for water, which has not improved since the last rate case. Any gains ratepayers make in using less water is seemingly erased when the level of unaccounted for water increases. While the level of unaccounted for water increases for TAWC, Kentucky American Water Company's unaccounted for water loss averaged 13.51% for the three years ended December 2008 and the current water loss percentage is 11.8%.¹⁵⁹ The Kentucky Public Service Commission recognized this as a significant achievement and applauded Kentucky American's efforts.¹⁶⁰

RATE DESIGN

Q. Please discuss TAWC's proposed rate design.

A. TAWC state that the average water bill will change by the following percent increases and decreases for residential customers: Chattanooga, 28.16%; Lookout Mountain, 21.79%; Lakeview, 37.32%; Lone Oak, -9.20%; and Suck Creek, -12.41%.¹⁶¹

The Consumer Advocate proposes that any change in revenue requirements ordered by the TRA in this docket be spread uniformly to all cus-

¹⁵⁸ *Re: Connecticut Water Company*, Docket No. 09-12-11, Order of the Connecticut Department of Public Utility Control (July 13, 2010), 283 P.U.R. 4th 217, 2010 WL 2801007*76.

¹⁵⁹ *Kentucky American Water Company*, Case No. 2010-00036 Order dated December 14, 2010, Pages 34-35.

¹⁶⁰ *Ibid.*

¹⁶¹ TAWC response TN-TRA-01-Q023-ATTACHMENT.

tomer classes and all customer locations. This approach would assure that the benefits or burdens created by any rate adjustment in this case are shared proportionately by all customers. This rate design is a long-standing recommendation and could be described as a “default position” of the Consumer Advocate in rate cases such as this one.

Q. Does this conclude your testimony?

A. Yes.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 TENNESSEE - AMERICAN WATER COMPANY
 TRA DOCKET #10-00189
 INDEX OF WORK PAPERS - TERRY BUCKNER

LINE	WORK PAPER DESCRIPTION	WORK PAPER #	PAGE #
1	COMPARISON OF OPERATING EXPENSES	E-REC-1	P1
2	SALARY AND WAGES - UNION	E-PAY-1 confidential	P2
3	SALARY AND WAGES - NON-UNION	E-PAY-2 confidential	P3
4	SALARY AND WAGES - SALARY	E-PAY-3 confidential	P4
5	CAPITALIZED LABOR	E-PAY-4	P5-P6
6	HISTORICAL LABOR CAPITALIZATION RATE	E-PAY-4A	P7
7	HISTORIC EMPLOYEE LEVELS COMPARISON	E-PAY-5 confidential	P8
8	O&M LABOR	E-PAY-6	P9
9	EMPLOYEE LEVEL BY POSITION	E-PAY-7 confidential	P10
10	TEST PERIOD EMPLOYEE LEVEL	E-PAY-8 confidential	P11
11	EMPLOYEE LEVEL CHART	confidential	P12
12	PURCHASED WATER EXPENSE SUMMARY	E-PW	P13
13	FUEL & POWER	E-FP	P14
14	CHEMICALS	E-CHEM1	P15
15	CHEMICALS	E-CHEM2	P16
16	WASTE DISPOSAL EXPENSE SUMMARY	E-WASTE	P17
17	MANAGEMENT FEE SUMMARY	E-MGT. FEES SUMMARY	P18
18	MANAGEMENT FEES GROWTH	E-MGT. FEES GROWTH	P19
19	MANAGEMENT FEE ALLOCATION	E-MGT. FEES ALLOCATION	P20
20	TAWC MANAGEMENT FEE ALLOCATION	E-TAWC MGT. FEES ALLOC	P21
21	TAWC MANAGEMENT FEES SUMMARY	E-TAWC MGT. FEES SUMM	P22
22	TAWC MANAGEMENT FEES ALLOCATION	E-TAWC MGT. FEES ALLOC1	P23
23	EXTERNAL AFFAIRS ALLOCATION	E-TAWC MGT. FEES EXT AFF	P24
24	AIP ALLOCATION	E-TAWC MGT. FEES AIP	P25
25	BUSINESS DEVELOPMENT ALLOCATION	E-TAWC MGT. FEES BUS DEV	P26
26	GDP ALLOCATION	E-TAWC MGT. FEES GDP	P27
27	ACCOUNTING EXPENSE ALLOCATION	E-TAWC MGT. FEES ACC EXP	P28
28	STOCK COMPENSATION EXP ALLOCATION	E-TAWC MGT. FEES STK EXP	P29
29	NORMALIZED PAYROLL ALLOCATION	E-TAWC MGT. FEES PAY 1	P30
30	NORMALIZED PAYROLL ALLOCATION	E-TAWC MGT. FEES PAY 2	P31
31	SUMMARY OF TAWC ALLOCAT. ANALYSIS	E-TAWC COST ANALYSIS	P32
32	GROUP INSURANCE EXPENSE SUMMARY	E-GI	P33
33	GROUP INSURANCE SUMMARY	E-GIA	P34
34	PENSION EXPENSE SUMMARY	E-PENSION confidential	P35
35	REGULATORY EXPENSE SUMMARY	E-REG	P36
36	OTHER INSURANCE EXPENSE SUMMARY	E-OI	P37

**OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
TENNESSEE - AMERICAN WATER COMPANY
TRA DOCKET #10-00189
INDEX OF WORK PAPERS - TERRY BUCKNER**

LINE	WORK PAPER DESCRIPTION	WORK PAPER #	PAGE #
1	CUSTOMER ACCOUNTING EXP SUMMARY	E-CA	P38
2	UNCOLLECTIBLE EXPENSE SUMMARY	E-UNC	P39
3	RENT EXPENSE SUMMARY	E-RENT	P40
4	GENERAL OFFICE EXPENSE SUMMARY	E-GO	P41
5	MISCELLANEOUS EXPENSE SUMMARY	E-MISC	P42-P43
6	OTHER MAINTENANCE EXPENSE SUM	E-MAIN	P44
7	GDP CHAINED PRICE DEFLATOR	E-GDP	P45
8	GDP SOURCE INFORMATION		P46-P52
9	DEPRECIATION EXPENSE	E-DEPRECIATION	P53
10	TRA APPROVED DEPRECIATION RATES		P54
11	OTHER TAX EXPENSE SUMMARY	T-OTAX0	P55
12	PROPERTY TAXES	T-OTAXI	P56
13	PROPERTY TAXES	T-OTAX1A	P57
14	CURRENT PROPERTY TAX RATES		P58-74
15	TRA INSPECTION FEE	T-OTAX2	P75
16	PAYROLL TAX EXPENSE SUMMARY	T-OTAX3	P76
17	HOURLY PAYROLL TAXES	T-OTAX4	confidential P77-P80
18	NON-UNION PAYROLL TAXES	T-OTAX5	confidential P81
19	SALARY PAYROLL TAXES	T-OTAX6	confidential P82
20	MAXIMUM SOCIAL SECURITY EARNINGS		P83
21	GROSS RECEIPTS TAX	T-OTAX7	P84
22	FRANCHISE TAX	T-OTAX8	P85
23	PLANT IN SERVICE	RB-PLANT	P86
24	MONTHLY PLANT ADDITIONS	RB-ADD	P87
25	MONTHLY PLANT RETIREMENTS	RB-RET	P88
26	CONSTRUCTION WORK IN PROG ("CWIP")	RB-CWIP	P89
27	WORKING CAPITAL REQUIREMENT SUM	RB-WC REQUIREMENT	P90
28	LEAD/LAG STUDY	RB-CWC	P91
29	DEFERRED REGULATORY EXP SUMMARY	RB-DEF. REG. EXP	P92
30	DEFERRED RATE CASE EXPENSE SUMMARY	RB-DEF. RATE CASE EXP	P93
31	DEFERRED DEPRECIATION STUDY SUM	RB-DEPR. STUDY	P94
32	DEFERRED COST OF SERVICE STUDY SUM	RB-DEF. COST OF SER. STDY	P95
33	OTHER DEFERRED DEBITS SUMMARY	RB-OTHER DEF. DEBITS	P96
34	MATERIALS AND SUPPLIES	RB-M&S	P97
35	PREPAID TAXES SUMMARY	RB-PREPAID TAXES	P98
36	UNAMORTIZED DEBT EXPENSE SUMMARY	RB-UNAMORTIZED DEBT EXP	P99
37	INCIDENTAL COLLECTIONS SUMMARY	RB-INCIDENTAL COLL.	P100

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 TENNESSEE - AMERICAN WATER COMPANY
 TRA DOCKET #10-00189
 INDEX OF WORK PAPERS - TERRY BUCKNER

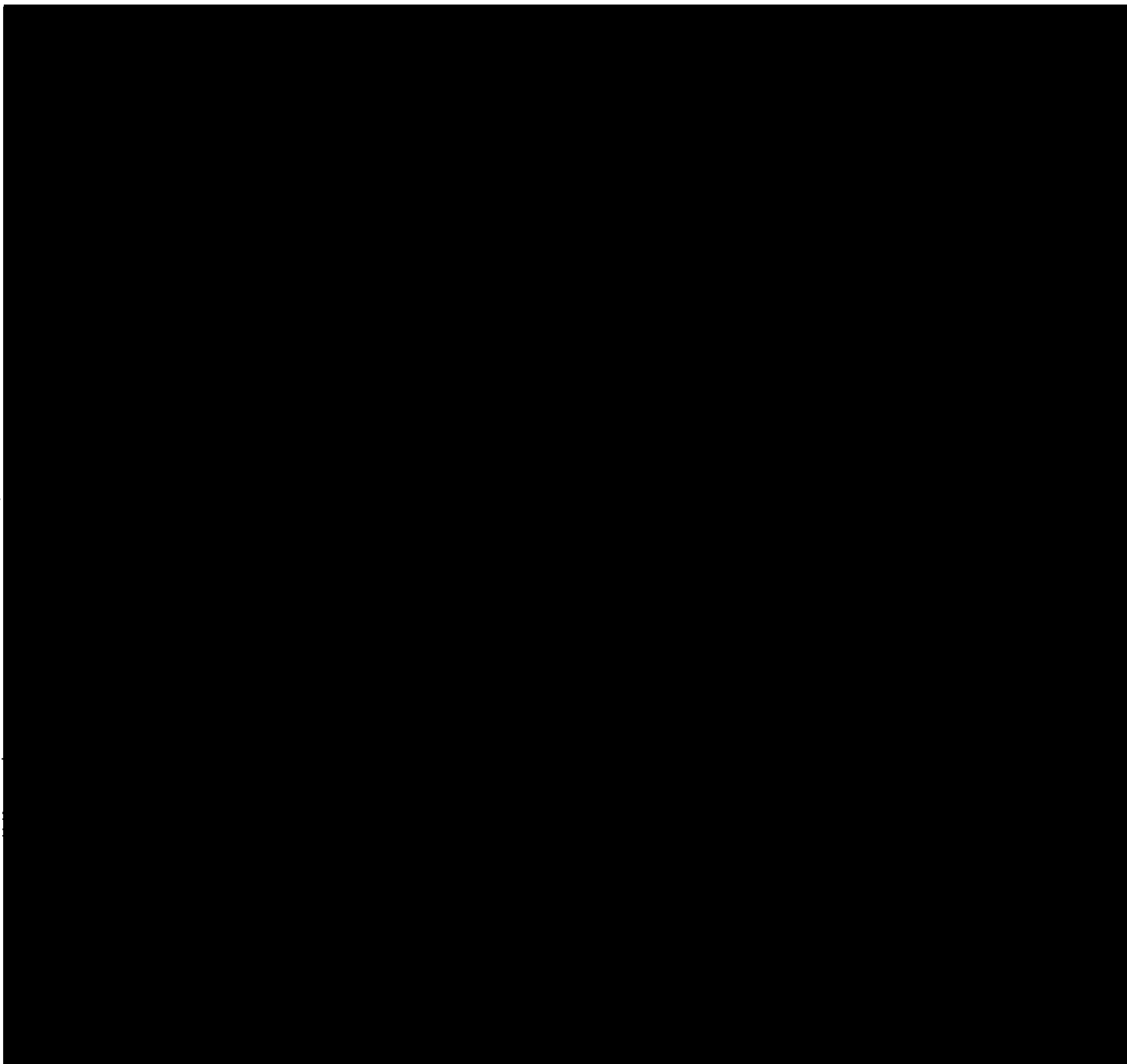
LINE	WORK PAPER DESCRIPTION	WORK PAPER #	PAGE #
1	ACC. DEPRECIATION SUMMARY	RB-ACC DEPRECIATION	P101
2	NET PLAN SUMMARY	RB-NET PLANT	P102
3	AMORTIZATION OF CAPITAL LEASE SUM	RB-AMORT CAPITAL LEASE	P103
4	ACC. DEFERRED INCOME TAX SUMMARY	RB-ADIT	P104
5	ACC. DEFERRED INCOME TAX GL DETAIL		P105
6	ACC. DEFERRED INCOME TAX SUMMARY	RB-ADIT1	P106
7	INVESTMENT TAX CREDIT SUMMARY	RB-ITC	P107
8	SUMMARY OF CUS. ADVANCES FOR CONST	RB-CAC	P108
9	CONT. IN AID OF CONSTRUCTION SUM	RB-CIAC	P109
10	UTILITY PLANT ACQ. ADJ.	RB-UPAA	P110

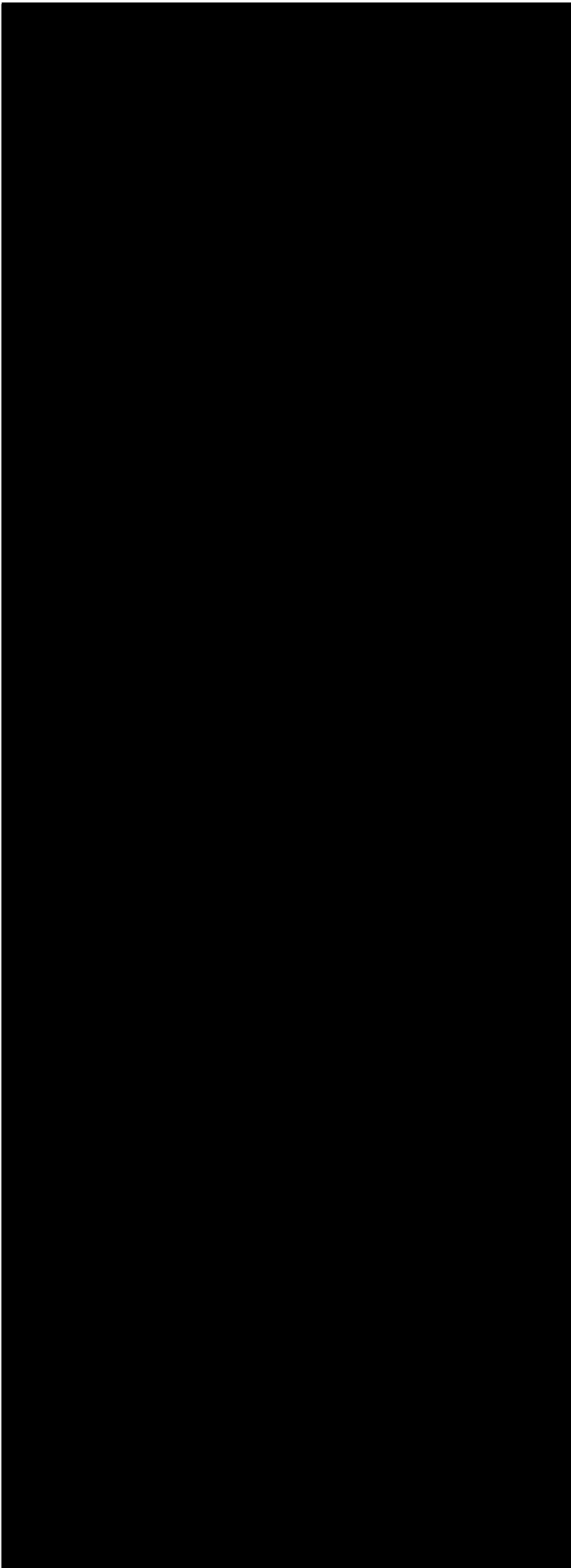
E-REC-1
01/04/11
12:28 PM

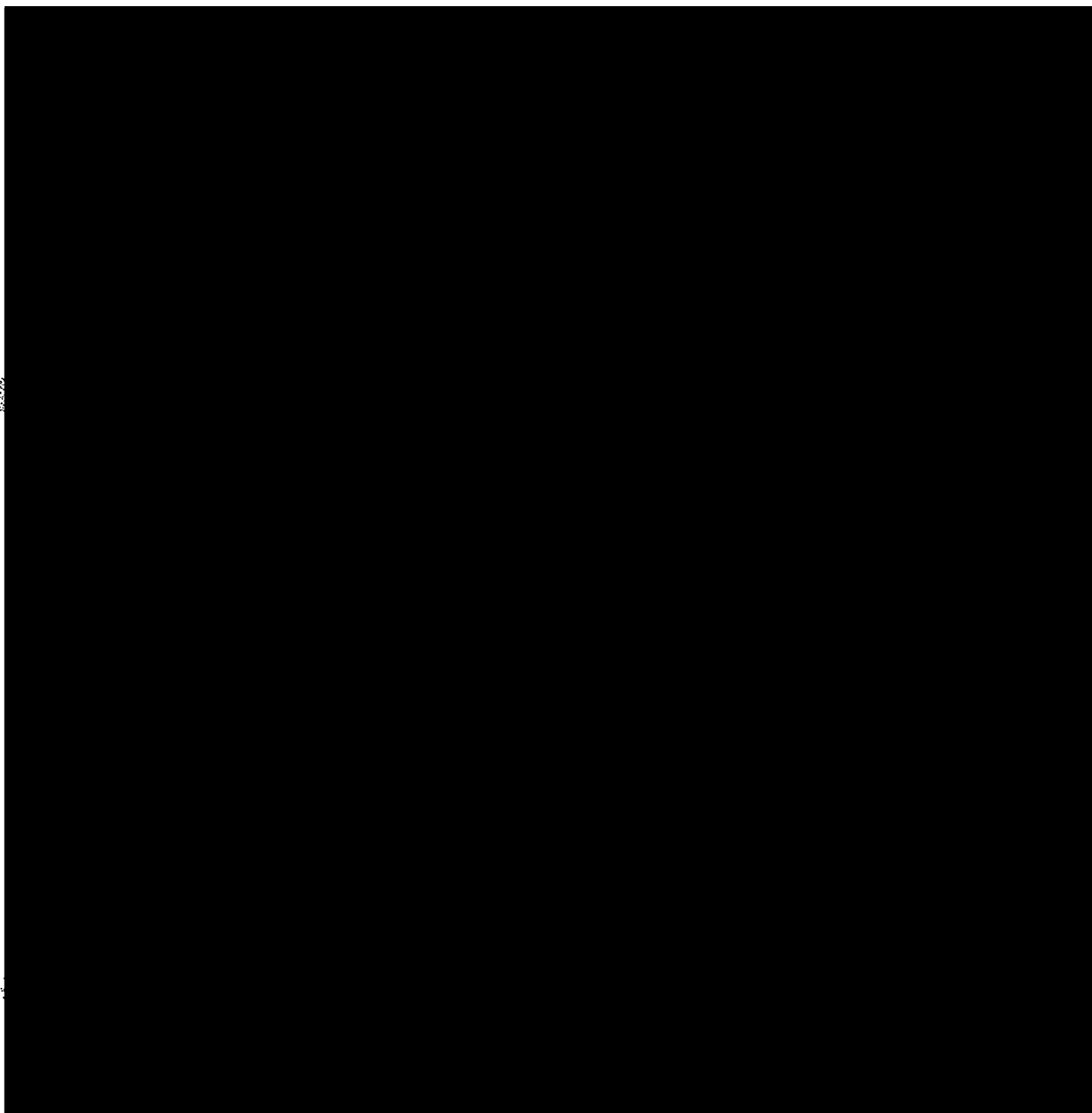
OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
OPERATING EXPENSE RECONCILIATION SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

Line #		A/ (1) TRA DOCKET #04-00288 12/31/06	A/ (2) TRA DOCKET #08-00290 6/30/06	A/ (3) TRA DOCKET #08-00039 11/30/2007	A/ (4) TRA DOCKET #08-00039 11/30/2007	A/ (5) TRA DOCKET #10-00189 11/30/2007	(6) EMPLOYEE POSITIONS	(7) 15% CAP ON UNACCOUNTED	(8) GROWTH	(9) TEST PERIOD	(10) INCENTIVE PAY PLAN	(11) CAP PERCENTS	(12) CAPD AMOUNT B/	(13) DIFFERENCE
1	O&M LABOR	\$ 4,383,863	\$ 4,001,878	\$ 4,541,460	\$ 5,058,957	\$ 5,680,299	\$ 430,231		\$ 3,413	\$ (159)	\$ 102,848	\$ 232,385	\$ 4,915,111	\$ 765,188
2	PURCHASED WATER	16,330	62,331	56,216	52,110	50,962							47,708	3,254
3	FUEL AND POWER	1,755,680	1,819,430	2,274,668	1,922,043	2,511,236		\$	281,343	(133,570)			2,410,868	100,370
4	CHEMICALS	881,861	933,913	1,075,171	1,559,222	1,059,389			108,641	152,292			930,961	138,408
5	WASTE DISPOSAL	133,438	143,948	161,721	179,088	187,386			10,857	14,191			172,338	25,048
6	MANAGEMENT FEES	3,082,940	4,006,278	4,789,601	4,335,190	5,226,034			1,637,587	(82,402)			3,870,849	1,555,185
7	GROUP INSURANCE	1,386,004	1,543,022	1,586,405	1,714,550	2,034,757			(194,077)	62,438			2,166,398	(131,639)
8	PENSIONS	892,790	899,154	726,428	1,161,108	1,846,113			-	-			1,552,412	92,701
9	REGULATORY EXPENSE	58,000	292,055	508,128	543,384	379,918			184,834	-			195,284	184,834
10	INSURANCE OTHER THAN GROUP	657,000	530,011	558,855	583,492	485,904			77,437	85,205			322,262	163,842
11	CUSTOMER ACCOUNTING	572,893	585,286	704,362	738,848	857,278			5,111	10,780			841,387	15,881
12	UNCOLLECTIBLE EXPENSE	289,530	616,171	417,277	417,758	198,122			(52,168)	-			250,290	(52,168)
13	RENTS	38,288	38,043	30,037	11,338	6,706			-	270			8,436	270
14	GENERAL OFFICE EXPENSE	183,122	575,179	244,966	245,926	217,533			8,982	(7,809)			218,460	(517)
15	MISCELLANEOUS EXPENSE	1,661,970	1,798,639	1,631,046	2,018,823	2,005,575			67,197	(17,647)			1,956,125	49,550
16	OTHER MAINTENANCE EXPENSE	748,632	1,110,481	1,211,804	936,345	1,110,317			50,875	(84,283)			1,143,925	(33,608)
17	AFUDC	(28,791)	(183,631)	(110,499)	(463,690)	(204,000)							(204,000)	
18	TOTAL	\$ 18,690,588	\$ 18,552,210	\$ 20,820,447	\$ 21,014,315	\$ 23,475,011	\$ 430,231	\$ 339,984	\$ 1,627,654	\$ 806	\$ 102,848	\$ 325,086	\$ 20,598,802	2,876,209
19	PERCENT CHANGE		11.22%	24.82%	0.93%	11.71%							23.49%	
20	CUMULATIVE CHANGE EXCLUDING AFUDC		12.19%	25.26%	28.54%	41.71%							24.50%	

A/ Company Exhibit No 2, Schedule 3, Page 1 of 1 plus amounts per TRA data request #1, dated 7/29/06.
B/ Terry Buckner work papers.







OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PAYROLL CAPITALIZATION RATE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-PAY-4

<u>MONTH</u>	<u>YEAR</u>		<u>PERCENT TO TOTAL</u>	<u>ROLLING 12 MONTH AVERAGE</u>	<u>12 MONTH AVERAGE JAN-DEC</u>
JAN	2003	A/	14.33%	-	
FEB		A/	14.31%	-	
MAR		A/	15.05%	-	
APR		A/	15.65%	-	
MAY		A/	15.89%	-	
JUN		A/	16.23%	-	
JUL		A/	16.39%	-	
AUG		A/	16.71%	-	
SEP		A/	16.78%	-	
OCT		A/	17.12%	-	
NOV		A/	17.93%	-	
DEC		A/	18.22%	16.22%	16.22%
JAN	2004	A/	18.00%	16.52%	
FEB		A/	19.08%	16.92%	
MAR		A/	20.37%	17.36%	
APR		A/	20.83%	17.80%	
MAY		A/	20.75%	18.20%	
JUN		A/	20.97%	18.60%	
JUL		A/	20.83%	18.97%	
AUG		A/	20.87%	19.31%	
SEP		A/	20.99%	19.66%	
OCT		A/	21.19%	20.00%	
NOV		A/	20.93%	20.25%	
DEC		A/	20.80%	20.47%	20.47%
JAN	2005	A/	18.32%	20.49%	
FEB		A/	19.33%	20.52%	
MAR		A/	19.61%	20.45%	
APR		A/	19.62%	20.35%	
MAY		A/	19.72%	20.27%	
JUN		A/	19.31%	20.13%	
JUL		A/	19.20%	19.99%	
AUG		A/	22.13%	20.10%	
SEP		A/	19.19%	19.95%	
OCT		A/	19.16%	19.78%	
NOV		A/	19.59%	19.67%	
DEC		A/	19.68%	19.57%	19.57%
JAN	2006	A/	16.03%	19.38%	
FEB		A/	18.36%	19.30%	
MAR		A/	19.81%	19.32%	
APR		A/	21.05%	19.44%	
MAY		A/	21.76%	19.61%	
JUN		A/	21.84%	19.82%	
JUL		A/	21.61%	20.02%	
AUG		A/	21.92%	20.00%	
SEP		A/	21.96%	20.23%	
OCT		A/	21.74%	20.45%	
NOV		A/	21.68%	20.62%	
DEC		A/	21.46%	20.77%	20.77%

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PAYROLL CAPITALIZATION RATE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-PAY-4

MONTH	YEAR		PERCENT TO TOTAL	ROLLING 12 MONTH AVERAGE	12 MONTH AVERAGE JAN-DEC
JAN	2007	A/	18.20%	20.95%	
FEB		A/	18.53%	20.96%	
MAR		A/	20.18%	20.99%	
APR		A/	20.35%	20.94%	
MAY		A/	20.73%	20.85%	
JUN		A/	20.61%	20.75%	
JUL		A/	20.44%	20.65%	
AUG		A/	20.46%	20.53%	
SEP		A/	20.42%	20.40%	
OCT		A/	20.40%	20.29%	
NOV		A/	20.56%	20.20%	
DEC		B/	20.42%	20.11%	20.11%
JAN	2008	B/	20.71%	20.32%	
FEB		B/	20.96%	20.52%	
MAR		B/	21.15%	20.60%	
APR		A/	21.70%	20.71%	
MAY		A/	21.52%	20.78%	
JUN		A/	21.44%	20.85%	
JUL		A/	21.17%	20.91%	
AUG		A/	20.63%	20.92%	
SEP		A/	20.12%	20.90%	
OCT		A/	19.60%	20.83%	
NOV		A/	19.23%	20.72%	
DEC		A/	18.62%	20.57%	20.57%
JAN	2009	A/	13.59%	19.98%	
FEB		A/	15.46%	19.52%	
MAR		A/	16.11%	19.10%	
APR		A/	16.47%	18.66%	
MAY		A/	16.86%	18.28%	
JUN		A/	16.78%	17.89%	
JUL		A/	16.76%	17.52%	
AUG		A/	16.93%	17.21%	
SEP		A/	17.04%	16.95%	
OCT		C/	16.33%	16.68%	
NOV		C/	17.35%	16.53%	
DEC		C/	14.89%	16.21%	16.21%
JAN	2010	C/	13.29%	16.19%	
FEB		C/	14.87%	16.14%	
MAR		C/	13.61%	15.93%	
APR		C/	16.98%	15.97%	
MAY		C/	16.62%	15.95%	
JUN		C/	14.59%	15.77%	
JUL		C/	16.74%	15.77%	
AUG		C/	20.93%	16.10%	
SEP		C/	19.01%	16.27%	16.27%

A/ TAWC Responses to TRA First Set of Data Requests, #31 (Various Dockets).
 B/ TAWC Response to CAPD First Set of Data Requests, Part IV, #15.
 C/ TAWC Response to Consumer Advocate First Set of Data Requests, #24.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

PAYROLL CAPITALIZATION RATE SUMMARY

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

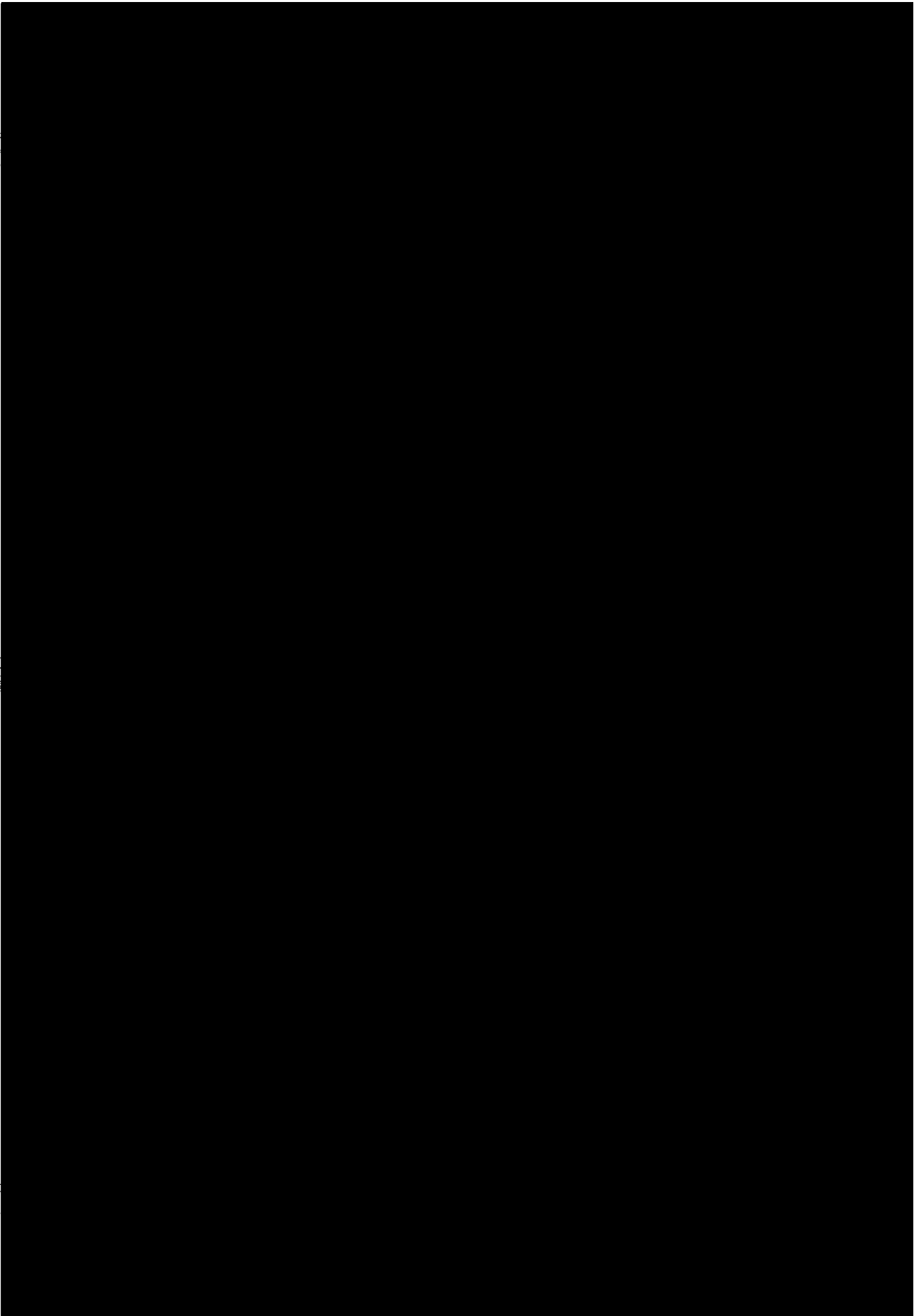
E-PAY-4A

Year	(000s) A/ Plant Additions	B/ Capitalization Rate
2003	6,575	16.22%
2004	8,227	20.47%
2005	14,999	19.57%
2006	14,503	20.77%
2007	11,322	20.11%
2008	8,979	20.57%
2009	5,031	16.21%
2011	13,151 C/	20.57%

A/ Source: Audited Annual Cash Flow statements.

B/ Terry Buckner work paper E-PAY4.

C/ TAWC response TN-CAPD-01PART III-Q063-ATTACHMENT 3.



OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PAYROLL EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-PAY-6

	CONSUMER ADVOCATE PAYROLL		TENNESSEE AMERICAN PAYROLL	F/	DIFFERENCE
UNION EMPLOYEES	4,201,705	A/	4,362,988		(161,283)
SHIFT DIFFERENTIAL PAY	3,057	G/	2,981		76
NON-UNION HOURLY EMPLOYEES	182,447	B/	0		182,447
SALARIED EMPLOYEES	1,758,777	C/	2,208,172		(451,395)
INCENTIVE PAY	43,992	D/	146,640		(102,648)
TOTAL	6,187,978		6,720,781		(532,803)
CAPITALIZATION %	20.57%	E/	15.48156%		5.09%
CAPITALIZED PORTION	1,272,867		1,040,482		232,385
EXPENSED PORTION	4,915,111		5,680,299		(765,187)
AMOUNT PER EXHIBITS	4,915,111		5,680,299		(765,187)

Terry Buckner work paper E-PAY-1.

Terry Buckner work paper E-PAY-2.

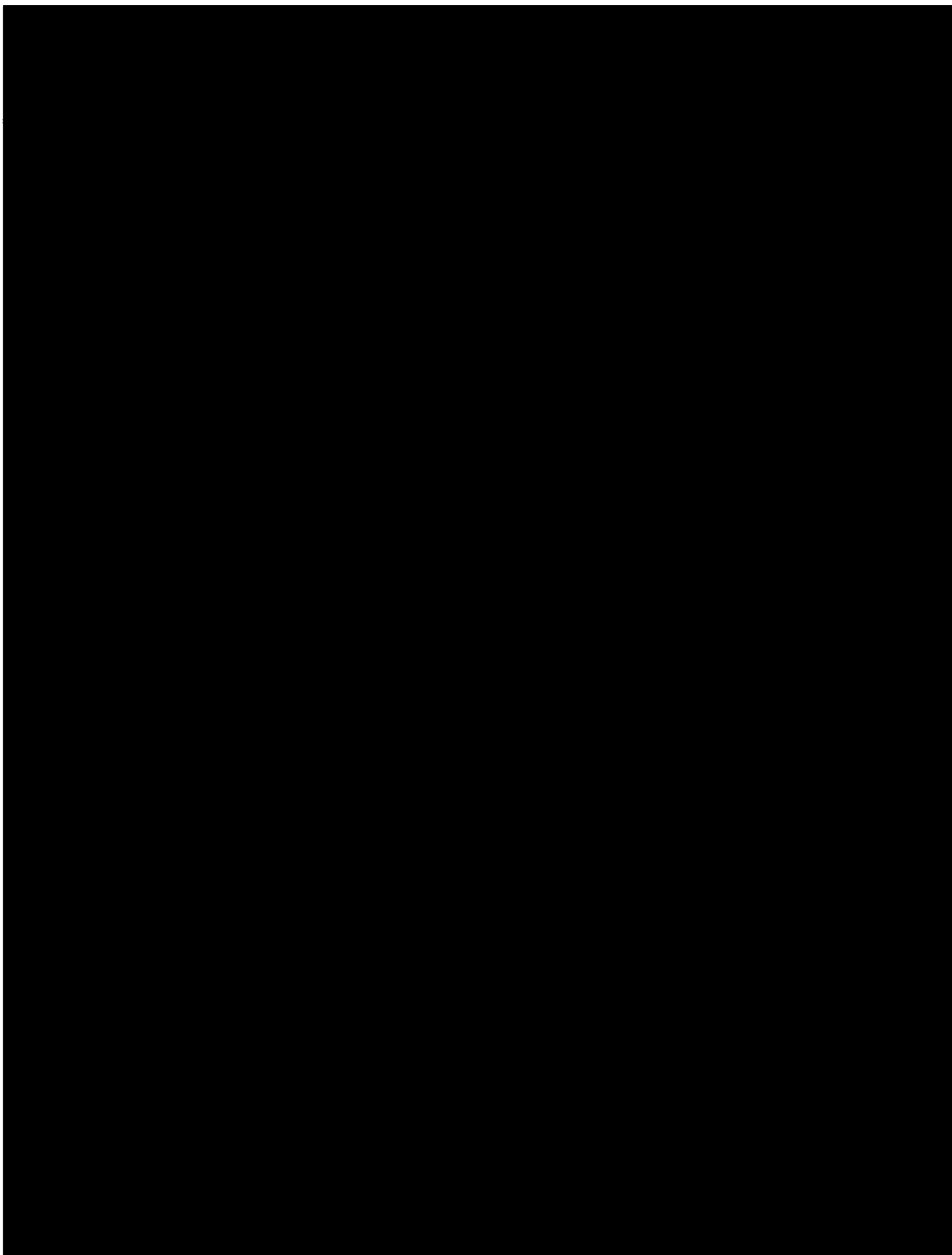
C/ Terry Buckner work paper E-PAY-3.

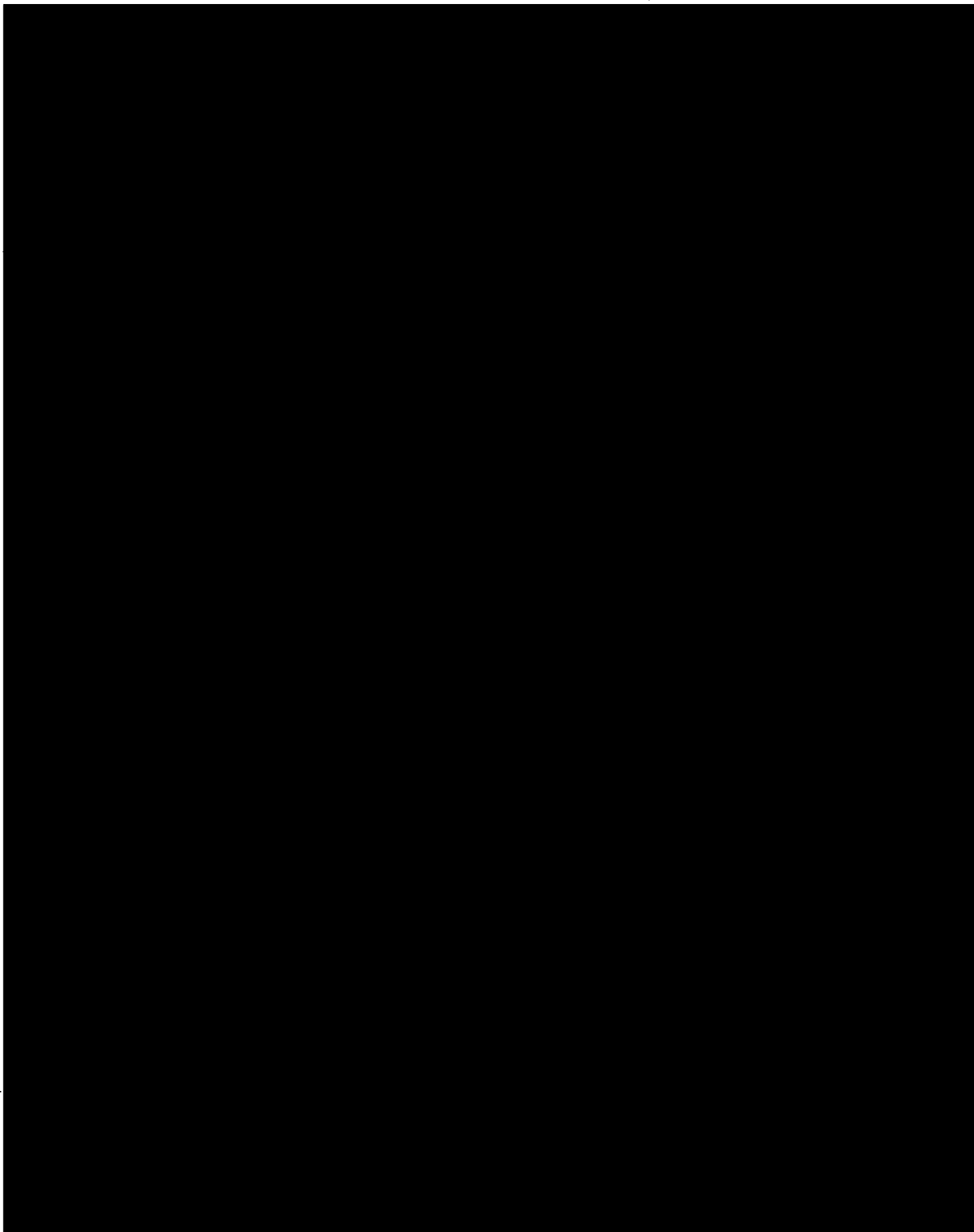
D/ 30% of TAWC forecasted amount.

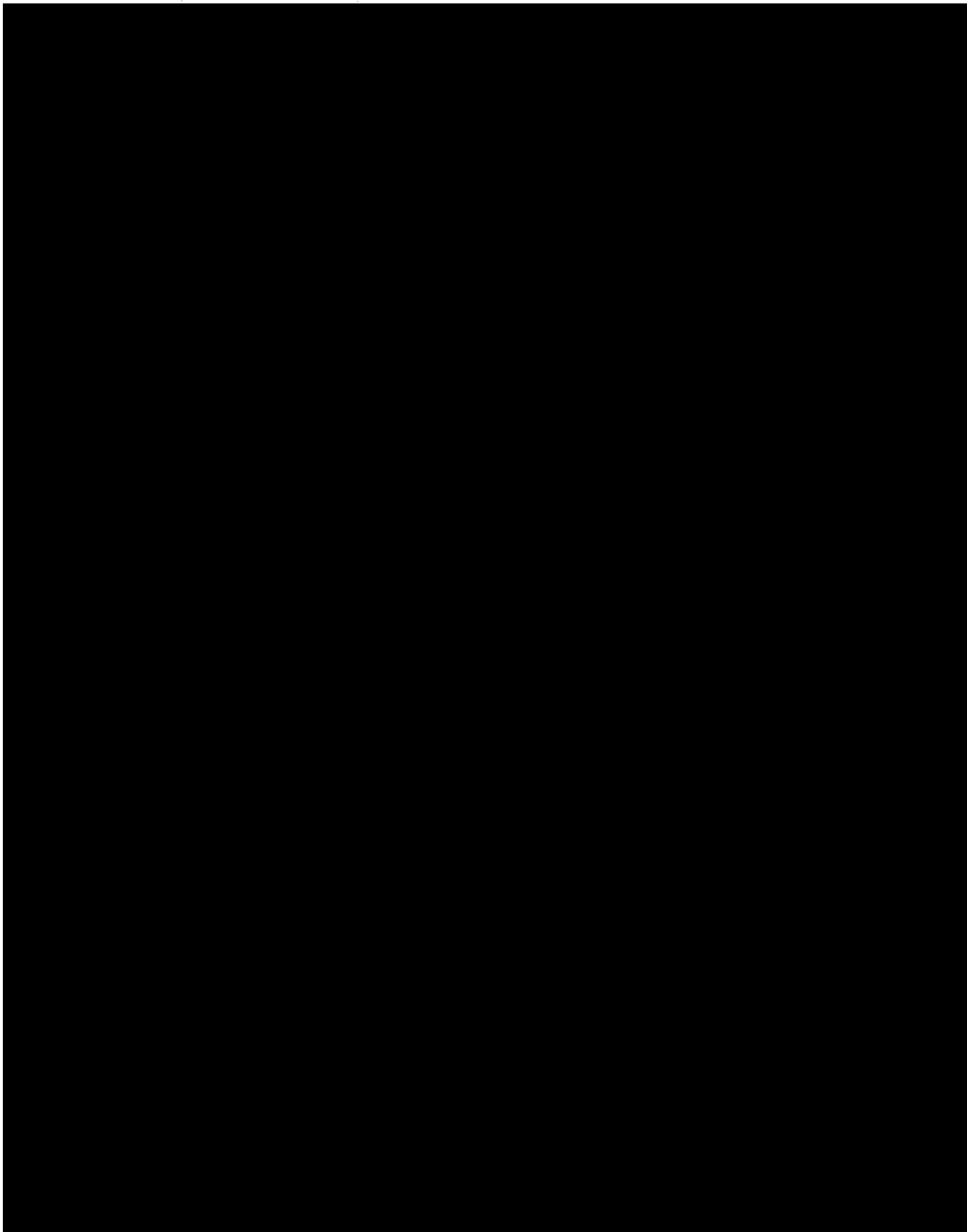
E/ Terry Buckner work paper E-PAY-4A.

F/ TAWC Response to TRA First Set of Data Requests, #13, TN-TRA-01-Q013-LABOR.

G/ TAWC Response to CAPD First Set of Data Requests, #25.







OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PURCHASED WATER EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-PW

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
510100	PURCHASED WATER-OUTSIDE	46,999	446	263	47,708
	Total	46,999	446	263	47,708

A/ Per TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% billing growth.

TENNESSEE AMERICAN WATER COMPANY

TRA DOCKET #10-00189

FUEL AND POWER

FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-FP

	A/ (1,000 gallons) Water Treated	A/ (1,000 gallons) Water Billed	Unaccounted for Water	Percent Unaccounted for Water	B/ Fuel and Power
October 2009	1,094,049	818,001	276,048	25.23%	
November	1,016,109	736,262	279,847	27.54%	
December	1,039,793	784,200	255,593	24.58%	
January 2010	1,122,659	785,067	337,592	30.07%	
February	974,293	714,729	259,564	26.64%	
March	1,058,439	744,337	314,102	29.68%	
April	1,078,629	802,426	276,203	25.61%	
May	1,144,240	780,334	363,906	31.80%	
June	1,186,685	908,846	277,839	23.41%	
July	1,290,979	992,069	298,910	23.15%	
August	1,277,115	985,873	291,242	22.80%	
September	1,236,104	1,026,306	209,798	16.97%	
Total Test Period	13,519,094	10,078,450	3,440,644	25.45%	\$ 2,449,703
Conversion to CCF	18,073,655	13,473,864	4,599,791	25.45%	
Attrition Year CCF	18,219,455	13,582,557 C/	4,636,898		\$ 2,692,211 D/
Net of 15% Unaccounted For Allowance	18,219,455	13,582,557	2,732,918	15.00%	\$ 2,410,868

A/ TAWC response to CMA #5-ATTACHMENT.

B/ TAWC Income Statements

C/ John Hughes work paper R-VOLUMETRIC HISTORY.

D/ Treated Attrition Year plus EPB Fuel Adjustment of 9.02% effective 11/1/10.

[EPB Home](#) [Español](#) [Outages](#) [My Account](#)[Inquiry Wizard](#)[How to Read Your Bill](#)[How to Read Your Meter](#)[Heat Pumps](#)[How to Calculate Your Bill](#)[How Weather Affects Your Bill](#)[Tree Trimming](#)[Your Electric Rates](#)[Installing an Emergency Generator](#)[Digging: Call Before You Dig](#)[Electrical Safety](#)[Rules and Regulations](#)[Report a Street Light Outage](#)[Report Power Theft](#)[Electric System Maintenance and Improvement Projects](#)[EPB Holidays](#)[epb Fiber Optics](#)[epb Electric Power](#)[Home](#) [Power](#) [For Your Home](#) [Support](#) [Your Electric Rates](#)

Your Electric Rates

At EPB Electric Power, we work hard to keep electric rates reasonable. Our rates remain lower than the national average, in part because we operate in a highly efficient, reliable and customer-minded manner.

So while we cannot control the cost of fuel or other factors that have an impact on your usage such as high or low temperature days, we can make sure that every time you use electricity in your home or business, you are getting great value for every dollar.

Your electric rates are based on kilowatt hours. One kilowatt is roughly the power required to burn a 100-watt light bulb for 10 hours.

Residential Rate Schedule Summary

EPB Residential Customer Charge (as of July 1, 2007)	\$7.25
Electric rate before adjustment (as of November 1, 2010)	\$0.08422
Energy rate after fuel cost adjustment (as of November 1, 2010)	\$0.09197
Fuel cost adjustment (as of November 1, 2010)	\$0.00775

[EPB Home](#) [Press](#) [Community](#) [Services](#) [Careers](#) [Legal](#) [Locations](#) [Back to top](#) [Contact](#)[Follow Us](#)  

TENNESSEE AMERICAN WATER COMPANY
 TRA DOCKET #10-00189
 CHEMICALS
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-CHEM1

	A/	
	Cost at	
	Current Prices	
	Attrition Year	
	Delivery	
Polyaluminum Chloride	\$ 404,836	
Chlorine	122,799	
Fluoride	168,166	
Caustic	96,017	
Corrosion Inhibitor	152,315	
Filter Aid	15,487	
Powdered Carbon	79,983	
Total	\$ 1,039,602	

A/ TAWC response TRA-02-Q117-ATTACHMENT 3.

TENNESSEE AMERICAN WATER COMPANY
TRA DOCKET #10-00189
CHEMICALS
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-CHEM2

	A/ (1,000 gallons) Water Treated	A/ (1,000 gallons) Water Billed	(1,000 gallons) Unaccounted for Water	Percent Unaccounted for Water	B/ Test Period Chemicals
October 2009	1,094,049	818,001	276,048	25.23%	
November	1,016,109	736,262	279,847	27.54%	
December	1,039,793	784,200	255,593	24.58%	
January 2010	1,122,659	785,067	337,592	30.07%	
February	974,293	714,729	259,564	26.64%	
March	1,058,439	744,337	314,102	29.68%	
April	1,078,629	802,426	276,203	25.61%	
May	1,144,240	780,334	363,906	31.80%	
June	1,186,685	908,846	277,839	23.41%	
July	1,290,979	992,089	298,910	23.15%	
August	1,277,115	985,873	291,242	22.80%	
September	1,236,104	1,026,306	209,798	16.97%	
Total	13,519,094	10,078,450	3,440,644	25.45%	\$ 987,367
Conversion to CCF	18,073,655	13,473,864			
Attrition Year CCF	18,219,455	13,582,557 C/			\$ 1,039,602 D/
Net of 15% Unaccounted For Allowance	18,219,455	13,582,557	2,732,918	15.00%	\$ 930,961

A/ TAWC response TN-CMA-01-Q5-ATTACHMENT

B/ TAWC Income Statements

C/ John Hughes work paper R-VOLUMETRIC HISTORY

D/ Terry Buckner work paper E-CHEM1

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 WASTE DISPOSAL EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-WASTE

ACCOUNT #	DESCRIPTION	A/ 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
511100	WASTE DISPOSAL	169,774	1,613	951	172,338
Total		169,774	1,613	951	172,338

A/ TAWC response to Consumer Advocate 1st Discovery Request #31.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% annual billing growth.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

MANAGEMENT FEE SUMMARY

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-MANAGEMENT FEES SUMMARY

LINE	2004	2005	2006	2007	2008	2009	2010	ATTRITION YEAR 2011
1 TOTAL	\$ 98,876,416 A/	\$ 183,402,583 A/	\$ 192,505,608 A/	\$ 229,624,071 D/	\$ 229,688,103 D/	\$ 217,863,671 D/	\$ 221,570,938 F/	
2 ALLOCATED TO TN	2,129,811 B/	4,258,346 B/	4,793,908 B/	4,734,432 E/	5,038,489 D/	4,881,682 D/	4,862,171 G/	5,226,034 G/
3 PERCENT OF TOTAL	2.15%	2.32%	2.48%	2.06%	2.19%	2.24%	2.24%	
4 PER TRA DOCKETS		3,082,940 C/			3,529,833 H	3,538,286	3,598,403	3,670,849
5 PERCENT OF TOTAL		1.67%						
6 Consumer Advocate ANNUAL GROWTH RATE			4.70% V	4.08% V	2.47% V	0.54% V	1.70% V	2.07% V
7 GROSS ATTRITION YEAR MANAGEMENT FEES								\$ 3,670,849

A/ TAWC response to CAPD First Set of Data Requests, Part II, #18, Pages 1-3 of 18 per TRA Docket #06-00290.

B/ TAWC response to CAPD First Set of Data Requests, Part II, #19, Pages 1, 3, 5 of 5 per TRA Docket #08-00290.

C/ TAWC Exhibit No. 2, Schedule 3, Page 1 of 1, Line 11, TRA Docket #04-00288.

D/ Schumaker & Company Affiliate Audit Report, August 2010, Page 24.

E/ TAWC response to CAPD First Set of Data Requests, Part IV, #33, Pages 1 of 1 per TRA Docket #08-00039.

F/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Page 17 of 17.

G/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 14 of 14.

H/ TRA Docket No. 08-00039, Order dated January 13, 2009, Page 21. (Attrition period ending August 2009).

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MANAGEMENT FEE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

	Total Customers	C/ Percent GDP		Total Growth	
		Growth	Growth	Rate	Rate
2005	72,660 A/				
2006	73,701 A/	1.43%	3.26%		4.70%
2007	74,540 A/	1.14%	2.94%		4.08%
2008	74,774 A/	0.31%	2.16%		2.47%
2009	74,475 A/	-0.40%	0.94%		0.54%
2010	75,317 B/	1.13%	0.76%		1.89%
2011	76,161	1.12%	0.95%		2.07%

A/ TAWC response to TRA #20. (Dockets #08-00039 and #10-00189).

B/ TAWC response TN-CAPD-01-PART III-Q34-ATTACHMENT.

C/ Terry Buckner work paper E-GDP.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MANAGEMENT FEE ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-MANAGEMENT FEES ALLOCATION

Allocators	Plant in Service	Percent of Total	Customers	Percent of Total	Maintenance Expenses	Operation and	Percent of Total	Average Percent
	\$				\$	Expenses		
Bluefield	564,578	0.004%	173	0.005%	286,487		0.038%	0.0157%
California	677,431,443	4.853%	177,230	5.318%	70,885,988		9.383%	6.5180%
Illinois	1,243,169,546	8.906%	295,174	8.857%	82,740,265		10.952%	9.5716%
Indiana	1,127,999,268	8.081%	285,623	8.571%	44,183,761		5.848%	7.4999%
Iowa	147,539,136	1.057%	61,217	1.837%	8,591,130		1.270%	1.3878%
Kentucky	552,115,629	3.955%	119,967	3.600%	19,258,073		2.549%	3.3680%
Maryland	20,099,703	0.144%	4,882	0.146%	1,346,960		0.178%	0.1563%
Michigan	6,533,625	0.047%	3,872	0.116%	768,381		0.102%	0.0882%
Missouri	1,506,758,138	10.794%	453,103	13.596%	68,411,502		9.055%	11.1485%
New Jersey	3,161,644,475	22.849%	643,911	19.322%	172,430,356		22.824%	21.5982%
New Mexico	67,430,857	0.483%	17,361	0.521%	3,869,438		0.512%	0.5054%
Ohio	150,841,438	1.081%	57,425	1.723%	12,982,416		1.718%	1.5074%
Arizona	837,340,754	5.998%	158,622	4.760%	29,475,138		3.902%	4.8866%
Pennsylvania	3,114,042,818	22.308%	658,026	19.745%	138,681,929		18.357%	20.1366%
Tennessee	215,984,711	1.547%	75,317	2.260%	13,757,291		1.821%	1.8761%
Virginia	180,647,793	1.294%	55,273	1.659%	22,010,517		2.913%	1.9554%
West Virginia	670,690,605	4.805%	172,965	5.190%	36,166,084		4.787%	4.9273%
Hawaii	50,733,770	0.363%	9,911	0.297%	2,719,745		0.360%	0.3403%
Long Island	161,912,267	1.160%	74,684	2.240%	13,371,796		1.770%	1.7234%
Virginia Eastern	6,645,047	0.048%	2,618	0.079%	777,666		0.103%	0.0764%
Illinois Lake	48,689,183	0.356%	-	0.000%	10,239,227		1.355%	0.5704%
Texas	9,582,752	0.089%	5,271	0.158%	1,518,267		0.201%	0.1426%
Total	\$ 13,959,397,534	100.000%	3,332,605	100.000%	\$ 755,472,417		100.000%	100.000%

Source: TN-CAPD-01-PART III-Q34-ATTACHMENT, page 1 of 1.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MANAGEMENT FEE ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES ALLOC

A/ Company	Current Allocation		New Allocation
	12 MTD September 2010	Percent	Percent
AWK	\$ 3,378,362	1.5276%	1.5276%
California	11,847,188	5.3571%	6.1170%
Illinois	20,830,166	9.4191%	8.9827%
Indiana	20,052,330	9.0673%	7.0385%
Iowa	4,135,420	1.8700%	1.3024%
Kentucky	8,759,053	3.9607%	3.1608%
Maryland	419,636	0.1898%	0.1467%
Michigan	226,393	0.1024%	0.0828%
Missouri	29,253,305	13.2279%	10.4626%
New Jersey	33,345,005	15.0781%	20.2693%
New Mexico	1,417,197	0.6408%	0.4743%
AWR	117,228	0.0530%	0.0530%
Ohio	3,914,025	1.7699%	1.4147%
Arizona	12,222,712	5.5269%	4.5859%
Pennsylvania	33,585,572	15.1868%	18.8977%
Tennessee	5,091,401	2.3022%	1.7607%
Virginia	4,634,403	2.0956%	1.8351%
West Virginia	11,016,376	4.9814%	4.6241%
Hawaii	935,362	0.4230%	0.3194%
AWE	10,037,557	4.5388%	4.5388%
Long Island	4,480,694	2.0261%	1.6174%
Virginia East	155,836	0.0705%	0.0717%
AWS	73,558	0.0333%	0.0333%
Texas	459,230	0.2077%	0.1338%
Edison	277,399	0.1254%	0.1254%
Liberty	438,392	0.1982%	0.1982%
Elizabethtown	38,019	0.0172%	0.0172%
Elizabethtown	7,315	0.0033%	0.0033%
Bluefield		N/A	0.0016%
Illinois Lake		N/A	0.2042% C/
	\$ 221,149,134	100.00%	100.0000%

A/ TAWC response TN-CAPD-01-PART III-Q39-SUPPLEMENTAL ATTACHMENT.

B/ Regulated % per Consumer Advocate work paper E-MANGEMENT FEES ALLOCATION.times regulated % of A/.

C/ Residual percentage amount.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

TAWC MANAGEMENT FEE ADJUSTMENTS

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES SUMMARY

	TAWC Total AWWSC 12 MTD March 2010	Consumer Advocate Total AWWSC 12 MTD March 2010	Allocation Difference
New Allocation Factor	2.24% B/	1.76% D/	-0.48%
Allocation Amount	4,962,171 A/	3,901,200	\$ (1,060,971)
External Affairs		(138,802) E/	(138,802)
AIP		(142,610) F/	(142,610)
Business Development		(61,483) G/	(61,483)
GDP	263,863 C/	113,135 H/	(150,728)
Accounting Expense		(21,991) I/	(21,991)
Normalized Payroll		(28,331) J/	(28,331)
Payroll Growth		(40,836) K/	(40,836)
Stock Expense		(64,703) L/	(64,703)
Total	5,226,034	3,515,578	(1,710,456)

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Page 17 of 17.

B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 14 of 14.

C/ TAWC response TRA-01-Q013-MANAGEMENT FEES, Page 1 of 12.

D/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

E/ Terry Buckner work paper E-TAWC MGMT FEES EXT. AFF.

F/ Terry Buckner work paper E-TAWC MGMT FEES AIP.

G/ Terry Buckner work paper E-TAWC MGMT FEES BUS DEV.

H/ Terry Buckner work paper E-TAWC MGMT FEES GDP.

I/ Terry Buckner work paper E-TAWC MGMT FEES ACC EXP.

J/ Terry Buckner work paper E-TAWC MGMT FEES PAYROLL1.

K/ Terry Buckner work paper E-TAWC MGMT FEES PAYROLL2.

L/ Terry Buckner work paper E-TAWC MGMT FEES STOCK EXP.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MANAGEMENT FEE ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES ALLOC1

	Total AWWSC 12 MTD March 2010	Total AWWSC 12 MTD March 2010	Allocation Difference
Total	\$ 221,570,938 A/	\$ 221,570,938 A/	
TAWC amount	4,962,171 B/		\$ 4,962,171
TAWC Percent	2.24%		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 3,901,200	3,901,200
Difference			\$ 1,060,971

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Page 17 of 17.
 B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 14 of 14.
 C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 EXTERNAL AFFAIRS ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES EXT AFF

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$ 7,883,344 A/	\$ 7,883,344 A/	
TAWC amount	172,948 B/		\$ 172,948
TAWC Percent	2.19%		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 138,802	138,802
Difference			\$ 34,146

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Page 6 of 17.

B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 5 of 14.

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 AIP ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES AIP

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$ 9,311,960 A/	\$ 9,311,960 A/	
TAWC amount	191,797 B/		\$ 191,797
TAWC Percent	2.06%		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 163,956	
70% Financial Exclusion		114,769	\$ 49,187
Difference			\$ 142,610

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Pages 1 through 17,
 Object Account 501711, (Excluding External Affairs and Business Development).

B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 1 of 14.
 Object Account 501711, (Excluding External Affairs and Business Development).

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 BUSINESS DEVELOPMENT ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES BUS DEV

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$ 3,512,415 A/	\$ 3,512,415 A/	
TAWC amount	78,528 B/		\$ 78,528
TAWC Percent	2.24%		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 61,843	61,843
Difference			\$ 16,685

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Page 3 of 17.

B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Page 2 of 14.

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 GDP ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES GDP

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$ 4,962,171 A/	\$ 3,901,200 B/	
TAWC Annual Growth Rate	3.00% A/	1.65% C/	-1.35%
TAWC Growth Amount	263,863 A/	113,135	(150,728)
Difference			\$ (150,728)

A/ TAWC response TRA-01-Q013-MANAGEMENT FEES, Page 1 of 12.

B/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC1.

C/ Terry Buckner work papers E-GDP, R-CUSTOMER GROWTH.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ACCOUNTING EXPENSE ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES ACC EXP

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$1,249,018	\$ 1,249,018 A/	
TAWC amount	27,978 A/		\$ 27,978
TAWC Percent	2.24% B/		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 21,991	21,991
Difference			\$ 5,987

A/ TAWC response Consumer Advocate DR #108.

B/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC1.

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 STOCK COMPENSATION EXPENSE ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES STOCK EXP

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Allocation Difference
Total	\$ 3,674,866	\$ 3,674,866	
TAWC amount	82,317 A/		\$ 82,317
TAWC Percent	2.24% B/		
Consumer Advocate %		1.7607% C/	
TAWC re-allocated amount		\$ 64,703	64,703
Difference			\$ 17,614

A/ TAWC response Consumer Advocate DR #109

B/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC1.

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 NORMALIZED PAYROLL ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES PAYROLL1

	AWWSC 12 MTD March 2010	Consumer Advocate 12 MTD March 2010	Growth Difference
Total TAWC Labor	\$1,868,847 A/	\$ 1,868,847 A/	
TAWC Annual Growth Rate	3.00%		
TAWC Labor Growth	99,376		
Less 2.5% Payroll Increase 1/1/10		\$ 11,754	
Consumer Advocate Annual Growth Rate		2.50%	
Consumer Advocate Labor Growth		58,540	
Difference			\$ (40,836)

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Pages 1 and 14,
 Object Accounts 501200, 501210, 501211. (Excluding Business Development and External Affairs).

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 NORMALIZED PAYROLL ALLOCATION
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

E-TAWC MGMT FEES PAYROLL2

	AWWSC 12 MTD March 2010		AWWSC 12 MTD Sept. 2010		Difference	Consumer Advocate 12 MTD March 2010		Allocation Difference
Total	\$ 33,308,275	A/	\$ 31,699,207	A/	\$ 1,609,068	\$ 1,609,068	A/	
TAWC amount	828,038	B/	785,939	B/	42,099			
TAWC Percent	2.49%		2.48%					
Consumer Advocate %						1.7607%	C/	
TAWC re-allocated amount						\$ 28,331		28,331
Difference								\$ (28,331)

A/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 1, Pages 4 and 6,
 Object Accounts 501200, 501210, 501211 (CSC and Finance Only).

B/ TAWC response TN-CAPD-SUPPLEMENTAL-Q102-ATTACHMENT 2, Pages 3 and 5,
 Object Accounts 501200, 501210, 501211 (CSC and Finance Only).

C/ Terry Buckner work paper E-TAWC MGMT FEES ALLOC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 GROUP INSURANCE EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-GI

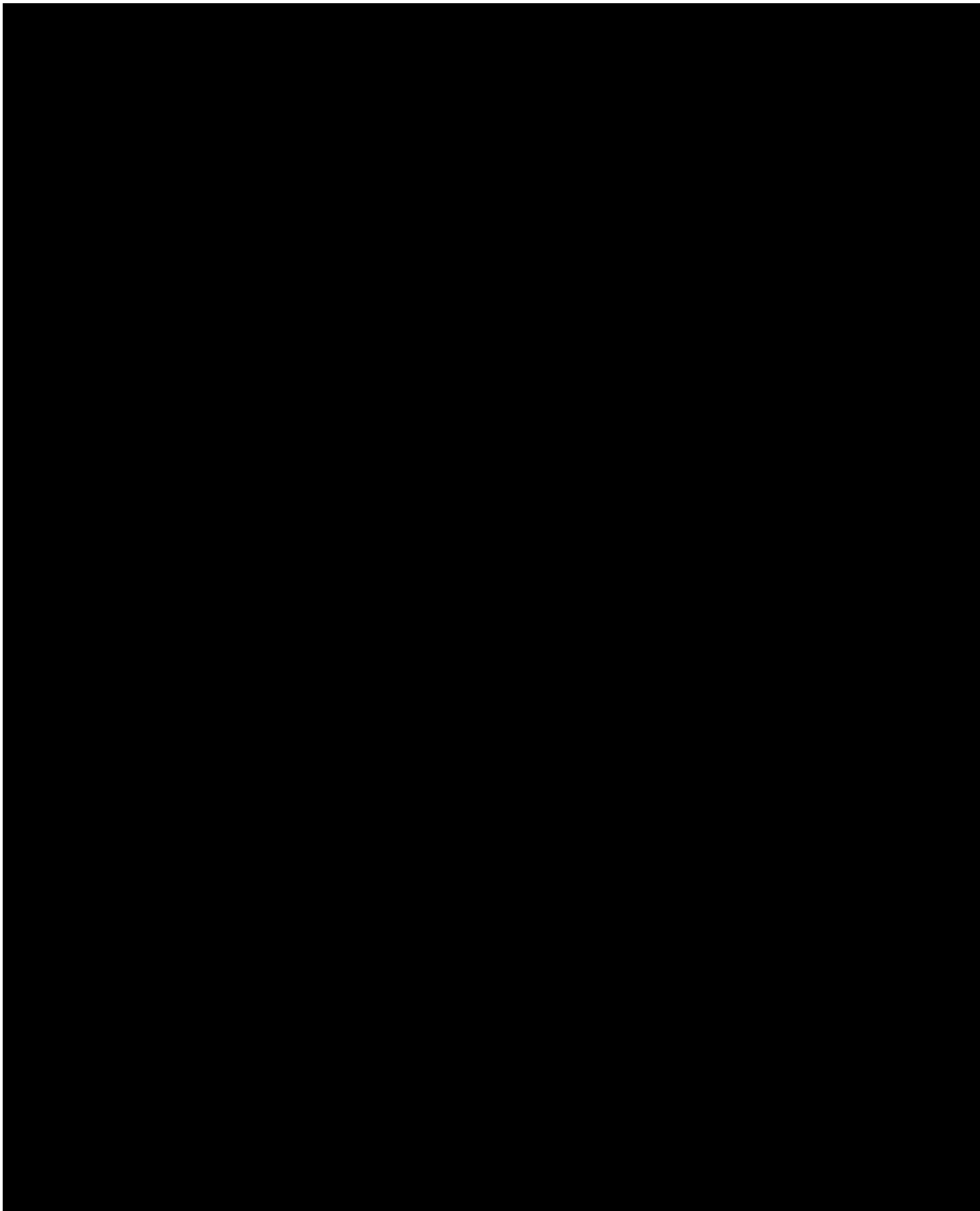
ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	D/ ATTR YR AMOUNTS
504100	GROUP INSURANCE	948,465			1,118,530
505100	PBOP	1,032,278	9,807	5,781	1,047,866
	Total	1,980,743	9,807	5,781	2,166,396

A/ TAWC response to Consumer Advocate DR #64.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% annual billing growth.

D/ Terry Buckner work paper E-GIA



OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PENSION EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-PENSION

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10		INFLATION		GROWTH		B/ ATTR YR	
		AMOUNTS	FACTOR	FACTOR	FACTOR	FACTOR	AMOUNTS	AMOUNTS	
506100	EMPLOYEE PENSIONS & BENEFITS AG	1,449,873	0	0	0	0	1,552,412		
	Total	1,449,873	0	0	0	0	1,552,412		

A/ TAWC Income Statements.

B/ TAWC response to Consumer Advocate DR #48 less capitalized rate of 20.57%

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 REGULATORY EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-REG

ACCOUNT #	DESCRIPTION	12 MTD 9/30/10 AMOUNTS	INFLATION FACTOR	GROWTH FACTOR	ATTR YR AMOUNTS
566100	REG COMM AMORT RATE CASE	178,106			176,250 A/
566200	REG COMM DEP STUDY/OTHER	21,895			7,826 B/
566700	REG COMM AMORT COST STUDY	542,228			11,208 C/
Total		743,226	0	0	195,284

A/ Terry Buckner work paper, RB-DEFERRED RATE CASE EXPENSE.

B/ Terry Buckner work paper, RB-DEPR. STUDY.

C/ Terry Buckner work paper, RB-DEFERRED COST OF SERVICE STUDY EXPENSE.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 OTHER INSURANCE EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-OI

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
557000	INSURANCE GENERAL LIABILITY	132,918	1,263	744	134,925
558000	INSURANCE WORKMAN'S COMP	145,291	1,380	814	147,485
559000	INSURANCE OTHER	39,259	373	220	39,852
Total		317,468	3,016	1,778	322,262

A/ TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% annual billing growth, compounded.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CUSTOMER ACCOUNTING EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-CA

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
520100	MATERIALS & SUPPLIES	1,215	12	7	1,233
575743	MISCELLANEOUS OPERATING EXPENSE	0	0	0	0
575000	MISCELLANEOUS OPERATING EXPENSE	(8)	(0)	(0)	(8)
575100	BANK SERVICE CHARGES	262,765	2,496	1,471	266,733
575200	COLLECTION AGENCIES	94,276	896	528	95,700
575320	ELECTRICITY	0	0	0	0
575500	JANITORIAL	0	0	0	0
575620	OFFICE & ADMINISTRATION SUPPLIES	7	0	0	7
575660	POSTAGE	348,144	D/ 3,307	1,950	353,401
575740	TELEPHONE	0	0	0	0
575820	UNIFORMS	2,019	19	11	2,050
534000	CONTRACT SERV. MGMT FEE CUST. ACCT.	0	0	0	0
575420	FORMS	113,556	1,079	636	115,271
575743	CELL PHONE	6,896	66	39	7,000
	Total	828,871	7,874	4,642	841,387

A/ TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST TREND, one half of .89% annual billing growth, compounded.

D/ TAWC response to Consumer Advocate DR #50, plus normalizing adjustment of \$3,809.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
UNCOLLECTIBLE EXPENSE SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-UNC

		Beginning Balance	Total Chg. Off	Tot. Acct. Payments	Change In		Ending Balance
					Uncollectible Reserve	\$	
October 2009	A/	\$ (272,414)	\$ 67,160	\$ 55,602	\$ (11,558)	\$	(283,972)
November 2009	A/	(283,972)	12,402	38,279	25,877		(258,095)
December 2009	A/	(258,095)	(6,660)	(7,504)	(844)		(258,939)
January 2010	A/	(258,939)	(126,192)	(65,249)	60,943		(197,996)
February 2010	A/	(197,996)	22,017	34,826	12,809		(185,187)
March 2010	A/	(185,187)	27,079	21,697	(5,382)		(190,569)
April 2010	B/	(190,569)	10,377	32,554	22,177		(168,392)
May 2010	B/	(168,392)	71,635	52,670	(18,965)		(187,357)
June 2010	B/	(187,357)	23,556	20,673	(2,883)		(190,240)
July 2010	B/	(190,240)	54,096	35,652	(18,444)		(208,684)
August 2010	B/	(208,684)	34,378	42,084	7,706		(200,978)
September 2010	B/	(200,978)	60,442	31,153	(29,289)		(230,267)
Total			\$ 250,290			12MTD 9/10	

A/ TAWC response TRA-01-Q013-UNCOLLECTIBLES, Page 2 of 2 and TN-CAPD-01-PART III-Q49-ATTACHMENT, Page 1 of 1.
 B/ Consumer Advocate Discovery Response #49.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 RENT EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-RENT

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10		INFLATION		GROWTH		ATTR YR
		AMOUNTS	B	FACTOR	FACTOR	FACTOR	FACTOR	
541000	RENTS - REAL PROPERTY	1,599		0		0		1,599
541400	RENTS - EQUIPMENT	6,837	B	0		0		6,837
	Total	8,436		0		0		8,436

A/ TAWC response to Consumer Advocate 1st Discovery Request #46.

B/ TAWC response to Consumer Advocate 1st Discovery Request #46, plus normalizing adjustment of (\$408).

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 NSUMER ADVOCATE AND PROTECTION DIVISION
 GENERAL OFFICE EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-GO

ACCOUNT #	DESCRIPTION	A/ 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
520100	MATERIALS & SUPPLIES	2,704	26	15	2,745
575670	RELOCATION EXPENSES	0	0	0	0
575002	COLLECTION AGENCIES	35	0	0	35
575100	BANK SERVICE CHARGES	51	0	0	52
575260	CREDIT LINE FEES	699	7	4	710
575280	DUES/MEMBERSHIPS DEDUCTIBLE	1,812	D/	10	1,839
575281	DUES/MEMBERSHIPS NON-DEDUCTIBLE	0	0	0	0
575320	ELECTRICITY	27,861	265	156	28,281
575340	EMPLOYEE EXPENSES	26,779	254	150	27,183
575351	MEALS & TRAVEL NON-DEDUCTIBLE	8,173	78	46	8,296
575881	MISC. CHARGES/SUBSCRIPTIONS	0	0	0	0
575480	HEAT - OIL/GAS	3,456	33	19	3,508
575500	JANITORIAL	5,432	E/	30	5,515
575620	OFFICE & ADMINISTRATION	18,136	172	102	18,410
575660	POSTAGE	3,119	30	17	3,166
575740	TELEPHONE	30,813	293	173	31,279
575780	TRASH REMOVAL	0	0	0	0
575830	WATER & WASTE WATER	7,567	72	42	7,681
575350	MEALS & TRAVEL DEDUCTIBLE	8,173	78	46	8,296
575342	EMPLOYEE EXPENSES CONF/REGISTR.	4,915	47	28	4,989
575741	CELL PHONE	38,835	369	217	39,422
575261	CREDIT LINE FEES	26,640	253	149	27,042
575880	MISC. CHARGES	0	0	0	0
Total		215,200	2,044	1,205	218,450

A/ TAWC response to Consumer Advocate DR #51 and TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ Terry Buckner work paper R-CUST GROWTH, one half of .89% annual billing growth.

D/ TAWC response to Consumer Advocate DR #51, plus normalizing adjustments of (\$969) and \$889.

E/ TAWC response to Consumer Advocate DR #51, plus normalizing adjustment of \$449.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MISCELLANEOUS EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-MISC

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
504500	OTHER WELFARE EXPENSE	857	8	5	870
504610	EMPLOYEE AWARDS	9,792	93	55	9,940
504620	EMPLOYEE PHYSICAL EXAMS	3,393	32	19	3,444
504660	TUITION AID	22,068	210	124	22,401
504670	TRAINING	5,742	55	32	5,829
507100	401 K	100,203	952	561	101,716
508100	ESOP/508101-508102/508200	103,090	979	577	104,647
520100	MATERIALS & SUPPLIES	117,618	1,117	659	119,394
532000	CONTRACT SERVICES - ACC/AUDIT	71,574	680	401	72,655
533000	CONTRACT SERVICES - LEGAL	47,111	448	264	47,822
550002	LEASE FUEL	0	0	0	0
531000	CONTRACT SERVICES - ENGINEERING	0	0	0	0
535000	CONTRACT SERVICES - OTHER	320,168 E/	3,042	1,793	325,002
535001	CONTRACT SERVICES - TEMP EMP	30,162	0	169	0
536000	CONTRACT SERVICES - LAB TESTING	0	0	0	0
550000	TRANSPORTATION	4,561	43	26	4,630
550001	TRANSPORTATION LEASE COST	10,370	99	58	10,527
550002	TRANSPORTATION LEASE FUEL	201,197	1,911	1,127	204,235
550003	TRANSPORTATION LEASE MAINT	145,778	1,385	816	147,979
550004	TRANSPORTATION EMPLOYEE REIMB.	(2,083)	(20)	(12)	(2,114)
556000	INSURANCE VEHICLE	28,496	271	160	28,926
575000	MISCELLANEOUS OPERATING EXP	149,322	1,419	836	189,577 D/
575030	ADVERTISING	9,277 F	88	52	9,417
575220	COMMUNITY RELATIONS	10,815	103	61	10,979
575240	COMPANY DUES/DEDUCTIBLE	16,017 G/	152	90	16,259
575241	COMPANY DUES/NON-DEDUCTIBLE	0	0	0	0
575242	COMPANY DUES/DEDUCTIBLE AWWA	18,117	172	101	18,391
575270	DIRECTORS FEES	11,600	110	65	11,775
575271	DIRECTORS EXPENSES	0	0	0	0
575320	ELECTRICITY	69,061	656	387	70,104
575480	HEAT - OIL/GAS	15,964	152	89	16,205
575490	INJURIES & DAMAGES	100	1	1	102

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 MISCELLANEOUS EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-MISC

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
575500	JANITORIAL	16,297	155	91	16,544
575545	LAB SUPPLIES	33,523	318	188	34,030
575560	LOBBYING EXPENSES	340	0	2	0
575620	OFFICE & ADMINISTRATION	5,432	52	30	5,514
575625	OVERNIGHT SHIPPING	1,874	18	10	1,902
575680	RESEARCH & DEVELOPMENT	11,596	110	65	11,771
575740	TELEPHONE	40,638	386	228	41,251
575780	TRASH REMOVAL	4,793	46	27	4,866
575790	TRUSTEE FEES	2,770	26	16	2,812
575820	UNIFORMS	4,588	44	26	4,657
575998	PURCHASING CARD	25	0	0	26
575400	BUSINESS SERVICES PROJECT EXP.	134,872	1,281	755	136,909
575710	SECURITY SERVICE	145,428	1,382	814	147,624
575715	SOFTWARE LICENSES & SUPPORT	4,174	40	23	4,237
575460	GROUNDS KEEPING	0	0	0	0
575640	PENALTIES NON-DEDUCTIBLE	20,230	0	113	0
575741	CELL PHONE/575743	0	0	0	0
575275	DISCOUNTS AVAILABLE	(7,587)	(72)	(42)	(7,702)
575276	DISCOUNTS LOST	26	0	0	27
575130	BROCHURES AND HANDOUTS	936	9	5	950
Total		1,940,324	17,951	10,866	1,956,125

A/ TAWC response to Consumer Advocate DR #52 and TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% billing growth.

D/ TAWC response to Consumer Advocate DR #52, annual amortization (5Yrs) amount of Management Audit Expense of \$3.

E/ TAWC response to Consumer Advocate DR #52, normalizing adjustment of \$1,235.

F/ TAWC response to Consumer Advocate DR #52, normalizing adjustment of (\$14,930).

G/ TAWC response to Consumer Advocate DR #52, normalizing adjustment of (\$3,938).

H/ TAWC response to Consumer Advocate DR #52, normalizing adjustments of \$898 and \$449.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 OTHER MAINTENANCE EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 2011

E-MAINT

ACCOUNT #	DESCRIPTION	A/ 12 MTD 9/30/10 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
620000	MAINTENANCE	533,879	5,072	2,990	541,940
635000	CONTRACT SERVICE - OTHER	13,553	129	76	13,758
675000	MISCELLANEOUS MAINTENANCE	88,215	838	494	89,547
675250	COMPUTER EQUIPMENT	134	1	1	136
675450	OFFICE EQUIPMENT	435	4	2	442
675650	PAVING	490,692	4,662	2,748	498,101
Total		1,126,909	10,706	6,311	1,143,925

A/ TAWC Income Statements.

B/ Terry Buckner work paper E-GDP, .95% for 15 months growth.

C/ John Hughes work paper R-CUST GROWTH, one half of .89% annual billing growth, compounded.

E-GDP

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
ANALYSIS OF THE GROSS DOMESTIC PRODUCT ("GDP") CHAINED PRICE DEFLATOR
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

YEAR	QUARTER				ATTR YR GDP IDP
	1/1 - 3/31	4/1 - 6/30	7/1 - 9/30	10/1 - 12/31	
2004	95.624	96.441	97.146	97.864	96.76875
2005	98.774	99.445	100.47	101.312	100.0003
2006	102.071	102.98	103.763	104.237	103.2628
2007	105.366	106.188	106.709	108.94	106.3008
2008	107.454	108.295	109.488	109.154	108.5978
2009	109.465	109.555	109.759	109.693	109.6180
2010	109.959	110.485	111.111		
AVERAGE GDP DEFLATOR FOR YEAR 2005					3.34%
AVERAGE GDP DEFLATOR FOR YEAR 2006					3.26%
AVERAGE GDP DEFLATOR FOR YEAR 2007					2.94%
AVERAGE GDP DEFLATOR FOR YEAR 2008					2.16%
AVERAGE GDP DEFLATOR FOR YEAR 2009					0.94%
AVERAGE GDP DEFLATOR FOR 12 MTD SEPTEMBER 2010					0.76%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2004 I	2004 II	2004 III	2004 IV
1	Gross domestic product	95.624	96.441	97.146	97.864
2	Personal consumption expenditures	96.068	96.779	97.376	98.167
3	Goods	97.110	97.654	97.751	98.953
4	Durable goods	101.419	101.344	100.598	100.657
5	Nondurable goods	94.724	95.601	96.160	97.994
6	Services	95.513	96.314	97.175	97.748
7	Gross private domestic investment	94.059	95.181	96.194	97.092
8	Fixed investment	93.957	95.088	96.113	97.006
9	Nonresidential	95.927	96.603	97.111	97.696
10	Structures	85.083	87.025	89.449	92.209
11	Equipment and software	99.926	100.106	99.887	99.669
12	Residential	90.544	92.463	94.377	95.802
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	95.130	96.300	96.781	97.857
16	Goods	95.539	96.864	97.168	98.134
17	Services	94.212	95.039	95.911	97.231
18	Imports	92.123	93.415	94.385	96.654
19	Goods	91.821	93.148	94.040	96.477
20	Services	93.702	94.813	96.188	97.589
21	Government consumption expenditures and gross investment	92.767	93.889	95.041	96.425
22	Federal	93.996	95.180	95.755	96.408
23	National defense	93.453	94.651	95.316	96.159
24	Nondefense	95.108	96.264	96.651	96.915
25	State and local	92.053	93.139	94.624	96.432

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] · Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2005 I	2005 II	2005 III	2005 IV
1	Gross domestic product	98.774	99.445	100.470	101.312
2	Personal consumption expenditures	98.754	99.374	100.495	101.377
3	Goods	98.847	99.103	100.846	101.203
4	Durable goods	100.548	100.385	99.623	99.444
5	Nondurable goods	97.886	98.375	101.542	102.197
6	Services	98.704	99.520	100.306	101.470
7	Gross private domestic investment	98.208	99.258	100.570	101.964
8	Fixed investment	98.146	99.237	100.605	102.012
9	Nonresidential	98.780	99.572	100.248	101.401
10	Structures	95.042	97.673	101.447	105.838
11	Equipment and software	100.114	100.234	99.812	99.840
12	Residential	97.026	98.640	101.224	103.110
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	98.929	99.627	100.342	101.102
16	Goods	99.148	99.781	100.196	100.876
17	Services	98.432	99.274	100.674	101.620
18	Imports	97.470	98.831	100.863	102.836
19	Goods	97.293	98.672	100.837	103.198
20	Services	98.408	99.679	101.007	100.906
21	Government consumption expenditures and gross investment	98.167	99.248	100.686	101.898
22	Federal	99.173	99.680	100.420	100.728
23	National defense	99.135	99.669	100.397	100.799
24	Nondefense	99.255	99.702	100.466	100.577
25	State and local	97.578	98.993	100.842	102.588

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2006 I	2006 II	2006 III	2006 IV
1	Gross domestic product	102.071	102.980	103.763	104.237
2	Personal consumption expenditures	101.803	102.567	103.316	103.298
3	Goods	101.116	101.765	102.329	100.822
4	Durable goods	99.141	98.742	98.281	97.789
5	Nondurable goods	102.229	103.472	104.621	102.539
6	Services	102.171	102.998	103.844	104.630
7	Gross private domestic investment	103.139	104.026	104.666	105.653
8	Fixed investment	103.195	104.089	104.713	105.677
9	Nonresidential	102.279	103.112	103.878	104.868
10	Structures	108.823	111.791	113.962	117.111
11	Equipment and software	99.977	100.042	100.285	100.472
12	Residential	104.890	105.940	106.295	107.199
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	101.828	103.125	104.395	104.438
16	Goods	101.541	102.915	104.306	104.548
17	Services	102.485	103.606	104.596	104.186
18	Imports	103.243	104.322	105.121	103.889
19	Goods	103.394	104.419	105.238	103.779
20	Services	102.446	103.817	104.505	104.455
21	Government consumption expenditures and gross investment	103.232	104.644	105.437	106.055
22	Federal	103.101	104.187	104.502	104.637
23	National defense	103.336	104.499	104.883	104.965
24	Nondefense	102.622	103.551	103.728	103.972
25	State and local	103.307	104.916	105.990	106.892

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2007 I	2007 II	2007 III	2007 IV
1	Gross domestic product	105.366	106.188	106.709	106.940
2	Personal consumption expenditures	104.311	105.212	105.813	106.919
3	Goods	101.626	102.798	102.997	104.362
4	Durable goods	97.339	96.995	96.474	96.138
5	Nondurable goods	104.064	106.107	106.718	109.061
6	Services	105.754	106.510	107.330	108.298
7	Gross private domestic investment	106.195	106.220	106.164	106.264
8	Fixed investment	106.237	106.287	106.221	106.279
9	Nonresidential	105.393	105.586	105.499	105.541
10	Structures	118.548	119.067	120.038	121.466
11	Equipment and software	100.659	100.728	100.220	99.696
12	Residential	107.793	107.480	107.500	107.681
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	105.319	106.465	107.154	108.672
16	Goods	105.238	106.403	106.974	108.568
17	Services	105.499	106.598	107.567	108.921
18	Imports	104.892	105.936	106.671	112.623
19	Goods	104.833	105.747	106.301	113.076
20	Services	105.189	106.933	108.655	110.223
21	Government consumption expenditures and gross investment	108.223	109.453	110.245	111.529
22	Federal	106.849	107.773	107.882	108.509
23	National defense	107.113	108.191	108.434	109.259
24	Nondefense	106.321	106.926	106.755	106.969
25	State and local	109.033	110.445	111.644	113.326

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2008 I	2008 II	2008 III	2008 IV
1	Gross domestic product	107.454	108.295	109.488	109.154
2	Personal consumption expenditures	107.954	109.185	110.367	108.736
3	Goods	105.670	106.929	108.807	103.643
4	Durable goods	95.981	95.503	95.345	94.532
5	Nondurable goods	111.196	113.427	116.433	108.882
6	Services	109.191	110.412	111.234	111.428
7	Gross private domestic investment	106.211	106.482	106.981	108.235
8	Fixed investment	106.267	106.617	107.365	107.961
9	Nonresidential	105.686	106.248	107.431	108.571
10	Structures	122.516	123.978	126.424	128.922
11	Equipment and software	99.476	99.668	100.320	100.868
12	Residential	107.296	107.012	106.268	104.867
13	Change in private inventories	--	--	--	--
14	Net exports of goods and services	--	--	--	--
15	Exports	110.719	113.553	115.137	108.089
16	Goods	110.843	114.324	115.832	106.880
17	Services	110.456	111.756	113.501	110.860
18	Imports	117.728	122.345	122.999	111.669
19	Goods	118.848	123.676	124.208	111.679
20	Services	111.897	115.478	116.842	111.469
21	Government consumption expenditures and gross investment	113.500	115.290	116.391	114.853
22	Federal	110.230	111.515	111.958	110.772
23	National defense	110.975	112.673	113.245	111.544
24	Nondefense	108.695	109.122	109.294	109.198
25	State and local	115.451	117.555	119.075	117.313

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2009 I	2009 II	2009 III	2009 IV
1	Gross domestic product	109.465	109.555	109.759	109.693
2	Personal consumption expenditures	108.290	108.810	109.598	110.333
3	Goods	102.039	102.974	104.403	105.120
4	Durable goods	94.028	94.046	93.450	93.603
5	Nondurable goods	106.676	108.097	110.624	111.651
6	Services	111.579	111.894	112.355	113.102
7	Gross private domestic investment	107.111	105.259	103.656	103.466
8	Fixed investment	107.140	105.575	104.294	104.030
9	Nonresidential	107.726	106.162	104.768	104.144
10	Structures	127.071	123.006	119.654	119.017
11	Equipment and software	100.461	99.953	99.344	98.721
12	Residential	104.094	102.503	101.637	102.712
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	104.841	105.031	106.212	107.424
16	Goods	102.983	103.664	104.892	106.072
17	Services	108.981	108.105	109.164	110.437
18	Imports	103.127	103.719	105.879	111.222
19	Goods	101.900	102.403	104.680	110.650
20	Services	108.506	109.511	111.179	113.650
21	Government consumption expenditures and gross investment	114.356	114.516	114.635	115.067
22	Federal	110.979	110.743	110.716	111.141
23	National defense	111.562	111.063	111.153	111.590
24	Nondefense	109.794	110.096	109.822	110.222
25	State and local	116.356	116.779	116.998	117.434

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.4. Price Indexes for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 11/27/2010 Last Revised on November 23, 2010 Next Release Date December 22, 2010

Line		2010 I	2010 II	2010 III
1	Gross domestic product	109.959	110.485	111.111
2	Personal consumption expenditures	110.901	110.888	111.172
3	Goods	105.784	104.812	105.055
4	Durable goods	93.121	92.755	92.235
5	Nondurable goods	112.949	111.638	112.311
6	Services	113.620	114.116	114.423
7	Gross private domestic investment	102.952	102.765	102.853
8	Fixed investment	103.661	103.487	103.486
9	Nonresidential	103.639	103.636	103.662
10	Structures	119.291	119.887	120.627
11	Equipment and software	97.954	97.764	97.578
12	Residential	102.869	102.030	101.919
13	Change in private inventories	—	—	—
14	Net exports of goods and services	—	—	—
15	Exports	108.771	110.060	110.127
16	Goods	107.565	108.965	109.066
17	Services	111.451	112.480	112.465
18	Imports	114.514	112.234	109.882
19	Goods	114.497	111.653	108.980
20	Services	114.351	114.813	114.092
21	Government consumption expenditures and gross investment	116.358	116.606	116.734
22	Federal	112.375	112.615	112.740
23	National defense	113.046	113.377	113.508
24	Nondefense	110.997	111.053	111.166
25	State and local	118.760	119.014	119.143

Depreciation

Depreciation	Dec-11											
	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
3040100 Struct & Imp SS	82	7,426	7,426	7,426	7,426	7,426	7,426	7,426	7,426	7,426	7,426	7,426
3040200 Struct & Imp P	82	24,881	24,881	24,822	25,004	25,011	25,058	25,058	25,078	25,170	25,288	25,416
3040301 Struct & Imp WT	82	0	0	0	0	0	0	0	0	0	0	0
3040310 Struct & Imp Treatment Handling	82	694	694	694	694	694	694	694	694	694	694	694
3040400 Struct & Imp ID	82	238	238	238	238	238	238	238	238	238	238	238
3040401 Struct & Imp Offices	82	134	134	134	134	134	134	134	134	134	134	134
3040500 Struct & Imp Store Shop, Car	82	180	180	180	180	180	180	180	180	180	180	180
3040501 Struct & Imp Misc	82	257	257	257	257	257	257	257	257	257	257	257
3040502 L&A, R&P & Other Intakes	82	338	338	338	338	338	338	338	338	338	338	338
3040503 Supply Mains	82	941	941	941	941	941	941	941	941	941	941	941
3040504 Power Generation Equip	82	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337
3040505 Power Equip Electric	82	11,655	11,659	11,668	11,668	11,668	11,672	11,672	11,672	11,682	11,684	11,678
3040506 Pump Equip Diesel	82	249	249	249	249	249	249	249	249	249	249	249
3040507 Pump Equip Other	82	353	353	353	353	353	353	353	353	353	353	353
3040508 Pumping Equipment SS	82	309	309	309	309	309	309	309	309	309	309	309
3040509 WT Equip Non-Media	82	11,441	11,441	11,441	11,441	11,441	11,441	11,441	11,441	11,448	11,448	11,448
3040510 WT Equip Filter Media	82	319	319	319	319	319	319	319	319	319	319	319
3040511 D&R Reservoirs & Standpipes	82	11,581	11,581	11,581	11,581	11,581	11,581	11,581	11,581	11,581	11,581	11,581
3040512 D&R Reservoirs & Standpipes	82	32,106	32,106	32,106	32,106	32,106	32,106	32,106	32,106	32,106	32,106	32,106
3040513 D&R Reservoirs & Standpipes	82	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339
3040514 Elevated Tanks & Standpipes	82	6	6	6	6	6	6	6	6	6	6	6
3040515 Ground Level Tanks	82	43	43	43	43	43	43	43	43	43	43	43
3040516 Below Ground Tanks	82	936	936	936	936	936	936	936	936	936	936	936
3040517 Chaswell	82	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094
3040518 TD Mains Not Classified by Siz	82	5,663	5,663	5,663	5,663	5,663	5,663	5,663	5,663	5,663	5,663	5,663
3040519 TD Mains 4in & Less	82	2	2	2	2	2	2	2	2	2	2	2
3040520 TD Mains 6in to 30in	82	68,368	68,368	68,368	68,368	68,368	68,368	68,368	68,368	68,368	68,368	68,368
3040521 TD Mains 36in to 42in	82	10,225	10,225	10,225	10,225	10,225	10,225	10,225	10,225	10,225	10,225	10,225
3040522 TD Mains 48in to 60in	82	28,694	28,694	28,694	28,694	28,694	28,694	28,694	28,694	28,694	28,694	28,694
3040523 TD Mains 72in & Grtr (TN)	82	679	679	679	679	679	679	679	679	679	679	679
3040524 TD Mains 18in & Grtr	82	20,524	20,524	20,524	20,524	20,524	20,524	20,524	20,524	20,524	20,524	20,524
3040525 Services	82	28,084	28,084	28,084	28,084	28,084	28,084	28,084	28,084	28,084	28,084	28,084
3040526 TD Mains 18in & Grtr	82	22,103	22,103	22,103	22,103	22,103	22,103	22,103	22,103	22,103	22,103	22,103
3040527 TD Mains 18in & Grtr	82	51	51	51	51	51	51	51	51	51	51	51
3040528 TD Mains 18in & Grtr	82	108	108	108	108	108	108	108	108	108	108	108
3040529 TD Mains 18in & Grtr	82	25,509	25,509	25,509	25,509	25,509	25,509	25,509	25,509	25,509	25,509	25,509
3040530 TD Mains 18in & Grtr	82	16,777	16,777	16,777	16,777	16,777	16,777	16,777	16,777	16,777	16,777	16,777
3040531 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040532 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040533 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040534 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040535 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040536 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040537 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040538 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040539 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040540 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040541 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040542 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040543 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040544 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040545 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040546 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040547 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040548 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040549 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040550 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040551 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040552 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040553 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040554 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040555 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040556 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040557 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040558 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040559 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040560 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040561 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040562 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040563 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040564 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040565 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040566 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040567 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040568 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040569 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040570 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040571 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040572 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040573 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040574 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040575 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040576 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040577 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040578 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040579 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040580 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040581 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040582 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040583 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040584 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040585 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040586 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040587 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040588 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040589 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040590 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040591 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040592 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040593 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040594 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040595 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040596 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040597 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040598 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040599 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040600 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040601 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040602 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040603 TD Mains 18in & Grtr	82	0	0	0	0	0	0	0	0	0	0	0
3040604 TD Mains 18in & Grtr												

Exhibit of Charles W. King
Schedule 3

**Attrition Year Provision for Depreciation Expense
For Utility Plant in Service**

Line No.	Account Number	Account Description	13 Month Avg. Depreciable Property at End of Attrition Year	CAPD Recommended Depreciation Rates	Attrition Year Depreciation Expense	TAWC Proposed Depreciation Expense	Difference
1	339600	Comprehensive Planning Study	0	0.00%	\$0	\$0	-
2	304200	Pumping Structures	3,863,562	1.98%	76,499	76,499	-
3	304300	Water Treatment Structures	2,984,941	4.11%	121,859	121,859	-
4	304301	Water Treatment Structures-Painting	1,694,808	12.06%	204,394	204,394	-
5	304400	T & D Structures	524,790	2.13%	11,178	11,178	-
6	304800	Office Structures	306,629	1.13%	3,485	3,485	-
7	304700	Stores, Shop, & Garage Structures	312,642	0.73%	2,282	2,282	-
8	304800	Miscellaneous Structures	657,573	0.49%	3,222	3,222	-
9	306000	Lakes, Rivers, & Other Intakes	489,123	0.83%	4,080	4,080	-
10	309000	Supply Mains	803,834	1.87%	11,292	11,292	-
11	310100	Power Generation Equipment	227,422	12.33%	28,041	28,041	-
12	311200	Electric Pumping Equipment	5,717,338	2.45%	140,075	140,075	-
13	311300	Diesel Pumping Equipment	118,296	2.50%	2,982	2,982	-
14	311500	Other Pumping Equipment	317,113	1.83%	5,803	5,803	-
15	320100	Water Treatment Equipment	12,726,963	1.09%	138,724	138,724	-
16	320200	Granular Activated Carbon	0	0.00%	0	0	-
17	330000	T & D Reservoirs & Standpipes	5,584,977	2.08%	115,752	115,752	-
18	330003	T & D Reservoirs & Standpipes-Painting	1,994,569	11.08%	220,998	220,998	-
19	330100	Elevated Tanks & Standpipes	1,880,119	2.74%	51,789	51,789	-
20	330400	Cleanwells	680,784	1.65%	11,233	11,233	-
21	331001	T & D Mains not Classified	2,217,881	1.25%	27,706	33,268	(5,562)
22	331100	T & D Mains - Mains (4" or less)	4,678,232	1.25%	58,441	70,173	(11,732)
23	331200	T & D Mains - Mains (6" - 8")	1,458	1.25%	18	22	(4)
24	331210	T & D Mains - Mains (6" - 10")	64,141,552	1.25%	801,262	962,123	(160,861)
25	331300	T & D Mains - Mains (10" - 16")	8,745,591	1.25%	84,266	101,184	(16,918)
26	331350	T & D Mains - Mains (12" or More)	25,918,974	1.25%	323,757	388,755	(64,998)
27	333000	Services	20,333,945	1.11%	225,191	333,477	(108,286)
28	334100	Meters	4,681,223	7.47%	349,693	323,473	26,220
29	334110	Meters-Metal Case/Old Style	1,324,025	7.23%	95,725	91,490	4,235
30	334120	Meters - Plastic Case	0	7.23%	0	0	-
31	334131	Meters-rem rdr	833,022	7.23%	60,226	57,562	2,664
32	334200	Meter Installations	10,810,746	2.73%	295,137	349,187	(54,050)
33	335000	Hydrants	8,077,845	2.30%	185,544	212,447	(26,903)
34	339200	Other P/E SS	149,762,484	0.00%	0	0	-
35	340100	Office Furniture	607,584	1.39%	8,445	8,445	-
36	340200	Computer & Peripheral Equipment	308,231	2.19%	6,750	6,750	-
37	340210	Computer & Mainframe Equipment	603,486	2.19%	13,216	13,216	-
38	340220	Computer & Periph Personal	412,863	2.19%	9,042	9,042	-
39	340230	Computer & Periph Other	180,983	2.19%	4,183	4,183	-
40	340300	Computer Software	398,963	1.83%	7,301	7,301	-
41	340310	Computer Software Mainframe	3,535,059	1.83%	64,692	64,692	-
42	340320	Computer Software Personal	191,484	1.83%	3,504	3,504	-
43	340330	Computer Software Other	14,222	1.83%	260	260	-
44	340400	Data Handling Equipment	15,284	4.94%	755	755	-
45	340500	Other Office Equipment	92,691	1.39%	1,288	1,288	-
46	341100	Light Trucks	1,381,608	18.00%	221,057	221,057	-
47	341200	Heavy Trucks	953,058	18.62%	158,398	158,398	-
48	341300	Automobiles	299,015	11.38%	34,028	34,028	-
49	341400	Transportation-Other	237,242	7.24%	17,176	17,176	-
50	342000	Stores Equipment	43,382	0.00%	0	0	-
51	343000	Tools, Shop, & Garage Equipment	1,315,016	6.89%	90,605	90,605	-
52	344000	Laboratory Equipment	381,626	1.01%	3,854	3,854	-
53	345000	Power Operated Equipment	332,787	0.00%	0	0	-
54	346100	Communication Equipment	390,366	4.21%	16,434	16,434	-
55	346200	Communication Equipment-Telephone	82,350	3.51%	3,241	3,241	-
56	347000	Miscellaneous Equipment	1,097,181	6.33%	68,452	69,452	-
57	348000	Other Tangible Plant	4,918	5.10%	251	251	-
58		Amortization of CIAC			(186,427)	(186,427)	-
60							
61		Total Plant in Service	<u>203,326,896</u>		<u>4,208,119</u>	<u>4,624,314</u>	<u>(416,195)</u>
62							
63		Land	671,496				
64		Cap Lease Asset	<u>1,590,500</u>				
65		Total UP	<u>205,588,892</u>				

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

OTHER TAX EXPENSE SUMMARY

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011.

T-OTAX0

Tax	Consumer Advocate
Property Tax	\$ 2,572,725 A/
TRA Inspection Fee	71,766 B/
FUTA Taxes	4,628 C/
FICA Taxes	370,627 C/
SUTA Taxes	11,152 C/
Franchise Tax	391,255 D/
Gross Receipts Tax	704,308 E/
Total	<u>\$ 4,126,459</u>

A/ Terry Buckner work paper T-OTAX1.

B/ Terry Buckner work paper T-OTAX2.

C/ Terry Buckner work paper T-OTAX3.

D/ Terry Buckner work paper T-OTAX8.

E/ Terry Buckner work paper T-OTAX7.

T-OTAX1

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PROPERTY TAX SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

Year	Property Tax Amount	Gross Assessment	Percentage of Property Tax to Assessment
2000		\$ 42,010,000	A/
2001	\$ 2,388,401	A/ 46,890,000	A/ 5.0936%
2002	2,365,524	A/ 46,900,000	A/ 5.0438%
2003	2,231,085	A/ 47,325,000	A/ 4.7144%
2004	2,296,102	C/ 48,423,000	A/ 4.7418%
2005	2,411,210	C/ 50,495,000	A/ 4.7751%
2006	2,521,971	D/ 51,956,000	A/ 4.8541%
2007	2,602,064	D/ 56,001,000	A/ 4.6465%
2008	N/A	58,620,000	A/
2009	2,463,056	D/ 56,320,000	A/ 4.3733%
2010	2,392,733	A/ 54,712,000	A/ 4.3733%
2011	2,572,725	D/ 54,712,000	A/ 4.7023%

ATTRITION YR \$ 2,572,725

A/ OFFICE OF STATE ASSESSED PROPERTIES.

B/ PERCENT 2007 GROWTH OVER 2006.

C/ TAWC RESPONSE TO FIRST SET OF TRA DATA REQUEST #47, TRA Docket #06-00290.

D/ Terry Buckner work paper T-OTAX1A

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
JURISDICTIONAL PROPERTY TAX SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

T-OTAX1A

	C/ 2011	B/ 2009	A/ 2007	A/ 2006
Chattanooga	947,389	\$ 821,849	\$ 967,575	\$ 967,535
Lookout Mountain	16,467	16,926	12,404	11,765
Hamilton County	1,550,090	1,567,997	1,560,710	1,478,472
Tallen Holdings	31,062	27,228	28,835	27,445
Marion County	4,403	5,025	2,979	3,457
Rossville	3,017	3,106	4,621	4,790
Dade County			185	174
Catoosa County	5,043	5,191	1,496	3,984
Walker County	13,469	13,865	23,259	24,349
Sequatchie County	1,784	1,869		
Total	\$ 2,572,725	\$ 2,463,056	\$ 2,602,064	\$ 2,521,971

A/ TAWC response to TRA #13, TN-TRA-01-Q103-GENERAL TAXES, TRA Docket #08-00039.

B/ TAWC response to TRA #13, TN-TRA-01-Q013-GENERAL TAXES-PROPERTY TAX, Pages 1 through 110.

C/ Ratio of 2009/2010 assessed value amounts for Georgia jurisdictional property plus ratio of 2009/2010 assessed value amount for Tennessee jurisdictional property times 2010 tax rates.

Tennessee Comptroller of the Treasury

Division of Property Assessments

2010 Tennessee Property Tax Rates

County	City	Special School Dist.	RATES			
			Co.	City	SSD	Total
ANDERSON			\$2.3700			\$2.3700
ANDERSON	CLINTON		\$2.3600	\$0.7600		\$3.1200
ANDERSON	LAKE CITY		\$2.3700	\$1.6000		\$3.9700
ANDERSON	NORRIS		\$2.3700	\$1.5500		\$3.9200
ANDERSON	OAK RIDGE		\$2.2600	\$2.3900		\$4.6500
ANDERSON	OLIVER SPRINGS		\$2.3700	\$0.8300		\$3.2000
BEDFORD			\$2.2700			\$2.2700
BEDFORD	BELL BUCKLE		\$2.2700	\$0.1600		\$2.4300
BEDFORD	NORMANDY		\$2.2700	\$0.2000		\$2.4700
BEDFORD	SHELBYVILLE		\$2.2700	\$1.4100		\$3.6800
BEDFORD	WARTRACE		\$2.2700	\$1.0000		\$3.2700
BENTON			\$2.9400			\$2.9400
BENTON	BIG SANDY		\$2.9400	\$0.8700		\$3.8100
BENTON	CAMDEN		\$2.9400	\$0.7500		\$3.6900
BLEDSON			\$1.8608			\$1.8608
BLEDSON	PIKEVILLE		\$1.8608	\$0.8500		\$2.7108
BLOUNT			\$2.0400			\$2.0400
BLOUNT	ALCOA		\$2.0400	\$1.9600		\$4.0000
BLOUNT	MARYVILLE		\$2.0400	\$2.1700		\$4.2100
BRADLEY			\$1.7920			\$1.7920

BRADLEY	CHARLESTON		\$1.7920	\$0.4230		\$2.2150
BRADLEY	CLEVELAND		\$1.7920	\$1.4904		\$3.2824
BRADLEY		FIRE DISTRICT	\$1.7920		\$0.4070	\$2.1990
BRADLEY		FIRE DISTRICT 2	\$1.7920		\$0.3356	\$2.1276
CAMPBELL			\$1.7600			\$1.7600
CAMPBELL	JELICO		\$1.7600	\$1.1500		\$2.9100
CAMPBELL	LaFOLLETTE		\$1.7600	\$1.1937		\$2.9537
CAMPBELL	LAKE CITY		\$1.7600	\$1.6000		\$3.3600
CANNON			\$2.3200			\$2.3200
CANNON	WOODBURY		\$2.3200	\$0.9900		\$3.3100
CARROLL	BRUCETON	BRUCETON SSD	\$1.2500	\$1.8900	\$1.6600	\$4.8000
CARROLL	HOLLOW ROCK	HOLLOW ROCK	\$1.2500	\$0.9900	\$1.6600	\$3.9000
CARROLL	HUNTINGDON	HUNTINGDON SSD	\$1.2500	\$1.2900	\$1.4600	\$4.0000
CARROLL	McKENZIE	McKENZIE SSD	\$1.2500	\$1.0900	\$1.3600	\$3.7000
CARROLL		SOUTH CARROLL SSD	\$1.2500		\$1.8000	\$3.0500
CARROLL		WEST CARROLL SSD	\$1.2500		\$1.5600	\$2.8100
CARROLL	McLEMORESVILLE	WEST CARROLL SSD	\$1.2500	\$0.6600	\$1.5600	\$3.4700
CARROLL	TREZEVANT	WEST CARROLL SSD	\$1.2500	\$0.6900	\$1.5600	\$3.5000
CARTER			\$2.2800			\$2.2800
CARTER	ELIZABETHTON		\$2.2800	\$1.7800		\$4.0600
CARTER	JOHNSON CITY		\$2.2800	\$1.8400		\$4.1200
CARTER	WATAUGA		\$2.2800	\$0.3500		\$2.6300
CHEATHAM			\$2.7800			\$2.7800
CHEATHAM	ASHLAND CITY		\$2.7800	\$0.4638		\$3.2438
CHEATHAM	KINGSTON SPRINGS		\$2.7800	\$0.8000		\$3.5800

CHEATHAM	KINGSTON SPGS RF	\$2.7800	\$0.2193	\$2.9993
CHEATHAM	PEGRAM FIRE DIS	\$2.7800	\$0.1673	\$2.9473
CHEATHAM	PEGRAM RF	\$2.7800	\$0.1521	\$2.9321
CHESTER		\$1.8902		\$1.8902
CHESTER	HENDERSON	\$1.8902	\$1.2200	\$3.1102
CLAIBORNE		\$2.4800		\$2.4800
CLAIBORNE	CUMBERLAND GAP	\$2.4800	\$0.4500	\$2.9300
CLAY		\$3.1000		\$3.1000
CLAY	CELINA	\$3.1000	\$0.9200	\$4.0200
COCKE		\$2.0500		\$2.0500
COCKE	NEWPORT	\$2.0500	\$1.7452	\$3.7952
COFFEE		\$2.8528		\$2.8528
COFFEE	MANCHESTER	\$2.6572	\$2.2999	\$4.9571
COFFEE	TULLAHOMA	\$2.5825	\$2.2900	\$4.8725
COFFEE	IND PARK	\$2.8528	\$0.2800	\$3.1328
CROCKETT		\$2.6400		\$2.6400
CROCKETT	ALAMO	\$2.6400	\$0.9900	\$3.6300
CROCKETT	BELLS	\$2.6400	\$1.2400	\$3.8800
CROCKETT	FRIENDSHIP	\$2.6400	\$1.8640	\$4.5040
CROCKETT	MAURY CITY	\$2.6400	\$1.0426	\$3.6826
CUMBERLAND		\$1.4250		\$1.4250
CUMBERLAND	CROSSVILLE	\$1.4250	\$0.5500	\$1.9750
DAVIDSON	BELLE MEADE	\$3.5600	\$0.2290	\$3.7890
DAVIDSON	GOODLETTSVILLE	\$3.5600	\$0.6338	\$4.1938
DAVIDSON	GSD	\$3.5600		\$3.5600

DAVIDSON	NASHVILLE USD	\$4.1300		\$4.1300
DAVIDSON	RIDGETOP	\$3.5600	\$0.8700	\$4.4300
DECATUR		\$1.9900		\$1.9900
DECATUR	DECATURVILLE	\$1.9900	\$1.0100	\$3.0000
DECATUR	PARSONS	\$1.9900	\$1.0100	\$3.0000
DECATUR	SCOTTS HILL	\$1.9900	\$0.3500	\$2.3400
DEKALB		\$1.4600		\$1.4600
DEKALB	ALEXANDRIA	\$1.4600	\$0.7615	\$2.2215
DEKALB	LIBERTY	\$1.4600	\$0.0898	\$1.5498
DEKALB	SMITHVILLE	\$1.4600	\$0.6194	\$2.0794
DICKSON		\$2.8500		\$2.8500
DICKSON	BURNS	\$2.8500	\$0.3300	\$3.1800
DICKSON	CHARLOTTE	\$2.8500	\$0.1700	\$3.0200
DICKSON	DICKSON	\$2.8500	\$0.9000	\$3.7500
DICKSON	VANLEER	\$2.8500	\$0.0684	\$2.9184
DICKSON	WHITE BLUFF	\$2.8500	\$0.4397	\$3.2897
DYER		\$2.5000		\$2.5000
DYER	DYERSBURG	\$2.5000	\$1.9900	\$4.4900
DYER	NEWBERN	\$2.5000	\$1.5087	\$4.0087
DYER	TRIMBLE	\$2.5000	\$1.5600	\$4.0600
FAYETTE		\$1.4781		\$1.4781
FAYETTE	GALLAWAY	\$1.4781	\$0.8309	\$2.3090
FAYETTE	GRAND JUNCTION	\$1.4781	\$0.7500	\$2.2281
FAYETTE	LaGRANGE	\$1.4781	\$1.3296	\$2.8077

FAYETTE	MOSCOW		\$1.4781	\$1.1126		\$2.5907
FAYETTE	OAKLAND		\$1.4781	\$0.1550		\$1.6331
FAYETTE	PIPERTON		\$1.4781	\$0.3800		\$1.8581
FAYETTE	ROSSVILLE		\$1.4781	\$1.1266		\$2.6047
FAYETTE	SOMERVILLE		\$1.4781	\$0.5700		\$2.0481
FENTRESS			\$1.9900			\$1.9900
FENTRESS	JAMESTOWN		\$1.9900	\$0.5400		\$2.5300
FRANKLIN			\$2.4661			\$2.4661
FRANKLIN	COWAN		\$2.3843	\$1.4700		\$3.8543
FRANKLIN	DECHERD		\$2.3843	\$1.1800		\$3.5643
FRANKLIN	ESTILL SPRINGS		\$2.3843	\$0.7900		\$3.1743
FRANKLIN	HUNTLAND		\$2.3843	\$1.2500		\$3.6343
FRANKLIN	TULLAHOMA		\$2.2336	\$2.4200		\$4.6536
FRANKLIN	WINCHESTER		\$2.2336	\$0.7900		\$3.0236
GIBSON	HUMBOLDT		\$0.9400	\$2.9400		\$3.8800
GIBSON	BRADFORD	BRADFORD SSD	\$0.9400	\$1.6200	\$1.8200	\$4.3800
GIBSON		GIBSON CO SSD	\$0.9400		\$1.8000	\$2.7400
GIBSON	DYER	GIBSON CO SSD	\$0.9400	\$1.6900	\$1.8000	\$4.4300
GIBSON	GIBSON	GIBSON CO SSD	\$0.9400	\$1.0000	\$1.8000	\$3.7400
GIBSON	MEDINA	GIBSON CO SSD	\$0.9400	\$1.6166	\$1.8000	\$4.3566
GIBSON	RUTHERFORD	GIBSON CO SSD	\$0.9400	\$1.5600	\$1.8000	\$4.3000
GIBSON	YORKVILLE	GIBSON CO SSD	\$0.9400	\$0.5786	\$1.8000	\$3.3186
GIBSON	KENTON	KENTON/GIBSON CO SSD	\$0.9400	\$1.1500	\$2.1200	\$4.2100
GIBSON	MILAN	MILAN SSD	\$0.9400	\$1.3325	\$1.8400	\$4.1125
GIBSON	TRENTON	TRENTON SSD	\$0.9400	\$1.5370	\$2.1300	\$4.6070

GILES		\$3.0700		\$3.0700
GILES	ARDMORE	\$3.0700	\$0.2600	\$3.3300
GILES	ELKTON	\$3.0700	\$0.3300	\$3.4000
GILES	LYNNVILLE	\$3.0700	\$0.6500	\$3.7200
GILES	PULASKI	\$3.0700	\$0.6200	\$3.6900
GRAINGER		\$2.5000		\$2.5000
GREENE		\$1.5069		\$1.5069
GREENE	GREENEVILLE	\$1.3137	\$1.8590	\$3.1727
GRUNDY		\$2.0954		\$2.0954
GRUNDY	TRACY CITY	\$2.0954	\$0.3499	\$2.4453
HAMBLEN		\$1.8500		\$1.8500
HAMBLEN	MORRISTOWN	\$1.6400	\$1.0500	\$2.6900
HAMBLEN	WHITE PINE	\$1.6400	\$0.9900	\$2.6300
HAMILTON		\$2.7652		\$2.7652
HAMILTON	CHATTANOOGA	\$2.7652	\$2.3090	\$5.0742
HAMILTON	COLLEGEDALE	\$2.7652	\$1.1580	\$3.9232
HAMILTON	EAST RIDGE	\$2.7652	\$1.1227	\$3.8879
HAMILTON	LAKESITE	\$2.7652	\$0.2400	\$3.0052
HAMILTON	LOOKOUT MOUNTAIN	\$2.7652	\$1.4700	\$4.2352
HAMILTON	RED BANK	\$2.7652	\$1.1001	\$3.8653
HAMILTON	RIDGESIDE	\$2.7652	\$1.9000	\$4.6652
HAMILTON	SIGNAL MOUNTAIN	\$2.7652	\$1.5134	\$4.2786
HAMILTON	SODDY DAISY	\$2.7652	\$0.6860	\$3.4512
HAMILTON	WALDEN	\$2.7652	\$0.4400	\$3.2052
HANCOCK		\$2.2200		\$2.2200

HARDEMAN		\$2.2600		\$2.2600
HARDEMAN	BOLIVAR	\$2.2600	\$1.1466	\$3.4066
HARDEMAN	GRAND JUNCTION	\$2.2600	\$0.7400	\$3.0000
HARDEMAN	HICKORY VALLEY	\$2.2600	\$0.1600	\$2.4200
HARDEMAN	HORNSBY	\$2.2600	\$0.2592	\$2.5192
HARDEMAN	MIDDLETON	\$2.2600	\$0.9900	\$3.2500
HARDEMAN	TOONE	\$2.2600	\$0.4800	\$2.7400
HARDEMAN	WHITEVILLE	\$2.2600	\$0.7700	\$3.0300
HARDIN		\$1.6700		\$1.6700
HARDIN	ADAMSVILLE	\$1.6700	\$0.8300	\$2.5000
HARDIN	SAVANNAH	\$1.6700	\$0.7000	\$2.3700
HAWKINS		\$2.7050		\$2.7050
HAWKINS	BULLS GAP	\$2.7050	\$0.7700	\$3.4750
HAWKINS	CHURCH HILL	\$2.7050	\$1.2500	\$3.9550
HAWKINS	KINGSPORT	\$2.7050	\$2.2400	\$4.9450
HAWKINS	MOUNT CARMEL	\$2.7050	\$1.7200	\$4.4250
HAWKINS	ROGERSVILLE	\$2.7050	\$1.6700	\$4.3750
HAWKINS	SURGOINSVILLE	\$2.7050	\$1.1500	\$3.8550
HAYWOOD		\$2.3800		\$2.3800
HAYWOOD	BROWNSVILLE	\$2.3800	\$1.8000	\$4.1800
HAYWOOD	STANTON	\$2.3800	\$1.2500	\$3.6300
HENDERSON		\$2.5500		\$2.5500
HENDERSON	LEXINGTON	\$2.5500	\$0.8600	\$3.4100
HENDERSON	SARDIS	\$2.5500	\$0.4500	\$3.0000

HENDERSON	SCOTTS HILL		\$2.5500	\$0.3800		\$2.9300
HENRY			\$2.0479			\$2.0479
HENRY	COTTAGE GROVE		\$2.0479	\$0.2500		\$2.2979
HENRY	HENRY		\$2.0479	\$0.8450		\$2.8929
HENRY	McKENZIE		\$2.0479	\$1.0400		\$3.0879
HENRY	PURYEAR		\$2.0479	\$0.6100		\$2.6579
HENRY		PARIS SSD	\$2.0479		\$0.5615	\$2.6094
HENRY	PARIS	PARIS SSD	\$2.0479	\$0.6542	\$0.5615	\$3.2636
HICKMAN			\$2.3984			\$2.3984
HICKMAN	CENTERVILLE		\$2.3984	\$0.5665		\$2.9649
HOUSTON			\$2.2900			\$2.2900
HOUSTON	ERIN		\$2.2900	\$1.1000		\$3.3900
HOUSTON	TENN RIDGE		\$2.2900	\$0.6700		\$2.9600
HUMPHREYS			\$1.8300			\$1.8300
HUMPHREYS	McEWEN		\$1.7800	\$0.6000		\$2.3800
HUMPHREYS	NEW JOHNSONVILLE		\$1.7800	\$0.6461		\$2.4261
HUMPHREYS	WAVERLY		\$1.7800	\$0.8761		\$2.6561
JACKSON			\$2.5600			\$2.5600
JACKSON	GAINESBORO		\$2.5600	\$0.5100		\$3.0700
JEFFERSON			\$2.0500			\$2.0500
JEFFERSON	BANE BERRY		\$2.0500	\$0.7754		\$2.8254
JEFFERSON	DANDRIDGE		\$2.0500	\$0.8469		\$2.8969
JEFFERSON	JEFFERSON CITY		\$2.0500	\$0.9400		\$2.9900
JEFFERSON	MORRISTOWN		\$2.0500	\$1.0500		\$3.1000

JEFFERSON	WHITE PINE	\$2.0500	\$0.9900	\$3.0400
JOHNSON		\$2.0300		\$2.0300
JOHNSON	MOUNTAIN CITY	\$2.0300	\$1.2100	\$3.2400
KNOX		\$2.3600		\$2.3600
KNOX	KNOXVILLE	\$2.3600	\$2.4600	\$4.8200
KNOX	FORKS OF THE RIVER	\$2.3600		\$2.3600
LAKE		\$2.1165		\$2.1165
LAKE	RIDGELY	\$2.1165	\$1.6700	\$3.7865
LAKE	TIPTONVILLE	\$2.1165	\$1.6670	\$3.7835
LAUDERDALE		\$2.8500		\$2.8500
LAUDERDALE	GATES	\$2.8500	\$1.8500	\$4.7000
LAUDERDALE	HALLS	\$2.8500	\$1.4500	\$4.3000
LAUDERDALE	HENNING	\$2.8500	\$2.1000	\$4.9500
LAUDERDALE	RIPLEY	\$2.8500	\$1.7900	\$4.6400
LAWRENCE		\$2.7386		\$2.7386
LAWRENCE	LAWRENCEBURG	\$2.7386	\$1.4234	\$4.1620
LAWRENCE	LORETTO	\$2.7386	\$0.1901	\$2.9287
LAWRENCE	SAINT JOSEPH	\$2.7386	\$0.7500	\$3.4886
LEWIS		\$1.9100		\$1.9100
LEWIS	HOHENWALD	\$1.9100	\$1.0200	\$2.9300
LINCOLN		\$1.7918		\$1.7918
LINCOLN	ARDMORE	\$1.7918	\$0.2400	\$2.0318
LINCOLN	FAYETTEVILLE	\$1.7918	\$1.3195	\$3.1113
LINCOLN	PETERSBURG	\$1.7918	\$0.9694	\$2.7612
LOUDON		\$1.5869		\$1.5869

LOUDON	LENOIR CITY		\$1.4448	\$1.0615		\$2.5063
LOUDON	LOUDON		\$1.5869	\$1.0287		\$2.6156
MACON			\$2.2494			\$2.2494
MACON	LaFAYETTE		\$2.2494	\$0.7100		\$2.9594
MACON	RED BOILING SPG		\$2.2494	\$0.5805		\$2.8299
MADISON			\$2.1500			\$2.1500
MADISON	HUMBOLDT		\$2.1500	\$2.9400		\$5.0900
MADISON	JACKSON		\$2.1500	\$1.9700		\$4.1200
MADISON	THREE WAY		\$2.1500	\$0.5700		\$2.7200
MARION			\$1.6686			\$1.6686
MARION	CHATTANOOGA		\$1.6686			\$1.6686
MARION	JASPER		\$1.6686	\$0.3000		\$1.9686
MARION	KIMBALL		\$1.6686	\$0.1000		\$1.7686
MARION	NEW HOPE		\$1.6686	\$0.1949		\$1.8635
MARION	SOUTH PITTSBURG		\$1.6686	\$0.5190		\$2.1876
MARION	WHITWELL		\$1.6686	\$0.5474		\$2.2160
MARION		RICHARD CITY SSD	\$1.4650		\$0.1921	\$1.6571
MARION	SOUTH PITTSBURG	RICHARD CITY SSD	\$1.4650	\$0.5190	\$0.1921	\$2.1761
MARSHALL			\$3.0900			\$3.0900
MARSHALL	CHAPEL HILL		\$3.0900	\$1.7500		\$4.8400
MARSHALL	CORNERVILLE		\$3.0900	\$1.0315		\$4.1215
MARSHALL	LEWISBURG		\$3.0900	\$1.3600		\$4.4500
MARSHALL	PETERSBURG		\$3.0900	\$0.9355		\$4.0255

MAURY		\$2.5970		\$2.5970
MAURY	COLUMBIA	\$2.5970	\$1.3100	\$3.9070
MAURY	MOUNT PLEASANT	\$2.5970	\$1.3700	\$3.9670
MAURY	SPRING HILL	\$2.5970	\$0.5700	\$3.1670
McMINN		\$1.5553		\$1.5553
McMINN	ATHENS	\$1.5553	\$1.1147	\$2.6700
McMINN	CALHOUN	\$1.5553	\$0.5000	\$2.0553
McMINN	ENGLEWOOD	\$1.5553	\$1.1621	\$2.7174
McMINN	ETOWAH	\$1.5553	\$1.1023	\$2.6576
McMINN	NIOTA	\$1.5553	\$1.0000	\$2.5553
McMINN	SWEETWATER	\$1.5553	\$1.1400	\$2.6953
McNAIRY		\$2.0900		\$2.0900
McNAIRY	ADAMSVILLE	\$2.0900	\$0.7800	\$2.8700
McNAIRY	BETHEL SPRINGS	\$2.0900	\$0.5317	\$2.6217
McNAIRY	SELMER	\$2.0900	\$0.8060	\$2.8960
MEIGS		\$1.8251		\$1.8251
MEIGS	DECATUR	\$1.8251	\$0.3929	\$2.2180
MONROE		\$1.5800		\$1.5800
MONROE	MADISONVILLE	\$1.5800	\$0.5200	\$2.1000
MONROE	SWEETWATER	\$1.5800	\$1.1400	\$2.7200
MONROE	TELLICO PLAINS	\$1.5800	\$0.4300	\$2.0100
MONROE	VONORE	\$1.5800	\$0.3733	\$1.9533
MONTGOMERY		\$2.8800		\$2.8800
MONTGOMERY	CLARKSVILLE	\$2.8800	\$1.2400	\$4.1200
MOORE		\$2.2300		\$2.2300

MOORE	LYNCHBURG		\$2.3200		\$2.3200
MORGAN			\$2.9900		\$2.9900
MORGAN	OAKDALE		\$2.9900	\$1.9900	\$4.9800
MORGAN	OLIVER SPRINGS		\$2.9900	\$0.9000	\$3.8900
MORGAN	SUNBRIGHT		\$2.9900	\$0.6000	\$3.5900
OBION			\$1.9500		\$1.9500
OBION	HORNBEAK		\$1.9500	\$0.8200	\$2.7700
OBION	OBION CITY		\$1.9500	\$1.5500	\$3.5000
OBION	RIVES		\$1.9500	\$1.8261	\$3.7761
OBION	SAMBURG		\$1.9500	\$1.1000	\$3.0500
OBION	SOUTH FULTON		\$1.9500	\$1.7000	\$3.6500
OBION	TRIMBLE		\$1.9500	\$1.5600	\$3.5100
OBION	TROY		\$1.9500	\$1.7000	\$3.6500
OBION	UNION CITY		\$1.5100	\$2.1100	\$3.6200
OBION	WOODLAND MILLS		\$1.9500	\$0.6500	\$2.6000
OBION	KENTON	KENTON SSD	\$1.9500	\$1.1300	\$0.4000 \$3.4800
OVERTON			\$1.8000		\$1.8000
OVERTON	LIVINGSTON		\$1.8000	\$1.1236	\$2.9236
PERRY			\$2.2921		\$2.2921
PERRY	LINDEN		\$2.2921	\$0.5000	\$2.7921
PERRY	LOBELVILLE		\$2.2921	\$0.5578	\$2.8499
PICKETT			\$1.4200		\$1.4200
PICKETT	BYRDSTOWN		\$1.4200	\$0.4775	\$1.8975
POLK			\$2.1800		\$2.1800

POLK	BENTON	\$2.1800	\$0.7000	\$2.8800
POLK	COPPERHILL	\$2.1800	\$0.9500	\$3.1300
POLK	DUCKTOWN	\$2.1800	\$0.5000	\$2.6800
PUTNAM		\$2.7500		\$2.7500
PUTNAM	ALGOOD	\$2.7500	\$0.5270	\$3.2770
PUTNAM	BAXTER	\$2.7500	\$1.6500	\$4.4000
PUTNAM	COOKEVILLE	\$2.7500	\$0.8700	\$3.6200
PUTNAM	MONTEREY	\$2.7500	\$0.9387	\$3.6887
RHEA		\$1.7496		\$1.7496
RHEA	DAYTON	\$1.7496	\$0.4700	\$2.2196
RHEA	GRAYSVILLE	\$1.7496	\$1.3500	\$3.0996
RHEA	SPRING CITY	\$1.7496	\$0.9600	\$2.7096
ROANE		\$2.1905		\$2.1905
ROANE	HARRIMAN	\$1.9451	\$1.1933	\$3.1384
ROANE	KINGSTON	\$2.1040	\$1.0834	\$3.1874
ROANE	OAK RIDGE	\$1.9051	\$2.3900	\$4.2951
ROANE	OLIVER SPRINGS	\$2.1040	\$0.8300	\$2.9340
ROANE	ROCKWOOD	\$2.1040	\$0.7500	\$2.8540
ROBERTSON		\$2.6100		\$2.6100
ROBERTSON	ADAMS	\$2.6100	\$0.2698	\$2.8798
ROBERTSON	CEDAR HILL	\$2.6100	\$0.2600	\$2.8700
ROBERTSON	GREENBRIER	\$2.6100	\$1.0300	\$3.6400
ROBERTSON	MILLERSVILLE	\$2.6100	\$0.8248	\$3.4348
ROBERTSON	PORTLAND	\$2.6100	\$1.1300	\$3.7400
ROBERTSON	RIDGETOP	\$2.6100	\$0.7600	\$3.3700

ROBERTSON	SPRINGFIELD		\$2.6100	\$0.8300		\$3.4400
ROBERTSON	WHITE HOUSE		\$2.6100	\$1.0100		\$3.6200
RUTHERFORD			\$2.4652			\$2.4652
RUTHERFORD	EAGLEVILLE		\$2.4652	\$0.7512		\$3.2164
RUTHERFORD	LaVERGNE		\$2.4652	\$0.5000		\$2.9652
RUTHERFORD	MURFREESBORO		\$2.4652	\$1.2703		\$3.7355
RUTHERFORD	SMYRNA		\$2.4652	\$0.7595		\$3.2247
SCOTT			\$2.2200			\$2.2200
SCOTT	HUNTSVILLE		\$2.2200	\$0.5000		\$2.7200
SCOTT	ONEIDA		\$2.2200	\$1.0000		\$3.2200
SCOTT		ONEIDA SSD	\$2.1650		\$0.3800	\$2.5450
SCOTT	ONEIDA	ONEIDA SSD	\$2.1650	\$1.0000	\$0.3800	\$3.5450
SEQUATCHIE			\$2.0400			\$2.0400
SEQUATCHIE	DUNLAP		\$2.0400	\$0.7300		\$2.7700
SEVIER			\$1.5400			\$1.5400
SEVIER	GATLINBURG		\$1.5400	\$0.1493		\$1.6893
SEVIER	PIGEON FORGE		\$1.5400	\$0.1242		\$1.6642
SEVIER	PITTMAN CENTER		\$1.5400	\$0.7700		\$2.3100
SEVIER	SEVIERVILLE		\$1.5400	\$0.3100		\$1.8500
SHELBY			\$4.0600			\$4.0600
SHELBY	ARLINGTON		\$4.0600	\$1.0000		\$5.0600
SHELBY	BARTLETT		\$4.0600	\$1.4900		\$5.5500
SHELBY	COLLIERVILLE		\$4.0600	\$1.1800		\$5.2400
SHELBY	GERMANTOWN		\$4.0600	\$1.4250		\$5.4850

SHELBY	MEMPHIS	\$4.0200	\$3.1957	\$7.2157
SHELBY	MILLINGTON	\$4.0600	\$1.2300	\$5.2900
SMITH		\$2.1900		\$2.1900
SMITH	CARTHAGE	\$2.1900	\$1.1500	\$3.3400
SMITH	GORDONSVILLE	\$2.1900	\$0.8600	\$3.0500
SMITH	SOUTH CARTHAGE	\$2.1900	\$0.8900	\$3.0800
STEWART		\$2.2500		\$2.2500
STEWART	CUMBERLAND CITY	\$2.2500	\$0.7500	\$3.0000
STEWART	DOVER	\$2.2500	\$0.9500	\$3.2000
SULLIVAN		\$2.1307		\$2.1307
SULLIVAN	BLUFF CITY	\$2.1307	\$1.0300	\$3.1607
SULLIVAN	BRISTOL	\$2.1307	\$2.1900	\$4.3207
SULLIVAN	JOHNSON CITY	\$2.1307	\$1.5400	\$3.6707
SULLIVAN	KINGSPORT	\$2.1307	\$1.9400	\$4.0707
SUMNER		\$2.0208		\$2.0208
SUMNER	GALLATIN	\$2.0208	\$0.9900	\$3.0108
SUMNER	GOODLETTSVILLE	\$2.0208	\$0.6338	\$2.6546
SUMNER	HENDERSONVILLE	\$2.0208	\$0.6500	\$2.6708
SUMNER	MILLERSVILLE	\$2.0208	\$0.7992	\$2.8200
SUMNER	MITCHELLVILLE	\$2.0208	\$0.6397	\$2.6605
SUMNER	PORTLAND	\$2.0208	\$1.1000	\$3.1208
SUMNER	WESTMORELAND	\$2.0208	\$1.4000	\$3.4208
SUMNER	WHITE HOUSE	\$2.0208	\$0.9800	\$3.0008
TIPTON		\$2.3400		\$2.3400
TIPTON	ATOKA	\$2.3400	\$0.5550	\$2.8950

TIPTON	BRIGHTON	\$2.3400	\$0.4963	\$2.8363
TIPTON	COVINGTON	\$2.3400	\$1.1900	\$3.5300
TIPTON	MASON	\$2.3400	\$0.9700	\$3.3100
TIPTON	MUNFORD	\$2.3400	\$0.9298	\$3.2698
TROUSDALE		\$3.0000		\$3.0000
TROUSDALE	HARTSVILLE	\$4.1399		\$4.1399
UNICOI		\$2.4300		\$2.4300
UNICOI	ERWIN	\$2.4300	\$0.9451	\$3.3751
UNION		\$1.7900		\$1.7900
VAN BUREN		\$1.4304		\$1.4304
WARREN		\$1.9955		\$1.9955
WARREN	McMINNVILLE	\$1.9955	\$1.9000	\$3.8955
WARREN	MORRISON	\$1.9955	\$0.1138	\$2.1093
WASHINGTON		\$1.9139		\$1.9139
WASHINGTON	JOHNSON CITY	\$1.9139	\$1.5400	\$3.4539
WASHINGTON	JONESBOROUGH	\$1.9139	\$1.1810	\$3.0949
WAYNE		\$1.6414		\$1.6414
WAYNE	CLIFTON	\$1.6414	\$0.6469	\$2.2883
WAYNE	COLLINWOOD	\$1.6414	\$1.6400	\$3.2814
WAYNE	WAYNESBORO	\$1.6414	\$1.2371	\$2.8785
WEAKLEY		\$2.0616		\$2.0616
WEAKLEY	DRESDEN	\$2.0616	\$1.3100	\$3.3716
WEAKLEY	GLEASON	\$2.0616	\$1.3900	\$3.4516
WEAKLEY	GREENFIELD	\$2.0616	\$1.2500	\$3.3116

WEAKLEY	MARTIN		\$2.0616	\$1.4772		\$3.5388
WEAKLEY	McKENZIE		\$2.0616	\$1.0700		\$3.1316
WEAKLEY	SHARON		\$2.0616	\$1.6300		\$3.6916
WHITE			\$1.8500			\$1.8500
WHITE	SPARTA		\$1.8500	\$1.0500		\$2.9000
WILLIAMSON			\$2.3100			\$2.3100
WILLIAMSON	BRENTWOOD		\$2.2600	\$0.4900		\$2.7500
WILLIAMSON	FAIRVIEW		\$2.2600	\$0.7000		\$2.9600
WILLIAMSON	FRANKLIN		\$2.2000	\$0.4340		\$2.6340
WILLIAMSON	NOLENSVILLE		\$2.2600	\$0.1500		\$2.4100
WILLIAMSON	SPRING HILL		\$2.2600	\$0.6000		\$2.8600
WILLIAMSON	THOMPSON STATION		\$2.2600	\$0.1030		\$2.3630
WILLIAMSON		FRANKLIN SSD	\$2.1500		\$1.1400	\$3.2900
WILLIAMSON	FRANKLIN	FRANKLIN SSD	\$2.0400	\$0.4340	\$1.1400	\$3.6140
WILSON			\$2.4327			\$2.4327
WILSON	WATERTOWN		\$2.4327	\$0.6840		\$3.1167
WILSON	LEBANON	LEBANON SSD	\$2.4327	\$0.3350	\$0.3900	\$3.1577

© 2010 Tennessee Office of the Comptroller of the Treasury

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

TRA INSPECTION FEE

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

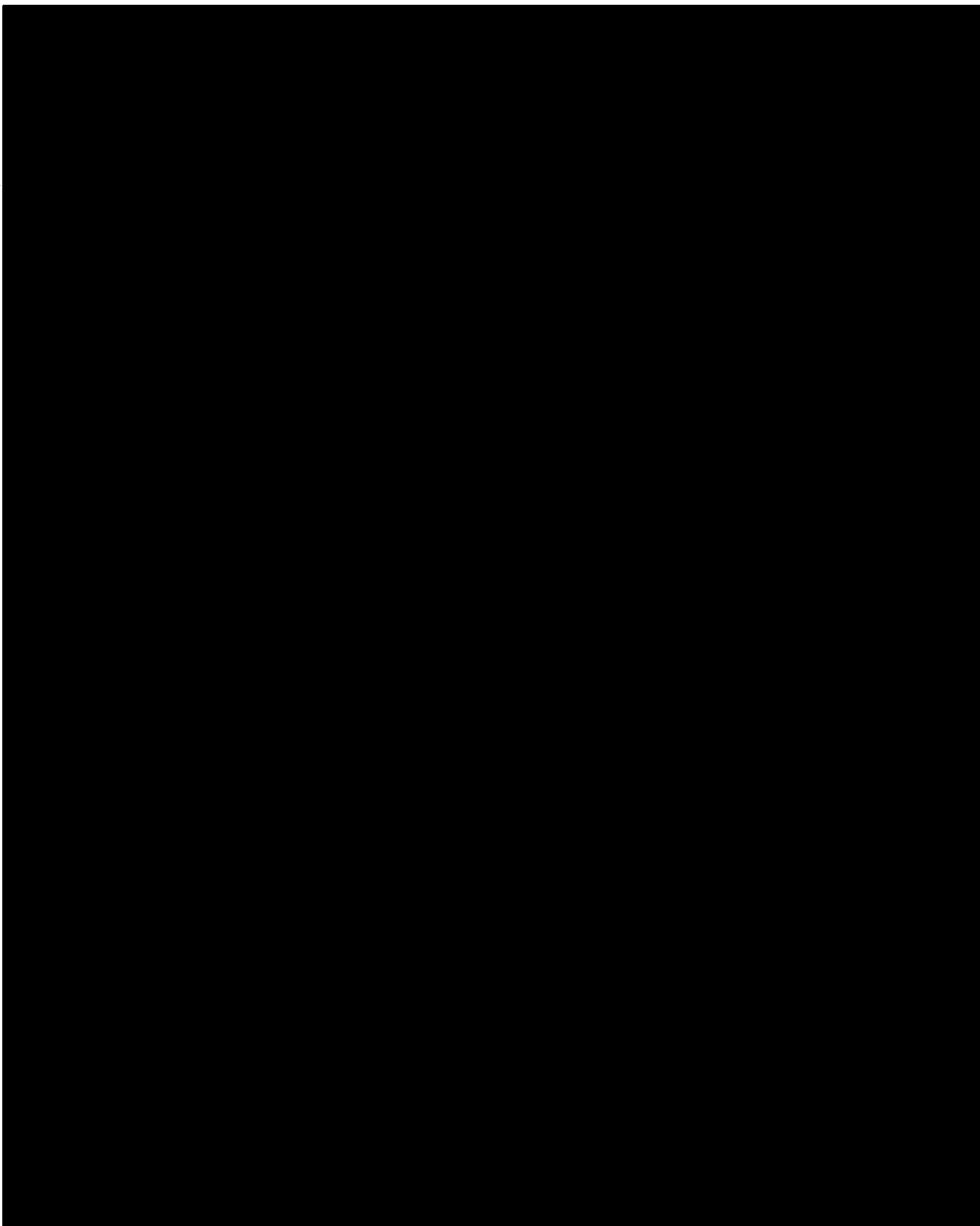
T-OTAX2

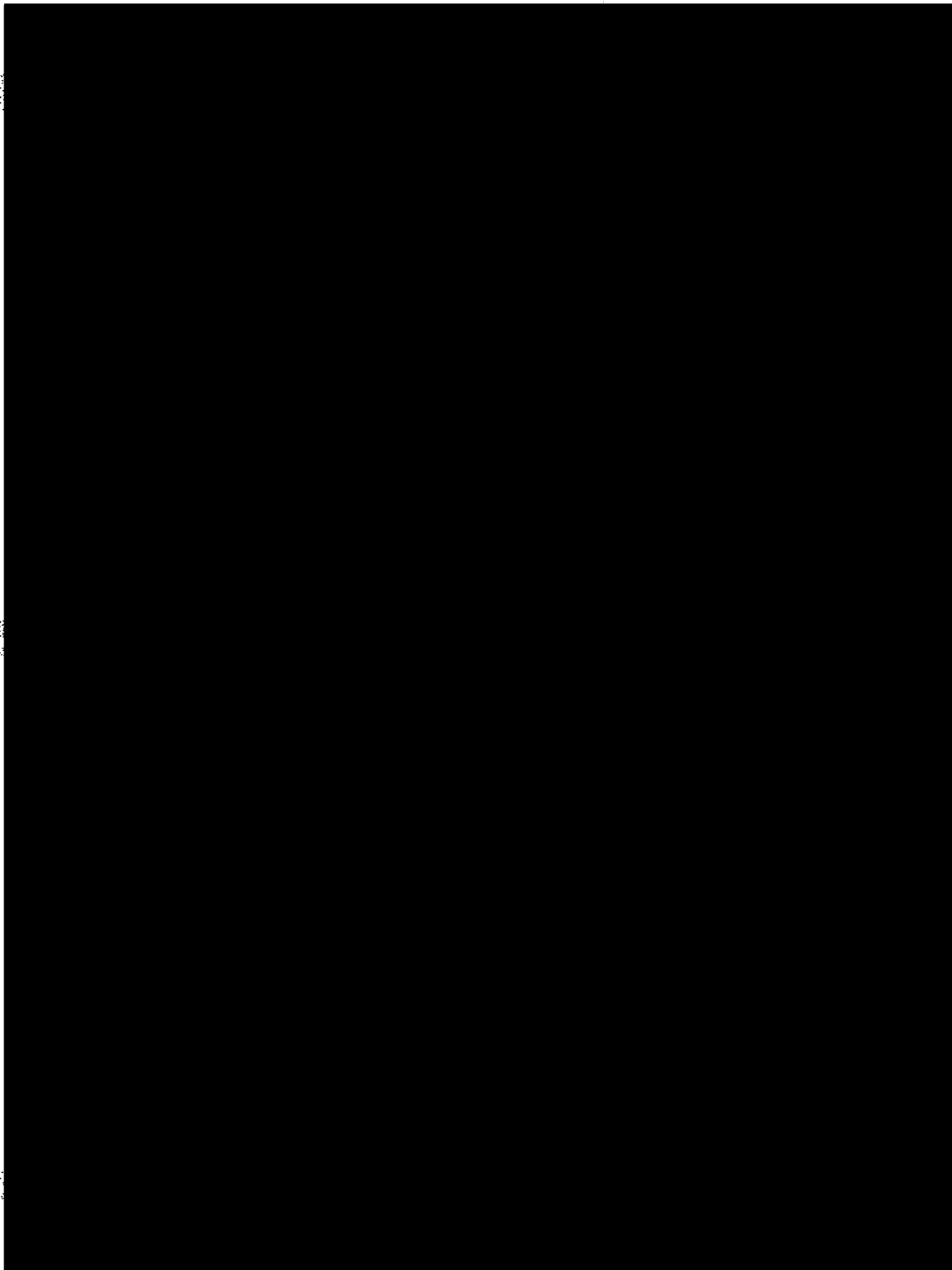
	2011 AMOUNT	
GROSS OPERATING REVENUES FOR THE ATTRITION YEAR	37,886,523	A/
LESS: UNCOLLECTIBLES	<u>(250,290)</u>	B/
NET REVENUES	37,636,233	
TENNESSEE PERCENT	<u>94.03%</u>	C/
	35,388,221	
LESS: EXEMPTION	<u>5,000</u>	
TAX BASE	35,383,221	
.425% OF FIRST \$1,000,000	3,000	
.325% OF EXCESS	<u>68,766</u>	
TOTAL INSPECTION FEE	<u><u>71,766</u></u>	

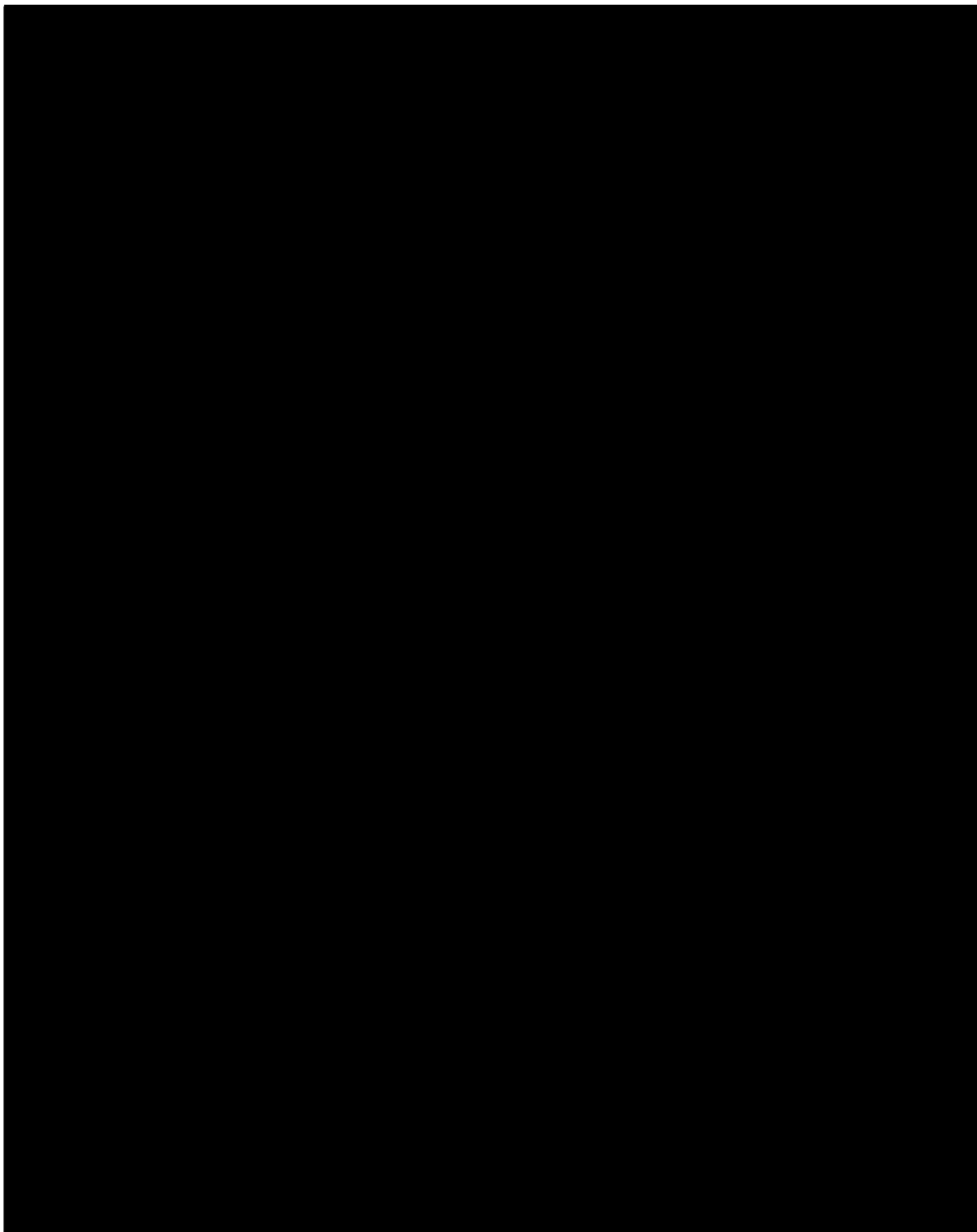
A/ Per Line 5 of the 12 MTD September 2010 TRA 3.06 Report

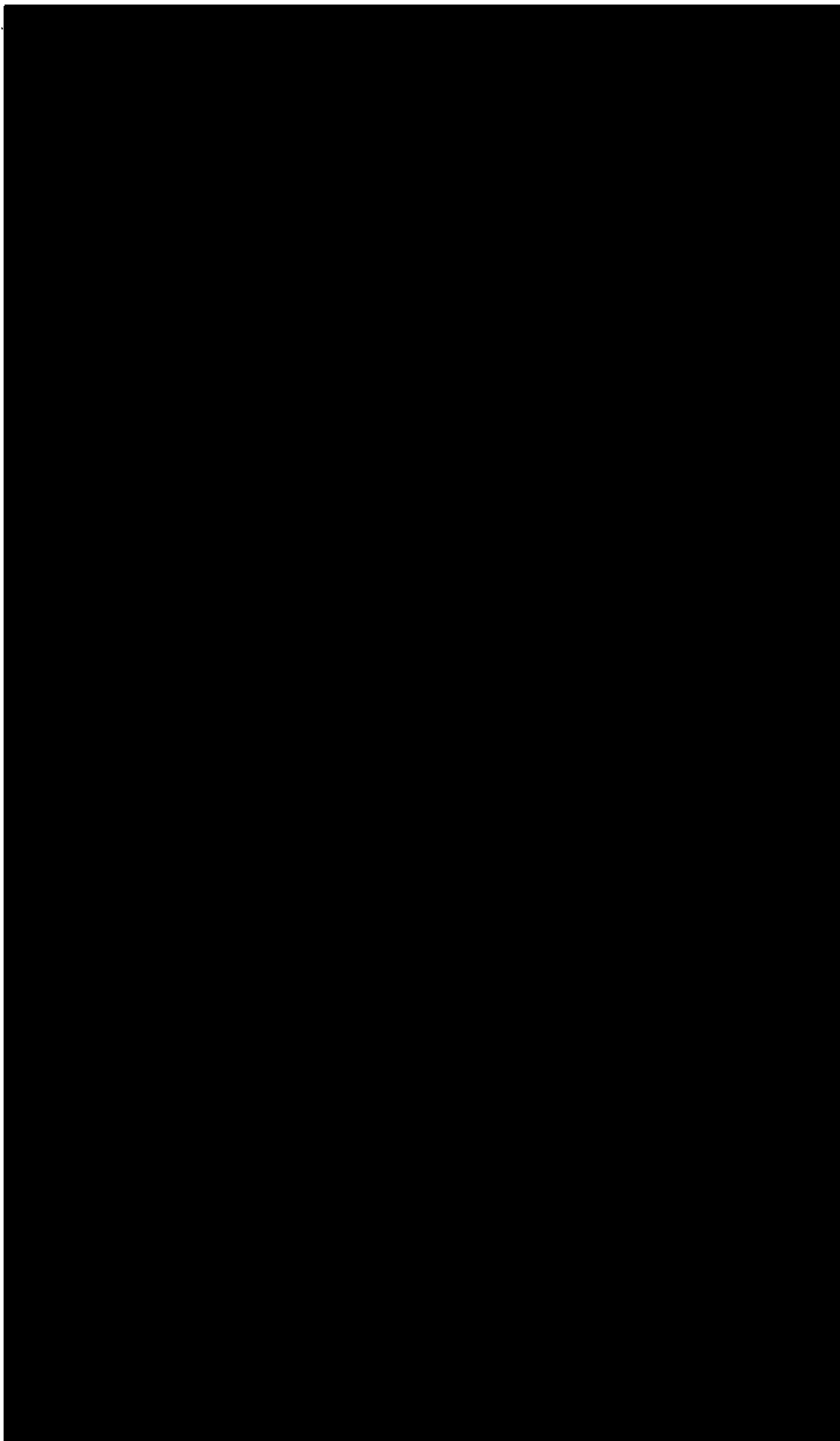
B/ Terry Buckner work paper E-UNC.

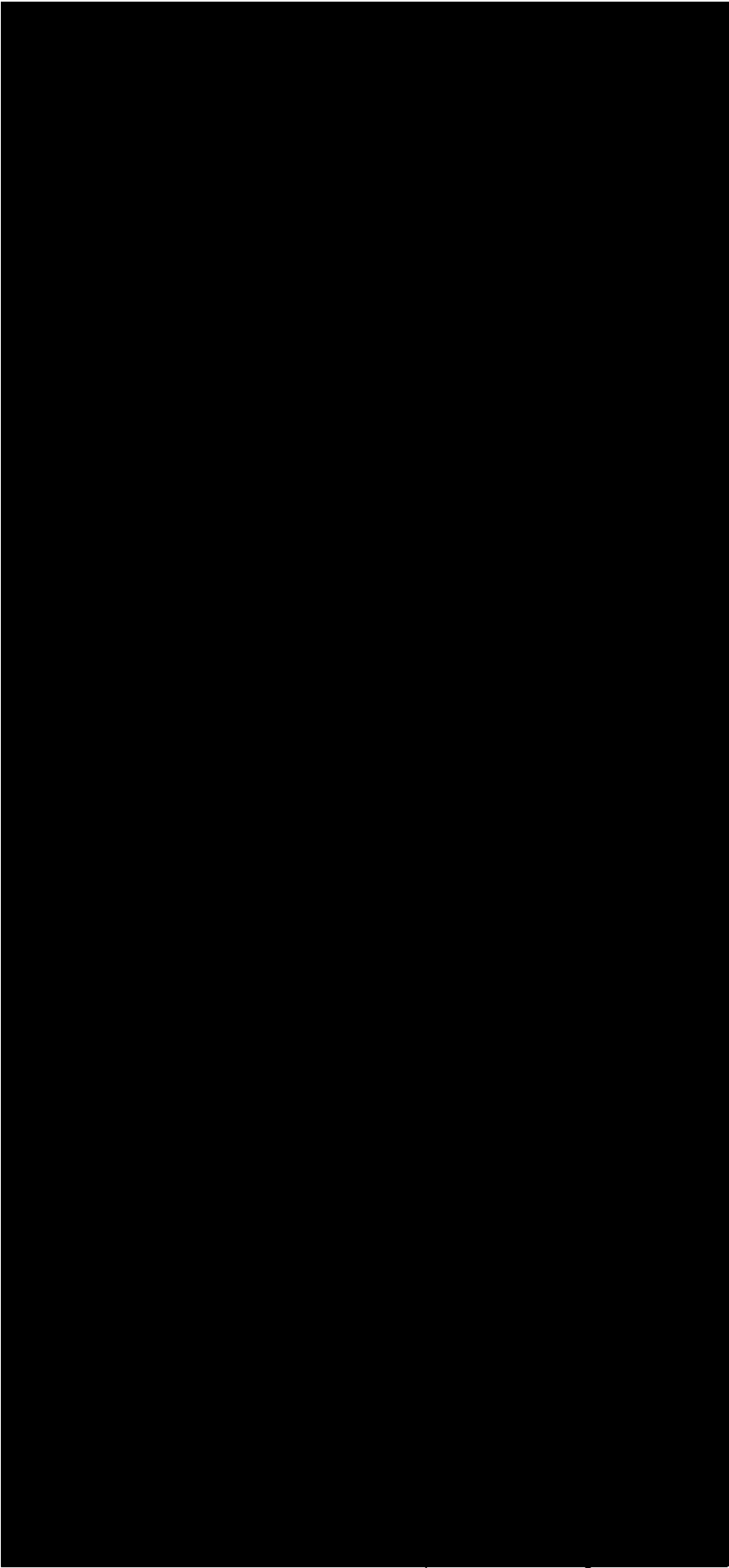
C/ TAWC response TN-TRA-02-Q92f-ATTACHMENT, Page 6 of 9.











OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

SALARY PAYROLL TAX EXPENSE SUMMARY

TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

T-OTAX6

* \$106,800 WAGE BASE
** NO WAGE BASE
*** \$7,000 WAGE BASE
**** \$9,000 WAGE BASE

EMP #	EMP NAME	A/ ATTRITION PERIOD PAY	FICA *	MEDICARE **	FUTA ***	SUTA ***	TOTAL PAYROLL TAXES
			6.20%	1.45%	0.80%	1.50%	
1	Cummings, Pamela B	\$ 88,239	\$ 5,471	\$ 1,279	\$ 56	\$ 135	\$ 6,941.29
2	Bartley, Rachel	89,662	5,559	1,300	56	135	7,050.10
3	Turley, Mark	66,641	4,132	966	56	135	5,289.04
4	McBay, David E.	57,809	3,584	838	56	135	4,613.37
5	Scealf, Virginia B	106,258	6,588	1,541	56	135	8,319.75
6	Bennette, Michael	60,621	3,759	879	56	135	4,828.53
7	Zinnanti, Mark	75,133	4,658	1,089	56	135	5,938.64
8	Nartey, Kate	94,639	5,868	1,372	56	135	7,430.85
9	Holmes, Susan T.	54,365	3,371	788	56	135	4,349.89
10	Blevins, Marvin R	84,334	5,229	1,223	56	135	6,642.51
11	Bratcher, Neil F.	60,989	3,781	884	56	135	4,856.68
12	Norwood, R Gary	68,455	4,244	993	56	135	5,427.83
13	Thornton, Rebecca	71,925	4,459	1,043	56	135	5,693.29
14	Morrison, Leah	78,918	4,893	1,144	56	135	6,228.23
15	Highsmith, Kevin	67,088	4,159	973	56	135	5,323.25
16	Dalton, Kimberly M.	75,065	4,654	1,088	56	135	5,933.50
17	Watson, John S.	151,501	6,622	2,197	56	135	9,009.36
18	Buchanan, Bridget	41,200	2,554	597	56	135	3,342.80
19	Moorhouse, James S.	69,783	4,327	1,012	56	135	5,529.36
20	Kimberly Durham	53,457	3,314	775	56	135	4,280.46
21	Ronald Schleifer	83,842	5,198	1,216	56	135	6,604.91
22	Adrien Partridge	50,161	3,110	727	56	135	4,028.32
23	Kevin N. Rogers	101,455	6,290	1,471	56	135	7,952.31
		<u>\$ 1,751,539</u>	<u>\$ 105,824</u>	<u>\$ 25,397</u>	<u>\$ 1,288</u>	<u>\$ 3,105</u>	<u>\$ 135,614</u>

A/ Consumer Advocate work paper, E-PAY-3.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
GROSS RECEIPTS TAX SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

T-OTAX7

	<u>2011 Forecast</u>	A/ <u>2010 Actual</u>
Gross Receipts	\$ 37,886,523 B/	\$ 35,188,321
Exemption	(5,000)	(5,000)
Taxable Receipts	36,525,743 C/	35,183,321
Tax Rate	3.00%	3.00%
Taxes	1,095,772	1,055,500
Less: Franchise Tax	(374,343) D/	(366,152)
Excise Tax	- E/	(2,161)
Net Tax	<u>\$ 721,429</u>	<u>\$ 687,187</u>
Tax 1/1/11-6/30/11		\$ 343,593
Tax 7/1/11-12/31/11	360,715	
Total Tax	<u>\$ 704,308</u>	

A/ TAWC response TN-CAPD-01-PART III-Q-55-ATTACHMENT, Page 39-90.

B/ Per Line 5 of the 12 MTD September 2010 TRA 3.06 Report

C/ 96.4210% per TAWC response TN-CAPD-01-PART III-Q-55-ATTACHMENT, Page 42 of 90.

D/ Terry Buckner work paper, T-OTAX8.

E/ TAWC response TN-CAPD-01-PART III-Q-55-ATTACHMENT, Page 46-90.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 STATE FRANCHISE TAX SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

T-OTAX8

NET PLANT AT DECEMBER 31, 2009	AMOUNT
MATERIALS AND SUPPLIES & CWIP AT DECEMBER 31, 2009	\$ 146,432,516
RENT VALUE AT DECEMBER 31, 2009	28,454
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	0.25
FRANCHISE TAX AMOUNT FOR 2009	<u>\$ 366,152 A/</u>
NET PLANT AT DECEMBER 31, 2010	\$ 148,623,638 B/
MATERIALS AND SUPPLIES & CWIP AT DECEMBER 31, 2010	1,085,201 C
RENT VALUE AT DECEMBER 31, 2010	28,454
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	0.25
FRANCHISE TAX AMOUNT FOR 2010	<u>\$ 374,343</u>
NET PLANT AT DECEMBER 31, 2011	\$ 151,058,496 B/
MATERIALS AND SUPPLIES & CWIP AT DECEMBER 31, 2011	5,415,000 C/
RENT VALUE AT DECEMBER 31, 2011	28,454
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	0.25
FRANCHISE TAX AMOUNT FOR 2011	<u>\$ 391,255</u>

A/ TAWC response TN-CAPD-01-PART III-Q55-ATTACHMENT, Page 47 of 90.
 B/ Consumer Advocate file Depreciation Expense - Net Plant at December 31, 2010 times TN factor.
 C/ Terry Buckner work paper RB-CWIP.times TN factor.

TN factor per TAWC response TN-CAPD-01-PART III-Q55-ATTACHMENT, Page 50 of 90, Line 14.

Social Security Online

[Press Office Home](#)

Press Office

**2011 Social Security Changes**

October 2010 (Printer Friendly Version) (aquí en Español)

[Meet the Press Office](#)[Facts And Figures](#)[Press Releases](#)[Congressional
Testimonies](#)[SSA Reports](#)[SSA Research](#)**Cost-of-Living Adjustment (COLA):**

Monthly Social Security and Supplemental Security Income (SSI) benefits will not automatically increase in 2011 as there is no increase in the Consumer Price Index (CPI-W) from the third quarter of 2008, the last year a COLA was determined, to the third quarter of 2010. Other important 2011 Social Security information is as follows:

Maximum Taxable Earnings:	2010	2011
Social Security (OASDI only)	\$106,800	\$106,800*
Medicare (HI only)	No Limit	

Quarter of Coverage:	2010	2011
Earnings needed to earn one Social Security credit	\$1,120	\$1,120**

Primary Insurance Amount Bend Points:	2010	2011
First dollar amount	\$ 761	\$ 749
Second dollar amount	\$4,586	\$4,517

Retirement Earnings Test Exempt Amounts:	2010	2011
Under full retirement age NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit.	\$14,160/yr. (\$1,180/mo.)	\$14,160/yr.* (\$1,180/mo.)
The year an individual reaches full retirement age NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.	\$37,680/yr. (\$3,140/mo.)	\$37,680/yr.* (\$3,140/mo.)
There is no limit on earnings beginning the month an individual attains full retirement age.		

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEPRECIATION EXPENSE REPORT FOR THE YEAR 1999
TENNESSEE AMERICAN WATER COMPANY TRADOCKET #10-00189
FOR THE ATTENTION YEAR ENDED DECEMBER 31, 2011

RB-PLANT

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
334100 Strud & Imp SS	48,448	48,448	48,448	48,448	48,448	48,448	48,448	48,448	48,448	48,448	48,448	48,448
334200 Strud & Imp P	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332	4,800,332
334300 Strud & Imp WT	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400	7,287,400
334301 Strud & Imp WT Dep Phing	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806	1,894,806
334310 Strud & Imp Treatment Handling	69,035	69,035	69,035	69,035	69,035	69,035	69,035	69,035	69,035	69,035	69,035	69,035
334400 Strud & Imp TD	817,581	817,581	817,581	817,581	817,581	817,581	817,581	817,581	817,581	817,581	817,581	817,581
334401 Strud & Imp AG	142,380	142,380	142,380	142,380	142,380	142,380	142,380	142,380	142,380	142,380	142,380	142,380
334500 Strud & Imp Office	312,842	312,842	312,842	312,842	312,842	312,842	312,842	312,842	312,842	312,842	312,842	312,842
334600 Strud & Imp Store/Suop/Gar	198,988	198,988	198,988	198,988	198,988	198,988	198,988	198,988	198,988	198,988	198,988	198,988
334700 Strud & Imp Misc	854,988	854,988	854,988	854,988	854,988	854,988	854,988	854,988	854,988	854,988	854,988	854,988
334800 Lake, River & Other Facilities	489,123	489,123	489,123	489,123	489,123	489,123	489,123	489,123	489,123	489,123	489,123	489,123
334900 Supply Mats	603,834	603,834	603,834	603,834	603,834	603,834	603,834	603,834	603,834	603,834	603,834	603,834
311000 Power Generation Equip	227,422	227,422	227,422	227,422	227,422	227,422	227,422	227,422	227,422	227,422	227,422	227,422
311200 Pump Equip Electric	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120	5,710,120
311300 Pump Equip Diesel	119,298	119,298	119,298	119,298	119,298	119,298	119,298	119,298	119,298	119,298	119,298	119,298
311500 Pump Equip Other	251,454	251,454	251,454	251,454	251,454	251,454	251,454	251,454	251,454	251,454	251,454	251,454
320100 Pumping Equipment SS	202,837	202,837	202,837	202,837	202,837	202,837	202,837	202,837	202,837	202,837	202,837	202,837
320101 WT Equip Non-Media	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054	12,595,054
320200 WT Equip Filter Media	350,872	350,872	350,872	350,872	350,872	350,872	350,872	350,872	350,872	350,872	350,872	350,872
320300 Disinfection Equip	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924	8,889,924
330100 Disinfection Equip	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221	3,477,221
330101 Disinfection Equip	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254	1,900,254
330200 Elevated Tanks & Conduits	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571
330300 Ground Level Tanks	18,648	18,648	18,648	18,648	18,648	18,648	18,648	18,648	18,648	18,648	18,648	18,648
330400 Sewer Ground Tanks	680,784	680,784	680,784	680,784	680,784	680,784	680,784	680,784	680,784	680,784	680,784	680,784
330500 Sewer Pumps	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852	1,981,852
331001 TD Main Not Classified by Siz	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482	5,456,482
331100 TD Main 48" & Less	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458
331200 TD Main 60" to 72"	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214	65,988,214
331300 TD Main 72" to 96"	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243	9,816,243
331350 TD Main 108" to 120"	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273	26,974,273
331400 TD Main 120" & Gr (TN)	851,994	851,994	851,994	851,994	851,994	851,994	851,994	851,994	851,994	851,994	851,994	851,994
331500 TD Main 120" & Gr (TN)	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021	22,132,021
331600 TD Main 120" & Gr	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348	4,886,348
331700 TD Main 120" & Gr	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588	3,668,588
331800 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
331900 TD Main 120" & Gr	17,907	17,907	17,907	17,907	17,907	17,907	17,907	17,907	17,907	17,907	17,907	17,907
332000 TD Main 120" & Gr	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542	11,647,542
332100 TD Main 120" & Gr	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016	8,324,016
332200 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332300 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332400 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332500 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332600 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332700 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332800 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
332900 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333000 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333100 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333200 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333300 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333400 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333500 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333600 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333700 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333800 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
333900 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334000 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334100 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334200 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334300 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334400 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334500 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334600 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334700 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334800 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
334900 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335000 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335100 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335200 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335300 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335400 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335500 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534	8,534
335600 TD Main 120" & Gr	8,534	8,534	8,534	8,534	8,							

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEPRECIATION EXPENSE INET PLANT IN SERVICE
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-ADD

Plant Additions	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
304100 Street & Imp SS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304200 Street & Imp P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304300 Street & Imp WT	6,357,305	37,000	28,080	0	0	2,000	24,000	2,000	14,000	2,000	3,700	28,950	42,300	34,000	90,158
304310 Street & Imp WT Piping	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304320 Street & Imp Treatment Handling	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304400 Street & Imp TD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304500 Street & Imp AG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304600 Street & Imp Office	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304700 Street & Imp Storm Shop, Gar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304800 Street & Imp Misc	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304900 Street & Imp Other Intakes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
305000 Supply Main	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
306000 Power Generation Equip	36,000	38,211	35,000	21,500	0	0	0	0	23,000	15,789	10,858	14,000	20,000	55,352	16,965
311200 Pump Equip Electric	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311300 Pump Equip Diesel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311500 Pump Equip Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311620 Pumping Equipment SS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
320100 WT Equip Non-Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
320200 WT Equip Filter Media	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330000 Dist Reservoirs & Standpipes	205,588	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330003 Dist Res & Stand Orig Repaint	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330100 Elevated Tanks & Standpipes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330200 Ground Level Tanks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330300 Below Ground Tanks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330400 Clearwell	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330500 TD Mainline Not Classified by Siz	1,800	0	0	0	0	0	0	0	0	0	0	0	0	0	0
331100 TD Mainline 4in & Less	238,017	224,104	309,748	71,093	11,741	148,088	245,831	76,426	261,778	231,850	288,545	216,238	273,234	370,945	289,269
331200 TD Mainline 6in to 8in	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
331210 TD Mainline 6in to 10in (TN)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
331300 TD Mainline 10in to 16in	35,695	0	63,682	98,582	0	0	250,000	73,235	180,848	255,000	0	16,645	57,119	56,458	75,238
331350 TD Mainline 12in & Gtr (TN)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
331400 TD Mainline 18in & Gtr	144,887	180,409	179,792	81,688	58,345	92,015	59,787	84,854	148,452	125,733	131,821	98,120	139,400	129,149	102,282
332000 Services	116,900	23,500	72,000	27,500	21,000	92,000	65,712	25,800	63,000	27,388	28,500	120,100	81,500	47,500	85,000
334110 Meters Bronze Case	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
334130 Meters Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
334131 Meters Other-Ram Rdr Units	155,000	23,000	81,800	30,500	38,600	107,000	88,512	28,800	109,000	30,158	30,000	104,000	87,500	59,500	80,000
334200 Meter Installations	73,750	38,784	24,092	11,000	25,458	21,445	39,235	28,800	83,250	48,200	27,139	43,150	28,000	16,000	32,100
335000 Hydrants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
335200 Other P/E OPS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
335600 Office Furniture & Equip	32,265	0	9,000	0	0	0	4,500	4,500	4,500	9,583	0	4,000	1,328	7,523	8,024
340100 Comp & Periph Equip	19,000	2,619	12,977	0	0	23,000	41,000	30,000	33,000	5,000	0	0	24,800	0	1,700
340210 Comp & Periph Mainframe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340220 Comp & Periph Personal	10,000	0	0	0	0	0	0	0	0	7,600	0	0	0	8,922	7,284
340230 Comp & Periph Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340240 Comp & Periph Capital Lease	0	0	0	0	0	0	0	0	0	0	0	0	4,000	1,236	3,256
340300 Computer Software	17,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340310 Comp Software Mainframe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340320 Comp Software Personal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340330 Comp Software Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340350 Data Handling Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340360 Other Office Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341100 Trans Equip LI Duty Trk	125,316	0	0	0	0	0	0	0	0	0	0	0	0	0	43,500
341200 Trans Equip P/H Duty Trk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	238,000
341300 Trans Equip Autos	0	0	0	0	0	0	0	0	0	0	0	0	0	0	106,720
341400 Trans Equip Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
342000 Slices Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
343000 Tools Shop/Garage Equip	14,000	5,400	10,800	0	0	0	0	7,200	7,040	6,000	9,000	10,560	10,000	14,000	24,200
344000 Laboratory Equipment	2,500	0	0	1,500	0	0	0	12,000	0	2,500	3,000	0	2,800	0	0
345000 Power Operated Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346100 Comm Equip Non-Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346190 Remote Control & Instrumental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346200 Comm Equip Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
347000 Misc Equipment	5,684	0	0	1,000	0	0	0	0	0	0	0	0	5,684	0	0
348000 Other Tangible Property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Total 5,890,796 659,027 850,721 341,843 270,134 476,828 811,505 375,215 952,658 827,587 600,054 581,574 1,152,617 1,036,604 1,204,595

Source: TRA Data Request #1, Discovery Request #52

Land 250,000

FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011																RB-RET
Plant Retirements																
	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	
304100 Struct & Imp SB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304200 Struct & Imp P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304300 Struct & Imp WT	(285,873)	0	0	0	(500)	(500)	0	0	0	0	(1,597)	0	(5,000)	0	0	0
304301 Struct & Imp WT Degr Prng	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304310 Struct & Imp Treatment Handling	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304400 Struct & Imp TD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304500 Struct & Imp AG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304600 Struct & Imp Offices	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304700 Struct & Imp Store Shop, Gar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
304800 Struct & Imp Mfg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
305000 Lakes, River & Other Intakes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
305000 Supply Mains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
310000 Power Generation Equip	0	0	(1,878)	0	0	(1,890)	0	0	0	(1,200)	(5,000)	0	(1,200)	0	(1,879)	0
311200 Pump Equip Electric	(1,200)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311800 Pump Equip Diesel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311801 Pump Equip Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311820 Pumping Equipment SS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
320100 WT Equip Non-Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
320200 WT Equip Filter Media	0	(1,500)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330000 Dist Reservoirs & Standpipes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330003 Dist Res & Stand Chg Repeat	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330100 Elevated Tanks & Standpipes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330200 Ground Level Tanks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330300 Below Ground Tanks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330400 Clearwell	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3391001 TD Mains Not Classified by Siz	(1,850)	0	(1,000)	0	(5,623)	(1,592)	0	(4,000)	(1,850)	(5,550)	(1,000)	(1,850)	(18,250)	(25,355)	(12,285)	0
3391100 TD Mains 4in & Less	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3391200 TD Mains 6in to 8in	(2,910)	0	(13,285)	(3,900)	0	(14,592)	(8,135)	(10,000)	0	(1,719)	0	(4,555)	(1,200)	0	(3,455)	0
3391210 TD Mains 6in to 10in (TN)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3391300 TD Mains 10in to 16in	(3,500)	0	(5,546)	(7,798)	(2,000)	0	(1,800)	(13,250)	0	0	0	0	0	(1,892)	0	0
3391350 TD Mains 12in & Gtr (TN)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3391400 TD Mains 18in & Gtr	(12,038)	(2,032)	0	(1,800)	(2,100)	(2,075)	(1,800)	(4,458)	(1,244)	(5,244)	(1,000)	(6,448)	(10,038)	(10,032)	(10,234)	0
3393000 Services	(32,000)	(1,101)	0	(1,100)	0	(37,000)	(22,100)	(1,800)	(24,500)	(1,100)	0	(48,800)	(21,100)	0	(12,000)	0
3341100 Meters	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3341100 Meters Bronze Case	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3341130 Meters Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3341151 Meters Other-Rem Ref Units	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3342000 Motor Installations	(48,000)	0	(1,000)	0	(1,000)	(48,000)	(21,000)	0	(42,500)	0	0	(31,000)	0	(11,100)	(15,000)	0
3342000 Motor Installations	(2,690)	(500)	(1,800)	(593)	(1,500)	(2,354)	(3,500)	(1,000)	(2,880)	(550)	(1,800)	(500)	(1,500)	(646)	0	0
335000 Hydrants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
335200 Other P/E SS	0	0	0	0	0	0	(1,258)	0	0	(2,500)	(1,500)	(5,000)	0	0	0	0
335900 Other P/E CP-S	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340100 Office Furniture & Equip	0	(2,500)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340200 Comp & Periph Equip	(1,200)	0	(1,650)	0	0	0	0	0	0	0	0	0	0	0	0	0
340210 Comp & Periph Mainframe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340220 Comp & Periph Personal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340230 Comp & Periph Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340240 Comp & Periph Capital Lease	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,500)	0	0
340300 Computer Software	0	(1,600)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340310 Comp Software Mainframe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340320 Comp Software Personal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340330 Comp Software Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340400 Data Handling Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340500 Other Office Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341100 Trans Equip Li Duty Trks	0	0	(8,400)	0	0	0	0	0	0	0	0	0	0	0	0	0
341200 Trans Equip Hwy Duty Trks	0	0	(3,200)	0	0	0	0	0	0	0	0	0	0	0	0	0
341300 Trans Equip Autos	(500)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341400 Trans Equip Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341400 Trans Equip Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
342000 Stones Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
343000 Tools Shop, Garage Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
344000 Laboratory Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
345000 Power Operated Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346100 Comm Equip Non-Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346150 Remote Control & Instrumental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346200 Comm Equip Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
347000 Misc Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
348000 Other Tangible Property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(385,521)	(9,163)	(53,737)	(15,182)	(12,723)	(107,703)	(89,191)	(34,512)	(72,744)	(18,593)	(13,117)	(98,260)	(183,444)	(50,215)	(64,440)	0

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CONSTRUCTION WORK IN PROGRESS ("CWIP") EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-CWIP

	A/ Capital Spending	B/ UPIS Additions	Net Additions	Balance
				\$
2010				
SEPTEMBER				
OCTOBER	\$ 1,332,561	\$ 6,690,795	\$ (5,358,234)	531,732
NOVEMBER	1,193,936	650,027	543,909	1,075,641
DECEMBER	983,181	950,721	32,460	1,108,101
JANUARY	661,211	341,843	319,368	1,427,469
FEBRUARY	558,837	270,124	288,713	1,716,182
MARCH	668,335	475,528	192,807	1,908,989
APRIL	561,966	811,905	(249,939)	1,659,050
MAY	791,445	375,215	416,230	2,075,280
JUNE	777,609	952,668	(175,059)	1,900,221
JULY	1,160,099	827,587	332,512	2,232,733
AUGUST	1,097,372	600,034	497,338	2,730,071
SEPTEMBER	1,512,593	681,874	830,719	3,560,790
OCTOBER	1,722,544	1,152,017	570,527	4,131,317
NOVEMBER	1,782,953	1,036,604	746,349	4,877,666
DECEMBER	1,856,197	1,204,595	651,602	5,529,268
Total	\$ 16,660,839	\$ 17,021,537	\$ (360,698)	
AVERAGE CWIP				\$ 2,681,318

A/ TAWC response TN-CAPD-01PART III-Q063-ATTACHMENT 3.

B/ TAWC response TRA Data Request #1, DR #52.

C/ TAWC Financial Statement September 2010, TN-TRA-02-Q138-ATTACHMENT, page 1 of 1.

RB-WORKING CAPITAL REQUIREMENT

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 WORKING CAPITAL REQUIREMENT SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

Item	Consumer Advocate Amount	H/ TAWC Amount	Difference
Prepaid Taxes	414,322 A/	284,235	130,087
Materials & Supplies	215,798 B/	254,110	(38,312)
Deferred Regulatory Expense	310,734 C/	630,897	(320,163)
Unamortized Debt Expense	460,842 D/	460,845	(3)
Other Deferred Debits	280,997 E/	280,983	14
Lead/Lag Study	758,675 F/	663,000	95,675
Total	\$ 2,441,369	\$ 2,574,070	\$ (132,701)
Less:			
Incidental Collections	1,562,481 G/	1,562,812	(331)
Net Working Capital Requirement	\$ 878,887	\$ 1,011,258	\$ (132,371)

A/ Terry Buckner work paper, RB-PREPAID TAXES.

B/ Terry Buckner work paper, RB-M&S.

C/ Terry Buckner work paper, RB-DEFERRED REGULATORY EXPENSE.

D/ Terry Buckner work paper, RB-UNAMORTIZED DEBT EXPENSE.

E/ Terry Buckner work paper, RB-OTHER DEFERRED DEBITS.

F/ Terry Buckner work paper, RB-CWC.

G/ Terry Buckner work paper, RB-INCIDENTAL COLLECTIONS.

H/ TAWC Exhibit No. 1, Schedule 3.

RB-CWC

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

LEAD/LAG STUDY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

LINE NO.	DESCRIPTION	ATTRITION YEAR	LEAD/ LAG DAYS	DOLLAR DAYS
1	Revenues less private fire	\$ 38,876,934	14.74	\$ 543,568,007
2	Private Fire billed in advance	1,522,645	(45.83)	(69,473,728)
3	Total	\$ 38,399,479	41.73	\$ 474,092,279
4	Payroll Charged to Expense - Hourly	3,484,760	17.08	59,519,703
5	Payroll Charged to Expense - Salary	1,430,351	17.08	24,430,392
6	Purchased Water	47,708	36.44	1,738,480
7	Fuel and Power	2,410,888	28.04	67,600,739
8	Chemicals	930,951	23.84	22,007,918
9	Waste Disposal	172,338	73.61	12,885,800
10	AWWS Charges	3,670,849	(11.97)	(43,940,063)
11	Group Insurance	1,118,530	(13.63)	(15,245,584)
12	OPEBs	1,047,866	(1.83)	(1,708,022)
13	Pensions	1,552,412	(1.83)	(2,930,432)
14	Insurance Other Than Group	322,282	(40.00)	(12,990,480)
15	Rents	8,438	(33.42)	(281,931)
16	Maintenance Expense	1,143,925	21.74	24,886,930
17	Regulatory Expense	195,284	76.64	14,998,568
18	Uncollectibles	250,280	-	-
19	Other Operating and Maintenance Expenses	2,975,631	34.05	101,320,238
20	Depreciation	4,703,804	-	-
21	Payroll Taxes	368,405	15.78	6,101,335
22	Property Taxes	2,572,725	241.00	620,028,725
23	Franchise Taxes	391,255	37.50	14,672,063
24	Gross Receipts Tax	704,308	47.74	33,623,664
25	Utility Tax	71,768	287.00	19,161,522
26	Current Federal Income Tax	918,329	37.00	33,904,180
27	Current State Excise Tax	184,334	37.00	7,180,358
28	Deferred Income Taxes	788,324	-	-
29	Interest Expense	3,938,881	85.08	335,119,995
30	Preferred Dividends	68,010	45.83	3,148,928
31	Net Earnings	2,899,887	-	-
	Total Operating Funds	\$ 38,399,479	\$ 34.52	\$ 1,325,491,052
32	Net Lead (Lag) Days		7.212	
33	Average Daily Operating Expenses			\$ 105,204
34	CWC Required for Operating Expenses			\$ 758,675

Source: Consumer Advocate work papers, TAWC Exhibit 1, Schedule 3, Page 3 of 8.

RB-DEFERRED REGULATORY EXPENSE

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 DEFERRED REGULATORY EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

<u>Item</u>	<u>Consumer Advocate Amount</u>	<u>D/ TAWC Amount</u>	<u>Difference</u>
Deferred Rate Case Expense	\$ 295,192 A/	\$ 589,165	\$ (293,973)
Deferred Depreciation Study	3,009 B/	3,010	(1)
Deferred Cost of Service Study	12,533 C/	38,723	(26,190)
Total	\$ 310,734	\$ 630,898	\$ (320,164)

A/ Terry Buckner work paper, RB-DEFERRED RATE CASE EXPENSE.

B/ Terry Buckner work paper, RB-DEFERRED DEPRECIATION STUDY EXPENSE.

C/ Terry Buckner work paper, RB-COST OF SERVICE STUDY EXPENSE.

D/ TAWC response TRA #13, TN-TRA-01-Q013-DEFERRED RATE CASE EXPENSE, Pages 34-36 of 56.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEFERRED RATE CASE EXPENSE SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-DEFERRED RATE CASE EXPENSE

	A/ Beginning Balance	Docket #08-00039 Amortization	Unamortized	B/ Beginning Balance	TRA Docket #10-00189 Amortization	Unamortized Total
September	\$ 275,000	\$ 7,639	\$ 275,000			
October		7,639	267,361			
November		7,639	259,722			
December 2008		7,639	252,083			
January		7,639	244,444			
February		7,639	236,806			
March		7,639	229,167			
April		7,639	221,528			
May		7,639	213,889			
June		7,639	206,250			
July		7,639	198,611			
August		7,639	190,972			
September		7,639	183,333			
October		7,639	175,694			
November		7,639	168,056			
December 2009		7,639	160,417			
January		7,639	152,778			
February		7,639	145,139			
March		7,639	137,500			
April		7,639	129,861			
May		7,639	122,222			
June		7,639	114,583			
July		7,639	106,944			
August		7,639	99,306			
September		7,639	91,667			
October		7,639	84,028			
November		7,639	76,389			
December 2010		7,639	68,750	\$ 322,500	\$ 8,958	\$ 322,500
January		7,639	61,111		8,958	313,542
February		7,639	53,472		8,958	304,583
March		7,639	45,833		8,958	295,625
April		7,639	38,194		8,958	286,667
May		7,639	30,556		8,958	277,708
June		7,639	22,917		8,958	268,750
July		7,639	15,278		8,958	259,792
August		7,639	7,639		8,958	250,833
September		7,639	-		8,958	241,875
October		-	-		8,958	232,917
November		-	-		8,958	223,958
December 2011		-	-		8,958	215,000
Total Amortization/13 Month Unamortized Average		68,750	26,442	\$ 322,500	\$ 107,500	\$ 268,750

A/ TRA Order #08-00039, Page 25.
B/ 1/2 of TAWC petition amount, TRA First Discovery #45.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 DEFERRED DEPRECIATION STUDY SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-DEPR. STUDY

TRA Docket #10-00189			
	<u>Amortization</u>	<u>Unamortized</u>	
December 2010	\$ 870	\$ 7,826	
January 2011		6,956	
February	870	6,086	
March	870	5,216	
April	870	4,346	
May	870	3,476	
June	870	2,606	
July	870	1,736	
August	870	866	
September	866	-	
October	-	-	
November	-	-	
December 2011	-	-	
Total/13 Month Avg	7,826	\$ 3,009	

C/TAWC Response TN-TRA-01-Q013-WORKING CAPITAL, Page 36 of 56.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEFERRED COST OF SERVICE STUDY SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB DEFERRED COST OF SERVICE STUDY EXPENSE

	A/ Beginning Balance \$	Docket #05-00280 Amortization	Unamortized	B/ Beginning Balance	TRA Docket #05-00339 Amortization	Unamortized
February		\$ 667	\$ 39,333			
March		667	38,667			
April		667	38,000			
May		667	37,333			
June		667	36,667			
July		667	36,000			
August		667	35,333			
September		667	34,667			
October		667	34,000			
November		667	33,333			
December 2007		667	32,667			
January		667	32,000			
February		667	31,333			
March		667	30,667			
April		667	30,000			
May		667	29,333			
June		667	28,667			
July		667	28,000			
August		667	27,333			
September		667	26,667			
October		667	26,000			
November		667	25,333			
December 2008		667	24,667			
January		667	24,000			
February		667	23,333			
March		667	22,667			
April		667	22,000			
May		667	21,333			
June		667	20,667			
July		667	20,000			
August		667	19,333			
September		667	18,667			
October		667	18,000			
November		667	17,333			
December 2009		667	16,667			
January		667	16,000			
February		667	15,333			
March		667	14,667			
April		667	14,000			
May		667	13,333			
June		667	12,667			
July		667	12,000			
August		667	11,333			
September		667	10,667			
October		667	10,000			
November		667	9,333			
December 2010		667	8,667			
January		667	8,000			
February		667	7,333			
March		667	6,667			
April		667	6,000			
May		667	5,333			
June		667	4,667			
July		667	4,000			
August		667	3,333			
September		667	2,667			
October		667	2,000			
November		667	1,333			
December 2011		667				
Total/13 Month Average	8,000		6,333	18,000		3,200

A/ TAWC Direct Testimony, S. Miller, Page 11, Lines 26-29

B/ TAWC Response to TRA Discovery Request #13, TN-TRA-01-0013-DEFERRED RATE CASE EXPENSE, Page 2 of 2

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
OTHER DEFERRED DEBITS SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-OTHER DEFERRED DEBITS

	A/ Beginning Balance \$	Customer Service Amortization	Unamortized	A/ Beginning Balance \$	Financial Services Amortization	Unamortized	Total
Beginning November 2007	355,968			208,308			
December 2007		8,176	547,790		3,083	205,245	
January		6,176	539,814		3,083	202,182	
February		6,176	531,438		3,083	199,119	
March		8,176	523,262		3,083	196,056	
April		8,176	515,086		3,083	192,993	
May		8,176	506,910		3,083	189,930	
June		8,176	498,734		3,083	186,867	
July		8,176	490,558		3,083	183,804	
August		8,176	482,382		3,083	180,741	
September		8,176	474,206		3,083	177,678	
October		8,176	466,030		3,083	174,615	
November		8,176	457,854		3,083	171,552	
December 2008		8,176	449,678		3,083	168,489	
January		8,176	441,502		3,083	165,426	
February		8,176	433,326		3,083	162,363	
March		8,176	425,150		3,083	159,300	
April		8,176	416,974		3,083	156,237	
May		8,176	408,798		3,083	153,174	
June		8,176	400,622		3,083	150,111	
July		8,176	392,446		3,083	147,048	
August		8,176	384,270		3,083	143,985	
September		8,176	376,094		3,083	140,922	
October		8,176	367,918		3,083	137,859	
November		8,176	359,742		3,083	134,796	
December 2009		8,176	351,566		3,083	131,733	
January		8,176	343,390		3,083	128,670	
February		8,176	335,214		3,083	125,607	
March		8,176	327,038		3,083	122,544	
April		8,176	318,862		3,083	119,481	
May		8,176	310,686		3,083	116,418	
June		8,176	302,510		3,083	113,355	
July		8,176	294,334		3,083	110,292	
August		8,176	286,158		3,083	107,229	
September		8,176	277,982		3,083	104,166	
October		8,176	269,806		3,083	101,103	
November		8,176	261,630		3,083	98,040	
December 2010		8,176	253,454		3,083	94,977	
January		8,176	245,278		3,083	91,914	
February		8,176	237,102		3,083	88,851	
March		8,176	228,926		3,083	85,788	
April		8,176	220,750		3,083	82,725	
May		8,176	212,574		3,083	79,662	
June		8,176	204,398		3,083	76,599	
July		8,176	196,222		3,083	73,536	
August		8,176	188,046		3,083	70,473	
September		8,176	179,870		3,083	67,410	
October		8,176	171,694		3,083	64,347	
November		8,176	163,518		3,083	61,284	
December 2011		8,176	155,342		3,083	58,221	
Thirteen Month Average			204,399			76,599	280,997

A/ TAWC response TN-TRA-01-Q013 WORKING CAPITAL Page 41 of 58.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
MATERIALS AND SUPPLIES SUMMARY
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-M&S

	A/ Paid M&S Balance	B/ Unpaid M&S Balance	Net Balance
SEPTEMBER	2009 \$333,712	\$ 80,838	\$252,874
OCTOBER	344,398	52,586	291,812
NOVEMBER	321,963	18,040	303,923
DECEMBER	301,488	38,256	263,232
JANUARY	342,557	66,200	276,357
FEBRUARY	325,265	482,800	(157,535)
MARCH	335,827	72,819	263,008
APRIL	315,737	115,934	199,803
MAY	316,675	115,934	200,741
JUNE	373,079	115,934	257,145
JULY	321,271	115,934	205,337
AUGUST	330,585	115,934	214,651
SEPTEMBER	349,963	115,934	234,029
AVERAGE			\$215,798

A/ TAWC Balance Sheet
 B/ TAWC response TRA-01-Q013-WORKING CAPITAL
 (April 2010 through September 2010 based on seven month average of September 2009 through March 2010)

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 PREPAID TAXES SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-PREPAID TAXES

	A/	Balance
SEPTEMBER	2009	\$ 398,498
OCTOBER		550,074
NOVEMBER		424,191
DECEMBER	2010	363,592
JANUARY		302,993
FEBRUARY		242,395
MARCH		181,796
APRIL		121,197
MAY		60,599
JUNE		-
JULY		990,942
AUGUST		876,284
SEPTEMBER		873,627
	AVERAGE	\$ 414,322

A/ TAWC Balance Sheet

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 UNAMORTIZED DEBT EXPENSE SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-UNAMORTIZED DEBT EXPENSE

	A/ Outside Debt Expense		A/ Inside Debt Expense			
	<u>Beginning Balance</u>	<u>Amortization</u>	<u>Beginning Balance</u>	<u>Amortization</u>	<u>Unamortized</u>	<u>Total</u>
	\$ 49,861		\$ 439,090		\$ 439,090	\$ 488,951
September					2,509	
October	314				2,509	
November	314				2,509	
December	689				2,509	
January 2011	689				2,509	
February	689				2,509	
March	689				2,509	
April	689				2,509	
May	689				2,509	
June	689				2,509	
July	689				2,509	
August	689				2,509	
September	689				2,509	
October	689				2,509	
November	1,022				2,509	
December	1,022				2,509	
Thirteen Month Avg	8,934	\$ 44,333		30,108	\$ 416,509	\$ 460,842

A/ TAWC response TN-TRA-01-Q013-DEBT EXPENSE, Page 37 of 56.

RB-INCIDENTAL COLLECTIONS

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 INCIDENTAL COLLECTIONS SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

LINE NO.	DESCRIPTION	ATTRITION		LEAD/ LAG DAYS	DOLLAR	
		YEAR			DAYS	
1	Sales & Use Tax	A/ \$ 6,874	A/	14.78	\$	101,598
2	Sewer Collections	B/ 90,178	B/	16.20		1,460,884
3	Total	\$ 97,052			\$	1,562,481

A/ TAWC response TRA-01-Q013-WORKING CAPITAL, Page 56 of 56.

B/ TAWC response TRA-01-Q013-WORKING CAPITAL, Page 43 of 56.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEPRECIATION EXPENSE NET PLANT IN SERVICE
TENNESSEE AMERICAN WATER COMPANY TRAID DOCKET #10-00189
FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
304100 Street & Imp PS	2,518	2,597	2,679	2,761	2,842	2,924	3,005	3,087	3,168	3,250	3,332	3,413	3,495
304200 Street & Imp S	1,355,738	1,363,163	1,370,589	1,378,014	1,385,440	1,392,865	1,400,291	1,407,718	1,415,143	1,422,568	1,430,000	1,437,425	1,444,850
304300 Street & Imp WT	1,821,235	1,846,166	1,871,097	1,896,028	1,920,959	1,945,890	1,970,821	1,995,752	2,020,683	2,045,614	2,070,545	2,095,476	2,120,407
304400 Street & Imp Wt Depr Pning	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028	1,747,028
304500 Street & Imp TD	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082	2,082
304600 Street & Imp A3	419,763	420,662	421,561	422,460	423,359	424,258	425,157	426,056	426,955	427,854	428,753	429,652	430,551
304700 Street & Imp Offcs	11,973	12,448	12,923	13,398	13,873	14,348	14,823	15,298	15,773	16,248	16,723	17,198	17,673
304800 Street & Imp Shop, Gar	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638	129,638
304900 Street & Imp Misc	289,994	290,184	290,374	290,564	290,754	290,944	291,134	291,324	291,514	291,704	291,894	292,084	292,274
305000 Street & Imp Misc	611,307	611,575	611,843	612,111	612,379	612,647	612,915	613,183	613,451	613,719	613,987	614,255	614,523
305100 Lake, River & Other Inakes	283,038	283,378	283,718	284,058	284,398	284,738	285,078	285,418	285,758	286,098	286,438	286,778	287,118
305200 Supply Main	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114	113,114
305300 Power Generation Equip	97,999	100,338	102,677	105,016	107,355	109,694	112,033	114,372	116,711	119,050	121,389	123,728	126,067
311000 Pump Equip Electric	2,727,244	2,738,889	2,750,534	2,762,179	2,773,824	2,785,469	2,797,114	2,808,759	2,820,404	2,832,049	2,843,694	2,855,339	2,866,984
311200 Pump Equip Diesel	95,620	95,688	95,756	95,824	95,892	95,960	96,028	96,096	96,164	96,232	96,300	96,368	96,436
311500 Pump Equip Other	86,009	86,390	86,771	87,152	87,533	87,914	88,295	88,676	89,057	89,438	89,819	90,200	90,581
311600 Pumping Equipment ES	8,248	8,587	8,926	9,265	9,604	9,943	10,282	10,621	10,960	11,299	11,638	11,977	12,316
320100 WT Equip Non-Media	10,117,558	10,129,588	10,141,618	10,153,648	10,165,678	10,177,708	10,189,738	10,201,768	10,213,798	10,225,828	10,237,858	10,249,888	10,261,918
320200 WT Equip Rtr Media	116,910	119,228	121,546	123,864	126,182	128,500	130,818	133,136	135,454	137,772	140,090	142,408	144,726
330000 Dist Reservoirs & Sandpiles	2,034,612	2,046,774	2,058,936	2,071,098	2,083,260	2,095,422	2,107,584	2,119,746	2,131,908	2,144,070	2,156,232	2,168,394	2,180,556
330100 Dist Res & Stand Org Reprint	1,352,487	1,354,593	1,356,699	1,358,805	1,360,911	1,363,017	1,365,123	1,367,229	1,369,335	1,371,441	1,373,547	1,375,653	1,377,759
330200 Elevated Tanks & Sandpiles	849,150	853,489	857,828	862,167	866,506	870,845	875,184	879,523	883,862	888,201	892,540	896,879	901,218
330300 Ground Level Tanks	181	181	181	181	181	181	181	181	181	181	181	181	181
330400 Below Ground Tanks	128	128	128	128	128	128	128	128	128	128	128	128	128
330500 Clearwell	228,685	229,821	230,957	232,093	233,229	234,365	235,501	236,637	237,773	238,909	240,045	241,181	242,317
331001 TD Mains Not Classified by Siz	373,481	375,538	377,595	379,652	381,709	383,766	385,823	387,880	389,937	391,994	394,051	396,108	398,165
331101 TD Mains 4in & Less	1,000,413	1,006,068	1,011,723	1,017,378	1,023,033	1,028,688	1,034,343	1,040,000	1,045,655	1,051,310	1,056,965	1,062,620	1,068,275
331201 TD Mains 6in to 10in (TN)	474	474	474	474	474	474	474	474	474	474	474	474	474
331301 TD Mains 10in to 16in (TN)	14,354,222	14,433,259	14,512,296	14,591,333	14,670,370	14,749,407	14,828,444	14,907,481	14,986,518	15,065,555	15,144,592	15,223,629	15,302,666
331401 TD Mains 16in to 24in (TN)	2,352,333	2,372,763	2,393,193	2,413,623	2,434,053	2,454,483	2,474,913	2,495,343	2,515,773	2,536,203	2,556,633	2,577,063	2,597,493
331501 TD Mains 24in & Gtr (TN)	5,270,144	5,304,357	5,338,570	5,372,783	5,406,996	5,441,209	5,475,422	5,509,635	5,543,848	5,578,061	5,612,274	5,646,487	5,680,700
331601 TD Mains 18in & Gtr	159,801	159,281	158,761	158,241	157,721	157,201	156,681	156,161	155,641	155,121	154,601	154,081	153,561
331701 TD Mains 18in & Gtr	7,992,189	8,014,287	8,036,385	8,058,483	8,080,581	8,102,679	8,124,777	8,146,875	8,168,973	8,191,071	8,213,169	8,235,267	8,257,365
332000 Services	1,315,937	1,323,957	1,331,977	1,340,000	1,348,020	1,356,040	1,364,060	1,372,080	1,380,100	1,388,120	1,396,140	1,404,160	1,412,180
334100 Meters	447,599	449,739	451,879	454,019	456,159	458,299	460,439	462,579	464,719	466,859	468,999	471,139	473,279
334200 Meters	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035
334300 Meters Other	3,064	3,162	3,259	3,357	3,455	3,553	3,651	3,749	3,847	3,945	4,043	4,141	4,239
334400 Meters Other-Retr Rdr Units	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614	1,705,614
334500 Meter Installations	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902	2,190,902
335000 Hydrants	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734	6,734
335200 Other P/E/CS	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)	(91,659)
340100 Office Furniture & Equip	391,948	392,397	392,846	393,295	393,744	394,193	394,642	395,091	395,540	395,989	396,438	396,887	397,336
340200 Comp & Periph Equip	205,937	206,336	206,735	207,134	207,533	207,932	208,331	208,730	209,129	209,528	209,927	210,326	210,725
340300 Comp & Periph Mainframe	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724	650,724
340400 Comp & Periph Personal	281,058	281,739	282,420	283,101	283,782	284,463	285,144	285,825	286,506	287,187	287,868	288,549	289,230
340500 Comp & Periph Other	117,414	117,893	118,372	118,851	119,330	119,809	120,288	120,767	121,246	121,725	122,204	122,683	123,162
340600 Comp & Periph Capital Lease	338	378	419	460	500	541	581	622	662	702	743	783	824
340700 Computer Software	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952	439,952
340800 Comp Software Mainframe	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456	3,784,456
340900 Comp Software Personal	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327	191,327
341000 Comp Software Other	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282	15,282
341100 Data Handling Equipment	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658	12,658
341200 Other Office Equipment	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223	38,223
341300 Trans Equip L/Duty Trks	458,410	474,737	491,063	507,389	523,715	540,041	556,367	572,693	589,019	605,345	621,671	638,000	654,326
341400 Trans Equip Hwy Duty Trks	145,773	146,173	146,573	146,973	147,373	147,773	148,173	148,573	148,973	149,373	149,773	150,173	150,573
341500 Trans Equip Other	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259	82,259
341600 Trans Equip Other	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172	43,172
341700 Trans Equip Other	511,377	516,567	521,757	526,947	532,137	537,327	542,517	547,707	552,897	558,087	563,277	568,467	573,657
341800 Tolls, Shop, Garage Equip	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527	374,527
341900 Power Operated Equipment	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479	284,479
342000 Comm Equip Tele-Telephone	304,516	305,954	307,392	308,830	310,268	311,706	313,144	314,582	316,020	317,458	318,896	320,334	321,772
342100 Remote Control & Instrumental	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895	17,895
342200 Comm Equip Telephone	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732	70,732
342300 Comm Equip Telephone	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395	357,395
342400 Other Tangible Property	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950

A/ TRA Docket #09-00089, Consumer Advocate Exhibit, Charles W. King, Schedule 3.
B/ TAWC response to Consumer Advocate DR #58, page 2 of 2.

Total

13 Month Average

70,443,304 70,837,562 71,255,130 71,768,035 72,223,143 72,854,783 73,545,378 74,493,826 75,039,683 75,495,959 75,964,035 76,442,111 76,920,187 77,408,263

Net Plant	Sept-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
3040100 Street & Imp SS	47,178	47,098	47,015	47,033	46,832	46,770	46,888	46,807	46,528	46,444	46,382	46,281	46,182	46,117	46,038	45,954
3040200 Street & Imp P	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445	1,500,445
3040300 Street & Imp WT	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287	632,287
3040400 Street & Imp WT Dgr Png	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220
3040500 Street & Imp Treatment Handling	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220	82,220
3040600 Street & Imp TD	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800	240,800
3040700 Street & Imp AG	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114	13,114
3040800 Street & Imp Store Shop Gar	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019	22,019
3040900 Street & Imp Misc	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493	44,493
3041000 Lake, River & Other Inakes	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100	227,100
3041100 Supply Main	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425	485,425
3041200 Power Generation Equip	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435	158,435
3041300 Pump Equip Basic	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832	2,912,832
3041400 Pump Equip Other	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422	60,422
3041500 Pump Equip Other	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588	158,588
3041600 Pump Equip Other	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517	197,517
3041700 Pump Equip Other	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818	2,511,818
3041800 Vt Equip Non-Media	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812	125,812
3041900 Vt Equip Filter Media	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053	4,484,053
3042000 Wtr Reservoirs & Standpipes	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051	2,221,051
3042100 Wtr Res & Stand Pipe Repairs	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121	1,284,121
3042200 Electric Poles & Structures	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357
3042300 Ground Level Tanks	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343	16,343
3042400 Below Ground Tanks	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907	454,907
3042500 Chaswell	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480	1,554,480
3042600 TD Mains 12in & Gtr (TN)	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471	4,468,471
3042700 TD Mains 18in & Gtr	986	986	986	986	986	986	986	986	986	986	986	986	986	986	986	986
3042800 TD Mains 36in & Gtr	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087	51,090,087
3042900 TD Mains 48in & Gtr	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301	7,484,301
3043000 TD Mains 60in & Gtr	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336	20,317,336
3043100 TD Mains 72in & Gtr (TN)	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431	486,431
3043200 TD Mains 96in & Gtr	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438	13,800,438
3043300 Services	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769	3,311,769
3043400 Meters	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099	3,265,099
3043500 Meters Bronze Case	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855
3043600 Meters Other	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177	15,177
3043700 Meters Over-Run Rdr Units	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959	9,558,959
3043800 Meters Over-Run Rdr Units	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315	3,677,315
3043900 Hydrants	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782	1,782
3044000 Other P/E S S	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912	385,912
3044100 Office Furniture & Equip	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337	125,337
3044200 Comp & Periph Equip	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968	20,968
3044300 Comp & Periph Mainframe	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021	34,021
3044400 Comp & Periph Personal	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861	168,861
3044500 Comp & Periph Other	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851	21,851
3044600 Comp & Periph Capital Lease	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938
3044700 Computer Software	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397	249,397
3044800 Comp Software Mainframe	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114	14,114
3044900 Comp Software Personal	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060
3045000 Comp Software Other	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941	2,941
3045100 Data Handling Equip	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305	17,305
3045200 Other Office Equip	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356	570,356
3045300 Other Equip	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884	11,884
3045400 Other Equip	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910	118,910
3045500 Other Equip	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655	122,655
3045600 Other Equip	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965	392,965
3045700 Other Equip	220	220	220	220	220	220	220	220	220	220	220	220	220	220	220	220
3045800 Other Equip	759,367	759,367														

Total?

A/ TRA Docket #08-00039, Consumer Advocate Exhibit, Charles W. King, Schedule 3.
B/ TAWG response to Consumer Advocate DR #59, page 2 of 2.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 AMORTIZATION OF CAPITAL LEASES SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-AMORT CAPITAL LEASE

	B/ Amortization	Balance
SEPTEMBER 2010	\$	\$ 1,307,744 A/
OCTOBER	8,836	1,316,580
NOVEMBER	8,836	1,325,416
DECEMBER	8,836	1,334,252
JANUARY 2011	8,836	1,343,088
FEBRUARY	8,836	1,351,924
MARCH	8,836	1,360,760
APRIL	8,836	1,369,596
MAY	8,836	1,378,432
JUNE	8,836	1,387,268
JULY	8,836	1,396,104
AUGUST	8,836	1,404,940
SEPTEMBER	8,836	1,413,776
OCTOBER	8,836	1,422,612
NOVEMBER	8,836	1,431,448
DECEMBER	8,836	1,440,284
AVERAGE ACCUM. AMORT.	\$	\$ 1,387,268

A/ TAWC General Ledger balance at 11/30/07 plus nine months of amortization.

B/ Amortization per TN-CAPD-01-PART III-Q63-ATTACHMENT 17, Page 1 of 1.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ACCUMULATED DEFERRED INCOME TAX SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-ADIT

	A/ Cap Repairs Change	B/ Temporary Difference Change	C/ Fin 48 Amount	Balance	D/ Balance
				\$	\$
2010			2,068,328	33,082,363	
SEPTEMBER	24,105	38,525	2,068,329	33,144,992	
OCTOBER	24,105	38,525	2,068,329	33,207,622	
NOVEMBER	24,105	38,525	2,068,329	33,270,251	
DECEMBER	24,105	41,672	2,068,329	33,336,028	
2011			2,068,329	33,401,804	
JANUARY	24,105	41,672	2,068,329	33,467,581	
FEBRUARY	24,105	41,672	2,068,329	33,533,357	
MARCH	24,105	41,672	2,068,329	33,598,134	
APRIL	24,105	41,672	2,068,329	33,664,910	
MAY	24,105	41,672	2,068,329	33,730,687	
JUNE	24,105	41,672	2,068,329	33,796,463	
JULY	24,105	41,672	2,068,329	33,862,240	
AUGUST	24,105	41,672	2,068,329	33,928,016	
SEPTEMBER	24,105	41,672	2,068,329	33,993,792	
OCTOBER	24,105	41,672	2,068,329	34,059,569	
NOVEMBER	24,105	41,672	2,068,329		
DECEMBER	24,105	41,672	2,068,329		
AVERAGE ACC. DEF INCOME TAXES				\$	33,664,910

A/ 2010-2011 amounts per TAWC response to TN-TRA-02-Q92g-ATTACHMENT, page 9 of 9.
 B/ 2011 amounts per TN-TRA-02-Q92g-ATTACHMENT, page 4 of 9., 2010 per Consumer Advocate work paper RB-ADIT-1.
 C/ TAWC exhibit MAM-14, Page 1 of 2,
 D/ TAWC Trial Balance Sum of Deferred Income Taxes.



PCDWLD
83410
RT026USR
NARUCTB

American Water Works Company
Tennessee American Water Company
Trial Balance
For the Period Ending 09/30/2010

1
10/22/10
09:19:52

Description	September Activity	September Balance	Prior Year Activity	Prior Year Balanc	Line
B56 Deferred Income Taxes					
252204 Def FIT-Other Property					
Def FIT-Other Property					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253202 Def FIT-Flow thru Depr					
Def FIT-Flow thru Depr					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253203 Def FIT-Norm Property					
Def FIT-Norm Property					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253301 Def FIT-Other					
Def FIT-Other					
B283 Accu Def Inc Tax-Other	(1,912,295.49)	(27,159,179.58)			
253309 Def FIT-AMT					
Def FIT-AMT					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253602 Def SIT-Flow thru Depr					
Def SIT-Flow thru Depr					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253604 Def SIT-Other Property					
Def SIT-Other Property					
B283 Accu Def Inc Tax-Other	0.00	0.00			
253701 Def SIT-Other					
Def SIT-Other					
B283 Accu Def Inc Tax-Other	(46,477.38)	(3,854,854.46)			
B56 Deferred Income Taxes	(1,958,772.87)	(31,014,034.04)			

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ACCUMULATED DEFERRED INCOME TAX SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-ADIT-1

2010 Tax Depreciation	\$	4,551,579	A/
2010 Book Depreciation		3,290,833	B/
Temporary Difference		1,260,746	
SIT @ 6.5%		81,948	
2010 Tax Depreciation		4,377,549	C/
2010 Book Depreciation		3,290,833	B/
Temporary Difference		1,086,716	
FIT @ 35%		380,351	

A/ 2010 amounts per TAWC response to TN-TRA-02-Q92g-ATTACHMENT, page 5 of 9.
 B/ 2010 amounts per TAWC response to TN-TRA-02-Q92g-ATTACHMENT, page 7 of 9.
 C/ 2010 amounts per TAWC response to TN-TRA-02-Q92g-ATTACHMENT, page 8 of 9.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 INVESTMENT TAX CREDIT ("ITC") SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-ITC

	2010	2011	Amortization	Balance
SEPTEMBER	\$		-	\$ 29,221 A
OCTOBER			258	28,963
NOVEMBER			258	28,705
DECEMBER			258	28,447
JANUARY		2011	258	28,189
FEBRUARY			258	27,931
MARCH			258	27,673
APRIL			258	27,415
MAY			258	27,157
JUNE			258	26,899
JULY			258	26,641
AUGUST			258	26,383
SEPTEMBER			258	26,125
OCTOBER			258	25,867
NOVEMBER			258	25,609
DECEMBER			258	25,351
AVERAGE ACC. DEF ITC				\$ 26,899

A/ TAWC Financial Statement 9/30/10 plus 15 months of amortization. (Acct #255101).

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
SUMMARY OF CUSTOMER ADVANCES FOR CONSTRUCTION
TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
FOR THE THIRTEEN MONTHS ENDED DECEMBER, 31, 2011

RB-CAC

	B/ Change	Balance
		\$
SEPTEMBER 2010		5,681,195 A/
OCTOBER	13,573	5,694,768
NOVEMBER	13,573	5,708,341
DECEMBER	13,573	5,721,914
JANUARY 2011	10,729	5,732,643
FEBRUARY	10,729	5,743,372
MARCH	10,729	5,754,101
APRIL	10,729	5,764,830
MAY	10,729	5,775,559
JUNE	10,729	5,786,288
JULY	10,729	5,797,017
AUGUST	10,729	5,807,746
SEPTEMBER	10,729	5,818,475
OCTOBER	10,729	5,829,204
NOVEMBER	12,580	5,841,784
DECEMBER	13,125	5,854,909
AVERAGE CUST. ADVANCES FOR CONST.		\$ 5,786,757

A/ TAWC Financial Statements.

B/ TAWC per TN-TRA-02-Q136-SUPPLEMENTAL ATTACHMENT, Pages 2-3 of 16

Includes \$1,000,000 reclassification to Miscellaneous Current Liabilities at December 2008.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CONTRIBUTION IN AID OF CONSTRUCTION ("CIAC") SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-CIAC

	B/ Change	Balance
SEPTEMBER	2010	\$ 9,516,434 A/
OCTOBER		9,561,080
NOVEMBER		9,605,664
DECEMBER		9,650,186
JANUARY	2011	9,697,486
FEBRUARY		9,744,722
MARCH		9,791,892
APRIL		9,838,996
MAY		9,886,035
JUNE		9,933,008
JULY		9,979,916
AUGUST		10,026,759
SEPTEMBER		10,073,536
OCTOBER		10,120,249
NOVEMBER		10,166,896
DECEMBER		10,213,477

AVERAGE CIAC \$ 9,932,550

A/ TAWC Financial Statements.
 B/ TAWC per TN-TRA-02-Q136-ATTACHMENT, Pages 2-3 of 16.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 UTILITY PLANT ACQUISITION ADJUSTMENT SUMMARY
 TENNESSEE AMERICAN WATER COMPANY TRA DOCKET #10-00189
 FOR THE ATTRITION YEAR ENDED DECEMBER 31, 2011

RB-UPAA

	2010	Balance	A/
SEPTEMBER	\$	74,850	
OCTOBER		74,850	
NOVEMBER		74,850	
DECEMBER		74,850	
JANUARY	2011	74,850	
FEBRUARY		74,850	
MARCH		74,850	
APRIL		74,850	
MAY		74,850	
JUNE		74,850	
JULY		74,850	
AUGUST		74,850	
SEPTEMBER		74,850	
OCTOBER		74,850	
NOVEMBER		74,850	
DECEMBER		74,850	
AVERAGE ACC. DEF ITC	\$	74,850	

A/ TAWC Financial Statement.

Tennessee-American Water Company
Index to Schedules
For the 12 Months Ending December 31, 2011

1/4/2011 16:05

	<u>Schedule No.</u>
Revenue Deficiency	1
Comparative Rate Base	2
Income Statement at Current Rates	3
Income Statement at Proposed Rates	4
Operation & Maintenance Expenses	5
Taxes Other Than Income Taxes	6
Excise and Income Taxes	7
Revenue Conversion Factor	8
Cost of Capital	9

Tennessee-American Water Company
Revenue Deficiency
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 1 of 9

Line No.		Consumer Advocate		TAWC		Difference
1	Rate Base	106,597,549	A/	125,472,973	A/	(18,875,424)
2	Operating Income at Present Rates	7,070,432	B/	4,547,326	B/	2,523,106
3	Earned Rate of Return (Line 2/Line 1)	6.63%		3.62%		3.01%
4	Cost of Capital	6.97%	C/	8.380%	E/	-1.41%
5	Required Operating Income (Line 1*Line 4)	7,428,884		10,514,635		(3,085,751)
6	Operating Income Deficiency (Line 5-Line 2)	358,452		5,967,309		(5,608,857)
7	Gross Revenue Conversion Factor	1.643047	D/	1.67319346	E/	(0.030146)
8	Revenue Deficiency (Line 6*Line 7)	588,954		9,984,463		(9,395,509)

A/ Schedule 2
B/ Schedule 3
C/ Schedule 9
D/ Schedule 8
E/ TAWC Exhibit 1, Schedule 1

Tennessee-American Water Company
Comparative Rate Base
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 2 of 9

Line No.		Consumer Advocate	B/	TAWC	A/	Difference
1	Utility Plant in Service	225,457,700		226,384,490		(926,790)
2	Construction Work in Progress	2,681,318		4,201,421		(1,520,103)
3	Utility Plant Capital Lease	1,590,500		1,590,500		-
4	Limited-Term Utility Plant - Net	-		-		-
5	Working Capital	878,887		1,011,258		(132,371)
6	Def. Maint.	-		-		-
7	Total Additions	<u>230,608,405</u>		<u>233,187,669</u>		<u>(2,579,264)</u>
8	Accumulated Depreciation	73,137,622		72,578,044		559,578
9	Accumulated Amort. of Utility Capital Lease	1,387,268		1,387,269		(1)
10	Accumulated Deferred Income Taxes	33,664,910		17,153,815		16,511,095
11	Customer Advances for Construction	5,786,757		6,383,603		(596,846)
12	Contributions In Aid of Construction	9,932,550		10,131,112		(198,562)
13	Unamortized Investment Tax Credit	26,899		26,899		-
14	Utility Plant Acquisition Adj.	<u>74,850</u>		<u>53,954</u>		<u>20,896</u>
15	Total Deductions	<u>124,010,856</u>		<u>107,714,696</u>		<u>16,296,160</u>
16	Rate Base	<u>106,597,549</u>		<u>125,472,973</u>		<u>(18,875,424)</u>

A/ TAWC Exhibit 1, Sch. 2

B/ Consumer Advocate work papers.

1/4/2011 16:05

Tennessee-American Water Company
Income Statement at Current Rates
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 3 of 9

Line No.		Consumer Advocate		TAWC		Difference
1	Operating Revenues	38,399,479		37,296,455	A/	1,103,024
2	Operations and Maintenance Expense	20,802,803	B/	23,679,011	B/	(2,876,208)
3	Depreciation and Amortization Expense	4,703,804	I/	4,877,687	C/	(173,883)
4	Taxes Other Than Income	4,126,459	D/	4,400,272	G/	(273,813)
5	State Excise Tax	327,502	E/	12,999	H/	314,503
6	Federal Income Tax	1,572,479	E/	(16,840)	H/	1,589,319
7	Total Operating Expense	31,533,047		32,953,129		(1,420,082)
8	AFUDC	204,000	F/	204,000	F/	-
9	Net Operating Income for Return	7,070,432		4,547,326		2,523,106

A/ TAWC Exhibit 2, Sch. 2

B/ Schedule 5

C/ TAWC Exhibit 2, Sch. 1

D/ Schedule 6

E/ Schedule 7

F/ TAWC Exhibit 2, Sch. 3

G/ TAWC Exhibit 2, Sch. 1

H/ TAWC Exhibit 2, Sch. 6

I/ Consumer Advocate work paper E-DEP

Tennessee-American Water Company
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 4 of 9

Line No.		Current Rates	A/ Adjustments	C/ Proposed Rates
1	Operating Revenues	38,090,878	588,954	38,679,832
2	Forfeited Discount Revenues	308,601	B/ 4,771	313,372
3	Total Revenues	<u>38,399,479</u>	<u>593,724</u>	<u>38,993,203</u>
4	Operations and Maintenance Expense	20,802,803	3,922	20,806,725
5	Depreciation and Amortization Expense	4,703,804		4,703,804
6	Taxes Other Than Income	4,126,459		4,126,459
7	State Excise Tax	327,502	38,337	365,839
8	Federal Income Tax	<u>1,572,479</u>	193,013	<u>1,765,492</u>
9	Total Operating Expense	<u>31,533,047</u>		<u>31,768,319</u>
10	AFUDC	<u>204,000</u>		<u>204,000</u>
11	Net Operating Income for Return	<u>7,070,432</u>		<u>7,428,884</u>

A/ Schedule 3

B/ 12 MTD September 2010.

C/ Schedule 1, Line 8 x appropriate factor from Schedule 8

Tennessee-American Water Company
Operation & Maintenance Expenses
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 5 of 9

Line No.		Consumer Advocate	A/	TAWC	B/	Difference
1	Salaries and Wages	4,915,111		5,680,299		(765,188)
2	Purchased Water	47,708		50,962		(3,254)
3	Fuel and Power	2,410,868		2,511,238		(100,370)
4	Chemicals	930,961		1,069,369		(138,408)
5	Waste Disposal	172,338		197,386		(25,048)
6	Management Fees	3,670,849		5,226,034		(1,555,185)
7	Group Insurance	2,166,396		2,034,757		131,639
8	Pensions	1,552,412		1,645,113		(92,701)
9	Regulatory Expense	195,284		379,918		(184,634)
10	Insurance Other Than Group	322,262		485,904		(163,642)
11	Customer Accounting	841,387		857,278		(15,891)
12	Uncollectible Expense	250,290		198,122		52,168
13	Rents	8,436		8,706		(270)
14	General Office Expense	218,450		217,933		517
15	Miscellaneous Expense	1,956,125		2,005,675		(49,550)
16	Other Maintenance Expense	1,143,925		1,110,317		33,608
17	Total O&M Expense	<u>20,802,803</u>		<u>23,679,011</u>		<u>(2,876,208)</u>

A/ Terry Buckner work papers
B/ TAWC Exhibit 2, Sch. 3

Tennessee-American Water Company
Taxes Other Than Income Taxes
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 6 of 9

Line No.		Consumer Advocate	TAWC	D/	Difference
1	Other General Taxes	-	-		-
2	Gross Receipts Tax	704,308 A/	529,961		174,347
3	TRA Inspection Fee	71,766	117,779		(46,013)
4	Property Taxes	2,572,725 B/	2,936,068		(363,343)
5	Franchise Tax	391,255	377,690		13,565
6	FICA Taxes	370,627 C/	421,089		(50,462)
7	Unemployment Taxes	15,778 C/	17,685		(1,907)
8	Total Taxes Other Than Income Taxes	<u>4,126,459</u>	<u>4,400,272</u>		<u>(273,813)</u>

A/ Terry Buckner work paper T-OTAX2.

B/ Terry Buckner work paper T-OTAX1.

C/ Terry Buckner work paper T-OTAX3.

D/ TAWC Exhibit 2, Sch. 5, TAWC response TN-TRA-02-Q92f-ATTACHMENT, Pages 1 through 9.

Tennessee-American Water Company
Excise and Income Taxes
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 7 of 9

Line No.		Attrition Amount A/	
1	Operating Revenues	38,399,479	B/
2	Salaries and Wages	4,915,111	
3	Purchased Water	47,708	
4	Fuel and Power	2,410,868	
5	Chemicals	930,961	
6	Waste Disposal	172,338	
7	Service Company Charges	3,670,849	
8	Group Insurance	2,166,396	
9	Pensions	1,552,412	
10	Regulatory Expense	195,284	
11	Insurance Other Than Group	322,262	
12	Customer Accounting	841,387	
13	Uncollectible Expense	250,290	
14	Rents	8,436	
15	General Office Expense	218,450	
16	Miscellaneous Expense	1,956,125	
17	Other Maintenance Expense	1,143,925	
18	Depreciation and Amortization Expense	4,703,804	
19	Taxes Other Than Income	4,126,459	
20	NOI Before Excise and Income Taxes	8,766,413	
21	AFUDC	204,000	
22	Interest Expense	(3,938,881)	C/
23	Pre-tax Book Income	5,031,533	
24	Schedule M Adjustments	6,961	D/
25	Excise Taxable Income	5,038,494	
26	Excise Tax Rate	6.50%	
27	Excise Tax Payable	327,502	
28	Excise Tax NOL	-	
29	Excise Tax Expense	327,502	
30	Pre-tax Book Income	5,031,533	
31	Preferred Dividend Credit	-	
32	Excise Tax	(327,502)	
33	Schedule M Adjustments	6,961	D/
34	FIT Taxable Income	4,710,992	
35	FIT Rate	35.00%	
36	Federal Income Tax Payable	1,648,847	
37	ITC Amortization	(76,368)	E/
38	Federal Income Tax NOL	-	
39	Deferred Federal Income Tax Expense	1,572,479	

A/ Schedule 5

B/ Schedule 4

C/ Schedule 1, line 1 * Weighted Cost of Debt per Schedule 9

D/ TAWC Exhibit No. 2, Schedule 7, Line 36.

E/ TAWC Exhibit No. 2, Schedule 7, Line 11.

Tennessee-American Water Company
Revenue Conversion Factor
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 8 of 9

<u>Line No.</u>		<u>Amount</u>		<u>Balance</u>
1	Operating Revenues			1.000000
2	Add: Forfeited Discounts	0.0081	A/	<u>0.008100</u>
3	Balance			1.008100
4	Uncollectible Ratio	0.0066	B/	<u>0.006660</u>
5	Balance			1.001440
6	State Excise Tax	0.0650	C/	<u>0.065094</u>
7	Balance			0.936347
8	Federal Income Tax	0.3500	C/	<u>0.327721</u>
9	Balance			<u>0.608625</u>
10	Revenue Conversion Factor (Line 1 / Line 11)			<u><u>1.643047</u></u>

A/ 12 MTD 9/30/10 (\$308,601/\$38,139,091)

B/ 12 MTD 9/30/10 (\$250,290/\$37,886,523)

C/ Statutory Rate

Tennessee-American Water Company
Cost of Capital
For the 12 Months Ending December 31, 2011

Exhibit 1, Page 9 of 9

Line No.	Final Capital Structure	Ratio	Cost	Weighted Cost	Tax Deductible
1	Short Term Debt	6.45%	1.20%	0.077%	0.077%
2	Long Term Debt	48.71%	6.20%	3.020%	3.020%
3	Preferred Stock	1.24%	5.00%	0.06%	
4	Common Equity	43.60%			
5	Parent Short Term Debt	0.43%	1.20%	0.005%	0.005%
6	Parent Long Term Debt	9.45%	6.27%	0.59%	0.593%
7	Parent Common Equity	35.80%	9.00%	3.22%	
8	Total	100.00%		6.97%	3.695%

Source: Consumer Advocate Exhibit Dr. Chris Klein.