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January 5, 2011

Via Federal Express

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

filed electronically in docket office on
01/05/11

Re: Petition of Tennessee American Water Company
Docket No. 10-00189

Dear Chairman Freeman:

Enclosed please find an original and five (5) copies of the Pre-Filed Direct Testimony and Exhibits of Kimberly H. Dismukes. I would appreciate you stamping the extra copy of the document as "filed," and returning it to me in the enclosed, self-addressed and stamped envelope.

With best regards, I am

Sincerely yours,


Frederick L. Hitchcock

FLH/meb
Enclosures

Chairman Mary Freeman
c/o Ms. Sharla Dillon
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cc: Mr. J. Richard Collier (w/encl.)
Mr. Vance L. Broemel (w/encl.)
Mr. T. Jay Warner
Mr. Ryan L. McGehee
Ms. Mary L. White
Mr. David C. Higney (w/encl.)
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Mr. Mark Brooks (w/encl.)
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Ms. Kelly Cashman-Grams (via email; w/encl.)
Ms. Monica Smith-Ashford (via email; w/encl.)
Ms. Shilina Chatterjee Brown (via email; w/encl.)

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

In the Matter of the Petition of)
Tennessee American Water Company) DOCKET NO. 10-00189
for a General Rate Increase)

**PRE-FILED DIRECT TESTIMONY AND EXHIBITS OF
KIMBERLY H. DISMUKES**

ON BEHALF OF THE CITY OF CHATTANOOGA

January 5, 2011

**DIRECT TESTIMONY OF
KIMBERLY H. DISMUKES**

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1 **I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

3 A. My name is Kimberly H. Dismukes. My business address is 5800 One Perkins
4 Place Drive, Suite 5-F, Baton Rouge, Louisiana, 70808.

5 **Q. WOULD YOU PLEASE STATE YOUR OCCUPATION AND CURRENT**
6 **PLACE OF EMPLOYMENT?**

7 A. I am a partner with the firm Acadian Consulting Group (“ACG”), a research
8 and consulting firm that specializes in the analysis of regulatory, economic, financial,
9 accounting, statistical, and public policy issues associated with regulated and energy
10 industries. ACG is a Louisiana-registered partnership, formed in 1995, and is located
11 in Baton Rouge, Louisiana, with additional staff in Los Angeles, California, and
12 Fallon, Nevada.

13 **Q. HAVE YOU PREPARED ANY ATTACHMENTS TO YOUR TESTIMONY**
14 **OUTLINING YOUR QUALIFICATIONS IN REGULATION?**

15 A. Yes. Attachment 1 to my testimony was prepared for this purpose.

16 **Q. HAVE YOU PREPARED ANY EXHIBITS TO SUPPORT YOUR**
17 **TESTIMONY?**

18 A. Yes. I have prepared 20 exhibits in support of my testimony.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. I have been retained by the City of Chattanooga, Tennessee (“City”) to
21 provide an expert opinion on Tennessee American Water Company’s (“TAWC” or
22 “Company”) service company charges and affiliate transactions included in its

1 proposed rate increase, filed before the Tennessee Regulatory Authority (“TRA”) on
2 September 17, 2010.

3 As part of my testimony I will address the general issues of: (1) the
4 relationship of TAWC and its affiliates; (2) services provided to nonregulated
5 affiliates; (3) flaws in the Company’s benchmarking methodology; (4) alternatives to
6 the Company’s benchmarking methodology; (5) problems with the outsourcing
7 approach used to evaluate whether service company charges are the lower of cost
8 or market; and (6) problems with certain charges from American Water Works
9 Service Company (“AWWSC”) to TAWC.

10 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

11 A. My testimony is organized into the following sections:

- 12 • Section II: Summary of Recommendations
- 13 • Section III: Affiliate Transactions
- 14 • Section IV: Services Provided to Nonregulated Affiliates
- 15 • Section V: Service Company Charges
- 16 • Section VI: Mr. Baryenbruch’s Market Cost Comparison
- 17 • Section VII: Mr. Baryenbruch’s Customer Accounts Approach
- 18 • Section VIII: Mr. Baryenbruch’s Lower of Cost or Market Approach
- 19 • Section IX: Mr. Baryenbruch’s Analysis of the Need for AWWSC
20 Services
- 21 • Section X: AWWSC Charges Compared to Inflation and Customer
22 Growth
- 23 • Section XI: Examination of Certain Service Company Charges
- 24 • Section XII: Recommendations and Conclusions

1 **II. SUMMARY OF RECOMMENDATIONS**

2 **Q. WHAT DO YOU RECOMMEND REGARDING THE NONREGULATED**
3 **SERVICES TAWC PROVIDES AMERICAN WATER RESOURCES (“AWR”)?**

4 A. AWR receives significant benefits as a result of its relationship with TAWC. I
5 recommend that the TRA increase test year revenue by \$1,071,281 for representing
6 the revenue earned by AWR from the Protection Programs provided to TAWC
7 customers. I also recommend that the TRA order a thorough examination of this
8 affiliate relationship. Two areas need to be examined. First, procedures should be
9 developed to ensure that costs are properly allocated to AWR to ensure that
10 ratepayers do not subsidize this nonregulated affiliate. Second, the TRA should
11 attribute revenue (through a royalty fee or other mechanism) to TAWC to ensure that
12 ratepayers receive compensation for intangible and tangible benefits bestowed to
13 the nonregulated Protection Programs offered to TAWC customers.

14 **Q. WHAT ARE YOUR GENERAL CONCLUSIONS CONCERNING THE**
15 **ALLOCATION METHODOLOGIES USED TO DISTRIBUTE COSTS BETWEEN**
16 **THE COMPANY AND ITS AFFILIATES?**

17 A. The use of customers to allocate costs between regulated companies, while
18 not perfect, is acceptable. Nevertheless, there may be approaches that are
19 superior.

20 The use of largely size-based allocation factors to distribute costs between
21 regulated and nonregulated companies is problematic. This methodology does not
22 adequately consider the benefits received by the nonregulated companies. Sufficient
23 information was not provided in discovery to quantify the impact of this bias.

1 **Q. WHAT GENERAL CONCLUSIONS HAVE YOU REACHED FROM YOUR**
2 **ANALYSIS OF THE BARYENBRUCH & COMPANY’S BENCHMARKING STUDY**
3 **RELATED TO SERVICE COMPANY CHARGES?**

4 A. Mr. Baryenbruch’s benchmarking study has numerous flaws and should be
5 rejected. Mr. Baryenbruch has not shown that AWWSC administrative and general
6 (“A&G”) or customer service account charges are just and reasonable or necessary
7 for the provision of safe and reliable water service.

8 He has provided no evidence that the service company charges of electric
9 companies are comparable to or should be compared to the service company
10 charges of water companies. I recommend using a comparison of AWWSC’s
11 service charges to service company charges of other water and combination
12 water/wastewater utilities. This analysis shows that charges from AWWSC are
13 excessive.

14 Therefore, I recommend that the TRA reduce attrition year expenses by
15 \$4,089,360 to reflect a lower cost consistent with the costs that are incurred by
16 comparative Class A water and combination water/wastewater companies.
17 Likewise, I recommend that the TRA make a similar adjustment for customer costs
18 charged to the Company by AWWSC. My water company comparative analysis
19 shows that expenses should be reduced by an additional \$676,655, reflecting
20 excess customer costs AWWSC charged the Company.

21 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING MR.**
22 **BARYENBRUCH’S OUTSOURCING APPROACH WHICH PURPORTS TO SHOW**

1 **THAT AWWSC CHARGES ARE PROVIDED AT THE LOWER OF COST OR**
2 **MARKET?**

3 A. Like his comparative analysis, it suffers from several flaws. It should be
4 rejected by the TRA as it does not demonstrate that AWWSC's charges are just and
5 reasonable. Nor does it support a conclusion that AWWSC's services have been
6 provided at the lower of cost or market.

7 **Q. WHAT ARE YOUR CONCLUSIONS ABOUT MR. BARYENBRUCH'S**
8 **CLAIM THAT THE SERVICES PROVIDED BY AWWSC ARE NECESSARY?**

9 A. Mr. Baryenbruch has failed to demonstrate that the level of services provided
10 by AWWSC would be required if TAWC were a standalone water company. There
11 are many water and wastewater companies that operate throughout the U.S. which
12 are not owned by a holding company and are not provided support services by an
13 affiliate. These companies, as shown in my comparative analysis, provide water
14 service at a cost significantly lower than the cost of services provided by AWWSC.

15 **Q. WHAT ADDITIONAL ADJUSTMENTS DO YOU RECOMMEND?**

16 A. I recommend the reduction of test year expenses in the amount of \$94,658 for
17 the removal of business development expenses and corporate government affairs
18 expenses.

19 **Q. SCHUMAKER & COMPANY PREPARED A COMPARISON OF AWWSC**
20 **SERVICE CHARGES TO THAT OF ELECTRIC AND ELECTRIC/GAS SERVICE**
21 **COMPANY CHARGES. WOULD YOU BRIEFLY EXPLAIN THIS COMPARISON?**

22 A. Yes. The Schumaker comparison used most of the same companies as
23 included in Mr. Baryenbruch's analysis; however, there are a few differences. In

1 addition, the Schumaker comparison used 2008 data; whereas, Mr. Baryenbruch
2 used 2009 data. The Schumaker comparison examined the service company cost
3 based upon “corporate customers” which may be different than the number of
4 customers used by Mr. Baryenbruch. The Schumaker report concluded that for 2008
5 AWWSC operating expenses (which appear to be both A&G and customer account
6 expenses) charged to TAWC were below many of the other service companies in
7 the comparison group.

8 **Q. DOES THE SCHUMAKER & COMPANY COMPARISON SUFFER FROM**
9 **THE SAME FLAWS AS MR. BARYENBRUCH’S COMPARISON?**

10 A. Yes. The problems and flaws that I have identified which render Mr.
11 Baryenbruch’s comparison inappropriate are equally applicable to the Schumaker
12 comparison. The TRA should reject any conclusion that the AWWSC charges to the
13 Company are reasonable based upon the Schumaker comparison.

14 **III. AFFILIATE TRANSACTIONS**

15 **Overview of Affiliate Transactions**

16 **Q. WHY IS IT IMPORTANT TO CLOSELY EXAMINE AFFILIATE**
17 **TRANSACTIONS?**

18 A. In a situation involving the provision of services between affiliated companies,
19 the associated transactions and costs do not represent arms-length dealings. Cost
20 allocation techniques and methods of charging affiliates should be frequently
21 reviewed and analyzed to ensure that a company’s regulated operations are not
22 subsidizing the nonregulated operations. Because of the affiliation between TAWC
23 and the affiliates that contribute to expenses included on the books of TAWC, the

1 arms-length bargaining of a normal competitive environment is not present in their
2 transactions. Although each of the affiliated companies is supposedly separate,
3 relationships between TAWC and its affiliates are still close; they all belong to one
4 corporate family.

5 In the absence of regulation, there is no assurance that affiliate transactions
6 and allocations will not translate into unnecessarily high charges for TAWC's
7 customers. Even when the methodologies for cost allocation and pricing have been
8 explicitly stated, close scrutiny of affiliate relationships is still warranted. Regardless
9 of whether or not American Water Works Company, Inc. ("AWWC"), the holding
10 company, explicitly establishes a methodology for the allocation and distribution of
11 affiliate costs, there is an incentive to misallocate or shift costs to regulated
12 companies so that the nonregulated companies can reap the benefits.

13 **AWWC Affiliates**

14 **Q. WOULD YOU PLEASE DESCRIBE TAWC AND ITS RELATIONSHIPS TO**
15 **THE VARIOUS AFFILIATES THAT PROVIDE IT SERVICES?**

16 A. Yes. TAWC is headquartered in Chattanooga, Tennessee, and is a wholly-
17 owned subsidiary of AWWC. TAWC serves over 75,300 customers in Chattanooga
18 and the surrounding areas and has four large sales for resale customers (the
19 communities of Signal Mountain, Fort Oglethorpe, Catoosa Utility District Authority,
20 and Walden's Ridge Utility District) who receive services under special contracts
21 approved by the TRA.¹

22 TAWC's parent, AWWC, is the largest investor-owned water and wastewater
23 holding company in the U.S., operating in 35 states and Manitoba and Ontario,

¹ John S. Watson Direct Testimony, p. 3.

1 Canada. AWWC currently has regulated operations in 20 states.² As shown on
2 Schedule KHD-1, AWWC has many regulated and nonregulated subsidiaries.

3 AWWC has six major nonregulated subsidiaries:

4 1) American Water Works Service Company: Service company that aids,
5 assists, and advises other subsidiaries in their business operations
6 through the provision of accounting, administration, communications,
7 corporate secretarial, engineering, financial, human resources, information
8 technology, operations, rates and revenue, risk management, and water
9 quality services;

10 2) American Water Capital Corporation (“AWCC”): Financing operations for
11 AWWC, AWWSC, and regulated entities;

12 3) American Carbon Services (“ACS”): Part of American Water Resources
13 (“AWR”) and provides carbon regeneration services to utilities;

14 4) AWR:³ Provides homeowner protection plan services directly to AWWC
15 utility customers;

16 5) American Water Enterprises (“AWE”): Holds large operations and
17 maintenance contracts with various municipalities; and

18 6) Applied Water Management (“AWM”): A wholly-owned subsidiary of
19 E’town, LLC, a wholly-owned subsidiary of TWH LLC, which is a wholly-

² AWWC website: <http://www.amwater.com/About-Us/our-subsiidiaries.html>; <http://www.amwater.com/About-Us/our-states.html>.

³ TAWC used AWS and AWR interchangeably in connection with the protection plans offered to customers.

1 owned subsidiary of AWWC. AWM provides environmental management
2 in various states.⁴

3 **Q. ARE THERE TRANSACTIONS BETWEEN TAWC AND ANY OF ITS**
4 **NONREGULATED AFFILIATES?**

5 A. Yes, the Company has identified three nonregulated subsidiaries that provide
6 it services:

7 **American Anglian Technologies** - provides leasing of carbon for
8 water treatment purposes

9
10 **American Water Capital Corp** - provides short and long term debt
11 funding and investments

12
13 **American Water Works Service Company** - provides accounting,
14 tax, legal, finance, human resources and other management services.⁵

15 In total for the test year, TAWC was charged \$7.3 million for services
16 provided by AWWSC, AWCC, and American Anglian Technologies. Management
17 fees from AWWSC were \$5.0 million of the \$7.3 million.⁶ Compared to the total
18 expenses included in the test year, the management fees comprise 22 percent.
19 Using the subset of the Company's total administrative and general and customer
20 account expenses included in the test year of \$13.7 million, 37 percent of these
21 expenses are for management fees.

22 TAWC provides services to one affiliate. Specifically it provides billing
23 services to American Water Services⁷ ("AWS") for AWS's various homeowner
24 protection programs.

⁴ Michael A. Miller Direct Testimony, Exhibit MAM-8, pp. 13-14.

⁵ Response to TRA DR 1-14.

⁶ Response to COC DR 1-61; TRA DR 1-14.

⁷ TAWC used AWS and AWR interchangeably in connection with the protection plans offered to customers.

1 **IV. SERVICES PROVIDED TO NONREGULATED AFFILIATES**

2 **Q. WOULD YOU PLEASE DESCRIBE THE SERVICES TAWC PROVIDES TO**
3 **ITS NONREGULATED AFFILIATES?**

4 A. Yes. TAWC provides third-party billing and collection, distribution of
5 promotional materials, notification of claims, and other unspecified services. For the
6 In-Home Plumbing Protection, Water Line Protection, and the Sewer Line Protection
7 Programs (“Protection Programs”) provided by American Water Resources.
8 According to the contract between TAWC and AWR, TAWC is to be compensated
9 for these services as follows:

10 4.1 Fee. The fee paid to Utility by AWR for Services rendered pursuant
11 to this Agreement shall be equal to one hundred and fifteen (115%)
12 percent of the Fully Distributed Costs incurred by Utility in providing the
13 Services except for billing and collection services. The Fee for billing
14 and collection services rendered by Utility as set forth in Paragraph
15 6.1.3 below shall be at a rate of \$.405 per customer per billing period
16 and apply in the aggregate to customers participating in one or more of
17 AWR’s Programs. The \$.405 rate may be adjusted from time to time as
18 determined by the agency having regulatory authority over Utility to be
19 consistent with any other such billing and collection service rates
20 charged by Utility, under tariff, to others.⁸

21 TAWC states that the \$.405 rate is also the same rate it charges to the City of
22 Chattanooga and other sanitary boards in the Chattanooga area for sewer rates
23 billed and collected.⁹ TAWC charged AWR \$52,617 in 2007, \$43,200 in 2008,
24 \$39,365 in 2009, and \$40,900 for the twelve months ended September 30, 2010, for
25 provision of third-party billing services.¹⁰

26 However, in response to TRA DR 1-63, TAWC gave the following response
27 which is slightly different:

⁸ Response to COC DR 1-39, ATTACHMENT 1.

⁹ Response to CAPD DR 1-77.

¹⁰ Michael A. Miller Direct Testimony, Exhibit MAM-8, p. 31.

1 TAWC provides billing services to American Water Services ("AWS")
2 for AWS's homeowner service line protection program at the cost of
3 **43.2 cents per month per bill**, the same TAWC tariff price for billing
4 services to non-affiliated third party entities, such as, the City of
5 Chattanooga and Hamilton County, the City of Red Bank, etc. TAWC
6 billed AWS \$45,360 in 2008 and \$39,134 in 2009 for providing those
7 billing services (emphasis supplied).

8 **Q. WHAT ARE THESE PROTECTION PROGRAMS?**

9 A. Attached as Schedule KHD-2 is a printout obtained from TAWC's webpage
10 describing these programs. The programs provided by AWR are intended to help
11 insulate homeowners from unexpected repair costs associated with water and sewer
12 lines running from homes to the street and for plumbing repairs that occur inside the
13 home. According to the webpage, the benefits to the customer include:

- 14 • Peace-of-mind protection from the most experienced water
15 resource manager in the country
- 16 • Convenience of fast and professional expert plumbing service -
17 no hassle of searching for a qualified contractor
- 18 • Affordable payment terms with convenient monthly billing on
19 customer water bills, or via check or credit card
- 20 • Claim coverage amounts up to \$5,000** for your water line and
21 \$8,000** for your sewer line

22 ** Coverage amounts vary by region¹¹

23 **Q. HOW MANY CONTRACTS DOES AWR HAVE FOR THESE PROTECTION**
24 **PROGRAMS?**

25 A. AWR has 11,129 water line protection contracts, 6,410 sewer line protection
26 contracts, and 2,490 home plumbing protection contracts in Tennessee.¹²

¹¹ <http://www.amwater.com/products-and-services/Residential-Services/Service-Line-Protection-Program/>.

¹² Response to CAPD DR 1-77 and CAPD DR 1-78.

1 **Q. HOW ARE THESE SERVICES DESCRIBED BY AWWC IN ITS 10-K TO**
2 **SHAREHOLDERS?**

3 A. In its 2009 10-K, these services were described under the section
4 Homeowner Services Group as:

5 Our Homeowner Services Group provides services to domestic
6 homeowners to protect against the cost of repairing broken or leaking
7 pipes inside and outside their homes. We initially offered these
8 services within territories covered by our regulated subsidiaries, but
9 are expanding to enable other utilities outside our territories to offer the
10 services to their customers. In the marketing of these services, we
11 focus on educating homeowners about their service line ownership
12 responsibility and providing convenient and cost effective solutions to
13 internal and external water line and sewer line repairs. Our
14 Homeowner Services Group generated revenue of \$52.2 million in
15 2009, representing 20.3 percent of revenue for our Non-Regulated
16 Businesses.

17
18 Our Service Line Protection Programs offer customers various service
19 contracts for a monthly fee that cover repair of water line leaks and
20 breaks, sewer line clogs and blockages and emergency in-home
21 plumbing problems. In the event of a problem, customers contact our
22 national call center and we dispatch local contractors to the customer's
23 home to undertake the necessary repairs.

24
25 Our Homeowners Services Group currently has approximately 750,000
26 customer contracts in 16 of the states where we operate our Regulated
27 Businesses. We intend to expand our service offering to the remaining
28 key states in which we operate our Regulated Businesses as well as
29 other viable territories.

30 Building on the success of its Service Line Protection Programs, our
31 Homeowner Services Group recently introduced LineSaver™, an
32 exclusive program for municipalities and public water systems that is
33 available across the country. The LineSaver™ program involves
34 partnering with municipalities to offer our protection programs to
35 homeowners serviced by the municipal system while providing an
36 income opportunity to the municipality or public water system. We
37 entered into our first LineSaver™ program partnership with the city of
38 Trenton, New Jersey and are currently discussing partnerships with
39 municipalities across the nation.¹³

¹³ American Water Works Company, 10-K, 2009, p. 19.

1
2 **Q. WERE YOU ABLE TO OBTAIN INFORMATION ON THE PROFITABILITY**
3 **OF THESE PROTECTION PROGRAMS?**

4 A. No. This information was requested, but the Company refused to provide it.
5 The Tennessee Consumer Advocate and Protection Division's ("CAPD") request and
6 the Company's response are provided below.

7 CAPD 1-79. Provide the total revenues and total costs (separately
8 stating each) incurred for the Water Line Protection Plan, Sewer Line
9 Protection Plan, In Home Plumbing Protection Plan, and all mixes of
10 the Plans for the twelve months ended September 30, 2010. Include in
11 your response the account and company, e.g. American Water
12 Resources, for which the costs and/or revenues are recorded. Also,
13 provide documentation for costs by labor, overheads, and other.

14 **Response:**

15 The Company incorporates its responses to CAPD-01-Q77 and CAPD-
16 01-Q78 in their entirety as its response to this request.¹⁴
17

18 The information supplied in response to CAPD 1-77 and 1-78 do not provide the
19 data requested in CAPD 1-79.

20 The City also requested information that would have allowed it to examine the
21 expenses, investment, and revenue of these programs. However, the Company
22 again refused to provide it. Instead, TAWC referred the City to AWWC's 10-K and
23 unaudited financial statements of AWWSC and AWCC.¹⁵ The Company objected to
24 providing the information requested for any other affiliates claiming it to be "totally
25 irrelevant, unlikely to lead to the discovery of admissible evidence, unduly
26 burdensome, and overbroad."¹⁶ The 10-K does not contain information for the
27 individual unregulated affiliates. Instead, it provides the entire nonregulated

¹⁴ Response to CAPD DR 1-79.

¹⁵ Response to COC DR 1-50 and COC DR 1-11.

¹⁶ Response to COC DR 1-11.

1 operations on a very consolidated basis, as one segment. The information supplied
2 in response to COC DR 1-11 was equally inadequate.

3 **Q. THE COMPANY CLAIMS THAT IT DOES NOT PROVIDE ANY SERVICES**
4 **CONCERNING THESE REPLACEMENT PROGRAMS EXCEPT FOR BILLING**
5 **AND COLLECTION SERVICES. DO YOU AGREE?**

6 A. No. In COC DR 1-39, the City requested that the Company provide a copy of
7 all advertising, promotional, or descriptive materials made available to potential
8 customers and all contract forms used in connection with the "Service Line
9 Protection Program" offered by TAWC to its customers. The Company reiterated its
10 response that its only involvement in the Service Line Protection Program is to
11 provide third party billing and collection services at the TRA-approved tariff for such
12 third party billing services.¹⁷ The Company provided copies of a sample of the
13 advertisements used by AWR in Tennessee. I have attached the advertisement
14 sample as Schedule KHD-3.

15 This information clearly demonstrates that TAWC provides more services
16 than the billing and collection services claimed by the Company. As shown on
17 pages 6, 10, and 13 of Schedule KHD-3, the letters sent to potential customers
18 offering these protection programs were sent on TAWC's letterhead. Moreover, the
19 letters were signed by the President of Tennessee American Water Company. In
20 addition, the letters make strong statements about the potential financial
21 consequences associated with a line break without the program.

22 In the letter endorsing and inviting customers to join the service line program
23 Mr. Watson wrote: "As a valued customer, we want you to know **you are legally**

¹⁷ Response to COC DR 1-39.

1 **responsible for the sewer line extending from your home into the street.** Did
2 you also realize that **most standard homeowner insurance policies do not cover**
3 **repairs to your sewer line?"** The letter continues explaining that sewer line repairs
4 can be expensive, but with the protection program the customer is covered up to
5 \$8,000.¹⁸ Clearly there is no arms-length relationship between TAWC and AWR's
6 sale of these Protection Programs.

7 **Q. DO YOU SEE ANY BENEFITS OF THE ASSOCIATION BETWEEN TAWC**
8 **AND THE SERVICE LINE AND HOME PROTECTION PLANS OFFERED BY**
9 **AWR?**

10 A. Yes. There are substantial benefits to AWR for its affiliation with TAWC.
11 These benefits include the use of TAWC's name and president's signature, logo,
12 reputation, goodwill, and corporate image; being associated with a large, financially
13 strong, well-entrenched water company; use of TAWC's personnel; and use of
14 TAWC's customer names and addresses. All of these benefits were developed as a
15 result of the regulated operations of TAWC. However, AWR obtains these significant
16 benefits because of its association with the regulated utility operations at no cost.

17 AWWC recognized in its 10-K that the endorsement by the utility of the AWR
18 services is of significant value, noting that it has developed a similar line protection
19 program that offers "an income opportunity" to the municipality or public water
20 system that promotes the program to its customers.¹⁹

¹⁸ Response to COC DR 1-39, ATTACHMENT 2.

¹⁹ American Water Works Company, 10-K, 2009, p. 19.

1 **Q. WHAT IS YOUR RECOMMENDATION IN LIGHT OF THE SUBSTANTIAL**
2 **BENEFITS AND SERVICES PROVIDED BY TAWC TO AWR FOR WHICH TAWC**
3 **HAS NOT BEEN COMPENSATED?**

4 A. While there are several options that could be considered, my analysis of
5 these options has been limited by the Company's failure to provide any relevant
6 financial information concerning the service line and home plumbing replacement
7 programs. Because of this, I recommend that the TRA increase test year revenue to
8 include the revenue earned by AWR for the provision of these services that is
9 applicable to TAWC. To estimate this amount, I distributed the AWR Home Services
10 revenue²⁰ to TAWC based upon its proportion of customers to the total number of
11 regulated customers. My recommendation indicates that test year revenue should
12 be increased by \$1,071,281, as depicted on Exhibit KHD-4.

13 In addition, I recommend that the TRA order a thorough examination of these
14 operations and develop procedures that can be used to properly allocate costs to
15 AWR and revenue to TAWC to ensure that ratepayers do not subsidize the
16 unregulated affiliate. In addition, as long as AWR is able to use TAWC's name and
17 its president's signature, logo, reputation, goodwill, and corporate image; TAWC's
18 personnel; and TAWC's customer names and addresses, as well as benefit from
19 being associated with a large, financially strong, well-entrenched water company,
20 the TRA should require payment by AWR to TAWC of a royalty fee on the revenue
21 of AWR attributable to tangible and intangible benefits bestowed by TAWC.

²⁰ Home Services revenue was provided for 2008 in response to Schumaker IR 02-39, Attachment 1.

1 Certainly TAWC would not permit an unaffiliated company to use its name, its
2 logo, its president's name and signature, and its personnel at no charge. Likewise it
3 would not agree to the conveyance of its reputation, goodwill, and corporate image
4 to an unaffiliated company for free. The TRA should not permit TAWC to do so
5 merely because TAWC and AWR are affiliated through common ownership by
6 AWWC.

7 **V. SERVICE COMPANY CHARGES**

8 **Q. LET'S TURN TO THE ALLOCATION OF COSTS FROM AWWSC TO**
9 **AFFILIATED COMPANIES. IS THERE AN ALLOCATION MANUAL EXPLAINING**
10 **HOW COSTS ARE DISTRIBUTED FROM AWWSC TO AFFILIATES?**

11 A. Yes. AWWSC has an Accounting and Service Fee Billing Manual that
12 documents how expenses are accounted for and billed to AWWC subsidiaries.²¹
13 Costs are allocated to regulated and nonregulated affiliates using Tier One factors.
14 After the Tier One allocations are made the remaining costs are allocated to each
15 beneficial company using Tier Two factors.²²

16 **Q. HOW ARE COSTS CHARGED FROM AWWSC TO TAWC?**

17 A. AWWSC charges TAWC for employee time used to provide services to
18 TAWC. The following services are provided to the Company by AWWSC: finance,
19 administration and property, audit, legal, external affairs communication, customer

²¹ Michael A. Miller Direct Testimony, Exhibit MAM-8, p. 40.

²² Response to TRA DR 1-63.

1 service, regulatory services, business development, business transformation, human
2 resources, operations, water quality, and information systems.²³

3 According to the Company, costs incurred specifically for TAWC's benefit are
4 directly charged to the Company. AWWSC expenses that cannot be identified as
5 exclusive to TAWC are allocated based on the number of customers served at the
6 preceding year-end.

7 **Q. HAVE YOU PREPARED A SCHEDULE WHICH DEPICTS THE DETAILED**
8 **CHARGES FROM AWWSC TO TAWC?**

9 A. Yes. This information is reflected on Schedule KHD-5. As shown, some
10 accounts have increased at a much faster rate than others. For example, External
11 Affairs expenses increased from \$127,632 in 2007 to a projected attrition year
12 amount of \$196,903—an increase of 54 percent. Similarly, Legal expenses
13 increased from \$99,775 in 2007 to \$134,650 for the attrition year – an increase of 35
14 percent. On the other hand, Finance expenses decreased from \$1,048,805 in 2007
15 to \$654,661 in the attrition year. Most of this reduction can be attributed to the
16 significant reduction in the category of compliance and reporting.

17 **Q. DO YOU AGREE WITH THE CUSTOMER ALLOCATION METHOD?**

18 A. A customer-based allocation method is typically not ideal. Yet, when
19 allocating costs between water and wastewater systems, where there are no
20 nonregulated businesses, the use of customers for simplicity purposes is generally
21 acceptable.

22 However, there are some problems with a customer methodology. First, a
23 pure customer allocation methodology does not consider usage and/or volume in the

²³ Michael A. Miller Direct Testimony, Exhibit MAM-8, p. 19.

1 allocation formula. Therefore, a company with several large commercial customers,
2 but few residential customers, may use the same level of services as a company
3 with many residential customers and no commercial customers. Yet, under a strict
4 customer method, the company with the larger number of customers would be
5 allocated more costs, regardless of the benefits received from the services provided.

6 Second, a customer allocation methodology does not recognize the benefits
7 received by each affiliate, which are not necessarily proportional to the number of
8 customers served by a company. For example, the customer-based allocation factor
9 ignores the possibility that relatively new acquisitions might benefit
10 disproportionately from the corporate functions that are provided by AWWSC. In
11 addition, both regulated and nonregulated subsidiaries of AWWC provide contractual
12 services to a number of unaffiliated water and wastewater systems. However, it is
13 not clear that the customers of these contract companies are included in calculating
14 the allocation factors. Thus, while the contract companies are receiving benefits from
15 other AWWC subsidiaries, they are not considered in allocating costs to the
16 regulated subsidiaries of AWWC. This omission will overstate the costs allocated
17 to TAWC and the other regulated companies.

18 The audit conducted by Schumaker & Company also recognized the
19 shortcoming of a customer allocation factor. Specifically, it stated: “The cost-
20 allocation methodologies impacting TAWC are generally reasonable, although the
21 use of number of customers for allocating AWWSC costs among regulated utilities is

1 essentially a simplification mechanism that is not necessarily based on cost-
2 causative factors.”²⁴

3 **Q. HOW ARE AWWSC'S COSTS CHARGED TO THE NONREGULATED**
4 **COMPANIES?**

5 A. AWWSC allocates costs between regulated and nonregulated companies
6 using Tier One factors which are based upon various measures of relative size,
7 including revenues, expenses, and employees. AWWSC charges to nonregulated
8 companies decreased by 46 percent from 2005 to 2009, while charges to regulated
9 companies increased by 9 percent from 2005 to 2009. As shown on Schedule KHD-
10 6, the nonregulated companies were charged \$22.4 million in 2005, \$23 million in
11 2006, \$17.4 million in 2007, \$13.4 million in 2008, and \$12.1 million in 2009.

12 As shown on this schedule, the regulated companies were charged \$209.9
13 million in 2005, \$241.9 million in 2006, \$235.9 million in 2007, \$233.3 million in
14 2008, and \$228.6 million in 2009. The regulated operations' service company
15 charges increased from 90 percent of the total in 2005 to 95 percent in 2009, while
16 the nonregulated service company charges decreased from 10 percent in 2005 to
17 just 5 percent in 2009. The TRA should question these results because recent data
18 indicates that the nonregulated companies' revenue has been increasing while the
19 regulated revenue has been decreasing.

20 **Q. WOULD YOU DESCRIBE THE ALLOCATION FACTORS USED TO**
21 **DISTRIBUTE COSTS BETWEEN THE REGULATED AND NONREGULATED**
22 **COMPANIES?**

²⁴ Michael A. Miller Direct Testimony, Exhibit MAM-8, p. 40.

1 A. Yes. The cost allocation manual contains 12 different Tier 1 allocation factors
2 used to distribute costs between regulated and nonregulated companies:

3 • 3-Factor Formula (#1) - Includes the primary cost drivers of
4 operating revenues, net property, plant and equipment and
5 employees which are common to the operation of regulated
6 and nonregulated affiliates. The metrics are equally weighted
7 within the formula. Also, these metrics will only include
8 affiliates that are receiving service.

9 • 2-Factor Financial Services Formula (#2) - Includes the
10 primary cost drivers of operating revenues and employees.
11 The metrics are equally weighted within the formula. Also,
12 these metrics will only include affiliates that are receiving
13 service.

14 • Revenue Factor (#3) - Uses operating revenues as a
15 surrogate for customers counts due to the relative size
16 differences of customers (e.g. two O&M contracts may
17 support significantly different sized customer bases). Factor
18 includes only affiliates that are receiving service.

19 • Personal Computer Factor (#4) - Includes the primary cost
20 driver for ITS services associated with acquiring and
21 supporting PC's. Metric: number of personal computers.

22 • Total Premises Factor (#5) - Includes the primary cost driver
23 for ITS services associated with the operation of AS 400
24 computers. Metric: number of premises maintained on the
25 AS 400 database.

26 • Employee Factor (#6) - Uses count of active employees for
27 all affiliates receiving services.

28 • Budgeted Capital Projects and Engineering Project
29 Management Factor (#7) - Includes the primary cost driver
30 for services associated with capital projects and costs not
31 directly assignable to task orders. Metric: dollar value of
32 budgeted capital expenditures for the year.

33 • Research Authorization Project Factor (#8) - Includes the
34 primary cost driver for services associated with water quality
35 research projects. Metric: dollar value of budgeted research
36 projects for the year. This metric will only include affiliates
37 that are receiving service.

- Purchase Orders and Purchasing Card (P-Card) Factor (#9)
- Includes the primary cost driver for transactional services associated with purchasing and paying invoices for goods and services. Metric: number of purchase orders and P-Card transactions on an annual basis.
- Employee and Retiree Factor (#10) - Uses count of active employees and retiree's by affiliate as an allocation basis.
- 100% Nonregulated Company (#11) - Factor allocates expenses to nonregulated affiliate(s). Specific nonregulated affiliate(s) charged are per request from formula requester.
- 100% Regulated Company (#12) - Factor allocates all expenses to regulated affiliate(s).²⁵

Q. DO YOU HAVE ANY CONCERNS ABOUT AWWC'S NONREGULATED OPERATIONS AND HOW COSTS ARE ALLOCATED TO THESE OPERATIONS?

A. Yes. I have several concerns. My first concern is that the information provided by the Company did not aid in evaluating whether the allocation factors were applied correctly. Second, the information was not provided in a manner that could be adequately evaluated and modified. In response to CAPD DR 1-38, the Company provided the Tier One allocation factors used in the test year by activity. However, they did not provide any data that linked the activities to the applicable expense accounts, making it impossible to evaluate if the charges were allocated correctly.

The City also requested information on the allocation of costs to the Company and its affiliates. Below are the request and the Company's response:

COC DR 1-61. With respect to all expenses allocated to TAWC by AWWC, AWWSC, AWR, AWCC, or any other subsidiary or affiliate of any of them, please provide for 2006, 2007, 2008, 2009, the test year, the normalization period, and the attrition period and as projected for 2010 and 2011, the total dollars charged by each company, affiliate, or

²⁵ Michael A. Miller Direct Testimony, Exhibit MAM-8, pp. 46-47.

1 subsidiary, the NARUC account number to which such expenses were
2 recorded, the allocation factor or method applied to each such expense
3 account, and a complete description of the allocation factor or method.
4 Provide all Workpapers and supporting Documents used to develop
5 this response.

6 Response: The Company objects to this request on the grounds
7 that it is overly broad and unduly burdensome and seeks
8 information that is not relevant nor reasonably calculated to lead
9 to the discovery of admissible evidence. To comply with this
10 request would literally require the Company to provide copies of
11 hundreds of thousands (if not millions) of invoices and payroll
12 charges at an astronomical cost which the Company does not
13 believe is necessary or reasonable in establishing the fair and
14 reasonable rates of the Company in this case. Without waiving
15 these objections, please see the attached file labeled TNCOC-
16 01-Q61-ATTACHMENT that contains allocated and direct
17 charges to AWWSC from AWWSC and other affiliates for the
18 periods requested. Further, the TRA ordered the Company to
19 provide a Management Audit of AWWSC, which included an
20 audit of a statistically valid sample of the transactions supporting
21 the costs of AWWSC charged to TAWC. The Management
22 Audit, including the audit of AWWSC's transactions costs has
23 been provided as Exhibit MAM-8 to Mr. Miller's direct testimony.
24 Finally, the Company's records are located in its office in
25 Chattanooga, and the offices of AWWSC in Voorhees, NJ. The
26 Company is willing to make available the millions of documents
27 supporting these charges to the City if they choose to review
28 them at their cost.

29 The document provided by the Company does not provide the total dollars to
30 be allocated or the allocation factor applied by account. Moreover, the information
31 was not supplied in an electronic useable format with all links and workpapers as
32 requested.

33 Although additional information was provided as part of the workpapers from
34 the Schumaker analysis, the information contained in these workpapers was not
35 always helpful. For example, the document provided as part of the Schumaker
36 analysis in Information Response 2-39, showed the allocation factor development for
37 2007 and 2008. However, it was password protected which prevented an

1 examination of all the formulas in the spreadsheet. In addition, the expenses to
2 which the factors would be applied were not included in the response.

3 **Q. WHAT IS YOUR NEXT CONCERN?**

4 A. My next concern relates to the allocation factors and whether or not they
5 allocate sufficient costs to the nonregulated companies. These factors are largely
6 size-based and therefore, regardless of the benefits received from the services
7 provided, the majority of the management fees are allocated to the regulated
8 operations. While the regulated operations obviously represent a large share of the
9 AWWC family of affiliates, the benefits received by each affiliate are not necessarily
10 proportional to the size of the company. The size-based allocation factors fail to
11 reflect the benefit that the affiliates of AWWC receive from the shared services. In
12 other words, use of sized-based formulas implicitly assumes that the larger the
13 affiliate, the greater its received benefit from the performance of a particular function
14 within AWWC.

15 **Q. WHAT ARE YOUR CONCLUSIONS AND RECOMMENDATIONS**
16 **REGARDING THE ALLOCATION OF AWWSC'S CHARGES BETWEEN THE**
17 **REGULATED AND NONREGULATED COMPANIES?**

18 A. The use of largely size-based allocation factors to distribute costs between
19 regulated and nonregulated companies is problematic. This methodology does not
20 adequately consider the benefits received by the nonregulated companies.
21 Unfortunately, the Company never supplied workable spreadsheets that could be
22 used to reallocate costs using a formula different than what was offered by the
23 Company.

1 **VI. MR. BARYENBRUCH'S MARKET COST COMPARISON**

2 **Overview**

3 **Q. HAVE YOU EXAMINED THE STUDY PREPARED FOR THE COMPANY BY**
4 **BARYENBRUCH & COMPANY, LLC?**

5 A. Yes, I have. The study "Market Cost Comparison of Service Company
6 Charges to Tennessee American Water Company" purports to answer four
7 questions regarding the services the Company receives from AWWSC. These four
8 questions are:

- 9 • Are AWWSC's charges to TAWC during the 12 months
10 ended March 31, 2010 reasonable?
- 11 • Was TAWC charged the lower of cost or market for
12 managerial and professional services provided by AWWSC
13 during the 12 months ended March 31, 2010?
- 14 • Were the 12 months ended March 31, 2010 costs of the
15 AWWSC's customer accounts services, including those of
16 the National Call Centers, comparable to those of other
17 utilities?
- 18 • Are the services TAWC receives from AWWSC
19 necessary?²⁶

20 **Q. WOULD YOU BRIEFLY SUMMARIZE THE METHODOLOGY USED TO**
21 **ANSWER THE FIRST OF THESE QUESTIONS?**

22 A. To answer the first question – were the AWWSC's test year charges
23 reasonable – the study compared the AWWSC's administrative & general charges to
24 TAWC to similar expenses of 24 electric and combined electric/gas utility companies
25 that filed FERC Form 60 data for 2009. The AWWSC charges and regulated utility
26 company expenses were expressed on a "per customer" basis allegedly to make

²⁶ Baryenbruch Direct Testimony, Exhibit PLB-1, p. 1.

1 them comparable between companies of vastly different size, complexity, regulatory
2 framework, and operating characteristics.

3 **Q. WHAT CHARGES WERE INCLUDED IN THIS COMPARISON?**

4 A. The service company's A&G charges were the total AWWSC charges to
5 TAWC, less capital charges, less the non-A&G Operations and Maintenance
6 ("O&M") charges for engineering, operations and water quality.

7 For the FERC Form 60 utilities, the A&G expenses were those booked to the
8 following FERC accounts:

- 9 • 901 Supervision
- 10 • 903 Customer records and collection expenses
- 11 • 904 Miscellaneous customer accounts expenses
- 12 • 907 Supervision
- 13 • 910 Miscellaneous customer service and info expenses
- 14 • 911 Supervision
- 15 • 920 Administrative and general salaries
- 16 • 921 Office supplies and expenses
- 17 • 923 Outside services employed
- 18 • 928 Regulatory commission expenses
- 19 • 930.2 Miscellaneous general expenses
- 20 • 931 Rents
- 21 • 935 Maintenance of structures and equipment²⁷

22 Mr. Baryenbruch's analysis attempts to remove the nonregulated affiliate
23 expenses so that the amounts used for comparison reflect charges only to the
24 regulated utilities used to serve regulated customers.²⁸

25 The Company's conclusion from this analysis is that AWWSC's adjusted
26 charges to TAWC, calculated as \$59 per customer, were reasonable when
27 compared to the A&G charges average of \$95 per customer calculated for the FERC
28 Form 60 electric and combination electric/gas utilities.

²⁷ Baryenbruch Direct Testimony, Exhibit PLB-1, p. 9.

²⁸ Baryenbruch Direct Testimony, Exhibit PLB-1, p. 9.

1 **Baryenbruch's Approach is Flawed**

2 **Q. DID YOU FIND ANY FLAWS OR WEAKNESSES IN THIS ANALYSIS?**

3 A. Yes, I did. TAWC provides water service to some 74,000 retail water
4 customers in Chattanooga, Tennessee, and surrounding areas. Its parent company,
5 AWWC, provides water and/or wastewater services to customers in 35 states and
6 two Canadian provinces. In 2009, over 90 percent of AWWC's revenues came from
7 its regulated water and wastewater businesses.²⁹ The regulated subsidiaries of the
8 holding companies in the comparative study, however, provide electric or both
9 electric and gas services. These utilities are very different from TAWC, and
10 comparing the services charges between the two is inappropriate.

11 An analysis comparing AWWSC's charges to TAWC to charges of other
12 water company service charges would provide some useful insights into the
13 reasonableness of TAWC's A&G expenses. However, comparing AWWSC's
14 charges with A&G expenses of electric and electric/gas utilities is a comparison of
15 apples to oranges. The dissimilarities between water utilities and electric and gas
16 utilities are greater than their similarities, and these differences follow in the A&G
17 expenses each incurs.

18 **Q. ARE THE HOLDING COMPANIES IN THE COMPARATIVE STUDY A**
19 **HOMOGENOUS GROUP?**

20 A. No. As shown on Schedule KHD-7, out of the 24 companies for which data
21 was filed in 2009, 21 generate electricity, while three, CenterPoint, Energy East, and
22 Unitil, transmit and distribute electricity and gas but have no generating capacity.

²⁹ Response to TRA DR 1-5, Attachment 6, p. 9.

1 The A&G expenses per customer calculated by Mr. Baryenbruch for each of these
2 utilities are also shown on this schedule.

3 As can be seen, the two holding companies with the lowest A&G expenses
4 per customer are CenterPoint and Energy East, which are gas companies that also
5 distribute electricity. The service company A&G cost per customer for CenterPoint is
6 \$23, and for Energy East it is \$30. On the other hand, Unitil, which also distributes
7 natural gas and electricity, had a service company cost of \$125 per customer. Unitil
8 is the smallest of all companies in Mr. Baryenbruch's comparative group, which may
9 contribute to its higher cost per customer. These three companies are more
10 comparable to the water companies than the 21 other electric companies included in
11 the study. Using the average cost per customer of these companies of \$27 and
12 comparing it to the cost per customer of TAWC of \$59 shows that AWWSC's costs
13 are higher by \$32 per customer. This comparison indicates that AWWSC's costs are
14 excessive by \$2.4 million.

15 Exhibit KHD-7 also shows the wide range in fuel sources employed by the
16 different electric companies. Exelon produces 93 percent of its power from nuclear
17 sources, Black Hills has 100 percent coal-fired generation, and National Grid's
18 plants are 79 percent natural gas fired.

19 **Q. WHAT DIFFERENCES ARE THERE BETWEEN ELECTRIC UTILITIES AND**
20 **WATER UTILITIES SUCH AS TAWC?**

21 A. First, electric companies are regulated by numerous agencies. In addition to
22 the state regulated utility agency, an electric company must also answer to the
23 Federal Energy Regulatory Commission ("FERC"), the Environmental Protection

1 Agency ("EPA"), and if it has any nuclear power plants, the Nuclear Regulatory
2 Commission ("NRC").

3 Exelon, through its subsidiary Exelon Generation, generates 93 percent of its
4 power through its ownership interest in its nuclear plants' eleven nuclear generating
5 stations consisting of 19 units. Exelon says this about the regulation of these
6 stations:

7 Generation is subject to the jurisdiction of the NRC with respect to the
8 operation of its nuclear generating stations, including the licensing for
9 operation of each unit. The NRC subjects nuclear generating stations
10 to continuing review and regulation covering, among other things,
11 operations, maintenance, emergency planning, security and
12 environmental and radiological aspects of these stations. The NRC
13 may modify, suspect or revoke operating licenses and impose civil
14 penalties for failure to comply with the Atomic Energy Act the
15 regulations under such Act or the terms of the licenses. Changes in
16 regulations by the NRC may require a substantial increase in capital
17 expenditures for nuclear generating facilities and/or increased
18 operating costs of nuclear generating units.³⁰

19 In addition to increased regulatory oversight and more rigorous security and
20 environmental safeguards, electric utilities with nuclear generation must provide for
21 storage of spent fuel and establish and fund a decommissioning trust fund. Also, the
22 workforce in a nuclear generation plant must be more skilled and undergo more
23 training than the workforce in a water treatment plant.

24 The operating and regulatory framework of nuclear power generators and
25 water treatment plants is so dissimilar it is unrealistic to think their A&G expenses
26 would be in any way comparable.

27 **Q. WHAT OTHER DIFFERENCES ARE THERE BETWEEN WATER**
28 **COMPANIES AND ELECTRIC COMPANIES?**

³⁰ Exelon 2009 10-K, p. 4.

1 A. Electric companies, whether producing power by nuclear generation or other
2 fuels, have significantly more complex operations than water and wastewater
3 utilities. The different plants a utility has in its fleet – nuclear, coal fired, natural gas,
4 hydro – all have their part in the utility's load management plans. Detailed
5 forecasting and load management programs are used to determine the most cost
6 effective use of the various plants, while also factoring in purchased power,
7 curtailment, and other load management factors.

8 The majority of electric companies also experience seasonal differences in
9 consumer demand. Unusually cold winters or hot summers can strain utilities'
10 abilities to meet demand with no blackouts or brownouts. Water utilities, by
11 comparison, exhibit much less seasonal differences in demand.

12 **Q. IS THERE ALSO A DIFFERENCE IN LABOR COSTS BETWEEN A WATER**
13 **COMPANY AND AN ELECTRIC OR GAS DISTRIBUTION UTILITY?**

14 A. Yes. Electric companies tend to have a higher skilled workforce. Generating
15 plants for electricity are more complex than water treatment plants and demand a
16 more skilled workforce which also requires a more skilled and higher paid
17 management team, including those that are employed by the service company and
18 those that are in an administrative capacity.

19 **Q. HOW DOES EXECUTIVE PAY VARY BETWEEN WATER UTILITIES AND**
20 **ELECTRIC UTILITIES?**

21 A. In general, due to their greater size and complexity, electric utilities award
22 more generous compensation to their executives than do water companies. As
23 shown on Schedule KHD-8, the highest paid electric company executive is the

1 Chairman of the Board and CEO of Entergy at \$15.2 million. The highest paid water
2 executive is President and CEO of Aqua America at \$2.5 million.

3 Schedule KHD-8 shows that the average executive compensation of the
4 highest paid executives of 12 publicly traded water companies is \$1.1 million. The
5 analogous average for the top executives of the electric utilities included in the
6 comparative cost study is \$7.3 million.

7 **Q. IS THERE ALSO A DIFFERENCE IN THE TYPES OF CUSTOMERS**
8 **BETWEEN WATER COMPANIES AND ELECTRIC UTILITIES AND GAS**
9 **DISTRIBUTION UTILITIES?**

10 A. Yes. Both electric and gas distribution utilities have a wider variety of
11 customers, and their larger industrial customers often have specific power needs.
12 This increases the need for more skilled customer service representatives to deal
13 with the intricacies of their customers' contracts and needs.

14 **Q. HOW DOES THIS DIFFERENCE IN CUSTOMERS AFFECT THE TARIFFS**
15 **OF ELECTRIC COMPANIES AND WATER COMPANIES?**

16 A. The wider variety of customers of electric utilities increases the complexity of
17 their rate schedules and tariffs. For example, Appalachian Power Company is a
18 subsidiary of American Electric Power Company ("AEP") serving retail customers in
19 Tennessee. Its tariff for Kingsport Power Company d/b/a AEP shows the following
20 rate schedules:

- 21 • Residential Electric Service
- 22 • Residential Electric Service-Employee
- 23 • Residential Load Management Time-of-Day
- 24 • Residential Time-of-Day Electric Service
- 25 • Small General Service
- 26 • Medium General Service

- 1 • Medium General Service Time-of-Day
- 2 • Large General Service
- 3 • Industrial Power
- 4 • Electric Heating General
- 5 • Church Service
- 6 • Public Schools
- 7 • Emergency Operating Plan
- 8 • Outdoor Lighting
- 9

10 In addition, the tariff has a Purchased Power Adjustment Rider, a Fuel Clause
11 Rider, and a Tennessee Inspection Fee Rider.³¹ The Large General Service and
12 Industrial Power schedules feature demand, energy, and service charges for three
13 categories of customers depending upon voltage levels. The Purchased Power
14 Rider is allocated across using individual allocation factors for demand and energy
15 costs for each rate schedule. The Fuel Clause Rider is also calculated individually
16 for each rate schedule.³² Because of this greater complexity, customer service
17 representatives of electric utilities generally need to be more skilled and more highly
18 trained than their water company counterparts.

19 In contrast, the Company's tariffs are much simpler. Basic charges are made
20 up of service charges and volumetric charges. The Company's customer classes
21 consist of residential, commercial, industrial, public authorities, sales for resale, and
22 fire protection.

23 **Q. IS THERE A DIFFERENCE IN THE NUMBER OF EMPLOYEES OF WATER**
24 **COMPANIES AND ELECTRIC UTILITIES?**

25 A. Yes. The greater complexity of electricity production and generation results in
26 a smaller number of customers per employee relative to water and wastewater

³¹ Kingsport Power Company, d/b/a American Electric Power, Tariff.

³² Kingsport Power Company, d/b/a American Electric Power, Tariff.

1 companies. Schedule KHD-9 calculates the customers per employee for each of the
2 companies in the Baryenbruch comparative cost study. It compares these to the
3 analogous customers per employee calculated for each of the publicly owned water
4 companies in the U.S. The schedule shows that on average, water companies can
5 serve 426 customers per employee, while electric utilities can only serve 277
6 customers per employee. This clearly shows that the electric and electric/gas
7 businesses are much more complex than water companies. Each electric company's
8 employees serve 35 percent fewer customers per employee than the average water
9 company.

10 **Q. DID YOU RUN INTO ANY PROBLEMS IN WORKING WITH THE**
11 **SPREADSHEETS SUPPORTING MR. BARYENBRUCH'S COMPARATIVE COST**
12 **STUDY?**

13 A. Yes, I did. Mr. Baryenbruch's workpapers were not provided in a useable
14 electronic format with links and formulas intact as requested. The original
15 calculations that were contained in the spreadsheet had been turned into values. In
16 addition, although Mr. Baryenbruch's study was based upon 2009 data, all but one
17 tab in his spreadsheet contained 2008 data. Therefore, there was no way to match
18 the 2008 data contained in the spreadsheets, that were supposed to be the sources
19 and data for his results, to the final information contained in his report. Ultimately, I
20 downloaded and imported the 2009 data to replicate his analysis. However, the
21 added time, cost, and frustration caused by this was unnecessary as the 2009 data
22 should have been supplied and the formulas, etc., should not have been stripped
23 from the spreadsheets.

1 **Q. ARE THERE PROBLEMS WITH MR. BARYENBRUCH'S ANALYSIS IN**
2 **ADDITION TO THE FACT THAT ELECTRIC COMPANIES SHOULD NOT BE**
3 **USED TO COMPARE TO WATER UTILITIES?**

4 A. Yes. Mr. Baryenbruch's analysis suffers from a number of other deficiencies,
5 described below.

6 **Q. MR. BARYENBRUCH EXCLUDED CERTAIN ACCOUNTS FROM HIS**
7 **COMPARATIVE GROUP COMPARISON. WAS THIS DONE CORRECTLY?**

8 A. No, it was not.

9 **Q. WOULD YOU DESCRIBE THE REASON HE STATED FOR HIS REMOVAL**
10 **OF CERTAIN ACCOUNTS?**

11 A. Mr. Baryenbruch excluded certain FERC accounts from the calculation of the
12 comparison group service company's cost because these items are not in the
13 charges from AWWSC to TAWC. As an example, the expenses included in FERC
14 Account 902, Meter Reading expenses, are excluded from the cost per customer
15 calculation because these costs are not charged to TAWC by the service company.
16 The service company does not perform meter reading for TAWC; however, in some
17 instances the meter reading function is performed by the service companies
18 associated with the companies chosen for the electric and electric/gas utilities
19 chosen by Mr. Baryenbruch. Therefore, Meter Reading Expenses are excluded from
20 the comparative group so that the per-customer costs between the two groups are
21 consistent.³³ As I explain below, Mr. Baryenbruch failed to remove the
22 overhead/supervision expenses associated with Meter Reading expenses as well as
23 others, thereby overstating the comparison group's costs per customer.

³³ Response to COC DR 1-48.

1 **Q. WHAT ACCOUNTS WERE EXCLUDED FROM MR. BARYENBRUCH'S**
2 **A&G COST COMPARISON?**

3 A. Schedule KHD-10 contains a list and description of all A&G expenses used in
4 the electric and electric/gas company comparative group. Next to each account I
5 have indicated if the account was included or excluded from Mr. Baryenbruch's
6 comparison. The next column shows corrections to Mr. Baryenbruch's treatment of
7 these expenses.

8 **Q. IS THERE A PROBLEM WITH MR. BARYENBRUCH'S APPROACH?**

9 A. Yes. Mr. Baryenbruch excluded several accounts from the electric and
10 electric/gas utility group's A&G expenses. For several of these accounts the related
11 supervisory expenses should have been allocated to all the accounts in their
12 subgroup before the exclusion. This would ensure that the expenses in the general
13 supervisory accounts that are attributable to the excluded accounts are also
14 removed from the analysis. Failure to make this allocation overstates the costs used
15 in the comparison group.

16 **Q. CAN YOU PLEASE GIVE AN EXAMPLE OF THIS PROBLEM?**

17 A. Yes. Accounts that should have been allocated to the excluded accounts are
18 general supervisory accounts which support all of the accounts below it. For
19 example, the first account, 901 - Supervision, contains the following: labor and
20 expenses incurred in the general direction and supervision of customer accounting
21 and collecting activities. The direct supervision specific activities should be included
22 in Account 902, Meter Reading Expenses, or 903, Customer Records and Collection
23 Expenses. For the group of accounts included in Total Customer Accounts

1 Operation expenses, Mr. Baryenbruch excluded meter reading and uncollectible
2 expenses. A proportionate share of the expenses should have been included in the
3 Supervision account related to to the Meter Reading Expenses account. This would
4 have resulted in a portion of the general supervisory functions being allocated to the
5 meter reading function and thereby also removed from the comparative group total
6 A&G expenses.

7 **Q. WHY SHOULD THE SAME ALLOCATION NOT BE MADE TO**
8 **UNCOLLECTIBLES?**

9 A. This account holds the uncollectible funds associated with losses from
10 uncollected utility revenue. While there would be supervision associated with the
11 effort to collect past due bills, etc., these costs would not be included in the
12 uncollectibles account. Therefore, the supervisory expenses should not be allocated
13 to this account.

14 **Q. WHAT IS YOUR SECOND CRITICISM CONCERNING THE ACCOUNTS**
15 **USED IN MR. BARYENBRUCH'S COMPARATIVE GROUP?**

16 A. Account 911, Supervision for Sales Operation Expenses, should be excluded.
17 Mr. Baryenbruch excluded all of the remaining accounts in this subgroup, so the
18 supervision expenses should be excluded as well. Certainly, if the direct costs for
19 these expenses are not appropriate, the supervisory costs should likewise be
20 omitted.

21 **Q. WHAT IS YOUR THIRD CRITICISM ABOUT THE ACCOUNTS MR.**
22 **BARYENBRUCH USED FOR HIS COMPARATIVE GROUP COMPARISON?**

1 A. As shown on Schedule KHD-10, Account 920, Administrative and General
2 Salaries, should be allocated to excluded Account 930.1, General Advertising
3 Expenses. Account 930.1 includes expenses associated with labor, materials used,
4 and expenses incurred in advertising activities.

5 Account 920 includes expenses for compensation (salaries, bonuses, and
6 other consideration for services, but not including directors' fees) of officers,
7 executives, and other employees of the utility properly chargeable to utility
8 operations and not chargeable directly to a particular operating function. These are
9 general overhead expenses that are not directly associated with any particular
10 function performed by the service companies.

11 Therefore, in order to properly state the comparative group expenses, a
12 portion of the 920 expenses should have been allocated to the excluded account
13 930.1, General Advertising Expenses.

14 **Q. ARE THERE OTHER ADJUSTMENTS THAT SHOULD BE MADE TO MR.**
15 **BARYENBRUCH'S COMPARISON?**

16 A. Yes. Mr. Baryenbruch's method of estimating the amount of service company
17 charges associated with the regulated operations of the various comparison
18 companies is flawed. His methodology uses the total service company expenses
19 charged to the regulated operations as a percentage of the total service company
20 expenses charged to both the regulated and nonregulated operations. This method
21 assumes that the resulting percentage is same for all expense accounts. Schedule
22 KHD-11 shows the resulting percentage for each electric and electric/gas company
23 as used by Mr. Baryenbruch.

1 Schedule KHD-12 shows the totality of all expense accounts that are
2 allocated from service companies to affiliates. As shown, in addition to administrative
3 and general expenses, service companies provide support in a variety of other areas
4 including steam power maintenance and generation operation, nuclear power
5 maintenance and generation operation, hydraulic power maintenance and
6 generation operation, other power supply maintenance and generation operation,
7 load dispatching, distribution operation and maintenance, and operation and
8 supervision of liquefied natural gas.

9 **Q. WHAT ARE THE IMPLICATIONS OF THIS SIMPLIFICATION?**

10 A. Use of the average percentage of service company costs charged to the
11 regulated companies as opposed to the actual amount charged to the regulated
12 accounts overestimates the amount of administrative and general service company
13 expenses charged to the regulated electric and electric/gas companies.

14 Schedule KHD-13 shows the amount of service company charges used in Mr.
15 Baryenbruch's comparison to the total amount of these expenses recorded on each
16 company's FERC Form 1. The amounts recorded on the FERC Form 1 would
17 include both the service company charges and the direct charges incurred at the
18 utility company level. The FERC Form 1 amounts should be more than the service
19 company estimates used by Mr. Baryenbruch.

20 However, as shown, for several of the companies, the amounts in Mr.
21 Baryenbruch's analysis are greater than the amounts actually reported by the
22 companies in their FERC Form 1. Since Mr. Baryenbruch's analysis is only for
23 service company charges, the direct charges incurred by the companies in these

1 A&G accounts would have to be negative for Mr. Baryenbruch's approach to be
2 accurate – an unlikely occurrence.

3 The difference is quite large for many companies. For example, for Black
4 Hills, the amount estimated by Mr. Baryenbruch is 180 percent greater than the
5 expenses recorded on the FERC Form 1 for his selected A&G accounts. Examples
6 of other companies with the same problem included Integrys at 213 percent and
7 National Grid at 249 percent.

8 **Q. HAVE YOU PREPARED A SCHEDULE TO SHOW THE IMPACT OF THE**
9 **OVERSTATEMENT IN MR. BARYENBRUCH'S APPROACH?**

10 A. Yes, I have. Schedule KHD-14 depicts an analysis similar to the one
11 performed by Mr. Baryenbruch, but it limits the A&G amounts to what is recorded in
12 the FERC Form 1 for the companies that are in excess of 100 percent in Mr.
13 Baryenbruch's analysis. As shown, making only this change reduced Mr.
14 Baryenbruch's cost per customer from \$95 to \$79. However, it is important to point
15 out that the \$79 per customer is still overstated because it assumes that the entire
16 amount included in the FERC Form 1 is charged from the affiliate – and there are no
17 direct costs incurred by the operating company – an unrealistic assumption.

18 **Recommended Comparative Analysis**

19 **Q. HAVE YOU PREPARED A SUPERIOR ANALYSIS WHICH EXAMINES**
20 **TAWC SERVICE COMPANY CHARGES RELATIVE TO OTHER WATER**
21 **COMPANIES OF A SIMILAR SIZE?**

22 A. Yes. I compared TAWC's customer and administrative related expenses to
23 that of other Class A water and combination water/wastewater utilities in the South.

1 By using only the customer and administrative portion of expenses, this allows for a
2 direct comparison of the comparison utilities' expenses and the services and
3 expenses charged to TAWC by AWWSC.

4 **Q. HOW WERE THE COMPANIES IN YOUR COMPARISON GROUP**
5 **SELECTED?**

6 A. I started by selecting all Class A water and combination water/wastewater
7 utilities operating in the South as TAWC is part of AWWSC's Southeast region. I
8 contacted and was able to obtain annual reports from the following regulatory
9 commissions: Alabama, Arkansas, Florida, Kentucky, Louisiana, Mississippi,
10 Missouri, North Carolina, South Carolina, Tennessee, Texas, and Virginia. Water
11 and wastewater systems in Georgia are not regulated by a state regulatory
12 commission and I was unable to locate any annual report filings for Georgia
13 companies.

14 I then examined each annual report to determine which reports contained the
15 data necessary to conduct the analysis. The states where the annual reports do not
16 provide A&G and customer expenses broken out into the needed accounts were
17 excluded from the group. The states that were ultimately included in the comparative
18 group were Arkansas, Florida, Kentucky, Missouri, North Carolina, South Carolina,
19 Tennessee, and Virginia. I also excluded other American Water utilities from the
20 analysis as their inclusion would bias the results.

21 **Q. HOW WAS YOUR ANALYSIS CONDUCTED?**

22 A. I examined the salaries and wages, pensions and benefits, materials and
23 supplies, all contractual services, rental of buildings, and miscellaneous expenses of

1 TAWC compared to the expenses in the same accounts of comparative Class A
2 water and combination water/wastewater companies. Some of the companies in the
3 comparison group also include affiliate charges while others do not. It is necessary
4 to include all of the accounts described above in the comparison, because those
5 companies that do not have service companies would record the costs for these
6 service company functions, not under Contractual Services - Management Fees or
7 Contractual Services – Other, but in these other accounts, like Salaries and Wages
8 and Pension and Benefits.

9 **Q. HOW DID YOU DETERMINE EXACTLY WHICH ACCOUNTS TO INCLUDE**
10 **IN YOUR COMPARISON?**

11 A. I included accounts in which the Company indicated its service company
12 charges would have been recorded if they were not recorded under Contractual
13 Services-Other.

14 **Q. WHAT WERE THE RESULTS OF YOUR ANALYSIS?**

15 A. As shown in Schedule KHD-15, TAWC's administrative expenses per
16 customer are \$124 compared to the average of all Class A water companies of \$71.
17 On a per customer basis, TAWC's expenses are 75 percent higher than the
18 average. Of the 19 companies shown, only four had higher costs per customer than
19 TAWC. Interestingly, the water companies with the highest costs per customer tend
20 to be those that are owned by large holding companies and have service
21 companies.

22 **Q. HOW DO THE A&G EXPENSE ACCOUNTS COMPARE TO THE**
23 **COMPARISON GROUP?**

1 A. Taking into consideration that TAWC is part of the nation's largest investor-
2 owned provider of water and wastewater services, I would have expected to see a
3 benefit to the customers of Tennessee as a result of its association with AWWC.
4 However, as the above analysis demonstrates, customers do not appear to have
5 experienced any economies of scale associated with TAWC being part of a larger
6 organization. Moreover, this analysis clearly shows that AWWSC charges are not
7 reasonable, in contrast to Mr. Baryenbruch's conclusion.

8 **Q. ARE YOU MAKING AN ADJUSTMENT FOR THE ADDED COSTS FOR**
9 **SALARIES, WAGES, BENEFITS, AND MANAGEMENT FEES CHARGED FROM**
10 **AWWSC?**

11 A. Yes. I recommend that the TRA reduce test year expenses to reflect a lower
12 cost consistent with the costs that are incurred by comparative Class A water and
13 combination water/wastewater companies. The analysis that I have conducted
14 shows that the layers of management associated with provision of services by
15 AWWSC have not produced any cost savings for customers, but in fact have
16 resulted in excessive costs.

17 The Company has failed to demonstrate that there are economies of scale
18 associated with being part of a bigger organization where costs allegedly can be
19 spread over more customers resulting in a lower cost per customer. In fact, when
20 compared to other companies, the services provided by AWWSC produce
21 diseconomies of scale. The Company's service company and related A&G
22 expenses are excessive by \$3,972,958 for the salaries, benefits, and management
23 fees that are being allocated to the Company from AWWSC.

1 **Q. THE ABOVE AMOUNT IS FOR THE YEAR 2009. WERE YOU ABLE TO**
2 **CONVERT THIS TO A TEST YEAR AMOUNT?**

3 A. Yes. My recommendation is shown on Schedule KHD-17. As shown, the
4 adjustment that I recommend is less than the total of the above amounts that would
5 result from a strict application of the difference per customer multiplied by TAWC's
6 customers. This is because I limited the amount of the adjustment to the AWWSC's
7 test year management fees expenses included in the rate case. Therefore, I
8 recommend that the TRA reduce test year (attrition year 2011) service company
9 A&G charges by \$4,089,360.

10 **Q. WHAT IS THE ANSWER TO MR. BARYENBRUCH'S QUESTION: "ARE**
11 **THE SERVICE COMPANY'S CHARGES TO TAWC DURING THE 12 MONTHS**
12 **ENDED MARCH 31, 2010 REASONABLE?"**

13 A. The answer is no.

14 **VII. MR. BARYENBRUCH'S CUSTOMER ACCOUNTS APPROACH**

15 **Q. LET'S TURN TO THE NEXT SECTION OF YOUR TESTIMONY. MR.**
16 **BARYENBRUCH DID A COMPARISON OF THE COMPANY'S CUSTOMER**
17 **SERVICE COSTS TO THOSE OF ELECTRIC AND ELECTRIC/GAS COMPANIES.**
18 **DO YOU AGREE WITH THIS COMPARISON?**

19 A. No, I do not agree for the same reasons I disagree with his comparison of
20 certain administrative and general expenses. There are many differences between
21 water companies and those of electric and gas companies. These differences would
22 indicate that the cost per customer for water companies should be less than the cost
23 per customer of electric and gas/electric companies.

1 For example, the rate design of electric companies is more complicated than
2 water companies, causing more questions by customers and the need for more
3 sophisticated employees to answer these questions. In addition, electric companies
4 have many overhead lines where water and wastewater companies have
5 underground pipelines. Underground facilities cause fewer safety concerns and
6 therefore fewer calls to water call centers than to electric company call centers.
7 Consequently, the customer service costs should be less for a water company than
8 an electric company. Therefore, the comparison of water companies' customer
9 service costs to electric companies' is inappropriate.

10 **Q. BUT DID NOT MR. BARYENBRUCH INCREASE THE COST OF THE**
11 **COMPANY'S CUSTOMER ACCOUNTS EXPENSE TO ACCOUNT FOR THE**
12 **FEWER NUMBER OF CALLS PER CUSTOMER OF TAWC COMPARED TO**
13 **ELECTRIC COMPANIES?**

14 A. Yes he did. However, he did not make a similar adjustment for length of calls.
15 It is reasonable to conclude that due to their more complicated operations and the
16 seriousness of outages, the length of calls, on average, for an electric company,
17 would be longer than a water company.

18 **Q. DID YOU PREPARE AN ALTERNATIVE COMPARISON USING WATER**
19 **COMPANIES?**

20 A. Yes I did. I used the same group of comparative water and combination
21 water/wastewater companies as I did for the administrative and general expense
22 comparison. I compared the expenses included in the annual reports of the water
23 companies under the column Customer Accounts Expense. However, I removed the

1 costs associated with uncollectibles as they are not necessarily a reflection of a
2 company's customer service costs. As shown on Schedule KHD-16, the Company's
3 customer accounts expense per customer is \$32 compared to the average of the
4 peer water companies of \$23. The Company's cost per customer is 39 percent
5 higher than those of the comparative group. Clearly, the answer is no to Mr.
6 Baryenbruch's question of whether the customer accounts services costs of
7 AWWSC are comparable to those of other utilities.

8 **Q. DO YOU RECOMMEND AN ADJUSTMENT FOR THE DIFFERENCE IN**
9 **COST PER COSTUMER OF THE COMPANY TO THAT OF THE COMPARISON**
10 **GROUP?**

11 A. Yes. As shown on this same schedule the difference between the Company's
12 and the comparative group's cost per customer is \$9. Multiplying this amount by the
13 Company's customers shows that test year customer account expenses should be
14 reduced by \$674,006.

15 I converted this amount to a test year amount using the same method used
16 for the A&G expenses. As shown on Schedule KHD-17, test year expenses should
17 be reduced by \$676,655.

18 **Q. SCHUMAKER & COMPANY PREPARED A COMPARISON OF AWWSC**
19 **SERVICE CHARGES TO THAT OF ELECTRIC AND ELECTRIC/GAS SERVICE**
20 **COMPANY CHARGES. WOULD YOU BRIEFLY EXPLAIN THIS COMPARISON?**

21 A. Yes. The Schumaker comparison used most of the same companies as
22 included in Mr. Baryenbruch's analysis; however, there are a few differences. In
23 addition, the Schumaker comparison used 2008 data; whereas, Mr. Baryenbruch

1 used 2009 data. The Schumaker comparison examined the service company cost
2 based upon “corporate customers” which may be different than the number of
3 customers used by Mr. Baryenbruch. The Schumaker report concluded that for 2008
4 AWWSC operating expenses (which appear to be both A&G and customer account
5 expenses) charged to TAWC were below many of the other service companies in
6 the comparison group.

7 **Q. DOES THE SCHUMAKER & COMPANY COMPARISON SUFFER FROM**
8 **THE SAME FLAWS AS MR. BARYENBRUCH'S COMPARISON?**

9 A. Yes. The problems and flaws that I have identified which render Mr.
10 Baryenbruch's comparison inappropriate are equally applicable to the Schumaker
11 comparison. The TRA should reject any conclusion that the AWWSC charges to the
12 Company are reasonable based upon the Schumaker comparison.

13 **VIII. MR. BARYENBRUCH'S LOWER OF COST OR MARKET APPROACH**

14 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S APPROACH IN**
15 **EVALUATING WHETHER SERVICE COMPANY CHARGES WERE AT THE**
16 **LOWER OF COST OR MARKET?**

17 A. Mr. Baryenbruch conducted an analysis of whether the charges TAWC
18 received from AWWSC were at the lower of cost or market by comparing the hourly
19 cost for managerial and professional services provided by AWWSC to hourly billing
20 rates that would be charged by companies providing equivalent services. Based on
21 the services provided by AWWSC, it was determined that the following types of
22 outside providers could provide equivalent services: (1) management consultants;
23 (2) attorneys; (3) certified public accountants; and (4) professional engineers. The

1 analysis conducted by Mr. Baryenbruch shows that AWWSC's costs per hour are
2 lower than what an outside provider would charge.

3 **Q. WHAT PROBLEMS EXIST WITH THE ANALYSIS CONDUCTED BY THE**
4 **COMPANY'S WITNESS?**

5 A. Mr. Baryenbruch's analysis does not consider that if an outside company
6 provided the breadth of service equivalent to that provided by AWWSC, a discount
7 would more than likely be offered. The service company costs charged to TAWC
8 account for 37 percent of administrative and general expenses. It is not unusual for a
9 large customer to receive a discount for services provided by third parties.

10 Mr. Baryenbruch's comparison also assumes that every hour spent by
11 AWWSC personnel could be billed at a rate comparable to a skilled lawyer,
12 consultant, certified public accountants, or professional engineer regardless of the
13 level of expertise of the AWWSC employee. This is an unrealistic assumption.
14 Companies typically use outside counsel or consultants for specialized areas of law
15 or professional services, not the day-to-day operations of a business. To suggest
16 that a company would outsource at this level is questionable, especially where it
17 cannot be demonstrated that it would be less costly than providing the service in-
18 house.

19 In addition, Mr. Baryenbruch's comparison fails to consider that outsourcing at
20 such magnitude would more than likely be frowned upon by regulators due to the
21 high costs that would be passed to ratepayers.

22 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING MR. BARYENBRUCH'S**
23 **OUTSOURCING APPROACH?**

1 A. His approach should not be used to assess the reasonableness of the
2 charges from AWWSC or to conclude that the AWWSC charges are at the lower of
3 cost or market. His analysis is unrealistic and fails to show that the AWWSC
4 services were provided at the lower of cost or market.

5 **IX. MR. BARYENBRUCH'S ANALYSIS OF THE NEED FOR AWWSC**
6 **SERVICES**

7 **Q. WOULD YOU DESCRIBE MR. BARYENBRUCH'S CLAIMS THAT THE**
8 **SERVICES PROVIDED BY AWWSC WOULD BE NECESSARY IF TAWC WERE A**
9 **STANDALONE WATER COMPANY?**

10 A. Yes. Mr. Baryenbruch makes this claim based upon his discussions with
11 AWWSC personnel. He developed a matrix based upon these discussions which
12 purports to show that there is no redundancy or overlap in the services being
13 provided by AWWSC and the services provided by a standalone water company.

14 **Q. DO YOU AGREE WITH MR. BARYENBRUCH'S CONCLUSIONS?**

15 A. No. Mr. Baryenbruch has failed to demonstrate that the level of services
16 provided by AWWSC would be required if TAWC were a standalone water company.
17 There are many water and wastewater companies that operate throughout the U.S.
18 which are not owned by a holding company and are not provided support services
19 by an affiliate. These companies, as shown in my comparative analysis, provide
20 water service at a cost significantly lower than the cost provided by AWWSC.

1 **X. AWWSC CHARGES COMPARED TO INFLATION AND CUSTOMER**
2 **GROWTH**

3 **Q. HAVE YOU PERFORMED ANY OTHER ANALYSIS THAT SUPPORTS**
4 **YOUR CONCLUSION THAT AWWSC CHARGES TO TAWC ARE EXCESSIVE?**

5 A. Yes. I examined the level of service company charges from 2005 to 2009
6 compared to the rate of inflation and growth in customers. This analysis is shown on
7 Schedule KHD-18. AWWSC's management fees per customer increased by 29.6
8 percent from 2005 to 2009 and are expected to increase another 5.9 percent
9 through the 2011 attrition year. The cumulative increase in management fee
10 expenses per customer is projected to be 35.5 percent from 2005 to the 2011
11 attrition year. This compares to the cumulative increase in inflation of 14.7 percent
12 from 2005 to the 2011 attrition year.

13 This comparison shows that AWWSC's charges to the Company have
14 increased at a rate greater than the combination of growth in customers and
15 inflation. If the TRA held these charges to the level incurred in 2005 plus growth in
16 customers and inflation, the AWWSC's charges to the Company would need to be
17 reduced by \$1,085,259.

18 **XI. EXAMINATION OF CERTAIN SERVICE COMPANY CHARGES**

19 **Q. DID THE COMPANY REMOVE ANY EXPENSES FROM THE TEST YEAR**
20 **THAT ARE TYPICALLY DISALLOWED IN A RATE CASE?**

21 A. Yes. In determining the AWWSC management fee amount to include in the
22 test year, the Company removed some expenses that are usually not allowed by
23 regulators. These included \$23,415 in severance, project stamp, and BT data

1 assessment expenses; \$20,093 in advertising, brochures, charitable contributions,
2 community relations, membership dues, and trade show expenses; \$2,911 in
3 miscellaneous "P-card" charges that consist of meals and entertainment expenses;
4 and \$189 in penalties.³⁴

5 **Q. ARE THERE OTHER EXPENSES THAT SHOULD BE DISALLOWED?**

6 A. Yes, there are at least two that I will discuss. First is the elimination of
7 business development expenses. Second is the removal of corporate government
8 affairs expenses.

9 **Q. WOULD YOU DESCRIBE THE BUSINESS DEVELOPMENT EXPENSES**
10 **INCLUDED IN TEST YEAR EXPENSES?**

11 A. Yes. According to the Company these expenses were incurred for the
12 purpose of growing revenue and customers. The Company claims that the addition
13 of new customers allows it to spread fixed costs over a larger customer base,
14 incrementally lowering the cost to each customer. In addition, revenue and earnings
15 from growth due to business development lower the revenue requirement.³⁵ Also,
16 enhanced earnings related to acquisitions would increase the asset base and
17 earnings available to shareholders.

18 In response to discovery, the Company addressed some of its business
19 development efforts which included: new bulk sales to Walden's Ridge, the
20 acquisition of the former Suck Creek Utility District, and the operation agreement
21 with Lone Oak Utility District.

³⁴ Response to TRA DR 1-13, Attachment TRA-01-Q013-MANAGEMENT FEES.

³⁵ Response to COC DR 1-69.

1 **Q. DID THE COMPANY QUANTIFY THE BENEFITS RECEIVED BY**
2 **CUSTOMERS DUE TO BUSINESS DEVELOPMENT EFFORTS?**

3 A. No, it did not. However, I examined the expenses incurred for business
4 development activities at both the national and regional levels. Schedule KHD-19
5 shows that business development expenses at the Southeast regional level
6 increased from \$27,391 in 2008 to \$50,856 in 2009. For the test year ending March
7 2010 business development expenses increased again to \$48,288, and for the
8 attrition year they are estimated to be \$50,856. As shown from 2008 to the attrition
9 year these expenses increased by over 85 percent, or 29 percent a year.

10 Examining these costs on a per customer basis shows that they increased
11 from \$.37 in 2008 to \$.58 in 2009, or 57 percent. For the test year the cost per
12 customer increased to \$.65 and for the attrition year the cost per customer increased
13 again to \$.68.

14 The total business development expenses increased 95 percent from 2008 to
15 the attrition year; whereas, the number of customers increased less than 1 percent
16 from 2008 to the attrition year. This comparison indicates that the costs incurred for
17 business development have not resulted in significant enhancements in customer
18 growth for the Company.

19 **Q. HOW DO THE BUSINESS DEVELOPMENT EXPENSES AT THE**
20 **NATIONAL CORPORATE LEVEL COMPARE TO THE GROWTH IN**
21 **CUSTOMERS?**

22 A. Business development expenses at the national level increased by 109
23 percent from 2008 to the attrition year; whereas customers increased less than 1

1 percent. In addition, as shown on this schedule, the cost per customer has
2 generally increased steadily since 2008. This indicates that the addition of
3 customers from other sister companies has not offset the growth in business
4 development expenses. The Company has not demonstrated that the business
5 development costs at the national corporate level provide any benefit to Tennessee
6 ratepayers.

7 **Q. HAS THE COMPANY DEMONSTRATED THAT THE BUSINESS**
8 **DEVELOPMENT EXPENSES CHARGED TO IT BY AWWSC ARE COST**
9 **EFFECTIVE?**

10 A. No, it has not. TAWC has not provided any documentation, studies,
11 analyses, or other evidence that the business development expenses are cost
12 effective and produce benefits to Tennessee customers. For example, it has not
13 shown that the addition of territory or customers in Tennessee, through acquisition,
14 has lowered the cost to serve Tennessee customers. In fact, as demonstrated
15 earlier, despite increased business development expenditures per customer, there
16 has been minimal growth in Tennessee customers.

17 **Q. ARE BUSINESS DEVELOPMENT EXPENDITURES NECESSARY FOR**
18 **THE PROVISIONS OF SAFE AND RELIABLE SERVICE?**

19 A. No, they are not.

20 **Q. WHAT IS YOUR RECOMMENDATION REGARDING BUSINESS**
21 **DEVELOPMENT EXPENSES?**

22 A. I recommend that the TRA remove these expenses from the test year. The
23 Company has not demonstrated that they are just and reasonable, cost effective, or

1 necessary for the provision of safe and reliable service. As other commissions have
2 found, these costs should be borne by shareholders. As shown on Schedule KHD-
3 19, business development expenses of \$82,861 should be removed from the attrition
4 year expenses.

5 **Q. WHAT COMMISSIONS HAVE DISALLOWED THESE TYPES OF**
6 **EXPENSES?**

7 A. Both the Florida and California commissions have disallowed expenses
8 related to business development and acquisitions. The California commission
9 found:

10 Cal-Am did not quantify the costs it proposed to include in general
11 office revenue requirement or any specific financial benefits to utility
12 customers from business development staff. For example, Cal-Am's
13 direct testimony does not even specify the amount at issue or the
14 number of new customers added through this department's efforts.
15 Cross-examination suggests that "coordinating" non-regulated
16 operations and maintenance agreements are also an important
17 function of these personnel.

18
19 The Monterey District is facing severe water supply limitations and its
20 business and residential customers are burdened with substantial rate
21 increases; consequently, Cal-Am must demonstrate that its proposed
22 expenditures are "necessary for reliable service and provide value to
23 customers." Cal-Am's presentation on business development expense
24 fails to quantify or demonstrate specific benefits to customers from the
25 substantial amounts Cal-Am forecasts spending on business
26 development.

27
28 We, therefore, conclude that Cal-Am has not met its evidentiary burden
29 for including these costs in the revenue requirement of its California
30 districts. These costs will be excluded from our final approved
31 California revenue requirement.³⁶

³⁶ Public Utilities Commission of California, In re: Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service in its Monterey District by \$24,718,200 or 80.30% in the year 2009; \$6,503,900 or 11.72% in the year 2010; and \$7,598,300 or 12.25% in the year 2011 Under the Current Rate Design and to Increase its Revenues for Water Service in the Toro Service Area of its Monterey District by \$354,324 or 114.97% in the year 2009;

1 The Florida Public Service Commission disallowed similar costs of Aqua Utilities
2 Florida in its last rate case. The Commission specifically found that acquisition and
3 corporate development activity should be recorded below-the-line for ratemaking
4 purposes. It also noted that these types of expenses had been disallowed in prior
5 proceedings.³⁷

6 **Q. WOULD YOU PLEASE EXPLAIN YOUR NEXT ADJUSTMENT?**

7 A. Yes. My next adjustment relates to legislative functions performed by service
8 company personnel. Costs related to legislative advocacy should not be passed on
9 to ratepayers. Regulators often disallow expenses associated with influencing
10 politicians or legislation. For example, both the Florida and California commissions
11 do not allow utilities to collect from ratepayers the expenses associated with
12 legislative advocacy.

13 **Q. IN WHAT ACCOUNT WOULD COSTS RELATED TO LEGISLATIVE**
14 **FUNCTIONS BE INCLUDED?**

15 A. The legislative functions would be included in the business unit Corporate-
16 Government Affairs. The Company was charged \$11,797 during the attrition year
17 for these functions.

18 **Q. HAS THE COMPANY PROVIDED ANY EVIDENCE THAT THE COSTS**
19 **INCLUDED IN THIS ACCOUNT ARE REASONABLE FOR RATEMAKING**
20 **PURPOSES?**

\$25,000 or 3.77% in the year 2010; and \$46,500 or 6.76% in the year 2011 Under the Current Rate Design. Decision 09-07-021 July 9, 2009, p. 103.

³⁷ Florida Public Service Commission, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.; Docket No. 080121-WS; Order No. PSC-09-0385-FOF-WS, May 29, 2009, pp. 57-64.

1 A. No, it has not. Therefore, in the absence of such a showing, I recommend
2 that the TRA disallow these expenses from test year expenses. The Company has
3 not demonstrated that the costs included in these accounts benefit customers or are
4 reasonable for ratemaking purposes.

5 **Q. WHAT IS THE TOTAL AMOUNT OF THE INDIVIDUAL EXPENSES YOU**
6 **RECOMMEND FOR DISALLOWANCE IN THIS SECTION OF YOUR**
7 **TESTIMONY?**

8 A. The total of these two adjustments is \$94,658.

9 **XII. RECOMMENDATIONS AND CONCLUSIONS**

10 **Q. WHAT DO YOU RECOMMEND REGARDING THE NONREGULATED**
11 **SERVICES TAWC PROVIDES AMERICAN WATER RESOURCES?**

12 A. AWR receives significant benefits as a result of its relationship with TAWC. I
13 recommend that the TRA increase test year revenue by \$1,071,281 for the revenue
14 earned by AWR for the Protection Programs provided to TAWC customers. I also
15 recommend that the TRA order a thorough examination of this affiliate relationship.
16 Two areas need to be examined. First, procedures should be developed to ensure
17 that costs are properly allocated to AWR to ensure that ratepayers do not subsidize
18 this nonregulated affiliate. Second, the TRA should attribute revenue (through a
19 royalty fee or other mechanism) to TAWC to ensure that ratepayers receive
20 compensation for intangible and tangible benefits bestowed to the nonregulated
21 Protection Programs offered to TAWC customers.

1 **Q. WHAT ARE YOUR GENERAL CONCLUSIONS CONCERNING THE**
2 **ALLOCATION METHODOLOGIES USED TO ALLOCATE COSTS TO THE**
3 **COMPANY AND ITS AFFILIATES?**

4 A. The use of customers to allocate costs between regulated companies, while
5 not perfect, is acceptable. Nevertheless, there may be approaches that are
6 superior.

7 The use of largely size-based allocation factors to distribute costs between
8 regulated and nonregulated companies is problematic. This methodology does not
9 adequately consider the benefits received by the nonregulated companies. Sufficient
10 information was not provided in discovery to quantify the impact of this bias.

11 **Q. WHAT CONCLUSIONS HAVE YOU REACHED FROM YOUR ANALYSIS**
12 **OF THE BARYENBRUCH & COMPANY’S BENCHMARKING STUDY RELATED**
13 **TO SERVICE COMPANY CHARGES AND CUSTOMER ACCOUNT SERVICE**
14 **COSTS?**

15 A. Mr. Baryenbruch’s benchmarking study has numerous flaws and should be
16 rejected. Mr. Baryenbruch has not shown that AWWSC A&G or customer service
17 account charges are just and reasonable or necessary for the provision of safe and
18 reliable water service.

19 He has provided no evidence that the service company charges of electric
20 and electric/gas companies are comparable to or should be compared to the service
21 company charges of water companies. I recommend using a comparison of
22 AWWSC’s service charges to service company charges of other water and

1 combination water/wastewater utilities. This analysis shows that charges from
2 AWWSC are excessive.

3 Therefore, I recommend that the TRA reduce attrition year expenses by
4 \$4,089,360 to reflect a lower cost consistent with the costs that are incurred by
5 comparative Class A water and combination water/wastewater companies.
6 Likewise, I recommend that the TRA make a similar adjustment for customer costs
7 charged to the Company by AWWSC. My water company comparative analysis
8 shows that customer account expenses should be reduced by \$676,655.

9 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING MR. BARYENBRUCH'S**
10 **OUTSOURCING APPROACH WHICH PURPORTS TO SHOW THAT AWWSC**
11 **CHARGES ARE PROVIDED AT THE LOWER OF COST OR MARKET?**

12 A. Like his comparative analysis it suffers from several flaws. It should be
13 rejected by the TRA as it does not demonstrate that AWWSC's charges are just and
14 reasonable. Nor does it support a conclusion that the service company services
15 have been provided at the lower of cost or market.

16 **Q. WHAT ARE YOUR CONCLUSIONS ABOUT MR. BARYENBRUCH'S**
17 **CLAIM THAT THE SERVICES PROVIDED BY AWWSC ARE NECESSARY?**

18 A. Mr. Baryenbruch has failed to demonstrate that the level of services of
19 AWWSC would be required if TAWC were a standalone water company. There are
20 many water and wastewater companies that operate throughout the U.S. which are
21 not owned by a holding company and are not provided support services by an
22 affiliate. These companies, as shown in my comparative analysis, provide water
23 service at a cost significantly lower than the cost of services provided by AWWSC.

1 **Q. WHAT ADDITIONAL ADJUSTMENTS DO YOU RECOMMEND?**

2 A. I recommend the reduction of test year expenses in the amount of \$94,658 for
3 the removal of business development expenses and corporate government affairs
4 expenses.

5 **Q. DOES THIS COMPLETE YOUR PRE-FILED TESTIMONY FILED ON**
6 **JANUARY 5, 2011.**

7 A. Yes, it does.

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

IN RE:

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

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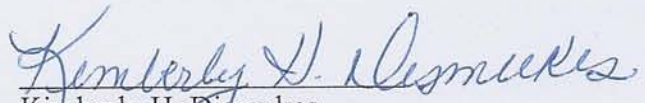
Docket No. 10-00189

**AFFIDAVIT OF
KIMBERLY H. DISMUKES**

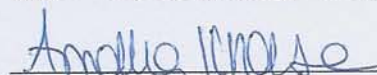
STATE OF LOUISIANA:
PARISH OF EAST BATON ROUGE:

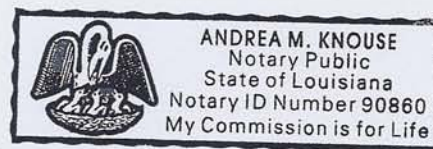
BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in the State and Parish aforesaid, personally came and appeared Kimberly H. Dismukes, being by me first duly sworn, who deposed and said that:

She is appearing as a witness on behalf of the City of Chattanooga before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, her testimony would be as set forth in the annexed transcript consisting of 58 pages, plus Attachments and Exhibits appended thereto.


Kimberly H. Dismukes

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


Notary Public
My Commission Expires: death



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APPENDIX I
KIMBERLY H. DISMUKES
QUALIFICATIONS

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

Q. WOULD YOU PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY IN THE FIELD OF PUBLIC UTILITY REGULATION?

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III. In July 1994 I was promoted to a Senior Legislative Analyst. In July 1995 I started my own consulting practice, Acadian Consulting Group, which specializes in the field of public utility regulation. I am the Managing Partner and Senior Research Consultant for Acadian Consulting Group.

Q. WOULD YOU PLEASE DESCRIBE THE TYPES OF WORK THAT YOU HAVE PERFORMED IN THE FIELD OF PUBLIC UTILITY REGULATION?

1 A. Yes. My experience has ranged from analyzing specific issues in a rate
2 proceeding to managing the work effort of a large staff in rate proceedings and
3 other administrative dockets. I have prepared testimony, interrogatories and
4 production of documents, assisted with the preparation of cross-examination, and
5 assisted counsel with the preparation of briefs. Since 1979, I have been actively
6 involved in more than 200 regulatory proceedings throughout the United States.

7 I have analyzed cost of capital and rate of return issues, revenue
8 requirement issues, public policy issues, market restructuring issues, and rate
9 design issues, conservation mechanisms, decoupling and lost revenue, class
10 cost of service studies, involving telephone, electric, gas, water and wastewater,
11 and railroad companies. I have also examined performance measurements,
12 performance incentive plans, and the prices for unbundled network elements
13 related to telecommunications companies. In addition, I have audited the
14 purchased gas and fuel adjustment clauses.

15 **Q. PLEASE DESCRIBE NATURAL GAS PROCEEDINGS IN WHICH YOU**
16 **HAVE BEEN INVOLVED?**

17 A. Below is a summary of the natural gas proceedings in which I have been
18 involved.

19 Audit Report and Expert Testimony: Docket No. U-27196, Sub-Docket A
20 (Settled 2007). Before the Louisiana Public Service Commission. In Re:
21 Commission Audit of the Purchased Gas Adjustment Filings of
22 CenterPoint Energy-Arkla. On behalf of the Louisiana Public Service
23 Commission. Issues: cost recovery, purchased gas adjustment clause,
24 affiliate transactions, gas procurement practices, forecasting, natural gas
25 markets, and conformance with PSC regulations.

26 Audit Report: Docket No. U-26721 (Settled 2007). Before the Louisiana
27 Public Service Commission. In Re: Commission Audit of Purchased Gas
28 Adjustment Filings of Reliant Energy-Entex Pursuant to Commission

1 General Order Dated March 24, 1999. On behalf of the Louisiana Public
2 Service Commission. Issues: cost recovery, purchased gas adjustment
3 clause, affiliate transactions, gas procurement practices, forecasting,
4 natural gas markets, and conformance with PSC regulations.

5 Expert Report: In Re: Evangeline Gas Company, (January 2005). On
6 behalf of Evangeline Gas Company. Issues: purchased gas adjustment
7 clause, accounting for gas costs, and gas recovery mechanisms.

8 Expert Testimony: Docket No. U-25117 (2002). Before the Louisiana
9 Public Service Commission. In Re: Commission Audit of Purchased Gas
10 Adjustment Filings of Louisiana Gas Service Company pursuant to
11 Commission General Order Dated March 24, 1999 (Paragraph VI(A)). On
12 behalf of the Louisiana Public Service Commission. Issues: cost recovery,
13 fuel adjustment clause, affiliate transactions, gas procurement practices,
14 forecasting, natural gas markets, and conformance with PSC regulations.

15 Expert Testimony: Docket No.U-23812 (2000). Before the Louisiana
16 Public Service Commission. In Re: An Investigation into the Allegation
17 Filed by the Plaintiffs Against the Defendants in Case No. 532-085 in the
18 24th Judicial District Court. (The Rhodes Company Inc. et al versus
19 Citizens Utilities Company (Citizens), LGS Natural Gas Company (LGS
20 Natural), LGS Intrastate Inc., (LGSi) and Louisiana Gas Service Company
21 (LGS). On behalf of the Louisiana Public Service Commission. Issues:
22 cost recovery, fuel adjustment clause, affiliate transactions.

23 Expert Testimony: Cause Number U-86-100 (1987). Before the
24 Washington Utilities and Transportation Commission. In Re: Washington
25 Utilities and Transportation Commission vs. Cascade Natural Gas
26 Corporation. On behalf of the Washington Utilities and Transportation
27 Commission. Issues: class of service and cost allocation.

28 Expert Testimony (1986). In Re: Southern Union Gas Company's 1985
29 Rate Request. Before the Public Utility Regulation Board of El Paso. On
30 behalf of the Public Utility Regulation Board of El Paso. Issues: revenue
31 requirement, affiliate transaction, cost allocations, and class cost of
32 service study.

33 Expert Testimony (1985). In Re: Southern Union Gas Company's Rate
34 Request. Before the Public Utility Regulation Board of El Paso. On behalf
35 of the Public Utility Regulation Board of El Paso. Issues: accounting
36 issues, affiliate transactions, cost allocations, revenue issues, and class
37 cost of service issues.

38 **Q. WERE YOU INVOLVED IN PROCEEDINGS RELATED TO ELECTRIC**
39 **COMPANIES?**

1 A. Yes. Below is a list of electric proceedings in which I was involved.

2 Expert Testimony: Docket No. 080677-EI (2009). Before the Florida Public
3 Service Commission. In Re: Petition for Increase in Rates by Florida
4 Power & Light Company. On behalf of the Florida Office of Public
5 Counsel. Issues: ratemaking treatment of acquisition premiums, affiliate
6 transactions, cost allocations between regulated and unregulated
7 affiliates, and projected billing determinants.

8 Expert Testimony: Docket No. 090079-EI (2009). Before the Florida
9 Public Service Commission. In Re: Petition for increase in rates by
10 Progress Energy Florida, Inc. On behalf of the Florida Office of Public
11 Counsel. Issues: ratemaking treatment of affiliate transactions, cost
12 allocations between regulated and unregulated affiliates, and the
13 treatment of revenue recorded below-the-line for ratemaking purposes.

14 Expert Testimony: Docket No. 050045-EI. (2005). Before the Florida
15 Public Service Commission. In Re: Petition for Rate Increase by Florida
16 Power & Light Company. On behalf of the Florida Office of Public
17 Counsel. Issues: revenue requirement issues and affiliate transactions.

18 Expert Testimony: Docket No. 04-035-42 (2005). Before the Utah Public
19 Service Commission. In Re: In the Matter of the Application of PacifiCorp
20 for Approval of its Proposed Electric Service Schedules and Electric
21 Service Regulations. On behalf of the Utah Committee of Consumer
22 Services. Issues: affiliate transactions issues including: relationships with
23 coal affiliates, relationships between regulated and nonregulated affiliates,
24 cost allocation methods for allocating costs between affiliated companies;
25 examination of common officers and directors of affiliated companies;
26 examination of time records of employees that exception time report;
27 direct assignment versus cost allocation methodologies; the
28 Massachusetts Formula for cost allocations; and assessment of cost
29 allocation manuals, policies, and documentation.

30 Expert Testimony: Docket Number 000824-EI (2002). Before the Florida
31 Public Service Commission. In Re: Review of Florida Power Corporation's
32 Earnings, Including Effects Of Proposed Acquisition of Florida Power
33 Corporation By Carolina Power & Light. On behalf of the Florida Office of
34 the Public Counsel. Issues: accounting, merger and acquisition including
35 synergy savings and merger costs, affiliate transactions, ratemaking
36 treatment of acquisition premiums and cost allocations between regulated
37 and unregulated affiliates.

38 Expert Testimony: Docket No. 001148-EI (2002). Before the Florida Public
39 Service Commission. In Re: Review of the Retail Rates of Florida Power &
40 Light Company. On behalf of the Florida Office of Public Counsel. Issues:

1 accounting, affiliate transactions and cost allocations between regulated
2 and unregulated affiliates.

3 Expert Testimony: Docket No. 010949-EI (2001). Before the Florida
4 Public Service Commission. In Re: Gulf Power Company Request for a
5 Rate Increase. On behalf of the Florida Office of Public Counsel. Issues:
6 accounting and affiliate transactions.

7 Expert Testimony: Docket No. 000808-EI (2001). Before the Florida Public
8 Service Commission. In Re: Gulf Power Company; Smith Wetlands
9 Mitigation Plan. On behalf of the Office of the Public Counsel. Issues:
10 Wetlands Mitigation Plan.

11 Expert Report: (1995). Before the Public Utilities Commission of Nevada.
12 In Re: Preliminary Analysis of Proposed Merger between Washington
13 Water Power Company and Sierra Pacific Power Company. On behalf of
14 the Public Utilities Commission of Nevada. Issues: accounting, financial,
15 and merger.

16 Expert Testimony: Case Number EM-91-213 (1995). Before the Missouri
17 Public Service Commission. In Re: Application of the Kansas Power and
18 Light Company and KCA Corporation for Approval of the Acquisition of All
19 Classes of the Capital Stock of Kansas Gas and Electric Company, to
20 Merge with Kansas Gas and Electric Company, to Issue Stock and Incur
21 Debt Obligations. On behalf of the Missouri Public Counsel. Issues:
22 accounting issues, financial issues, financial cost modeling, and merger
23 issues.

24 Expert Testimony: Docket Number 930987-EI (1993). Before the Florida
25 Public Service Commission. In Re: Investigation into Currently Authorized
26 Return on Equity of Tampa Electric Company. On behalf of the Florida
27 Office of the Public Counsel. Issues: authorized return on equity,
28 accounting, and financial issues.

29 Expert Testimony: Docket Numbers 5640, 6350, 7460, 8363, 9945 (1992).
30 Before the Texas Public Utility Commission. In Re: Application of El Paso
31 Electric Company for Authority to Change Rates. On behalf of the City of
32 El Paso. Issues: accounting issues, prudence, class cost of service
33 studies, and cost allocations.

34 Expert Testimony: Docket No. 9165 (1990). Before the Texas Public Utility
35 Commission. In Re: Application for a Rate Increase Filed by El Paso
36 Electric Company. On behalf of the City of El Paso. Issues: class cost of
37 service studies; affiliate transactions; excess capacity; off-system sales;
38 financial integrity; rate moderation; demand versus energy factors;
39 customer factors, administrative and general allocations, and the
40 allocation of taxes; coincident peak and non-coincident peak

1 methodologies; and asset and expense functionalization and
2 categorization.

3 Expert Testimony: Docket No. 6668 (1989). Before the Public Utility
4 Commission of Texas. In Re: Inquiry of the Public Utility Commission of
5 Texas into the Prudence and Efficiency of the Planning and Management
6 of the Construction of the South Texas Nuclear Project. On behalf of the
7 Texas Cities. Issues: prudence of the South Texas Nuclear Project.

8 Expert Testimony: Docket Number 635 (1987). Before the Texas Public
9 Utility Commission. In Re: The Application of the El Paso Electric
10 Company for a Rate Increase in Certain Municipalities in the State of
11 Texas. On behalf of City of El Paso. Issues: accounting issues, cost
12 allocations, revenue requirement, and class cost of service.

13 Expert Testimony: Docket No. 5640 (1984). Before the Texas Public Utility
14 Commission. In Re: Application of Texas Utilities Electric Company for a
15 Rate Increase. On behalf of Texas Cities. Issues: financial and
16 accounting matters.

17 Expert Testimony: Docket No. 83-07-15 (1983). Before the State of
18 Connecticut Department of Utility Control. In Re: Application of the
19 Connecticut Light and Power Company for an Increase in Rates and
20 Revenues. On behalf of Connecticut Office of Consumer Counsel. Issues:
21 financial and accounting matters.

22 **Q. HAVE YOU BEEN INVOLVED IN PROCEEDINGS REGARDING THE**
23 **TELECOMMUNICATIONS INDUSTRY?**

24 A. Yes. Below is a list of proceedings I participated in regarding the
25 telecommunications industry.

26 Recommendation: Docket No. R-30347 (2008). Before the Louisiana
27 Public Service Commission. In re: AT&T Louisiana Ex Parte, Petition for
28 Modification of Rules and Regulations Necessary to Achieve Regulatory
29 Parity and Modernization. On behalf of the Louisiana Public Service
30 Commission. Issues: deregulation, TSLIRC pricing requirements, and
31 service quality measures.

32 Expert Testimony: Docket No. 06-11016 (Settled 2007). Before the Public
33 Utilities Commission of Nevada. In Re: Application of Central Telephone
34 Company d/b/a Embarq for Authority to Adjust Wholesale Prices for
35 Unbundled Network Elements. On behalf of the Public Utilities
36 Commission of Nevada. Issues: TELRIC non-recurring rates for UNEs,

1 rate banding, labor costs, loop conditioning, and recurring monthly UNE
2 costs.

3 Expert Assistance and Recommendation: Docket No. U-22252-Subdocket
4 C (1998-2007) Before the Louisiana Public Service Commission. In Re:
5 BellSouth Telecommunications, Inc. Service Quality Performance
6 Measurements. On behalf of the Louisiana Public Service Commission.
7 Issues: workshops, performance measurements, retail analogs and
8 benchmarks, statistical testing for parity performance, and incentives.

9 Expert Assistance: Docket No. 04-2004 (2004). Before the Public Utilities
10 Commission of Nevada. In Re: Petition of Verizon California Inc., d/b/a
11 Verizon Nevada, for Review and Approval of its Carrier-to-Carrier
12 Performance Assurance Plan. On behalf of the Bureau of Consumer
13 Protection of Nevada. Issues: performance measurements plan and
14 incentive plan.

15 Expert Testimony: Docket No. 05-2012 (2004). Before the Public Utilities
16 Commission of Nevada. In Re: Application of Nevada Bell Telephone
17 Company, d/b/a SBC Nevada, to Reclassify Business Subscriber Access
18 Services which are Currently Classified as a Basic Service to Competitive
19 Services in its Reno and Carson City Exchanges Only. On behalf of the
20 Bureau of Consumer Protection. Issues: competitive classification and
21 market study.

22 Expert Testimony: Docket No. 03-1022 (2004). Before the Public Utilities
23 Commission of Nevada. In Re: Investigation to Determine the Amount and
24 Treatment of the Proceeds from the Sale of the Telephone Directory
25 Business of Sprint Corporation and its Affiliates Including Sprint-Nevada.
26 On behalf of the Bureau of Consumer Protection of Nevada. Issues: gain
27 on sale.

28 Expert Assistance: Docket No. 03-1036 (2003). Before the Public Utilities
29 Commission of Nevada. In Re: Filing of Nevada Bell Telephone Company
30 for review and approval of its 2003 Performance Measurements Plan and
31 2003 Performance Incentives Plan. On behalf of the Bureau of Consumer
32 Protection of Nevada. Issues: performance measurements plan and
33 incentive plan.

34 Expert Assistance: Docket No. 03-1041 (2003). Before the Public Utilities
35 Commission of Nevada. In Re: Filing of Sprint of Nevada for Review and
36 Approval of its 2003 Performance Measurements Plan and 2003
37 Performance Incentives Plan. On behalf of Bureau of Consumer
38 Protection of Nevada. Issues: performance measurements plan, incentive
39 plan, and competitive local exchange companies.

1 Expert Testimony: Docket No. 01-12047 and 01-9029 (2002). Before the
2 Public Utilities Commission of Nevada. In Re: Sprint of Nevada to
3 Continue Participating in the Plan of Alternative Rate Regulation, Including
4 a Request to Increase Basic Local Rates. On behalf of the Bureau of
5 Consumer Protection of Nevada. Issues: revenue requirement, directory
6 revenues, affiliate transactions, revenue projection, and proforma
7 adjustments.

8 Expert Assistance: Docket No. 01-2039 (2002). Before the Public Utilities
9 Commission of Nevada. In Re: The Filing of GTE Nevada for Approval of
10 its Plan for the Reporting and Auditing of Performance Measures and a
11 Plan for Establishing Performance Incentives. On behalf of the Bureau of
12 Consumer Protection of Nevada. Issues: performance measurements plan
13 and incentive plan.

14 Expert Testimony: Docket No. 99-12033 and Docket No. 00-4001 (2001).
15 Before the Public Utilities Commission of Nevada. In Re: Filing by Nevada
16 Bell of Unbundled Network Element (UNE) Nonrecurring Cost Study
17 Pursuant to the Order issued in Docket No. 98-6004; In Re Petition of
18 Nevada Bell for Review and Approval of its Cost Study and Proposed
19 Rates for Conditioning Digital Subscriber Line (DSL) Loops. On behalf of
20 the Public Utilities Commission of Nevada. Issues: TELRIC nonrecurring
21 costs for unbundled loops, ports, ordering, switching; labor rates; and cost
22 recovery for recurring operations support systems.

23 Expert Testimony: Docket No. 01-3001 and 01-1049 (2001). Before the
24 Public Utilities Commission of Nevada. In Re: Petition of Central
25 Telephone Company – Nevada, d/b/a Sprint of Nevada, and Sprint
26 Communications Company L.P. for Review and Approval of Proposed
27 Revised Performance Measures; In Re: Petition of Central Telephone
28 Company – Nevada, d/b/a Sprint of Nevada, and Sprint Communications
29 Company L.P. for Review of Performance Measurement Penalties Plan.
30 On behalf of the Bureau of Consumer Protection of Nevada. Issues:
31 performance measurements plan and incentive plan.

32 Expert Assistance: Docket No. 01-1048 (2001). Before the Public Utilities
33 Commission of Nevada. In Re: The Filing of Nevada Bell Telephone
34 Company for Approval of its Plan for the Reporting and Auditing of
35 Performance Measures and a Plan for Establishing Performance
36 Incentives. On behalf of the Bureau of Consumer Protection of Nevada.
37 Issues: performance measurements plan and incentive plan.

38 Audit Report and Expert Testimony: Docket No. 01-009-01 and 01-009-02
39 (2001). Before the California Public Utilities Commission. In Re: Audit of
40 GTE California's Affiliate Transactions. On behalf of the California Office
41 of Ratepayer Advocate. Issues: historical analysis, pricing of services
42 between affiliates, the standards by which affiliate transactions should be

1 examined, the allocation of costs between the regulated and nonregulated
2 operations, asset transfers between affiliates, shared asset allocation
3 methodology, royalty fee, marketing affiliate pricing, cost allocation
4 manual, lease arrangements between affiliates, gain on sale of affiliates,
5 affiliate rules and regulations, and Part 64 and 36 cost allocations.

6 Expert Testimony: Docket No. U-24714, Subdocket A (2001). Before the
7 Louisiana Public Service Commission. In Re: Final Deaveraging of
8 BellSouth Telecommunications, Inc., UNE Rates Pursuant to FCC CC 96-
9 45 9th Report and Order on 18th Order on Reconsideration Released
10 11/2/99 to be Established and Submitted for the December Louisiana
11 Public Service Commission Business and Executive Session. On behalf of
12 the Louisiana Public Service Commission. Issues: TELRIC costing
13 principles; developing the costs and prices of unbundled network elements
14 using TELRIC costing model; depreciation rates, fill factors, cost of capital,
15 shared and common costs, structure sharing percentages, cable costs,
16 plant specific and plant nonspecific expenses, switching costs; unbundled
17 network element recurring and non-recurring costs and prices; costs and
18 prices for operational support systems; and deaveraged rates.

19 Expert Testimony: Docket No. 99-12033 (2000). Before the Public Utilities
20 Commission of Nevada. In Re: Filing by Nevada Bell of its Unbundled
21 Network Element (UNE) Nonrecurring Cost Study pursuant to the Order
22 Issued in Docket No. 98-6004. On behalf of the Public Utilities
23 Commission of Nevada. Issues: TELRIC nonrecurring costs for unbundled
24 loops, ports, ordering, switching, labor rates, and cost recovery for
25 recurring operations support systems.

26 Expert Testimony: Docket No. 99-2024 (1999). Before the Public Utilities
27 Commission of Nevada. In Re: Sprint of Nevada Request for Continued
28 Regulation Under the Plan of Alternative Regulation. On behalf of the
29 Public Utilities Commission of Nevada. Issues: on-site audit, accounting
30 issues, affiliate transactions, review of parent company charges for
31 applicability to rates of regulated utility, taxes, revenue issues, rate base
32 issues, and used and useful issues.

33 Comments and Reply Comments: Docket No. 97-9022 (1999). Before the
34 Public Utilities Commission of Nevada. In Re: Commission Investigation
35 into Procedures and Methods Necessary to Determine Whether
36 Interconnection, Unbundled Access, and Resale Services Provided by
37 Incumbent Local Exchange Carriers are at Least Equal in Quality to that
38 Provided by the Local Exchange Carrier to Itself or to any Subsidiary,
39 Affiliate, or Any Other Party. On behalf of the Public Utilities Commission
40 of Nevada. Issues: collaborative workshops developing performance
41 measurements, retail analogs and benchmarks, statistical testing for parity
42 performance, and incentives for ensuring nondiscriminatory access to
43 Nevada Bell's operations support systems.

1 Expert Testimony: Docket Nos. TT97050360, TT97010016, TO97100792,
2 TO92121070 (1999). Before the New Jersey Board of Public Utilities. In
3 Re: Petition of Bell Atlantic - New Jersey for an Order Finding That
4 Petitioner BA-NJ's Pay Phone Operations are not Subsidized by
5 Exchange or Exchange Access Services; Filing By the New Jersey Pay
6 Phone Association for Board Approval of Certain Competitive Payphone
7 Issues; Petition of Bell Atlantic - New Jersey to Discontinue Limited Inter
8 Lata Dialing Features in Customer Provided Pay Phone Service Tariff and
9 to Decrease Rates for the Line Side Supervision Feature in the CPPTS
10 Tariff; the Filing by Bell Atlantic - New Jersey, Inc. Tariff Revision. On
11 behalf of the New Jersey Payphone Association. Issues: TSLRIC and
12 TELRIC costing principles, TELRIC costing model, unbundled network
13 elements, depreciation rates, fill factors, cost of capital, shared and
14 common costs, alternative cross-subsidy study, and rates.

15 Expert Testimony: Docket Nos. TT97050360, TT97010016, TO97100792,
16 TO92121070 (1998). Before the New Jersey Board of Public Utilities. In
17 Re: Petition of Bell Atlantic - New Jersey for an Order Finding That
18 Petitioner BA-NJ's Pay Phone Operations Are Not Subsidized by
19 Exchange or Exchange Access Services; Filing By the New Jersey Pay
20 Phone Association for Board Approval of Certain Competitive Payphone
21 Issues; Petition of Bell Atlantic - New Jersey to Discontinue Limited Inter
22 Lata Dialing Features in Customer Provided Pay Phone Service Tariff and
23 to Decrease Rates for the Line Side Supervision Feature in the CPPTS
24 Tariff; the Filing by Bell Atlantic - New Jersey, Inc. Tariff Revision. On
25 behalf of the New Jersey Payphone Association. Issues: TSLRIC and
26 TELRIC costing principles, unbundled network elements, depreciation
27 rates, fill factors, cost of capital, shared and common costs, alternative
28 cross-subsidy study, and rates.

29 Expert Testimony: Docket No. 98-6005 (1998). Before the Public Utilities
30 Commission of Nevada. In Re: Filing of Central Telephone Company -
31 Nevada d/b/a Sprint of Nevada's Unbundled Network Element Cost Study.
32 On behalf of the Public Utilities Commission of Nevada. Issues: TELRIC
33 nonrecurring costs for unbundled loops, ports, ordering, switching; labor
34 rates; and cost recovery.

35 Expert Testimony: Docket No. 98-6004 (1998). Before the Public Utilities
36 Commission of Nevada. In Re: Nevada Bell Telephone Company's
37 Unbundled Network Element Cost Study. On behalf of the Public Utilities
38 Commission of Nevada. Issues: TELRIC nonrecurring costs for unbundled
39 loops, ports, ordering, switching; labor rates; and cost recovery.

40 Recommendation: Docket No. U-20883, Subdocket A (1997). Before the
41 Louisiana Public Service Commission. In Re: Submission of the Louisiana
42 Public Service Commission's Forward-Looking Cost Study to the FCC for
43 Purposes of Calculating Federal Universal Service Support Pursuant to

1 LPSC Order No. U-20883. On behalf of the Louisiana Public Service
2 Commission. Issues: TSLRIC and TELRIC costing principles; Hatfield
3 universal service costing model; depreciation rates, fill factors, cost of
4 capital, shared and common costs, structure sharing percentages, cable
5 costs, plant specific and plant nonspecific expenses, and switching costs;
6 customer location issues; revenue benchmarks for determining universal
7 service requirements; analysis of UNE prices relative to USF costs; wire
8 center versus census group disaggregation; and universal service support.

9 Expert Testimony: Docket No. U-22022 (1996). Before the Louisiana
10 Public Service Commission. In Re: Review and Consideration of
11 BellSouth's TSLRIC and LRIC Cost Studies Submitted per Sections 901.C
12 and 1001.E of the LPSC Local Competition Regulations in Order to
13 Determine the Cost of Interconnection Services and Unbundled Network
14 Elements to Establish Reasonable, Non-Discriminatory, Cost-Based
15 Tariffed Rates. On behalf of the Louisiana Public Service Commission.
16 Issues: TSLRIC and TELRIC costing principles; TELRIC costing model for
17 developing the costs and prices of unbundled network elements;
18 depreciation rates, fill factors, cost of capital, shared and common costs,
19 structure sharing percentages, cable costs, plant specific and plant
20 nonspecific expenses, switching costs, unbundled network element
21 recurring costs; non-recurring costs and prices for unbundled network
22 elements; and operational support systems.

23 Surveys and Data Analysis: Before the New Jersey Board of Public
24 Utilities. In Re: In the Matter of the Regulation of Operator Service
25 Providers and Public Pay Telephone Service. On behalf of the New Jersey
26 Payphone Association. Issues: appropriate price caps for operator
27 assisted payphone calls.

28 Expert Testimony: Docket No. 6095 (1995). Before the Public Utility
29 Commission of Texas. In Re: Petition of AT&T Communications of the
30 Southwest, Inc., for Authority to Change Rates. On behalf of Texas Cities.
31 Issues: accounting issues, affiliate transactions, and cost allocations.

32 Expert Testimony: Docket No. 920260-TL (1993). Before the Florida
33 Public Service Commission. In Re: Comprehensive Review of the
34 Revenue Requirements and Rate Stabilization Plan of Southern Bell
35 Telephone and Telegraph Company. On behalf of the Florida Office of
36 Public Counsel. Issues: accounting issues, cost allocations between
37 regulated and nonregulated operations, affiliate transactions, charges from
38 parent company, asset transfers, cost allocation manuals, FCC's affiliate
39 transactions rules, employee transfers, affiliate lease arrangements,
40 cross-subsidies, and royalty fees.

41 Expert Testimony: Docket No. 3987-U (1992). Before the Georgia Public
42 Service Commission. In Re: Investigation into Cross-Subsidy Matters

1 Relating to Southern Bell Telephone and Telegraph Company. On behalf
2 of the Georgia Office of Consumer Counsel. Issues: accounting issues,
3 cost allocations between regulated and nonregulated operations, affiliate
4 transactions, charges from parent company, asset transfers, review of
5 cost allocation manuals, review of compliance with FCC's affiliate
6 transactions rules, employee transfers, affiliate lease arrangements,
7 cross-subsidies, royalty fees, and an extensive examination of audits of
8 affiliate transactions and cost allocations between regulated and
9 nonregulated operations.

10 Expert Testimony: Docket No. 890190-TL (1991). Before the Florida
11 Public Service Commission. In Re: Petition of the Citizens of Florida to
12 Investigate Southern Bell's Cost Allocation Procedures. On behalf of the
13 Florida Office of Public Counsel. Issues: accounting issues, cost
14 allocations between regulated and nonregulated operations, affiliate
15 transactions, charges from parent company, review of cost allocation
16 manuals, review of compliance with FCC's affiliate transactions rules,
17 cross-subsidies, and royalty fees.

18 Expert Testimony: Docket No. 6200 (1985). Before the Public Utility
19 Commission of Texas. In Re: Petition of Southwestern Bell Telephone
20 Company for Authority to Change Rates - Rate Design Phase. On behalf
21 of Texas Cities. Issues: accounting issues, affiliate transactions, and cost
22 allocations.

23 Expert Testimony: Docket No. E-1051-84-100 (1985). Before the Arizona
24 Corporation Commission. In Re: Application of the Mountain States
25 Telephone and Telegraph Company for a Hearing to Determine the
26 Earnings and Fair Value of the Company, to Fix a Just and Reasonable
27 Rate of Return, and to Approve Rate Schedules. On behalf of the Arizona
28 Corporation Commission. Issues: accounting issues.

29 Expert Testimony: Docket Number 5540 (1984). Before the Public Utility
30 Commission of Texas. In Re: The Application of American Telephone and
31 Telegraph Communications of the Southwest for a Rate Increase. On
32 behalf of Texas Cities. Issues: accounting issues, affiliate transactions,
33 and cost allocations.

34 **Q. WHAT EXPERIENCE DO YOU HAVE IN WATER AND WASTEWATER**
35 **PROCEEDINGS?**

36 **A.** Below is a list of my experience in water and wastewater proceedings.

37 Expert Testimony: Docket No. 080121-WS (2008). Before the Florida
38 Public Service Commission. In re: Application for Increase in Water and
39 Wastewater Rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee,

1 Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter,
2 Volusia, and Washington Counties by Aqua Utilities Florida, Inc. On behalf
3 of the Florida Office of Public Counsel. Issues: accounting issues,
4 negative acquisition adjustment, affiliate transactions, proforma
5 adjustments, working capital, rate base evaluation, capital additions to
6 plant, CWIP, expenses, and revenue requirement.

7 Expert Testimony: Docket No. 070293-SU (2007). Before the Florida
8 Public Service Commission. In Re: Application for Increase in Wastewater
9 Rates in Monroe County by KW Resort Utilities, Corp. On behalf of the
10 Florida Office of the Public Counsel. Issues: revenue requirements,
11 affiliate transactions, revenue and consumption, working capital, rate
12 base, expenses, and rate case expense.

13 Expert Testimony: Docket No. 06-004 (2007). Before the Bay County
14 Regulatory Authority (Florida). In Re: Application for a Rate Increase by
15 Bayside Utility Services, Inc. On behalf of the Bay County Regulatory
16 Authority. Issues: revenue requirements, projected test year, affiliate
17 transactions, projected revenue and consumption, working capital, rate
18 base evaluation, expense projections, and rate case expense.

19 Expert Testimony: Docket No. 060368-WS (2007). Before the Florida
20 Public Service Commission. In Re: Application for Increase in Water and
21 Wastewater Rates in Alachua, Brevard, Highlands, Lake, Lee, Marion,
22 Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia,
23 and Washington Counties by Aqua Utilities Florida, Inc. On behalf of the
24 Florida Office of the Public Counsel. Issues: revenue requirement,
25 projected test year, affiliate transactions, acquisition adjustments,
26 projected revenue and consumption, working capital, rate base evaluation,
27 capital additions to plant, CWIP, expense projections, and rate case
28 expense.

29 Expert Testimony: Docket No. 04-0007-0011-0001 (2004). Before the St.
30 John's County Water and Sewer Authority. In Re: Intercoastal Utilities
31 Overearnings Application for a Rate Increase. On behalf of the Office of
32 the Public Counsel. Issues: accounting issues, revenue issues, affiliate
33 transactions, and the prudence of costs associated with the addition of a
34 water treatment plant to rate base.

35 Expert Testimony: Docket No. 020071-WS (2003). Before the Florida
36 Public Service Commission. In Re: Application for Rate Increase in
37 Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc.
38 of Florida. On behalf of the Florida Office of the Public Counsel. Issues:
39 gain on sale, rate case expense, affiliate transactions, and revenue
40 requirement issues.

1 Expert Testimony: Docket No. 992015-WU (2002). Before the Florida
2 Public Service Commission. In Re: Application for Limited Proceeding to
3 Recover Costs of Water System Improvements in Marion County by
4 Sunshine Utilities of Florida. On behalf of the Florida Office of Public
5 Counsel. Issues: accounting issues and affiliate transactions issues.

6 Expert Testimony: Docket No. 2001-0007-0023 (2001). Before the St.
7 John's Water and Sewer Authority. In Re: Intercoastal Utilities
8 Overearnings Investigation and Rate Case. On behalf of the Florida Office
9 of the Public Counsel. Issues: accounting issues, revenue issues, affiliate
10 transactions, lease rates between affiliated companies, cost allocations,
11 rate base issues, and used and useful issues.

12 Expert Testimony: Docket No. 980744-WS (2001). Before the Florida
13 Public Service Commission. In Re: Investigation into the Ratemaking
14 Consideration of Gain on Sale from Sale of Facilities of Florida Water
15 Services Corporation to Orange County. On behalf of the Florida Office of
16 the Public Counsel. Issues: gain on sale.

17 Expert Testimony: Docket No. 990080-WS (2000). Before the Florida
18 Public Service Commission. In Re: Complaint and Request for Hearing by
19 Linda J. McKenna and 54 Petitioners Regarding Unfair Rates and
20 Charges of Shrangri-La by the Lake Utilities, Inc. in Lake County. On
21 behalf of the Florida Office of the Public Counsel. Issues: revenue
22 requirement.

23 Expert Testimony: Docket No. 950387-SU (1998). Before the Florida
24 Public Service Commission. In Re: Florida Cities North Fort Myers
25 Division - Remand to the Florida Public Service Commission. On behalf of
26 the Florida Office of Public Counsel. Issues: used and useful.

27 Expert Testimony: Docket No. 960234-WS (1997). Before the Florida
28 Public Service Commission. In Re: Gulf Utility, Inc. Application for a Rate
29 Increase. On behalf of the Office of the Public Counsel. Issues: accounting
30 issues, revenue issues, affiliate transactions, officers salaries and
31 compensation, lease rates between affiliated companies, cost allocations,
32 rate base issues, reuse issues, and used and useful issues.

33 Expert Testimony: Docket No. 950615-SU (1996). Before the Florida
34 Public Service Commission. In Re: Application for Approval of Reuse
35 Project Plan and Increase in Wastewater Rates in Pasco County by the
36 Aloha Utilities, Inc. On behalf of the Florida Office of the Public Counsel.
37 Issues: the reuse project plans and alternative ways to collect funds to pay
38 for the reuse project.

39 Expert Testimony: Docket No. 951056-WS (1996). Before the Florida
40 Public Service Commission. In Re: Palm Coast Utility Corporation

1 Application for a Rate Increase. On behalf of the Office of the Public
2 Counsel. Issues: accounting issues, affiliate transactions, cost allocation,
3 salaries and wages, revenue issues, rate base issues, and used and
4 useful issues.

5 Expert Testimony: Docket No. 950387-SU (1996). Before the Florida
6 Public Service Commission. In Re: Application for a Rate Increase in Lee
7 County by Florida Cities Water Company (North Fort Meyers Division). On
8 behalf of the Florida Office of Public Counsel. Issues: revenue
9 requirement.

10 Expert Testimony: Docket No. 951258-WS (1996). Before the Florida
11 Public Service Commission. In Re: Application for a Rate Increase in
12 Brevard County by Florida Cities Water Company (Barefoot Bay Division).
13 On behalf of the Florida Office of Public Counsel. Issues: revenue
14 requirement.

15 Expert Testimony: Docket Number 950495-WS (1996). Before the Florida
16 Public Service Commission. In Re: Southern States Utilities, Inc.,
17 Application for a Rate Increase. On behalf of the Office of the Public
18 Counsel. Issues: accounting issues, affiliate transactions, cost allocations,
19 salaries and wages, revenue issues, gain on sale, rate base issues,
20 conservation rates, conservation expenditures, taxes, asset purchases,
21 acquisition adjustments, and revenue requirements.

22 Expert Testimony: Docket No. 940963-SU (1994). Before the Florida
23 Public Service Commission. In Re: Application of North Fort Myers Utility,
24 Inc. for Extension of Wastewater Service in Lee County, Florida, to Serve
25 Tamiami Village Utility, Inc. and for a Limited Proceeding to Impose its
26 Current Wastewater Rates, Charges, Classifications, Rules and
27 Regulations, and Service Availability Policies to Customers in Such
28 Service Area. On behalf of the Office of Public Counsel. Issues: revenue
29 requirement.

30 Expert Testimony: Docket No. 930724-SU (1994). Before the Florida
31 Public Service Commission. In Re: Application of North Fort Myers Utility,
32 Inc., for Extension of Wastewater Service in Lee County, Florida, to Serve
33 Lazy Days Mobile Village and for a Limited Proceeding to Impose its
34 Current Wastewater Rates, Charges, Classifications, Rules and
35 Regulations, and Service Availability Policies to Sun-Up South Inc.'s,
36 Customers. On behalf of the Office of Public Counsel. Issues: revenue
37 requirement.

38 Expert Testimony: Docket No. 930379-SU (1994). Before the Florida
39 Public Service Commission. In Re: Application for Limited Proceedings for
40 Approval of Current Service Rates, Charges, Rules and Regulations, and
41 Service Availability Policies for Customers of Lake Arrowhead Village, Inc.

1 in Lee County by North Fort Myers Utility, Inc. On behalf of the Office of
2 Public Counsel. Issues: revenue requirement.

3 Expert Testimony: Docket No. 930256-WS (1994). Before the Florida
4 Public Service Commission. In Re: Application for a Rate Increase in
5 Seminole County by Sanlando Utilities Corporation. On behalf of the
6 Office of Public Counsel. Issues: revenue requirement.

7 Expert Testimony: Docket No. 940109-WS (1994). Before the Florida
8 Public Service Commission. In Re: Petition for Interim and Permanent
9 Rate Increase in Franklin County, Florida by St. George Island Utility
10 Company, Ltd. On behalf of the Office of the Public Counsel. Issues:
11 accounting issues, revenue issues, affiliate transactions, officers' salaries
12 and compensation, lease rates between affiliated companies, cost
13 allocations, and rate base issues

14 Expert Testimony: Docket No. 920808-SU (1993). Before the Florida
15 Public Service Commission. In Re: Application for a Rate Increase for the
16 South Fort Myers Division of Florida Cities Water Company in Lee County.
17 On behalf of the Office of the Public Counsel. Issues: accounting issues,
18 affiliate transactions, parent company charges, taxes, revenue issues, rate
19 base issues, and used and useful issues.

20 Expert Testimony: Docket No. 920148-WS (1993). Before the Florida
21 Public Service Commission. In Re: Application for a Rate Increase in
22 Pasco County by Jasmine Lakes Utilities Corporation. On behalf of the
23 Florida Office of the Public Counsel. Issues: accounting issues, revenue
24 issues, affiliate transactions, officers' salaries and compensation, cost
25 allocations, and rate base issues.

26 Expert Testimony: Docket No. 920655-WS (1993). Before the Florida
27 Public Service Commission. In Re: Application of Southern States
28 Utilities, Inc. for Increased Water and Wastewater Rates in Collier County
29 (Marco Island Utilities). On behalf of the Florida Office of the Public
30 Counsel. Issues: accounting issues, revenue issues, affiliate transactions,
31 gain on sale, prudence of construction costs of a reverse osmosis plant,
32 cost allocations, and rate base issues.

33 Expert Testimony: Docket Number 920199-WS (1992). Before the Florida
34 Public Service Commission. In Re: Application for a Rate Increase by
35 Southern States Utilities, Inc., Marco Shores Utilities, Spring Hill Utilities,
36 and by Deltona Lakes Utilities Corporation. On behalf of the Office of the
37 Public Counsel. Issues: accounting issues, revenue issues, affiliate
38 transactions, officers' salaries and compensation, lease rates between
39 affiliated companies, gain on sale, cost allocations, rate base issues,
40 reuse issues, and used and useful issues.

1 Expert Testimony: Docket No. 911188-WS (1992). Before the Florida
2 Public Service Commission. In Re: Application for Increased Water and
3 Wastewater Rates in Lee County by Lehigh Utilities Corporation. On
4 behalf of the Office of the Public Counsel. Issues: accounting issues,
5 revenue issues, affiliate transactions, officers' salaries and compensation,
6 lease rates between affiliated companies, cost allocations, rate base
7 issues, gain on sale, reuse issues, and used and useful issues.

8 Expert Testimony: Docket No. 910637-WS (1992). Before the Florida
9 Public Service Commission. In Re: Application for a Rate Increase in
10 Pasco County by Mad Hatter Utility, Inc. On behalf of the Office of the
11 Public Counsel. Issues: accounting issues, revenue issues, loss on
12 abandoned facilities, affiliate transactions, salaries and compensation,
13 cost allocations, and rate base issues.

14 Expert Testimony: Before the Florida Department of Administrative
15 Hearings. In Re: DOHA Rule Challenge, Rule No. 25-30.431. On behalf of
16 the Florida Public Service Commission. Issues: CIAC.

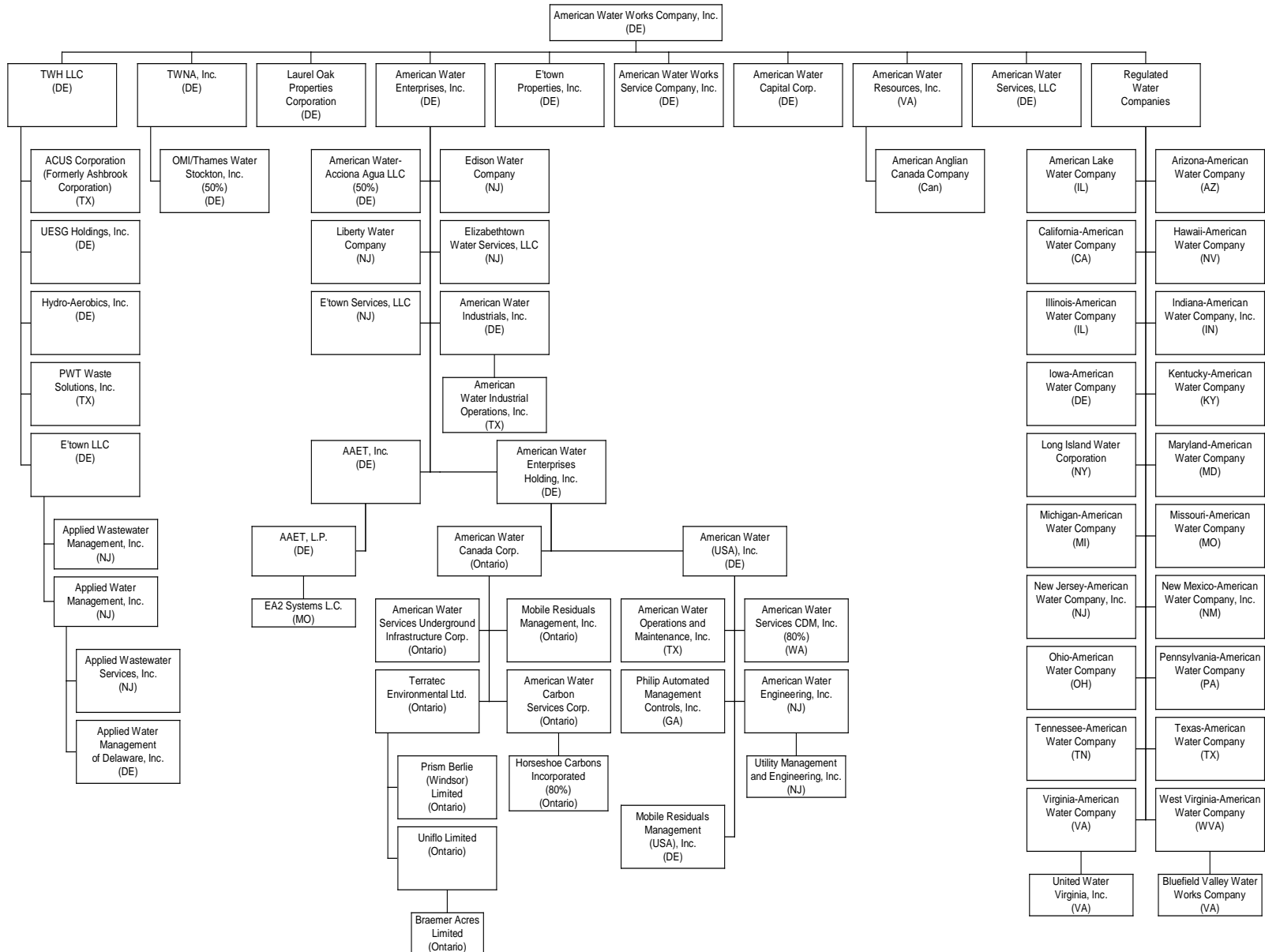
17 **Q. HAVE YOU PUBLISHED ANY ARTICLES IN THE FIELD OF PUBLIC**
18 **UTILITY REGULATION?**

19 A. Yes, I have published two articles: "Affiliate Transactions: What the Rules
20 Don't Say," Public Utilities Fortnightly, August 1, 1994 and "Electric M&A:
21 A Regulator's Guide," Public Utilities Fortnightly, January 1, 1996.

Schedules of Kimberly H. Dismukes

Organizational Chart – American Water Works Company, Inc.

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-1
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Service Line Protection Program



HOME | ABOUT US | CONTACT US | CAREERS | INVESTOR RELATIONS | CORPORATE RESPONSIBILITY | PRESS ROOM | SERVICE LINE PROTECTION | PRODUCTS & SERVICES

ABOUT US | CUSTOMER SERVICE | WORKING WITH US | ENSURING WATER QUALITY | LEARNING CENTER

Service Line Protection Program

You may not realize it, but as a homeowner, you are responsible for paying for repairs to the water and sewer lines running from your home to the street, and plumbing repairs that occur within the home. In many cases, those lines were put in place years ago when your home was originally built.

American Water Resources, Inc., a subsidiary of American Water, provides specialized [water line](#), [sewer line](#) and [in-home plumbing](#) protection services that help to insulate you from the unexpected high repair costs associated with water or sewer line failures and in-home plumbing repairs. At any time, normal wear and tear can cause water lines to leak or break and the sewer line to block or clog from natural aging, seasonal changes and root invasion from trees. You may experience a clogged bathroom sink, blocked or overflowing toilet, or a burst frozen water pipe. Worst of all, most homeowner insurance policies do not cover this type of damage.

The [Water Line](#), [Sewer Line](#) and [In-Home Plumbing](#) Protection Programs* will cover these unexpected costs and provide you with peace of mind. This means that you won't have to spend hours searching for a qualified repair contractor - you can leave that to the experts. The [Water Line](#), [Sewer Line](#) and [In-Home Plumbing](#) Protection Programs allow customers to enjoy:

- ▶ Peace-of-mind protection from the most experienced water resource manager in the country
- ▶ Convenience of fast and professional expert plumbing service - no hassle of searching for a qualified contractor
- ▶ Affordable payment terms with convenient monthly billing on customer water bills, or via check or credit card
- ▶ Claim coverage amounts up to \$5,000** for your water line and \$8,000** for your sewer line

Enroll Now and start protecting your home and property from unwanted repair costs!

For more information on the [Water Line](#), [Sewer Line](#) and [In-Home Plumbing](#) Protection Programs* and their availability in your area, please contact us at 1-866-430-0819.



**In CA this program is offered through American Water Resources Insurance Services. In CA and VA, this program is insurance provided by Virginia Surety Company, Inc.*

*** Coverage amounts vary by region*



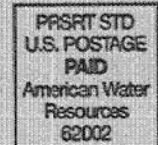
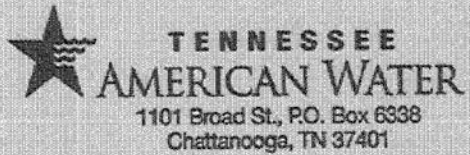
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Witness: Dismukes
Docket No. 10-00189
Schedule KHD-3
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IMPORTANT CUSTOMER CORRESPONDENCE

IMPORTANT CUSTOMER CORRESPONDENCE

*****AUTO**MIXED AADC 430

Jeremy Kierman
1025 Laurel Oak Rd
Voorhees, NJ 08043-3506

|||||

SUBJECT: Your responsibility
for Water and Sewer Line repairs
at 2315 E 5th St Apt# B

RESPONSE REQUESTED: 10/31/09

Dear Jeremy Kierman,

As a valued Water Customer, you are receiving this Important Correspondence to advise you of certain property owner responsibilities.

Did you know that normal wear and tear can cause a break in your Water Line and blockage in the Sewer Line that runs through your property? And did you know that, as the property owner, you are responsible for both?

Many homeowners are NOT aware
that Water and Sewer Line damage under their property
is **THE LEGAL RESPONSIBILITY OF THE PROPERTY OWNER.**

And many don't realize that thousands of dollars
in repair costs are **NOT COVERED**
BY STANDARD HOMEOWNER INSURANCE POLICIES.

In addition, Jeremy Kierman, many homeowners are NOT aware that they are **also responsible for finding a reliable contractor to do the work.** And that can be a difficult task considering the equipment required to repair an underground Water or Sewer Line.

To help protect our Water Customers, American Water Resources®, an affiliate of Tennessee American Water®, has developed a **low-cost Program that takes all these responsibilities off your shoulders.** And when you

Save \$24 a year →

(Over, please)

Service Line Protection Program Advertisements

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-3
Page 3 of 14

enroll during this Special Offer, your cost is **just \$12 a month!** (That's a savings of \$24 a year compared to the cost of protecting your Water and Sewer Lines separately!)

WHENEVER DAMAGE OCCURS: American Water Resources takes on the responsibility to find a reliable contractor in your area.

WHEN REPAIRS BEGIN: American Water Resources is responsible to pay the contractor as much as \$4,000 for Water Line repairs ... PLUS ... as much as \$8,000 for Sewer Line repairs.

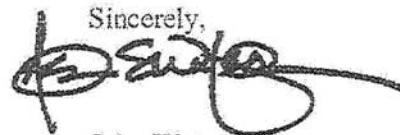
WHEN THE WORK IS DONE: American Water Resources stands by the repairs!

We are pleased to make this valuable Program available only to our Water Customers through our affiliate, American Water Resources, Inc. And we encourage you to enroll as soon as possible.

Enroll during this Special Offer, and your cost is just \$12 a month!
(SAVE \$24! It's like getting two months a year FREE!)

So please don't delay. I encourage you to complete and return the Immediate Action Form today!

Sincerely,



John Watson
President

P.S. You can't prevent underground water and sewer line damage. But now, for just \$12 a month, you can protect yourself against **thousands of dollars** in repairs and **hours of frustration.** Take advantage of our Special Offer and enroll today!

\$50 service fee applies for the sewer line program only when a contractor is dispatched to your home.

If you live in a dwelling such as a condo, duplex or townhouse, please contact your local homeowners association to determine if you are responsible for your water and sewer lines, as in some states you would not have ownership of the water line or sewer line.

For complete Terms & Conditions of this program, please go to www.amwaterresources.com/termsandconditions.

000003250
TN12099B

AWRLTRIC12

IMMEDIATE ACTION FORM

☒ **YES! I want protection and peace of mind. Enroll me in the:**

SELECT ONE:	MONTHLY FEE:
<input type="checkbox"/> SERVICE LINE TOTAL PROTECTION PROGRAM	SAVE \$24 A YEAR! \$12.00
<input type="checkbox"/> WATER LINE PROTECTION PROGRAM ONLY	\$5.00
<input type="checkbox"/> SEWER LINE PROTECTION PROGRAM ONLY	\$9.00

HOMEOWNER NAME: Jeremy Kierman

SERVICE ADDRESS: 2315 E 5th St Apt# B
Chattanooga TN 37302

MAILING ADDRESS: 1025 Laurel Oak Rd
Voorhees NJ 08043-3506

Reference Number: 99999999

CONTACT INFORMATION: Home Phone (required): ()
E-mail:

☒ **DON'T PAY NOW! — ADD DIRECTLY TO MY TENNESSEE AMERICAN WATER BILL**

I authorize the program amount selected above *to be added to my monthly Tennessee American Water bill* in accordance with the Terms and Conditions of the Program.

By signing this enrollment form you agree to all of the water line and sewer line program terms and conditions, subject to your receipt and review. A copy of the terms and conditions will be sent to your mailing address with your confirmation letter within approximately 3 weeks of our receipt of your enrollment. Coverage begins 30 days after enrollment form is processed by American Water Resources, Inc. (AWR), and you can cancel at any time. For complete Terms & Conditions of this program, please go to www.amwaterresources.com/termsandconditions. Response requested by 10/31/09. After 10/31/09 call 1-866-315-4471 for current offer. By providing AWR your e-mail address, you agree to receive e-mail from AWR including account updates and other information about AWR programs. To unsubscribe from being contacted by AWR via e-mail, contact us at 1-866-315-4471 or awrunsub@amwater.com.

X Signature: _____ **Date:** _____

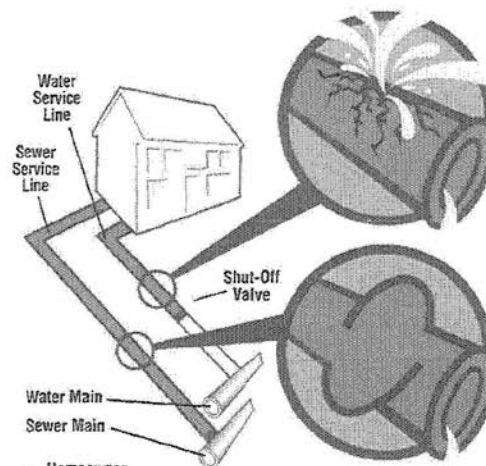


**AMERICAN WATER
RESOURCES**

1410 Discovery Parkway
Alton, IL 62002

**If The Water Line Leaks Or
Sewer Line Clogs On Your Property,
YOU ARE LEGALLY RESPONSIBLE
FOR THE REPAIRS.**

WATER PIPE BURST



SEWER PIPE CLOG

- ☒ **Homeowner Responsibility**
- ☐ **Utility Company Responsibility**

ENROLL NOW!

Add payments to your water bill
or pay by check or credit card.

CALL TOLL-FREE 1-866-315-4471

RESPONSE REQUESTED BY:

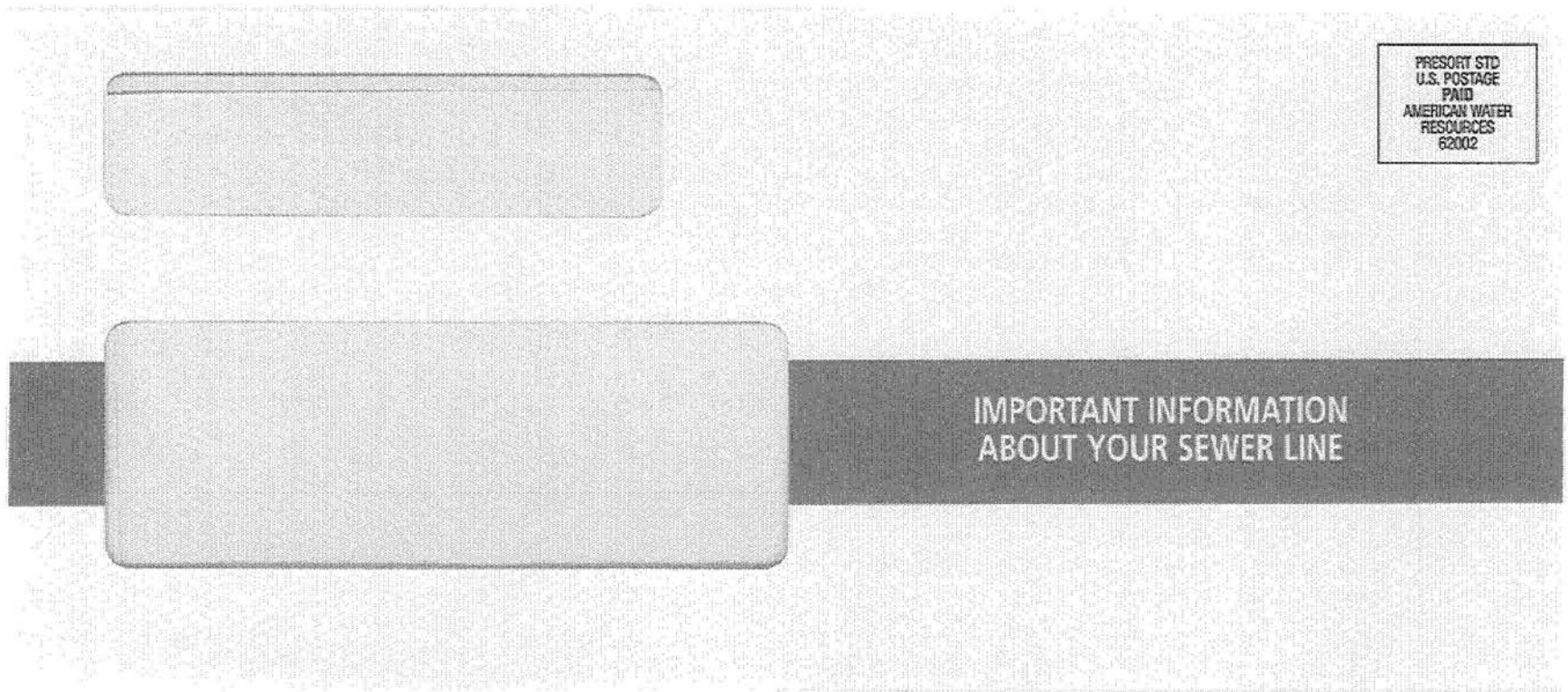
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Service Line Protection Program Advertisements

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 **TENNESSEE
AMERICAN WATER**
1101 Broad St., P.O. Box 6338 • Chattanooga, TN 37401

Good news – your water line is currently covered.

Sample A Sample
TN - SL Brochure Pkg 0210
123 Any Street
Anytown, US 01234-5678
|||||||

**However, your sewer line
is not covered and is
3 times more likely
to be damaged.**

Dear Sample A Sample,

Not long ago you made a smart decision to sign up for the Water Line Protection Program from American Water Resources, an affiliate of Tennessee American Water.

As a valued customer, we want you to know you are legally responsible for the sewer line extending from your home into the street. Did you also realize that most standard homeowner insurance policies do not cover repairs to your sewer line?

Without any coverage, you would need to contact a contractor, hope repairs are made quickly and correctly, then pay for it out of your own pocket. Since you are already an American Water Resources customer, we want to give you an opportunity to protect yourself from these unexpected worries. Here's how the Sewer Line Protection Program benefits you:

- You're protected from expensive sewer line repairs including blocked and backed up lines, clogged cleanouts, root invasion and common waste blockage
- In case of a problem, call toll-free and a qualified contractor will be quickly dispatched*
- Easy claims process covers you for up to \$8,000 in repairs including excavation, site restoration plus sidewalk and street repaving
- American Water Resources takes care of everything and stands behind all the work

If you enroll now, this important coverage will cost you only \$9 a month, a small price to pay for thousands of dollars in protection. For your convenience, the cost can be added to your monthly water bill.

For peace of mind, be sure to enroll in the Sewer Line Protection Program now by calling 1-877-320-4613 or complete and mail the form below using the enclosed postage-paid envelope.

You can't prevent underground sewer line damage, but you can protect yourself from these unexpected costs. Please act now and enroll today.

Sincerely,


John Watson, President

P.S. Please enroll before April 30, 2010 by calling 1-877-320-4613.

Only \$9 per month protects you from thousands of dollars in sewer line repairs.

*\$50 service fee applies when a contractor is dispatched to your home.
Sewer line coverage extends from the sewer main to your home. Your responsibility may vary.
If you live in a dwelling such as a condo, duplex or townhouse, contact your local homeowner association to determine if you are responsible for your sewer line, or in some states you would not have ownership of the sewer line.
For complete Terms and Conditions of this program, please go to www.amwaterresources.com/termsandconditions.

TNS00200

AWRUS59-ws2

00000003

▼ FILL OUT, DETACH HERE AND MAIL IN THE POSTAGE-PAID ENVELOPE ▼

 **AMERICAN WATER
RESOURCES**

PREFERRED CUSTOMER ACTIVATION OF COVERAGE

☒ **DON'T PAY NOW!** Enroll me in the Sewer Line Protection Program now and add the coverage amount of \$9 to my monthly Tennessee American Water bill in accordance with the Terms and Conditions of the Program.

REFERENCE NO: 99999999

Sample A Sample
123 Any Street
Anytown US 01234-5678

CONTACT INFORMATION:

()
Home phone (required)

Email address

SERVICE ADDRESS:

123 Any Street
Anytown US 01234

By signing this enrollment form you agree to all of the sewer line program terms and conditions, subject to your receipt and review. A copy of the terms and conditions will be sent to your mailing address with your confirmation letter within approximately 3 weeks of our receipt of your enrollment. Coverage begins 90 days after enrollment form is processed by American Water Resources, Inc. (AWR), and you may cancel at any time. By providing AWR your e-mail address, you agree to receive e-mail from AWR including account updates and other information about AWR programs. To unsubscribe from being contacted by AWR via e-mail, contact us at 1-877-320-4613 or unsubscribe@amwater.com.

 **Call 1-877-320-4613**

X

Signature (required)

Date / /

ENROLL BEFORE APRIL 30, 2010

Protect yourself with
the Sewer Line
Protection Program
Avoid costly, unexpected sewer line
repairs for only a few dollars a month

Preferred customers – enroll today

- Call **1-877-320-4613** or
- Complete and return the enclosed
Activation of Coverage form

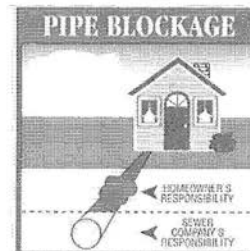
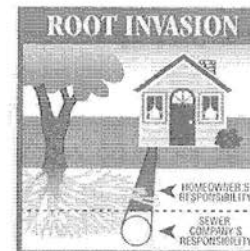
 **AMERICAN WATER
RESOURCES**
1410 Discovery Parkway
Alton, IL 62002

Act now – respond by April 30, 2010

#4613-0210

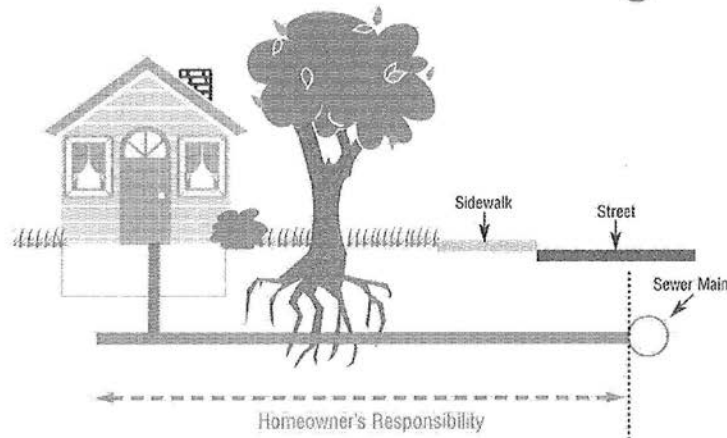
Sewer Line Protection Program from American Water Resources

Protection from
expensive
sewer line repairs



Enroll now for just \$9 per month

Enjoy peace of mind with our Sewer Line Protection Program



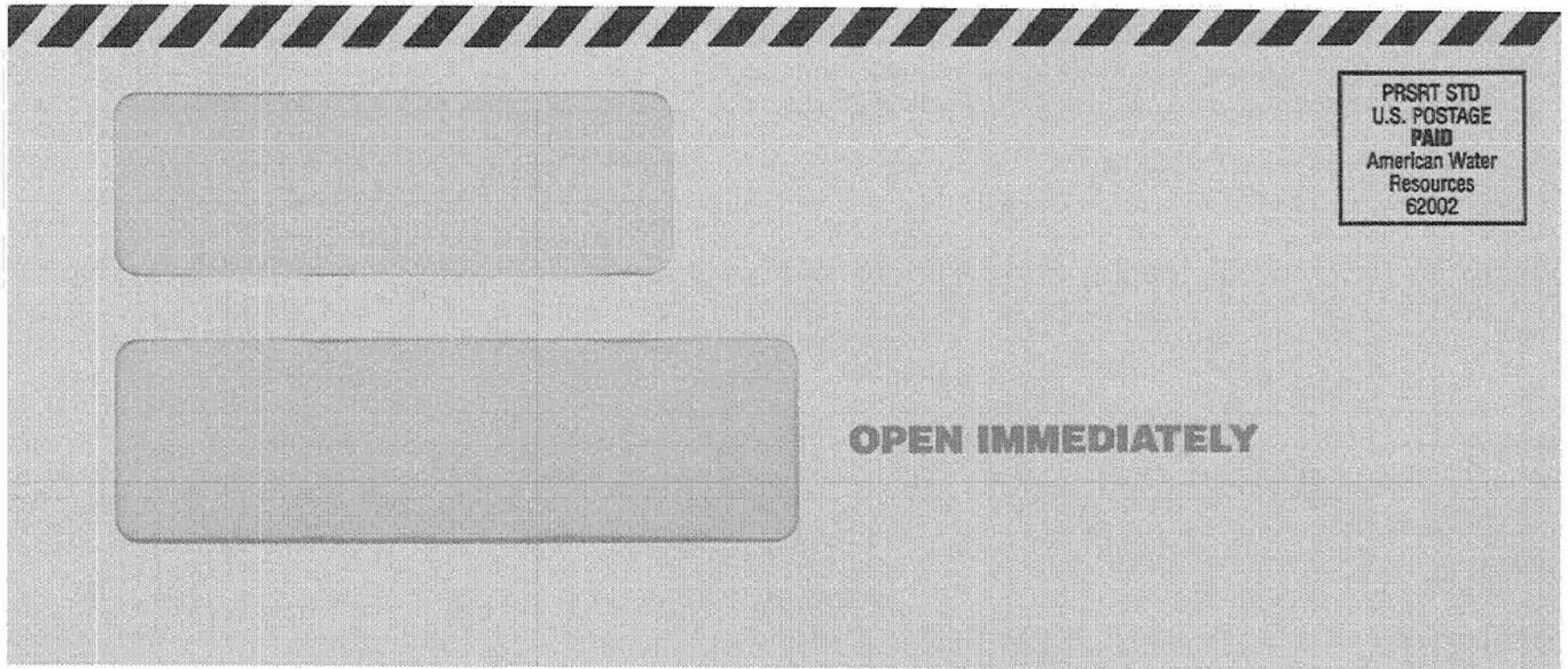
- The sewer line on your property is your responsibility
- Coverage up to \$8,000 for repairs
- Most homeowner insurance policies do not cover sewer line repairs
- No pre-inspection required
- 24-hour customer service line
- Unlimited service calls
- Easy claims process
- Licensed local plumber dispatched to your property
- All repair permit costs covered

Enroll now — call toll-free 1-877-320-4613



Service Line Protection Program Advertisements

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-3
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Service Line Protection Program Advertisements

Witness: Dismukes
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Sample A Sample
TN - E WLPP 0110
123 Any Street
Anytown, US 01234-5678
|||||

You are responsible for
the water line that runs
through your property.
Repairing leaks or breaks can
be aggravating and expensive.

It pays to be protected by the
Water Line Protection Program.

Respond by March 31, 2010



Dear Sample A Sample,

Our records indicate that you have not yet taken advantage of the **Water Line Protection Program**. Keep in mind that normal wear and tear can cause sudden leaks or breaks in the water line that runs through your property, and as the owner, you're responsible. Your homeowner insurance policy probably won't provide coverage, so if the water line on your property were to leak or break, you would need to spend a lot of time and money to repair the damage.

You would have to locate a reliable and qualified contractor, pay the contractor thousands of dollars to repair the damage, and worry about whether the job would be done properly. For just \$5 a month, you can enroll in the **Water Line Protection Program**. Take a moment to compare what the Program provides versus continuing without protection:

WATER LINE PROTECTION PROGRAM CHECKLIST OF BENEFITS FOR SAMPLE A SAMPLE		
	WHEN YOU'RE COVERED	WHEN YOU'RE NOT COVERED
Reliable, qualified contractor promptly dispatched to your property.	✓ YES	NO
Save up to \$5,000 in costly repairs.	✓ YES	NO
Peace-of-mind that comes with this valuable protection.	✓ YES	NO

Tennessee American Water is pleased to introduce this special Water Line Protection Program, offered by our affiliate American Water Resources®, to cover these unexpected costs. When you consider the time and money you'll save, along with the peace-of-mind protection from the largest water company in the country, I'm sure you'll agree that this Program is one of the best opportunities available to you as a homeowner.

Respond by March 31, 2010 and you'll pay just \$5 a month for this valuable protection.

Simply call us toll-free at 1-866-315-4472, or complete and return the Immediate Action Form.

Sincerely,

John Watson
President

P.S. It's time to protect yourself from the expense and worry that a broken water line can cause.

If you live in a dwelling such as a condo, duplex or townhouse please contact your local homeowners association to determine if you are responsible for your water line, as in some states you would not have ownership of the water line.

For complete Terms & Conditions of this program, please go to www.amwaterresources.com/termsandconditions.

TNS0010E
AW/PLT/RE-WL2
00000622

Service Line Protection Program Advertisements

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IMMEDIATE ACTION FORM

☒ **YES!** I want *protection and peace of mind.*

 **AMERICAN WATER
RESOURCES**
1410 Discovery Parkway
Alton, IL 62002

SERVICE TYPE:

WATER LINE PROTECTION PROGRAM

TOTAL PAYMENT:

\$5 a month

HOMEOWNER NAME:

Sample A Sample

SERVICE ADDRESS:

123 Any Street
Anytown US 01234

Reference Number: 999999999

MAILING ADDRESS:

123 Any Street
Anytown US 01234-5678

CONTACT INFORMATION:

Home Phone (required): () -

E-mail:

PAYMENT OPTIONS:

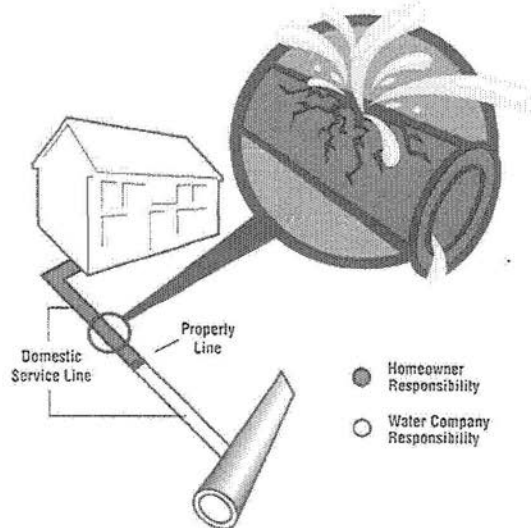
☒ **DON'T PAY NOW!** — **ADD DIRECTLY TO MY
TENNESSEE AMERICAN WATER BILL**

I authorize the program amount of \$5 *to be added to my monthly
Tennessee American Water bill* in accordance with the Terms and
Conditions of the Program.

X Signature:

Date:

By signing this enrollment form you agree to all of the water line program terms and conditions, subject to your receipt and review. A copy of the terms and conditions will be sent to your mailing address with your confirmation letter within approximately 3 weeks of our receipt of your enrollment. Coverage begins 30 days after enrollment form is processed by American Water Resources, Inc. (AWR) and you can cancel at any time. For complete Terms & Conditions of this program, please go to www.amwaterresources.com/termsandconditions. Response requested by 3/31/10. After 3/31/10 call 1-866-315-4472 for current offer. By providing AWR your e-mail address, you agree to receive e-mail from AWR including account updates and other information about AWR programs. To unsubscribe from being contacted by AWR via e-mail, contact us at 1-866-315-4472 or awrunsub@amwater.com.



Normal wear and tear can
cause sudden, costly water
leaks that are your
responsibility to repair.
It pays to be protected
by the **WATER LINE
PROTECTION PROGRAM.**

ENROLL NOW!

Add payments to your water bill
or pay by check or credit card

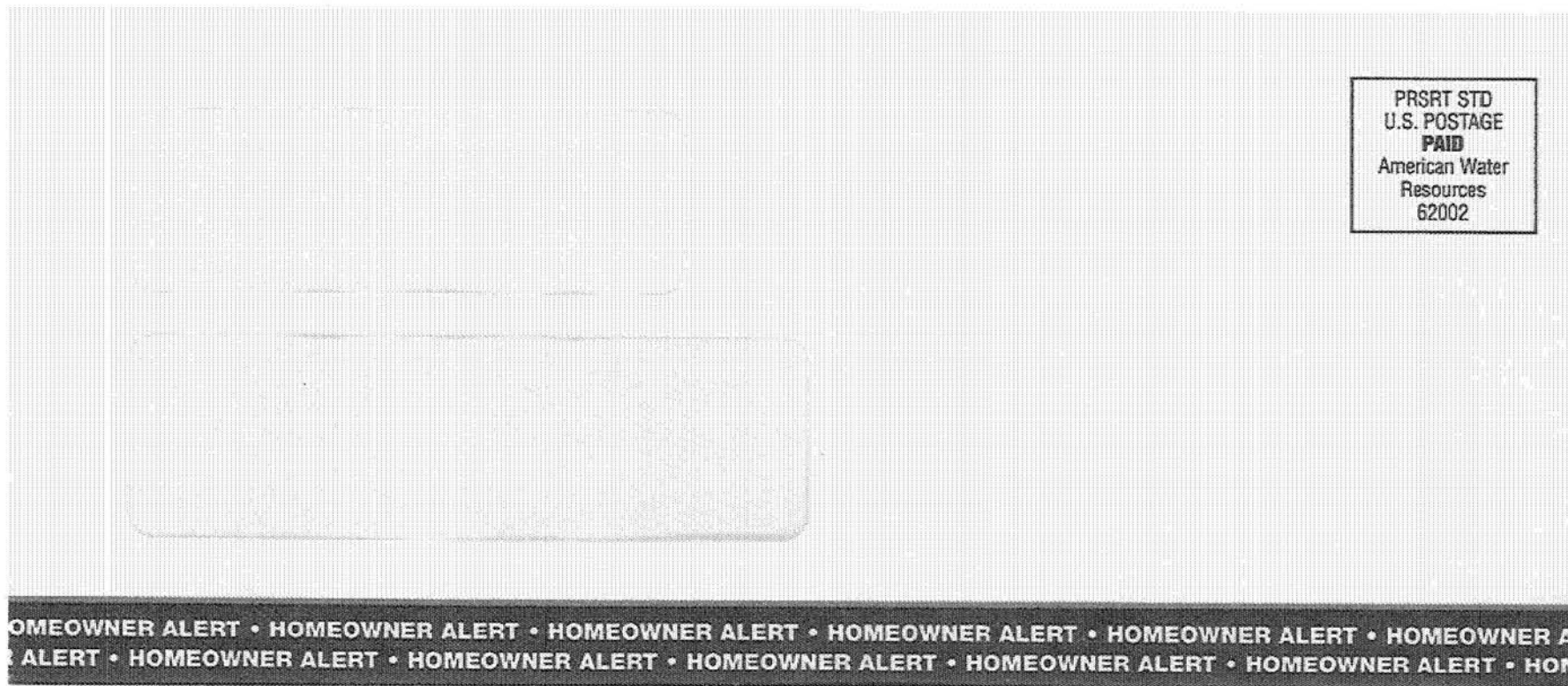
**CALL TOLL-FREE
1-866-315-4472**



99999999TNWLP060

Service Line Protection Program Advertisements

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|||||

The In-Home Plumbing Emergency Program offered by American Water Resources®

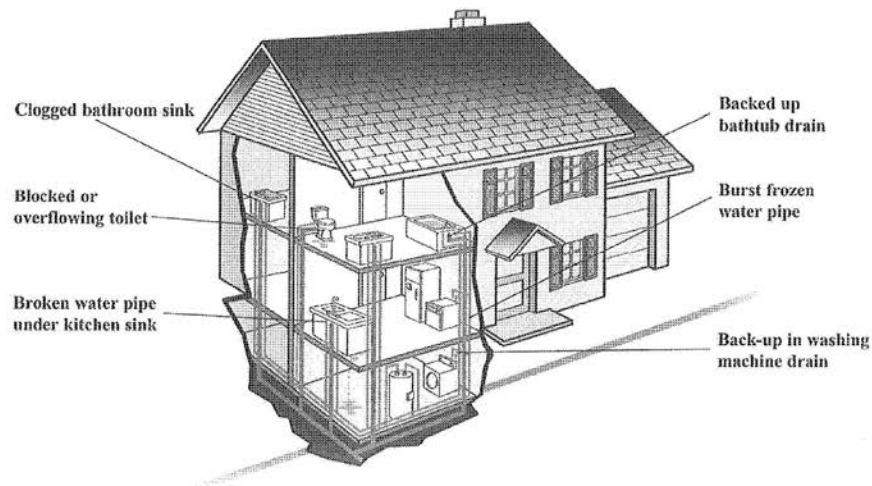
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Service Line Protection Program Advertisements

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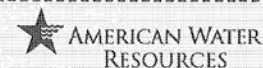
For just \$3.99 a month, you can protect yourself from the cost and inconvenience of emergency plumbing repairs!



For more information, call 1-866-430-0819
To enroll in the In-Home Plumbing Emergency Program, mail the coupon below

Priority Enrollment Form for Jeremy Kierman

Please respond by 11/30/09 for the \$3.99 special price



☒ **YES!** I want to protect myself from the expense and inconvenience of emergency plumbing repairs.

DON'T PAY NOW! — ADD DIRECTLY TO MY TENNESSEE AMERICAN WATER BILL

Please enroll me in the In-Home Plumbing Emergency Program at the special \$3.99 a month rate. I authorize the amount of \$3.99 to be added to my Tennessee American Water bill in accordance with the Terms & Conditions of the Program.

By signing this enrollment form, you agree to all terms and conditions of the In-Home Plumbing Emergency Program as outlined on the back of the form. Confirmation of enrollment will be sent to your mailing address. Coverage begins 30 days after your enrollment form is processed by American Water Resources (AWR), and you can cancel at any time. Response requested by 11/30/09. After 11/30/09 call 1-866-430-0819. By providing AWR your e-mail address, you agree to receive e-mail from AWR including account updates and other information about AWR programs. To unsubscribe from being contacted by AWR via e-mail, contact us at 1-866-430-0819 or unsubscribe@amerwater.com



99999999TNIHP048

Jeremy Kierman		99999999
Homeowner Name	Reference Number	
202 Oliver St		
Service Address		
Chattanooga	TN	37405
City	State	Zip
Home Phone (required)		
E-mail Address		
X		
Signature (required)		Date

AWRHP-YB

Recommended Adjustment for AWR Protection Programs

Witness: Dismukes
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		Amount
AWR Protection Program Revenue	\$	47,532,000
TAWC Customers		74,774
Total AWWC Regulated Customers		3,317,672
TAWC Customers as Percent of Total		2%
Allocation to TAWC	\$	1,071,281

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Admin	032000	CORP-Balance Sheet	\$ 0	\$ 4	\$ -	\$ 25	\$ 26
	032005	CORP-CEO	11	8,493			-
	032088	CORP-Business Change	31,808	40,874	2,933	2,500	2,633
	032089	CORP-AWE Pass-Thru	5,148	5,959	2,361	2,462	2,593
	032091	CORP-STEP Project	(918)	(38)			-
	032092	CORP-Strategy & Planning	(1)				-
	032096	CORP-Chief Growth Officer	(2)				-
	032097	CORP-Product & Serv Innovation	-				-
	032098	CORP-Non-Departmental Costs	58,339	67,572	27,853	51,398	54,132
Admin Total			\$ 94,385	\$ 122,864	\$ 33,146	\$ 56,386	\$ 59,385
Audit	032060	CORP-Audit	\$ 29,352	\$ 29,317	\$ 38,005	\$ 40,506	\$ 42,661
Audit Total			\$ 29,352	\$ 29,317	\$ 38,005	\$ 40,506	\$ 42,661
Benefit Svc Ctr	032014	CORP-Benefits Service Center	\$ 23,726	\$ 25,384	\$ 30,269	\$ 31,007	\$ 32,657
Benefit Svc Ctr Total			\$ 23,726	\$ 25,384	\$ 30,269	\$ 31,007	\$ 32,657
Business Development	032020	CORP-Corporate Bus Development	\$ 18,232	\$ 14,830	\$ 27,804	\$ 29,496	\$ 31,065
	033020	WE-Business Development	306	124	125	91	96
	033520	CE-Business Development	947	177	486	799	842
	035020	SE-Business Development	78,120	27,391	43,469	48,288	50,857
	036520	NE-Business Development	1,713	27	6	3	3
Business Development Total			\$ 99,318	\$ 42,549	\$ 71,890	\$ 78,677	\$ 82,863
Business Transformation	032040	CORP-Business Transformation		\$ 5,777	\$ 17	\$ (55)	\$ (52)
	032051	CORP-Bsns Trans-Procure To Pay			(3)	(3)	(2)
	032052	CORP-Bsns Trans-Recruit To Ret			(2)	(2)	(2)
	032053	CORP-Bsns Trans-Record To Rpt			(2)	(2)	(2)
	032054	CORP-Bsns Trans-Order To Cash			(2)	(2)	(2)
	032055	CORP-Bsns Trans-Plan, Bld, Ret			(3)	(3)	(2)
	032056	CORP-Bsns Trans-Ord To Compl			(4)	(4)	(3)
Business Transformation Total			\$ -	\$ 5,777	\$ 2	\$ (69)	\$ (65)

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
CSC	034005	CCA-Administration	\$ 82,201	\$ 95,621	\$ 66,604	\$ 73,633	\$ 77,550
	034070	CCA-Call Handling	196,180	199,425	247,178	238,702	251,401
	034071	CCA-Billing	103,851	122,969	160,769	156,750	165,089
	034072	CCA-Collections	97,623	85,609	66,737	55,125	58,057
	034073	CCA-Operations & Performance	161,143	198,565	126,770	118,988	125,318
	034074	CCA-Business Services	20,205	25,244	29,907	28,422	29,934
	034075	CCA-Education & Development	21,800	23,404	27,945	25,109	26,445
	037005	CCP-Administration	21,536	56,549	24,276	27,048	28,487
	037070	CCP-Call Handling	209,041	214,125	270,189	263,793	277,827
	037071	CCP-Billing	(293)				-
	037072	CCP-Collections	(55)	0			-
	037073	CCP-Operations and Support	69,251	71,494	71,835	27,048	28,487
	037074	CCP-Business Services	354			263,793	277,827
	037075	CCP-Education & Development	8,556	8,528	16,080	263,793	277,827
CSC Total			\$ 991,393	\$ 1,101,532	\$ 1,108,290	\$ 1,079,258	\$ 1,136,675
External							
Affairs/Communication	032022	CORP-Government Affairs	\$ 429	\$ 9,614	\$ 11,307	\$ 11,202	\$ 11,797
	032025	CORP-External Affairs	15,826	15,800	20,216	21,647	22,799
	032068	CORP-Marketing	32,832	34,698	30,525	31,681	33,366
	032085	CORP-External Communications	15,569	12,912	21,433	20,508	21,599
	032086	CORP-Internal Communications	7,226	8,246	8,335	8,067	8,496
	032087	CORP-Corp Social Resp	9,108	6,767	10,579	11,007	11,593
	033025	WE-External Affairs	290	122	167	451	475
	033525	CE-External Affairs	75	93	1,373	2,594	2,732
	035025	SE-External Affairs	45,990	74,876	90,299	79,740	83,982
	036525	NE-External Affairs	287	384	50	61	64
External Affairs/Communication Total			\$ 127,632	\$ 163,512	\$ 194,284	\$ 186,957	\$ 196,903

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Finance	032007	CORP-Finance	\$ 41,148	\$ 41,297	\$ 50,343	\$ 54,617	\$ 57,522
	032017	CORP-Planning & Reporting	45,994	48,038	60,758	48,486	51,065
	032027	CORP-Reporting & Compliance	659,679	277,349	63,359	76,574	80,648
	032047	CORP-Income Tax	57,807	63,595	50,717	50,481	53,167
	032057	CORP-Treasury	22,787	30,503	42,593	48,839	51,437
	033007	WE-Finance	705	1,860	3,673	3,290	3,466
	033507	CE-Finance	728	520	5,606	6,934	7,303
	035007	SE-Finance	218,644	377,058	371,767	329,548	347,080
	036507	NE-Finance	1,313	277	533	510	537
	037777	CORP-IFRS-Finance			2,298	2,313	2,436
Finance Total			\$ 1,048,805	\$ 840,498	\$ 651,646	\$ 621,592	\$ 654,661
Human Resources	032002	CORP-HR Comp/Benefits	\$ 31,209	\$ 31,692	\$ 32,054	\$ 33,640	\$ 35,430
	032003	CORP-HR Talent Development	4,370	6,264	20,700	23,124	24,354
	032004	CORP-HR Labor Relations	7,302	8,198	8,997	9,261	9,754
	032006	CORP-Business Center HR	15,707	19,058	19,105	18,830	19,832
	032012	CORP-HR Strategic Staffing	(2)	-	15,953		-
	032013	CORP-HR Systems & Processes	13,083	13,448	29,345	16,587	17,470
	032018	CORP-Human Resources	13,811	12,335	29,534	25,356	26,705
	032028	CORP-ED Human Resources				38,516	40,565
	032038	CORP-WD Human Resources				15,443	16,265
	032048	CORP-HR Health & Wellness				0	0
	033018	WE-Human Resources	36	51	11,794	(5)	(5)
	033518	CE-Human Resources	446	1,436	6	593	625
	034018	CCA-Human Resources	13,526	24,625	830	24,356	25,651
	035018	SE-Human Resources	49,713	70,600	24,074	1,819	1,915
	036518	NE-Human Resources	518	94	5,436	(2)	(1)
	037018	CCP-Human Resources ODI	4,925	2,692	10		-
Human Resources Total			\$ 154,643	\$ 190,493	\$ 197,840	\$ 207,518	\$ 218,558

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Investor Relations	032037	CORP-Investor Relations	\$ 8,294	\$ 9,363	\$ 12,238	\$ 12,885	\$ 13,571
Investor Relations Total			\$ 8,294	\$ 9,363	\$ 12,238	\$ 12,885	\$ 13,571
ITS	032030	CORP-ITS Client Rel Admin	\$ 7,802	\$ 7,456	\$ 5,261	\$ 5,303	\$ 5,585
	032031	CORP-Service Desk	17,386	11,764	28,651	30,122	31,725
	032032	CORP-ITS-BAD-Core Shared	8,897	8,428	28,842	33,955	35,762
	032033	Chg Ctrl & Desktop Automation	3,756	16,602	6,381	5,954	6,270
	032034	CORP-ITS Appl Adm & Security	9,476	12,714	5,288		-
	032035	CORP-ITS Sec Arch & Strategy			4,431		-
	032071	CORP-ITS Admin	85,991	120,047	34,345	57,393	60,446
	032072	CORP-ITS PMO	22,997	23,532	51,608	53,214	56,045
	032073	CORP-ITS Infra/Oper Admin	5,812	7,184	8,987	8,477	8,928
	032074	CORP-ITS Production	70,581	199,002	230,273	291,028	306,511
	032075	CORP-Enterprise Server	131,401	108,981	109,580	109,642	115,475
	032076	CORP-Communications	41,630	34,748	90,821	91,451	96,316
	032077	CORP-ITS Security Operations	17		28,533	31,130	32,786
	032078	CORP-ITS Adm Business Appl Dev	4,303	12,364	13,440	12,659	13,333
	032079	CORP-ITS-BAD-Middle Office App	56,206	63,016	32,627	31,005	32,655
	032080	CORP-ITS-BAD-Back Office Apps	30,749	48,669	45,517	42,373	44,627
	032081	CORP-ITS-BAD-Quality&Methodlgy	12,504	14,805	17,291	17,561	18,495
	032082	CORP-ITS-BAD-Customer Facing	7,588	8,947	30,567	34,224	36,045
	032083	CORP-ITS-BAD-Field Svc Apps	4,260	3,742	36,685	42,914	45,197
	032093	CORP-ITS-Architecture	7,340	17,208	40,824	43,130	45,424
	033031	WE-ITS Client Relations	9				-
	033531	CE-Western CS & S	8,578	7,748	47,878	62,579	65,908
	035031	SE-ITS Client Relations	(31)	3,363	7,063	7,787	8,202
	036531	NE-Eastern CS & S	53,738	57,522	16,831	3,255	3,428
ITS Total			\$ 590,991	\$ 787,844	\$ 921,723	\$ 1,017,640	\$ 1,071,778

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Laboratory	034517	BVLAB-Water Quality	\$ 109,027	\$ 125,725	\$ 122,234	\$ 115,361	\$ 121,498
Laboratory Total			\$ 109,027	\$ 125,725	\$ 122,234	\$ 115,361	\$ 121,498
Legal	032008	CORP-Legal Admin	\$ 14,356	\$ 296			\$ -
	032015	CORP-Legal	32,728	44,654	63,919	66,179	69,699
	033015	WE-Legal	180	200	131	115	121
	033515	CE-Legal	199	149	3,218	5,091	5,362
	035015	SE-Legal	51,618	60,635	63,272	56,412	59,413
	036515	NE-Legal	694	61	43	52	55
Legal Total			\$ 99,775	\$ 105,994	\$ 130,583	\$ 127,849	\$ 134,650
Operation Services	032011	CORP-Chief Operating Officer	\$ 36,375	\$ 22,782	\$ 34,871	\$ 41,348	\$ 43,548
	032016	CORP-Maintenance Services		-	5,335	5,671	5,973
	032019	CORP-Operational Risk	41,301	50,458	19,073	19,897	20,956
	032064	CORP-Operational Performance	18,092	15,958	14,741	10,988	11,573
	032065	CORP-Asset Management	3,115	5,422	3,870	3,597	3,788
	032090	CORP-Prop Mgmt Development	662				-
	033016	WE-Maintenance	206	2,090	1,701	983	1,036
	033019	WE-Operational Risk	21	36	69	245	258
	033516	CE-Maintenance	1,650	876	9,622	13,623	14,347
	033519	CE-Operational Risk	173	128	14,660	19,257	20,282
	035016	SE-Maintenance	152,318	151,438	89,880	87,508	92,163
	035019	SE-Operational Risk	42,128	37,294	1,252	430	452
	036516	NE-Maintenance	192	553	397	285	300
	036519	NE-Operational Risk	361	84	97	73	77
	036550	CORP-COE-Engineering	2,122	2,013	3,282	3,115	3,281
	036551	CORP-COE-Technical Services	1,345	2,695	4,089	3,613	3,805
Operation Services Total			\$ 300,063	\$ 291,827	\$ 202,940	\$ 210,632	\$ 221,838
Procurement	032009	CORP-Supply Chain-Pass Thru	\$ (1)	\$ 1	\$ 2	\$ 4	\$ 5
	032010	CORP-Supply Chain-Sourcing	41,105	42,286	44,726	43,770	46,098
	033010	WE-Supply Chain	81	22	24	22	23
	033510	CE-Supply Chain	34	22	753	797	839
	035010	SE-Supply Chain	9,303	10,922	11,942	10,887	11,466
	036510	NE-Supply Chain	(32)	11	22		-
Procurement Total			\$ 50,491	\$ 53,264	\$ 57,470	\$ 55,533	\$ 58,488

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Property	032042	CORP-1000 Voorhees Building	\$ 8,280	\$ 9,631	\$ 14,074	\$ 15,392	\$ 16,211
	032046	CORP-3906 Church Road	7,879	9,314	10,198	9,597	10,108
	032061	CORP-Property Management	(74)				-
	032062	CORP-Building Services	130,372	170,285	177,320	191,673	201,870
	032063	CORP-Building Services Woodcre	59,039	67,226	66,539	71,504	75,308
	036576	NE-Building Services Woodcrest	104	12	2	(0)	(0)
Property Total			\$ 205,599	\$ 256,468	\$ 268,132	\$ 288,167	\$ 303,497
Regulated Operations	032023	CORP-Eastern Division Ops		\$ 32,372	\$ 20,291	\$ 19,716	\$ 20,765
	032024	Corp-Western Division Ops		-	160	209	220
	032026	CORP-Regulated Ops		0	33,384	36,545	38,489
	032066	CORP-Innov & Env Stewardship	24,199	30,967	30,950	32,215	33,929
	033001	WE-Production	27	3	-		-
	033002	WE-Network	46	38	0		-
	033003	WE-Customer Relations	285	0	111	99	105
	033004	WE-Technical Services	31	15	(0)		-
	033005	WE-Administration	747	529	764	691	727
	033006	WE-Service Delivery	33	(66)	112	130	137
	033011	WE-Environmental Mgmt	27	7	1		-
	033014	WE-Engineering	54	5	459	447	471
	033028	WE-Asset Planning	447	14	0		-
	033501	CE-Production	70	25	(4)	(7)	(6)
	033502	CE-Network	180	46	1,210	1,705	1,795
	033503	CE-Customer Relations	424	273	5,028	6,878	7,244
	033505	CE-Administration	4,521	2,818	8,731	11,588	12,205
	033511	CE-Environmental Mgmt	149	91	598	768	809
	033514	CE-Engineering	759	369	2,325	3,246	3,419
	035001	SE-Production	6,792	2,168	(0)		-
	035002	SE-Network	14,831	8,860	11,425	11,714	12,337
	035003	SE-Customer Relations	107,624	138,275	132,306	90,284	95,087
	035005	SE-Administration	216,097	295,612	93,811	94,546	99,576
	035011	SE-Environmental Mgmt	33,571	6,531	(0)		-

AWWSC Service Company Charges to TAWC

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Function	Business	Business Unit Description	2007	2008	2009	Test Year March 2010	Attrition Year
Regulated Operations	035014	SE-Engineering	20,514	3,348	5,785	6,874	7,240
	035503	ED-Customer Relations			78,512	121,954	128,442
	036501	NE-Production	122	17	51	46	48
	036502	NE-Network	1		-		-
	036503	NE-Customer Field Services	9	4			-
	036505	NE-Administration	15,956	295	17		-
	036511	NE-Environmental Mgmt	63	(0)			-
	036514	NE-Engineering	88	(0)			-
	036591	NE-SAP Conversion	2				-
Regulated Operations Total			\$ 447,670	\$ 522,618	\$ 426,026	\$ 439,650	\$ 463,039
Regulatory Services	032050	CORP-Backfill Reg App	\$ 1,496	\$ 38	\$ 0		\$ -
	032069	CORP-Regulatory UFS	15,270	7,203	14,985	15,065	15,867
Regulatory Services Total			\$ 16,766	\$ 7,242	\$ 14,985	\$ 15,060	\$ 15,862
SSC	032084	SSC-Accounts Payable	\$ 33,944	\$ 35,302	\$ 36,583	\$ 38,599	\$ 40,653
	032505	SSC-Administration	81,864	78,206	53,515	52,874	55,687
	032560	SSC-Financial Reporting	1	0			-
	032570	SSC-General Accounting	59,394	62,398	82,039	92,453	97,372
	032571	SSC-Tax	22,179	23,669	26,683	26,815	28,242
	032572	SSC-Business Support Services	16,320	19,085	27,716	28,681	30,207
	032574	SSC-Rates & Regulation	18,759	26,549	30,572	38,314	40,353
	032575	SSC-Cash Operations	26,617	24,278	40,478	42,449	44,707
	032576	SSC-Facility Services	(2,286)	0			-
	032577	SSC-Utility Plant Accounting	30,877	34,756	39,107	42,113	44,354
	032578	SSC-Project Management	4,914	4,789	6,749	6,855	7,219
	032579	SSC-Employee Services	41,385	41,736	51,185	50,890	53,598
	032580	SSC-AWE	2,535	3,447	3,589	3,746	3,945
SSC Total			\$ 336,504	\$ 354,214	\$ 398,217	\$ 423,791	\$ 446,336
Grand Total			\$ 4,734,432	\$ 5,036,484	\$ 4,879,920	\$ 5,008,401	\$ 5,274,848

AWWSC Service Company Charges

Witness: Dismukes
Docket No. 10-00189
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Company	2005	2006	2007	2008	2009	2010 thru Oct
Regulated						
Arizona American	\$ 10,518,573	\$ 13,889,999	\$ 13,273,699	\$ 12,681,213	\$ 13,427,579	\$ 11,704,022
California American	13,683,913	16,520,310	15,413,656	13,811,105	13,170,887	11,341,270
Hawaii American	905,675	960,805	792,072	997,201	845,496	972,316
Illinois American	18,728,493	22,662,211	23,266,257	22,998,894	23,447,533	20,965,187
Indiana American	17,408,233	20,224,274	20,320,144	21,359,174	22,145,692	19,239,715
Iowa American	3,604,609	4,244,020	4,302,539	4,245,999	4,608,502	4,110,371
Kentucky American	7,108,965	8,101,065	8,169,607	8,545,356	9,047,723	9,430,343
Long Island Water Company	4,102,269	4,885,283	4,845,898	4,736,822	4,613,359	4,429,365
Maryland American	413,139	425,941	544,530	486,771	561,420	425,779
Michigan American	204,438	265,888	228,352	217,700	201,385	223,950
Missouri American	29,138,580	33,817,517	33,472,813	32,510,289	31,957,431	29,300,366
New Jersey American	39,183,695	43,306,368	40,315,781	40,394,729	37,079,726	32,954,857
New Mexico American	1,242,095	1,575,620	1,437,070	1,514,070	1,535,525	1,424,179
Ohio American	3,886,914	4,673,550	4,458,912	4,483,611	4,815,593	3,963,870
Pennsylvania American	40,262,069	44,059,700	43,867,261	42,135,487	38,835,362	32,483,534
Tennessee American	4,422,702	5,244,675	4,988,948	4,964,833	5,201,095	4,781,763
Texas American	361,737	531,551	499,133	840,428	447,925	448,082
Virginia American	3,591,995	4,372,019	3,974,337	4,618,071	4,856,556	4,746,786
United Water Virginia	136,864	153,295	156,345	189,593	187,371	184,495
West Virginia American	10,965,152	11,938,223	11,594,874	11,533,024	11,368,915	10,604,704
Total	\$209,870,110	\$241,852,314	\$235,922,228	\$233,264,370	\$228,355,075	\$203,734,954
Nonregulated						
American Water Capital Corp	\$ 83,834	\$ 224,451	\$ 537,972	\$ 283,401	\$ 464,641	\$ 420,753
American Water Enterprises	17,700,554	15,498,423	10,618,814	9,252,222	9,509,223	8,400,193
American Water Works Company	4,042,252	5,032,597	3,100,527	2,613,147	1,117,821	3,125,402
American Water Resources	526,196	1,853,999	2,520,320	456,041	95,751	95,998
Edison Water Company	956	119,024	217,533	280,889	364,348	207,661
Elizabethtown Services LLC	386	46,758	62,948	58,797	54,331	25,744
Liberty Water Company	3,199	203,799	351,085	434,252	521,063	345,191
Elizabethtown Properties	-	-	33,412	2,188	11,566	5,697
Total	\$ 22,357,377	\$ 22,979,051	\$ 17,442,611	\$ 13,380,937	\$ 12,138,744	\$ 12,626,639
Percent Regulated	90%	91%	93%	95%	95%	94%
Percent Nonregulated	10%	9%	7%	5%	5%	6%

Generation Resources of Companies in Baryenbruch's Comparative Analysis

Witness: Dismukes
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	A&G Cost per Customer	Nuclear	Generation Coal	Natural Gas	Other
AEP	\$ 80.28	6%	87%	7%	0%
Allegheny	\$ 111.42		97%	2%	0%
Alliant	\$ 106.88		94%	3%	3%
Ameren	\$ 64.25	14%	84%	0%	1%
Black Hills	\$ 107.30		100%	0%	
Centerpoint (Gas w/Electric Dist)	\$ 22.51				
Dominion	\$ 75.44	43%	42%	14%	2%
Duke	\$ 200.39	37%	58%	4%	0%
Energy East (Gas)	\$ 30.13				
Entergy	\$ 97.26	58%	20%	20%	2%
E-On	\$ 86.37		99%	1%	0%
Exelon	\$ 91.34	93%	4%	1%	1%
FirstEnergy	\$ 56.86	45%	54%	0%	1%
Integrus	\$ 81.30		99%	1%	0%
Nat Grid	\$ 196.25			79%	21%
NiSource	\$ 57.73		94%	6%	0%
Northeast	\$ 128.85		77%	1%	22%
PHI	\$ 110.72				100%
PHI (with Conectiv)	\$ 110.72		14%	79%	7%
Progress	\$ 60.08		83%	17%	0%
PNM	\$ 120.60	35%	41%	22%	2%
SCANA	\$ 115.26	26%	47%	25%	1%
Southern Co	\$ 115.43	23%	62%	13%	2%
Unitil	\$ 124.50				
Xcel	\$ 62.90	17%	68%	14%	1%

Comparison of Executive Salaries Water and Wastewater and Electric and Electric/Gas Companies

Witness: Dismukes
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Schedule KHD-8
Page 1 of 1

Company	Title	2009 Base Salary	2009 Total Compensation
Water and Wastewater Companies			
American Water Works	President and Chief Executive Officer	\$ 610,615	\$ 2,407,571
Aqua America	Chief Executive Officer (Principal Executive Officer)	507,527	2,548,984
California Water Service Group	President and Chief Executive Officer	904,619	2,159,139
American States Water Company	President and Chief Executive Officer	449,212	1,003,796
SJW Corp.	President & CEO	475,000	1,396,575
SouthWest Water Company	President & CEO	467,308	522,699
Middlesex Water Co.	President & CEO	370,200	459,146
Connecticut Water Service Inc.	Chairman/President/CEO	345,000	673,873
Artesian Resources Corp	Chair, CEO, & President	390,225	572,131
York Water Co.	President, CEO, and Director	237,685	329,989
Pennichuck Corp.	President & CEO	265,000	396,649
Pure Cycle Corp.	Principal Executive & Financial Officer	250,000	250,000
Average		\$ 439,366	\$ 1,060,046
Electric Companies			
Exelon Corporation	Chairman and CEO, Exelon	\$ 1,468,077	\$ 12,210,448
Xcel Energy Inc.	Chairman and Chief Executive Officer	1,175,000	11,340,182
CenterPoint Energy Inc.	President and Chief Executive Officer	1,060,000	7,618,537
American Electric Power Company, Inc.	Chairman of the Board, President and Chief Executive Officer	1,254,808	7,539,278
FirstEnergy Corporation	President and Chief Executive Officer	1,159,615	12,441,092
Duke Energy Corporation	Chairman, President & Chief Executive Officer	-	6,927,663
Southern Company	Chairman, President, & CEO	1,172,908	10,804,474
NiSource Inc.	President and Chief Executive Officer	800,000	4,138,377
Dominion Resources Inc.	Chairman, President and Chief Executive Officer	1,200,000	11,973,541
Pepco Holdings, Inc.	Chairman, President and Chief Executive Officer	796,669	3,116,833
Ameren Corporation	Executive Chairman of the Board, Ameren	616,667	2,763,059
Progress Energy Inc.	Chairman, President and Chief Executive Officer	979,231	6,454,010
Entergy Corporation	Chairman of the Board and Chief Executive Officer	1,341,174	15,166,209
Integrus Energy Group Inc.	Executive Chairman	1,090,385	5,517,783
SCANA Corporation	President and Chief Executive Officer	1,099,000	5,033,358
Allegheny Energy	Chairman, President and Chief Executive Officer	1,200,000	12,589,731
Alliant Energy	Chairman, President and Chief Executive Officer	832,000	3,332,497
PNM Resources, Inc.	Chairman and Chief Executive Officer	874,067	3,532,176
Black Hills Corporation	Chairman, President and Chief Executive Officer	564,000	1,873,600
Unitil Corp.	Chairman of the Board, Chief Executive Officer & President	456,601	1,306,751
Average		\$ 957,010	\$ 7,283,980

Note: Cadiz, Inc. was not included in the sample because it is in the process of constructing a pipeline and presently not serving any customers.

Source: Companies' 2009 Proxy Statements.

Comparison of Customers per Employee Water and Wastewater and Electric and Electric/Gas Companies

Witness: Dismukes
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Schedule KHD-9
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Company	Number of Customers	Number of Employees	Customers per Employee
Water and Wastewater Companies			
American Water Works	3,330,929	7,700	433
Aqua America	953,437	1,632	584
California Water Service Group	494,700	1,013	488
American States Water Company	291,638	703	415
SJW Corp.	234,900	375	626
SouthWest Water Company	129,956	1,224	106
Middlesex Water Co.	102,220	285	359
Connecticut Water Service Inc.	88,390	225	393
Artesian Resources Corp	76,900	235	327
York Water Co.	62,186	111	560
Pennichuck Corp.	33,600	101	333
Pure Cycle Corp.	404	5	81
Average	483,272	1,134	426
Electric Companies			
Exelon Corporation	5,886,000	19,329	305
Xcel Energy Inc.	5,300,000	11,351	467
CenterPoint Energy Inc.	5,300,000	8,810	602
American Electric Power Company, Inc.	5,213,000	21,673	241
FirstEnergy Corporation	4,500,000	13,379	336
Duke Energy Corporation	4,500,000	18,680	241
Southern Company	4,402,000	26,112	169
NiSource Inc.	3,750,000	7,616	492
Dominion Resources Inc.	3,700,000	17,900	207
Pepco Holdings, Inc.	1,946,000	5,110	381
Ameren Corporation	3,300,000	17,730	186
Progress Energy Inc.	3,100,000	11,000	282
Entergy Corporation	2,700,000	15,000	180
Integrus Energy Group Inc.	2,157,700	5,025	429
SCANA Corporation	1,445,000	8,872	163
Allegheny Energy	1,585,700	4,383	362
Alliant Energy	1,395,189	4,957	281
PNM Resources, Inc.	729,700	3,629	201
Black Hills Corporation	759,400	2,171	350
Unitil Corp.	169,600	431	394
Average	3,091,964	11,158	277

Accounts Used in Baryenbruch's Comparative Analysis

Witness: Dismukes
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Account	Company Treatment	Correction
901 - Supervision (Major Only) This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902, Meter Reading Expenses, or account 903, Customer Records and Collection Expenses, as appropriate. (See operating expense instruction 1.)	Included	Should be Allocated to Excluded Account 902
902 - Meter Reading Expenses This account shall include the cost of labor, materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters. Items Labor: <ol style="list-style-type: none"> 1. Addressing forms for obtaining meter readings by mail. 2. Changing and collecting meter charts used for billing purposes. 3. Inspecting time clocks, checking seals, etc., when performed by meter readers and the work represents a minor activity incidental to regular meter reading 4. Reading meters, including demand meters, and obtaining load information for billing purposes. Exclude and charge to account 586, Meter Expenses, or to account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing, or locking, and disconnecting or reconnecting meters. 5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters. 6. Collecting from prepayment meters when incidental to meter reading. 7. Maintaining record of customers' keys. 8. Computing estimated or average consumption when performed by employees engaged in reading meters. Materials and Expenses: <ol style="list-style-type: none"> 9. Badges, lamps, and uniforms. 10. Demand charts, meter books and binders and forms for recording readings, but not the cost of preparation. 11. Postage and supplies used in obtaining meter readings by mail. 12. Transportation, meals, and incidental expenses. 	Excluded	

Accounts Used in Baryenbruch's Comparative Analysis

Witness: Dismukes
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Account	Company	Correction
903 - Customer Records and Collection Expenses This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing items Labor: <ol style="list-style-type: none"> 1. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of 2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off. 3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records. 4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data. 5. Preparing address plates and addressing bills and delinquent notices. 6. Preparing billing data. 7. Operating billing and bookkeeping machines. 8. Verifying billing records with contracts or rate schedules. 9. Preparing bills for delivery, and mailing or delivering bills. 10. Collecting revenues, including collection from prepayment meters unless incidental to meter-reading operations. 11. Balancing collections, preparing collections for deposit, and preparing cash reports. 12. Posting collections and other credits or charges to customer accounts and extending unpaid balances. 13. Balancing customer accounts and controls. 14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts. 15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities. 16. Disconnecting and reconnecting service because of nonpayment of bills. 17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but 18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general 19. Preparing and periodically rewriting meter reading sheets. 20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters. Materials and Expenses: <ol style="list-style-type: none"> 21. Address plates and supplies. 22. Cash overages and shortages. 23. Commissions or fees to others for collecting. 24. Payments to credit organizations for investigations and reports. 25. Postage. 26. Transportation expenses (Major only), including transportation of customer bills and meter books under centralized billing procedure. 27. Transportation, meals, and incidental expenses. 28. Bank charges, exchange, and other fees for cashing and depositing customers' checks. 29. Forms for recording orders for services removals, etc. 30. Rent of mechanical equipment. 31. Communication service (Nonmajor only). 32. Miscellaneous office supplies and expenses and stationery and printing (Nonmajor only). Note: The cost of work on meter history and meter location records is chargeable to account 586, Meter Expenses.	Included	

Accounts Used in Baryenbruch's Comparative Analysis

Witness: Dismukes
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Account	Company	Correction
904 - Uncollectible Accounts	Excluded	
This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 144, Accumulated Provision for Uncollectible Accounts—Cr. Losses from uncollectible accounts shall be charged to account 144.		
905 - Miscellaneous Customer Accounts Expenses (Major Only)	Included	
This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.		
Items Labor: <ol style="list-style-type: none"> General clerical and stenographic work. Miscellaneous labor. Materials and Expenses: <ol style="list-style-type: none"> Communication service. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903. 		
Total Customer Accounts Operation Expenses		
907 - Supervision (Major Only)	Included	
This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer service activities, the object of which is to encourage safe, efficient and economical use of the utility's service. Direct supervision of a specific activity within customer service and informational expense classification shall be charged to the account wherein the costs of such activity are included. (See operating expense instruction 1.)		Should be Allocated to Excluded Accounts 908 and 909
908 - Customer Assistance Expenses (Major Only)	Excluded	
This account shall include the cost of labor, materials used and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient and economical use of the utility's service. Items Labor: <ol style="list-style-type: none"> Direct supervision of department. Processing customer inquiries relating to the proper use of electric equipment, the replacement of such equipment and information related to such equipment. Advice directed to customers as to how they may achieve the most efficient and safest use of electric equipment. Demonstrations, exhibits, lectures, and other programs designed to instruct customers in the safe, economical or efficient use of electric service, and/or oriented toward conservation of energy. Engineering and technical advice to customers, the object of which is to promote safe, efficient and economical use of the utility's service. Materials and Expenses: <ol style="list-style-type: none"> Supplies and expenses pertaining to demonstrations, exhibits, lectures, and other programs. Loss in value on equipment and appliances used for customer assistance programs. Office supplies and expenses. Transportation, meals, and incidental expenses. Note: Do not include in this account expenses that are provided for elsewhere, such as accounts 416, Costs and Expenses of Merchandising, Jobbing and		

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
909 - Informational and Instructional Advertising Expenses (Major Only)		
<p>This account shall include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect health and safety, to encourage environmental protection, to utilize their electric equipment safely and economically, or to conserve electric energy.</p> <p>Labor:</p> <ol style="list-style-type: none"> 1. Direct supervision of informational activities. 2. Preparing informational materials for newspapers, periodicals, billboards, etc., and preparing and conducting informational motion pictures, radio and television 3. Preparing informational booklets, bulletins, etc., used in direct mailings. 4. Preparing informational window and other displays. 5. Employing agencies, selecting media and conducting negotiations in connection with the placement and subject matter of information programs. <p>Materials and Expenses:</p> <ol style="list-style-type: none"> 6. Use of newspapers, periodicals, billboards, radio, etc., for informational purposes. 7. Postage on direct mailings to customers exclusive of postage related to billings. 8. Printing of informational booklets, dodgers, bulletins, etc. 9. Supplies and expenses in preparing informational materials by the utility. 10. Office supplies and expenses. <p>Note A: Exclude from this account and charge to account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Exclude also all expenses of a promotional, institutional, goodwill or political nature, which are includible in such accounts as 913, Advertising Expenses, 930.1, General Advertising Expenses, and 426.4, Expenditures for Certain Civic, Political and Related Activities.</p> <p>Note B: Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available.</p>	Excluded	
910 - Miscellaneous Customer Service and Informational Expenses (Major Only)		
<p>This account shall include the cost of labor, materials used and expenses incurred in connection with customer service and informational activities which are not</p> <p>Labor:</p> <ol style="list-style-type: none"> 1. General clerical and stenographic work not assigned to specific customer service and informational programs. 2. Miscellaneous labor. <p>Materials and Expenses:</p> <ol style="list-style-type: none"> 3. Communication service. 4. Printing, postage and office supplies expenses. 	Included	
Total Service and Informational Operations Accounts		
911 - Supervision (Major Only)		
<p>This account shall include the cost of labor and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising shall be charged to the account wherein the costs of such activity are included. (See operating expense instruction 1.)</p>	Included	Should be Excluded

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
912 - Demonstrating and Selling Expenses (Major Only) This account shall include the cost of labor, materials used and expenses incurred in promotional, demonstrating, and selling activities, except by merchandising, the Items Labor: 1. Demonstrating uses of utility services. 2. Conducting cooking schools, preparing recipes, and related home service activities. 3. Exhibitions, displays, lectures, and other programs designed to promote use of utility services. 4. Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance. 5. Solicitation of new customers or of additional business from old customers, including commissions paid employees. 6. Engineering and technical advice to present or prospective customers in connection with promoting or retaining the use of utility services. 7. Special customer canvasses when their primary purpose is the retention of business or the promotion of new business. Materials and Expenses: 8. Supplies and expenses pertaining to demonstration, and experimental and development activities. 9. Booth and temporary space rental. 10. Loss in value on equipment and appliances used for demonstration purposes. 11. Transportation, meals, and incidental expenses.	Excluded	

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
913 - Advertising Expenses (Major Only)		
<p>This account shall include the cost of labor, materials used and expenses incurred in advertising designed to promote or retain the use of utility service, except items</p> <p>Labor:</p> <ol style="list-style-type: none"> 1. Direct supervision of department. 2. Preparing advertising material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio and television programs. 3. Preparing booklets, bulletins, etc., used in direct mail advertising. 4. Preparing window and other displays. 5. Clerical and stenographic work. 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of sales advertising. <p>Materials and expenses:</p> <ol style="list-style-type: none"> 7. Advertising in newspapers, periodicals, billboards, radio, etc., for sales promotion purposes, but not including institutional or goodwill advertising includible in account 930.1, General Advertising Expenses. 8. Materials and services given as prizes or otherwise in connection with civic lighting contests, canning, or cooking contests, bazaars, etc., in order to publicize and promote the use of utility services. 9. Fees and expenses of advertising agencies and commercial artists. 10. Novelties for general distribution. 11. Postage on direct mail advertising. 12. Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances. 13. Printing booklets, dodgers, bulletins, etc. 14. Supplies and expenses in preparing advertising material. 15. Office supplies and expenses. <p>Note A: The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances or, if reference is made to appliances invites the reader to purchase appliances from his dealer or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Costs and Expenses of Merchandising, Jobbing and Contract Work, Account 416.</p> <p>Note B: Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliances sold by the utility and the price, terms, etc., thereof and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement and the costs shall be distributed between this account and Account 416 on the basis of space, time, or other proportional factors.</p> <p>Note C: Exclude from this account and charge to Account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Exclude also all institutional or goodwill advertising. (See Account 930.1, General Advertising Expenses.)</p>	Excluded	

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
916 - Miscellaneous Sales Expenses (Major Only)	Excluded	
This account shall include the cost of labor, materials used and expenses incurred in connection with sales activities, except merchandising, which are not includible items Labor: 1. General clerical and stenographic work not assigned to specific functions. 2. Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular customer accounting and billing routine. 3. Miscellaneous labor. Materials and Expenses: 4. Communication service. 5. Printing, postage, and office supplies and expenses applicable to sales activities, except those chargeable to account 913, Advertising Expenses.		
Total Sales Operations Expenses		
920 - Administrative and General Salaries	Included	
A. This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility.		Should be Allocated to O&M functions of SC; Should be Allocated to Excluded Acts 930.1
921 - Office Supplies and Expenses.	Included	
A. This account shall include office supplies and expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts. This includes the expenses of the various administrative and general departments, the salaries and wages of which are includible in account 920. B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility. Note: Office expenses which are clearly applicable to any group of operating expenses other than the administrative and general group shall be included in the appropriate account in such group. Further, general expenses which apply to the utility as a whole rather than to a particular administrative function shall be included in account 930.2, Miscellaneous General Expenses. Items 1. Automobile service, including charges through clearing account. 2. Bank messenger and service charges. 3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc. 4. Building service expenses for customer accounts, sales, and administrative and general purposes. 5. Communication service expenses. 6. Cost of individual items of office equipment used by general departments which are of small value or short life. 7. Membership fees and dues in trade, technical, and professional associations paid by a utility for employees. (Company memberships are includible in account 930.2.) 8. Office supplies and expenses. 9. Payment of court costs, witness fees and other expenses of legal department. 10. Postage, printing and stationery. 11. Meals, traveling and incidental expenses.		Should be Allocated to O&M functions of SC

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
923 - Outside Services Employed		
<p>A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.</p> <p>B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.</p> <p>Items</p> <ol style="list-style-type: none"> 1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public 2. Supervision fees and expenses paid under contracts for general management services. <p>Note: Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues which are includible in the expenses of issuing securities.</p>	Included	Should be Allocated to O&M functions of SC
924 - Property Insurance		
<p>A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.</p> <p>B. Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.</p> <p>C. Records shall be kept so as to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.</p> <p>Items</p> <ol style="list-style-type: none"> 1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance. 2. Amounts credited to account 228.1, Accumulated Provision for Property Insurance, for similar protection. 3. Special costs incurred in procuring insurance. 4. Insurance inspection service. 5. Insurance counsel, brokerage fees, and expenses. <p>Note A: The cost of insurance or reserve accruals capitalized shall be charged to construction either directly or by transfer to construction work orders from this account.</p> <p>Note B: The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated.</p> <ol style="list-style-type: none"> (1) Materials and supplies and stores equipment, to account 163, Stores Expense Undistributed (store expenses in the case of Nonmajor utilities), or appropriate materials account. (2) For Major Utilities, transportation and other general equipment to appropriate clearing accounts that may be maintained. For Nonmajor utilities, transportation and garage equipment, to account 933, Transportation Expenses. (3) Electric plant leased to others, to account 413, Expenses of Electric Plant Leased to Others. (4) Nonutility property, to the appropriate nonutility income account. (5) Merchandise and jobbing property, to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work. <p>Note C (Major only): The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in accounts 920 and 921, as appropriate.</p>	Excluded	

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Account	Company	Correction
925 - Injuries and Damages		
<p>A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. For Major utilities, it shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.</p> <p>B. Reimbursements from insurance companies or others for expenses charged hereto on account of injuries and damages and insurance dividends or refunds shall be credited to this account.</p> <p>Items</p> <ol style="list-style-type: none"> 1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to account 228.2, Accumulated Provision for Injuries and Damages, for similar protection. 2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others. 3. Fees and expenses of claim investigators. 4. Payment of awards to claimants for court costs and attorneys' services. 5. Medical and hospital service and expenses for employees as the result of occupational injuries, or resulting from claims of others. 6. Compensation payments under workmen's compensation laws. 7. Compensation paid while incapacitated as the result of occupational injuries. (See Note A.) 8. Cost of safety, accident prevention and similar educational activities. <p>Note A: Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical supplies or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to account 926, Employee Pensions and Benefits. (See also Note B of account 926.)</p> <p>Note B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction directly or by transfer to construction work orders from this account.</p> <p>Note C: Exclude here from the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.</p> <p>Note D: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in accounts 920 and 921, as appropriate.</p>	Excluded	

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Account	Company	Correction
926 - Employee Pensions and Benefits	Excluded	
<p>A. This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payments for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees, and administrative expenses in connection with employee pensions and benefits.</p> <p>B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.</p> <p>C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction unless such amounts are distributed directly to the accounts involved and are not included herein in the first instance.</p> <p>D. For Major utilities, records in support of this account shall be so kept that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.</p> <p>Items</p> <ol style="list-style-type: none"> 1. Payment of pensions under a nonaccrual or nonfunded basis. 2. Accruals for or payments to pension funds or to insurance companies for pension purposes. 3. Group and life insurance premiums (credit dividends received). 4. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries. 5. Payments for accident, sickness, hospital, and death benefits or insurance. 6. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards. 7. Expenses in connection with educational and recreational activities for the benefit of employees. <p>Note A: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in accounts 920 and 921, as appropriate.</p> <p>Note B: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.</p>		
927 - Franchise Requirements	Excluded	
<p>A. This account shall include payments to municipal or other governmental authorities, and the cost of materials, supplies and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements; provided, however, that the utility may charge to this account at regular tariff rates, instead of cost, utility service furnished without charge under provisions of franchises.</p> <p>B. When no direct outlay is involved, concurrent credit for such charges shall be made to account 929, Duplicate Charges—Credit.</p> <p>C. The account shall be maintained so as to readily reflect the amounts of cash outlays, utility service supplied without charge, and other items furnished without charge.</p> <p>Note A: Franchise taxes shall not be charged to this account but to account 408.1, Taxes Other Than Income Taxes, Utility Operating Income.</p> <p>Note B: Any amount paid as initial consideration for a franchise running for more than one year shall be charged to account 302, Franchises and Consents.</p>		

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Account	Company	Correction
928 - Regulatory Commission Expenses	Included	
A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees, and also including payments made to the United States for the administration of the Federal Power Act.		Should be Allocated to O&M functions of SC
B. Amounts of regulatory commission expenses which by approval or direction of the Commission are to be spread over future periods shall be charged to account 186, Miscellaneous Deferred Debits, and amortized by charges to this account.		
C. The utility shall be prepared to show the cost of each formal case.		
Items		
1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases.		
2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions.		
Note A: Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies.		
Note B: Do not include in this account amounts includible in account 302, Franchises and Consents, account 181, Unamortized Debt Expense, or account 214, Capital Stock Expense.		

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Account	Company	Correction
930.1 - General Advertising Expenses This account shall include the cost of labor, materials used, and expenses incurred in advertising and related activities, the cost of which by their content and purpose are not provided for elsewhere. Items Labor: <ol style="list-style-type: none"> Supervision. Preparing advertising material for newspapers, periodicals, billboards, etc., and preparing or conducting motion pictures, radio and television programs. Preparing booklets, bulletins, etc., used in direct mail advertising. Preparing window and other displays. Clerical and stenographic work. Investigating and employing advertising agencies, selecting media and conducting negotiations in connection with the placement and subject matter of advertising. Materials and Expenses: <ol style="list-style-type: none"> Advertising in newspapers, periodicals, billboards, radio, etc. Advertising matter such as posters, bulletins, booklets, and related items. Fees and expenses of advertising agencies and commercial artists. Postage and direct mail advertising. Printing of booklets, dodgers, bulletins, etc. Supplies and expenses in preparing advertising materials. Office supplies and expenses. Note A: Properly includible in this account is the cost of advertising activities on a local or national basis of a good will or institutional nature, which is primarily designed to improve the image of the utility or the industry, including advertisements which inform the public concerning matters affecting the company's operations, such as, the cost of providing service, the company's efforts to improve the quality of service, the company's efforts to improve and protect the environment, etc. Entries relating to advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available. Note B: Exclude from this account and include in account 426.4, Expenditures for Certain Civic, Political and Related Activities, expenses for advertising activities, which are designed to solicit public support or the support of public officials in matters of a political nature.	Excluded	

Accounts Used in Baryenbruch's Comparative Analysis

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Account	Company	Correction
930.2 - Miscellaneous General Expenses	Included	
<p>This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.</p> <p>Items</p> <p>Labor:</p> <ol style="list-style-type: none"> 1. Miscellaneous labor not elsewhere provided for. <p>Expenses:</p> <ol style="list-style-type: none"> 2. Industry association dues for company memberships. 3. Contributions for conventions and meetings of the industry. 4. For Major utilities, research, development, and demonstration expenses not charged to other operation and maintenance expense accounts on a functional basis. 5. Communication service not chargeable to other accounts. 6. Trustee, registrar, and transfer agent fees and expenses. 7. Stockholders meeting expenses. 8. Dividend and other financial notices. 9. Printing and mailing dividend checks. 10. Directors' fees and expenses. 11. Publishing and distributing annual reports to stockholders. 12. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property. For Nonmajor utilities, transportation and garage equipment, to account 933, Transportation Expenses. 		Should be Allocated to Service Company O&M functions
931 - Rents	Included	
<p>This account shall include rents properly includible in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility. (See operating expense instruction 3.)</p>		Should be Allocated to Service Company O&M functions
Total Administrative and General Expenses		
935 - Maintenance of General Plant	Included	
<p>A. This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is included.</p>		Should be Allocated to Service Company O&M functions
Total Administrative and General Maintenance Expenses		

Regulated Operations of Companies Included in Baryenbruch's Comparative Analysis

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Utility Companies	Regulated		Unregulated		Total	Reg %
AEP	\$	993,411,145	\$	71,399,246	\$ 1,064,810,391	93%
Allegheny	\$	579,068,532	\$	28,300,745	\$ 607,369,277	95%
Alliant	\$	265,341,383	\$	12,354,112	\$ 277,695,495	96%
Ameren	\$	283,339,982	\$	88,335,650	\$ 371,675,632	76%
Black Hills	\$	128,668,968	\$	39,040,047	\$ 167,709,015	77%
Centerpoint	\$	179,277,033	\$	173,571,527	\$ 352,848,560	51%
Dominion	\$	504,741,314	\$	288,366,393	\$ 793,107,707	64%
Duke	\$	1,878,137,929	\$	67,623,736	\$ 1,945,761,665	97%
Energy East	\$	123,399,582	\$	22,291,376	\$ 145,690,958	85%
Entergy	\$	993,527,694	\$	318,460,802	\$ 1,311,988,496	76%
E-On	\$	260,094,637	\$	34,881,871	\$ 294,976,508	88%
Exelon	\$	690,665,914	\$	65,350,821	\$ 756,016,735	91%
FirstEnergy	\$	436,193,793	\$	57,540,373	\$ 493,734,166	88%
Integrus	\$	348,630,176	\$	44,979,445	\$ 393,609,621	89%
Nat Grid	\$	1,569,822,359	\$	87,670,495	\$ 1,657,492,854	95%
NiSource	\$	282,060,120	\$	95,409,856	\$ 377,469,976	75%
Northeast	\$	372,055,490	\$	5,339,135	\$ 377,394,625	99%
PHI	\$	404,369,021	\$	79,845,518	\$ 484,214,539	84%
PNM	\$	110,913,495	\$	14,446,207	\$ 125,359,702	88%
Progress	\$	316,631,387	\$	2,870,794	\$ 319,502,181	99%
SCANA	\$	306,000,876	\$	63,373,041	\$ 369,373,917	83%
Southern Co	\$	1,787,289,103	\$	75,352,816	\$ 1,862,641,919	96%
Unitil	\$	29,198,622	\$	2,684,668	\$ 31,883,290	92%
Xcel	\$	744,696,113	\$	10,726,003	\$ 755,422,116	99%
Grand Total	\$	13,587,534,668	\$	1,750,214,677	\$ 15,337,749,345	

Accounts Charged by Electric and Electric/Gas Comparative Companies

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Form 60 Service Company Charges	Category
500-509 - Total Steam Power Generation Operation Expenses	O&M
510-515 - Total Steam Power Generation Maintenance Expenses	O&M
517-525 - Total Nuclear Power Generation Operation Expenses	O&M
528-532 - Total Nuclear Power Generation Maintenance Expenses	O&M
535-540.1 - Total Hydraulic Power Generation Operation Expenses	O&M
541-545.1 - Total Hydraulic Power Generation Maintenance Expenses	O&M
546-550.1 - Total Other Power Generation Operation Expenses	O&M
551-554.1 - Total Other Power Generation Maintenance Expenses	O&M
555-557 - Total Other Power Supply Operation Expenses	O&M
560 - Operation Supervision and Engineering	O&M
561.1 - Load Dispatch-Reliability	O&M
561.2 - Load Dispatch-Monitor and Operate Transmission System	O&M
561.3 - Load Dispatch-Transmission Service and Scheduling	O&M
561.4 - Scheduling, System Control and Dispatch Services	O&M
561.5 - Reliability Planning and Standards Development	O&M
561.6 - Transmission Service Studies	O&M
561.7 - Generation Interconnection Studies	O&M
561.8 - Reliability Planning and Standards Development Services	O&M
562 - Station Expenses (Major Only)	O&M
563 - Overhead Line Expenses (Major Only)	O&M
564 - Underground Line Expenses (Major Only)	O&M
565 - Transmission of Electricity by Others (Major Only)	O&M
566 - Miscellaneous Transmission Expenses (Major Only)	O&M
567 - Rents	O&M
567.1 - Operation Supplies and Expenses (Nonmajor Only)	O&M
568 - Maintenance Supervision and Engineering (Major Only)	O&M
569 - Maintenance of Structures (Major Only)	O&M
569.1 - Maintenance of Computer Hardware	O&M
569.2 - Maintenance of Computer Software	O&M
569.3 - Maintenance of Communication Equipment	O&M
569.4 - Maintenance of Miscellaneous Regional Transmission Plant	O&M
570 - Maintenance of Station Equipment (Major Only)	O&M
571 - Maintenance of Overhead Lines (Major Only)	O&M
572 - Maintenance of Underground Lines (Major Only)	O&M
573 - Maintenance of Miscellaneous Transmission Plant (Major Only)	O&M
574 - Maintenance of Transmission Plant (Nonmajor Only)	O&M
575.1-575.8 - Total Regional Market Operation Expenses	O&M
576.1-576.5 - Total Regional Market Maintenance Expenses	O&M
580-589 - Total Distribution Operation Expenses	O&M
590-598 - Total Distribution Maintenance Expenses	O&M

Accounts Charged by Electric and Electric/Gas Comparative Companies

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Form 60 Service Company Charges	Category
800-812 - Total Other Gas Supply Operation Expenses	O&M
814-826 - Total Underground Storage Operation Expenses	O&M
830-837 - Total Underground Storage Maintenance Expenses	O&M
840-842.3 - Total Other Storage Operation Expenses	O&M
843.1-843.9 - Total Other Storage Maintenance Expenses	O&M
844.1-846.2 - Total Liquefied Natural Gas Terminating and Processing Operation Expenses	O&M
847.1-847.8 - Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses	O&M
850 - Operation Supervision and Engineering	O&M
851 - System Control and Load Dispatching.	O&M
852 - Communication System Expenses	O&M
853 - Compressor Station Labor and Expenses	O&M
854 - Gas for Compressor Station Fuel	O&M
855 - Other Fuel and Power for Compressor Stations	O&M
856 - Mains Expenses	O&M
857 - Measuring and Regulating Station Expenses	O&M
858 - Transmission and Compression of Gas By Others	O&M
859 - Other Expenses	O&M
860 - Rents	O&M
861 - Maintenance Supervision and Engineering	O&M
862 - Maintenance of Structures and Improvements	O&M
863 - Maintenance of Mains	O&M
864 - Maintenance of Compressor Station Equipment	O&M
865 - Maintenance of Measuring And Regulating Station Equipment	O&M
866 - Maintenance of Communication Equipment	O&M
867 - Maintenance of Other Equipment	O&M
871-881 - Total Distribution Operation Expenses	O&M
885-894 - Total Distribution Maintenance Expenses	O&M
901 - Supervision	Baryenbruch's A&G
903 - Customer records and collection expenses	Baryenbruch's A&G
905 - Miscellaneous customer accounts expenses	Baryenbruch's A&G
907 - Supervision	Baryenbruch's A&G
910 - Miscellaneous Customer Service And Informational Expenses	Baryenbruch's A&G
911 - Supervision	Baryenbruch's A&G
920 - Administrative and General Salaries	Baryenbruch's A&G
921 - Office Supplies and Expenses	Baryenbruch's A&G
923 - Outside Services Employed	Baryenbruch's A&G
928 - Regulatory Commission Expenses	Baryenbruch's A&G
930.2 - Miscellaneous General Expenses	Baryenbruch's A&G
931 - Rents	Baryenbruch's A&G
935 - Maintenance of Structures and Equipment	Baryenbruch's A&G

Service Company Charges as a Percent of FERC Form 1 Expenses Electric and Electric/Gas Comparative Companies

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	Baryenbruch's Service Company A&G Charges from FERC Form 60	Electric Company Expenses from FERC Form 1	Service Company A&G Charges as a Percent of FERC Form 1 Expenses
AEP	\$ 418,484,117	\$ 626,727,544	67%
Allegheny	176,685,245	143,939,399	123%
Alliant	149,116,475	117,443,191	127%
Ameren	212,036,412	318,486,554	67%
Black Hills	81,484,333	45,206,482	180%
Centerpoint	119,304,604	135,625,714	88%
Dominion	279,128,940	338,898,304	82%
Duke	901,762,388	829,893,015	109%
Energy East	89,580,962	331,794,707	27%
Entergy	262,596,172	338,097,196	78%
E-On	105,893,093	108,966,066	97%
Exelon	537,633,122	565,869,869	95%
FirstEnergy	255,874,712	366,225,142	70%
Integrus	175,423,352	82,328,439	213%
National Grid	1,314,902,105	527,974,155	249%
NiSource	216,480,637	91,438,378	237%
Northeast	269,948,801	345,820,660	78%
PHI	215,465,623	338,693,451	64%
Progress	186,256,921	341,391,527	55%
PNM	87,998,259	86,053,266	102%
SCANA	166,555,883	145,990,601	114%
Southern Co	508,130,523	708,203,505	72%
Unitil	21,115,280	13,069,885	162%
Xcel	333,389,459	360,512,593	92%
Total	\$ 7,085,247,416	\$ 7,308,649,643	97%

Correction of Baryenbruch's Oversimplification Electric and Electric/Gas Comparative Companies

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Company	Baryenbruch's Service Company A&G Charges from FERC Form 60	Electric Company Expenses from FERC Form 1	Service Company A&G Charges as a Percent of FERC Form 1 Expenses	Corrected A&G Amounts
AEP	\$ 418,484,117	\$ 626,727,544	67%	\$ 418,484,117
Allegheny	176,685,245	143,939,399	123%	143,939,399
Alliant	149,116,475	117,443,191	127%	117,443,191
Ameren	212,036,412	318,486,554	67%	212,036,412
Black Hills	81,484,333	45,206,482	180%	45,206,482
Centerpoint	119,304,604	135,625,714	88%	119,304,604
Dominion	279,128,940	338,898,304	82%	279,128,940
Duke	901,762,388	829,893,015	109%	829,893,015
Energy East	89,580,962	331,794,707	27%	89,580,962
Entergy	262,596,172	338,097,196	78%	262,596,172
E-On	105,893,093	108,966,066	97%	105,893,093
Exelon	537,633,122	565,869,869	95%	537,633,122
FirstEnergy	255,874,712	366,225,142	70%	255,874,712
Integrus	175,423,352	82,328,439	213%	82,328,439
National Grid	1,314,902,105	527,974,155	249%	527,974,155
NiSource	216,480,637	91,438,378	237%	91,438,378
Northeast	269,948,801	345,820,660	78%	269,948,801
PHI	215,465,623	338,693,451	64%	215,465,623
Progress	186,256,921	341,391,527	55%	186,256,921
PNM	87,998,259	86,053,266	102%	86,053,266
SCANA	166,555,883	145,990,601	114%	145,990,601
Southern Co	508,130,523	708,203,505	72%	508,130,523
Unitil	21,115,280	13,069,885	162%	13,069,885
Xcel	333,389,459	360,512,593	92%	333,389,459
Total	\$7,085,247,416	\$ 7,308,649,643	97%	\$ 5,877,060,271
Customers				74,833,289
Cost Per Customer				\$ 79
Baryenbruch's Cost Per Customer				\$ 95
Difference				\$ (16)

AWWSC A&G Charges to TAWC Compared to Peer Water Utilities - 2009

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Utility	State	Salaries & Wages - Employees	Salaries & Wages - Officers	Employee Pensions & Benefits	Materials and Supplies	Contractual Services - Engineering	Contractual Services - Accounting	Contractual Services - Legal	Contractual Services - Mgt. Fees	Contractual Services - Other	Rental of Building/Real Property	Misc. Expense	Total Selected A&G Expenses	Average Number of Customers	A&G/ Customer
United Water Arkansas	AR	\$ 357,251	\$ -	\$ 1,052,864	\$ 12,579	\$ -	\$ 12,669	\$ 1,225	\$ 556,012	\$ 163,592	\$ -	\$ 65,929	\$ 2,222,121	17,333	\$ 128
Aqua Utilities of Florida	FL	\$ 14,110	\$ 18,157	\$ 202,109	\$ 31	\$ 7,279	\$ 21,132	\$ 97,312	\$ 1,471,184	\$ 84,765	\$ -	\$ 115,955	\$ 2,032,034	18,415	\$ 110
Indiantown Company, Inc.	FL	\$ 56,315	\$ -	\$ -	\$ 14,834	\$ 16,743	\$ 8,959	\$ 3,273	\$ 154,387	\$ -	\$ 1,509	\$ 453	\$ 256,473	1,822	\$ 141
Lake Utility Services	FL	\$ 136,090	\$ 60,686	\$ 57,453	\$ 7,669	\$ -	\$ 9,776	\$ 3,837	\$ -	\$ 11,704	\$ -	\$ 42,938	\$ 330,153	8,934	\$ 37
Marion Utilities, Inc.	FL	\$ 6,754	\$ 99,987	\$ 21,348	\$ -	\$ -	\$ 25,176	\$ 2,644	\$ -	\$ -	\$ 39,552	\$ 47,207	\$ 242,668	6,122	\$ 40
North Fort Myers Utility, Inc.	FL	\$ -	\$ 33,150	\$ -	\$ -	\$ -	\$ 11,760	\$ 1,142	\$ 16,209	\$ -	\$ 6,522	\$ 38,876	\$ 107,659	1,846	\$ 58
North Sumter Utility Company	FL	\$ -	\$ -	\$ -	\$ 3,100	\$ 64,984	\$ 24,885	\$ 10,740	\$ 382,627	\$ 90,768	\$ -	\$ 1,114	\$ 578,218	17,126	\$ 34
Rainbow Springs Utilities	FL	\$ 42,567	\$ -	\$ 29,831	\$ 1,378	\$ -	\$ 26,662	\$ 8,982	\$ 60,982	\$ -	\$ 8,101	\$ 29,011	\$ 207,514	2,432	\$ 85
Royal Utility Company	FL	\$ -	\$ 44,000	\$ 12,727	\$ -	\$ 480	\$ 12,898	\$ 2,915	\$ -	\$ -	\$ -	\$ 52,953	\$ 125,973	1,926	\$ 65
Sanlando Utilities Corporation	FL	\$ 180,599	\$ 80,430	\$ 81,634	\$ 10,356	\$ -	\$ 13,004	\$ 3,841	\$ -	\$ 2,077	\$ -	\$ 38,384	\$ 410,325	12,160	\$ 34
Southlake Utilities Inc.	FL	\$ 14,686	\$ -	\$ 1,016	\$ 1,127	\$ 13,524	\$ 23,463	\$ 51,541	\$ 66,300	\$ -	\$ 15,378	\$ 2,887	\$ 189,922	2,366	\$ 80
Utilities, Inc. of Florida	FL	\$ 1	\$ -	\$ 46,312	\$ 1	\$ -	\$ 7,502	\$ 1,864	\$ -	\$ 41,635	\$ -	\$ 104,014	\$ 201,329	6,746	\$ 30
Water Service Corp. of KY	KY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,841	\$ -	\$ -	\$ 33,841	7,344	\$ 5
The Empire District Electric Co.	MO	\$ 17,645	\$ -	\$ 145,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,008	4,558	\$ 36
Carolina Water Services	SC	\$ (110,912)	\$ -	\$ 143,329	\$ 183,019	\$ (65)	\$ 8,855	\$ 16,141	\$ -	\$ 9,666	\$ 288	\$ 27,270	\$ 277,591	8,791	\$ 32
Kiawah Island Utility	SC	\$ 355,756	\$ -	\$ 30,534	\$ 5,924	\$ -	\$ 7,083	\$ 3,326	\$ 59,065	\$ -	\$ 19,072	\$ 53,691	\$ 534,451	3,524	\$ 152
Utilities Services of South Carolina	SC	\$ 63,193	\$ -	\$ 162,368	\$ 203,332	\$ (14,256)	\$ 7,004	\$ 39,366	\$ -	\$ 45,960	\$ -	\$ 27,451	\$ 534,418	6,960	\$ 77
Aqua Virginia, Inc.	VA	\$ 4,760	\$ -	\$ 61,684	\$ 3,769	\$ -	\$ 12,972	\$ 14,520	\$ 321,652	\$ 21,155	\$ -	\$ 35,519	\$ 476,031	4,337	\$ 110
United Water of Virginia	VA	\$ 186,573	\$ -	\$ 235,708	\$ 935	\$ -	\$ -	\$ 18,632	\$ -	\$ 149,280	\$ 4,500	\$ 73,555	\$ 669,183	2,585	\$ 259
Peer Total		\$ 1,325,388	\$ 336,410	\$ 2,284,280	\$ 448,054	\$ 88,689	\$ 233,800	\$ 281,301	\$ 3,088,418	\$ 654,443	\$ 94,922	\$ 757,207	\$ 9,592,912	135,323	\$ 71
Tennessee American Water ¹	TN	\$ 1,538,187	\$ -	\$ 3,557,638	\$ 6,895	\$ -	\$ 71,356	\$ 43,151	\$ -	\$ 3,900,310	\$ 2,511	\$ 732,990	\$ 9,853,038	74,625	\$ 132
Difference from Peer Average Adjustment															\$ 61 \$ (4,562,982)

¹ \$1,108,290 was removed from the Management Fee as it relates to Customer Service Account Expense.

² Exclusion of non-A&G functions included in the management fee is necessary to develop a per customer cost comparable to the peer group. The expense for non-A&G functions was estimated by using the amounts analogous to those included in Baryenbruch's comparative analysis: \$8,569 for engineering and \$153,782 for Water Quality. The analogous charges for Operations was estimated to be \$427,672 for 2009.

AWWSC Customer Service Charges to TAWC Compared to Peer Water Utilities - 2009

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-16
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Utility	State	Salaries & Wages - Employees	Salaries & Wages - Officers	Employee Pensions & Benefits	Materials and Supplies	Contractual Services - Engineering	Contractual Services - Accounting	Contractual Services - Legal	Contractual Services - Mgt. Fees	Contractual Services - Other	Rental of Building/Real Property	Misc. Expenses	Total	Average Number of Customers	Customer Acct Svcs/ Customer
United Water Arkansas	AR	\$ 556,713	\$ -	\$ -	\$ 9,486	\$ -	\$ -	\$ -	\$ -	\$ 276,656	\$ -	\$ 80,600	\$ 923,455	17,333	\$ 53
Aqua Utilities of Florida	FL	\$ 144,015	\$ -	\$ -	\$ 515	\$ -	\$ -	\$ -	\$ -	\$ 280,666	\$ -	\$ -	\$ 425,196	18,415	\$ 23
Indiantown Company, Inc.	FL	\$ 44,492	\$ -	\$ -	\$ 27,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,919	1,822	\$ 39
Lake Utility Services	FL	\$ 37,394	\$ -	\$ 10,918	\$ 7,669	\$ -	\$ -	\$ -	\$ -	\$ 11,704	\$ -	\$ 42,938	\$ 110,623	8,934	\$ 12
Marion Utilities, Inc.	FL	\$ 86,150	\$ 199,973	\$ 57,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,389	\$ 400,737	6,122	\$ 65
North Fort Myers Utility, Inc.	FL	\$ 3,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,061	\$ -	\$ 11,337	\$ 17,532	1,846	\$ 9
North Sumter Utility Company	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Rainbow Springs Utilities	FL	\$ 51,296	\$ -	\$ -	\$ 1,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,656	\$ 55,964	2,432	\$ 23
Royal Utility Company	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Sanlando Utilities Corporation	FL	\$ 52,755	\$ -	\$ 16,498	\$ 10,356	\$ -	\$ -	\$ -	\$ -	\$ 2,077	\$ -	\$ 38,384	\$ 120,070	12,160	\$ 10
Southlake Utilities Inc.	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,383	\$ 12,383	2,366	\$ 5
Utilities, Inc. of Florida	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,635	\$ -	\$ 104,014	\$ 145,649	6,746	\$ 22
Water Service Corp. of KY	KY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,841	\$ -	\$ -	\$ 33,841	7,344	\$ 5
The Empire District Electric Co.	MO	\$ 27,143	\$ (734)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,818	\$ -	\$ -	\$ 65,227	4,558	\$ 14
Carolina Water Services	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,844	\$ 45,844	8,791	\$ 5
Kiawah Island Utility	SC	\$ -	\$ -	\$ -	\$ 40,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,479	3,524	\$ 11
Utilities Services of South Carolina	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,756	\$ 51,756	6,960	\$ 7
Aqua Virginia, Inc.	VA	\$ 14,880	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 72,946	\$ -	\$ -	\$ 87,834	4,337	\$ 20
United Water of Virginia	VA	\$ 25,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,667	\$ 29,749	2,585	\$ 12
Peer Average		\$ 1,043,054	\$ 199,239	\$ 84,641	\$ 96,952	\$ -	\$ -	\$ -	\$ -	\$ 761,404	\$ -	\$ 452,968	\$ 2,638,258	116,271	\$ 23
Tennessee American Water ¹	TN	\$ 409,442	\$ -	\$ -	\$ 1,943	\$ -	\$ -	\$ -	\$ -	\$ 1,132,225	\$ -	\$ 823,670	\$ 2,367,280	74,625	\$ 32
Difference from Peer Average Adjustment															\$ 9 \$ (674,006)

¹ \$1,108,290 was added to Contractual Services – Other as it relates to Customer Service Accounts portion of the Management Fee.

Note: North Sumter Utility Company and Royal Utility Company were excluded from the analysis due to lack of customer-related O&M expenses.
Source: Companies' 2009 Annual Reports.

Recommended Adjustment for Excessive Service Company Charges to TAWC

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-17
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Account	2009 Disallowance	Percent Disallowance	Attrition Year Expenditures	Attrition Year Disallowance
Service Company Administrative & General	(3,972,958)	100.00%	\$ 4,089,360	\$ (4,089,360)
Service Company Customer Accounts	(674,006)	59.53%	\$ 1,136,675	\$ (676,655)
Total	(4,646,964)		\$ 5,226,034	\$ (4,766,014)

Service Company Charges to TAWC Compared to Customer Growth and Inflation

Witness: Dismukes
Docket No. 10-00189
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	2005	2006	2007	2008	2009	TY 3/31/2010	FTY 12/31/2011
Management Fees	\$ 3,716,559	\$ 4,996,357	\$ 4,734,432	\$ 5,038,489	\$ 4,881,682	\$ 5,008,401	\$ 5,226,034
Customers	72,660	73,701	74,540	74,774	74,475	74,814	75,249
Management Fee per Customer	\$ 51.15	\$ 67.79	\$ 63.52	\$ 67.38	\$ 65.55	\$ 66.94	\$ 69.45
Annual Increase	0.00%	32.54%	-6.31%	6.09%	-2.72%	2.13%	3.74%
Cummulative Increase in Mgt. Fees/Customer	0.00%	32.54%	26.23%	32.32%	29.59%	31.72%	35.47%
Consumer Price Index	0.00%	3.20%	2.90%	3.80%	1.10%	1.40%	2.30%
Cumulative Increase in CPI	0.00%	3.20%	6.10%	9.90%	11.00%	11.35%	14.70%
Difference Adjustment							20.77% \$ (1,085,259)

AWWSC Business Development Expenses Charged to TAWC

	2007	2008	2009	Test Year March 2010 ¹	Attrition Year 2011 ^{1,2}
CORP-Corporate Bus Development	\$ 18,232	\$ 14,836	\$ 27,806	\$ 29,496	\$ 31,064
WE-Business Development	\$ 306	\$ 124	\$ 125	91	96
CE-Business Development	\$ 947	\$ 177	\$ 486	799	842
SE-Business Development	\$ 78,120	\$ 27,391	\$ 43,469	48,288	50,856
NE-Business Development	\$ 1,713	\$ 27	\$ 6	3	\$ 3
Total	\$ 99,318	\$ 42,555	\$ 71,892	\$ 78,677	\$ 82,861
Customers	74,540	74,774	74,475	74,814	75,249
AWWSC Business Development Expenses Per Customer Charged to TAWC					
CORP-Corporate Bus Development	\$ 0.24	\$ 0.20	\$ 0.37	\$ 0.39	\$ 0.41
WE-Business Development	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
CE-Business Development	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01
SE-Business Development	\$ 1.05	\$ 0.37	\$ 0.58	\$ 0.65	\$ 0.68
NE-Business Development	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total	\$ 1.33	\$ 0.57	\$ 0.97	\$ 1.05	\$ 1.10

¹ Estimated based upon 2009 relationship to total.

² Customers are as of September 2011.

Recommended Specific Adjustments to AWWSC Management Fee Charged to TAWC

Witness: Dismukes
Docket No. 10-00189
Schedule KHD-20
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		Expense
Business Development Fees	3/31/2010	\$ (78,677)
Annual increase 3.0%		<u>(2,360)</u>
Fees @ 3/31/11		\$ (81,037)
Annual increase 3.0%		<u>(1,823)</u>
Total Business Development Fees @ 12/31/11		\$ (82,861)
Corporate-Government Affairs	3/31/2010	(11,202)
Annual increase 3.0%		<u>(336)</u>
Expense @ 3/31/11		\$ (11,538)
Annual increase 3.0%		<u>(260)</u>
Total Corporate-Government Affairs Expenses @ 12/31/11		\$ (11,797)
Recommended Adjustment		\$ (94,658)