

January 14, 2011

Via E-Mail and USPS

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

filed electronically in docket office on 01/14/11

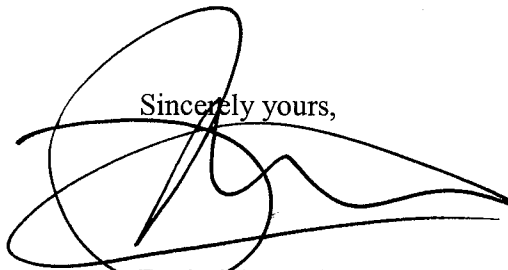
Re: Petition of Tennessee American Water Company
Docket No. 10-00189

Dear Chairman Freeman:

Enclosed please find an original and five (5) copies of The City of Chattanooga's Second Discovery Requests to Petitioner Tennessee American Water Company. I would appreciate you stamping the extra copy of the document as "filed," and returning it to me in the enclosed, self-addressed, stamped envelope.

With best regards, I am

Sincerely yours,



Frederick L. Hitchcock

FLH:kwr
Enclosures

Chairman Mary Freeman
c/o Ms. Sharla Dillon
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cc: Mr. J. Richard Collier (w/encl.)
Mr. R. Dale Grimes (w/encl.)
Mr. Robert E. Cooper, Jr., Attorney General (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.)
Mr. Henry M. Walker (w/encl.)
Mr. Michael A. McMahan (w/enc.)
Ms. Valerie L. Maleug
Mr. Mark Brooks (w/encl.)
Mr. Scott H. Strauss (w/encl.)
Ms. Katharine M. Mapes
Mr. Donald L. Scholes (w/encl.)
Ms. Kelly Cashman-Grams (via email)
Ms. Monica Smith-Ashford (via email)
Ms. Shilina Chatterjee Brown (via email)

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

IN RE:)
)
PETITION OF TENNESSEE AMERICAN)
WATER COMPANY TO CHANGE AND)
INCREASE CERTAIN RATES AND CHARGES.)

Docket No. 10-00189

**CITY OF CHATTANOOGA'S SECOND DISCOVERY REQUESTS TO PETITIONER
TENNESSEE AMERICAN WATER COMPANY**

Intervenor, the City of Chattanooga (Chattanooga), by and through counsel, submits the following Second Discovery Requests (the "Requests") to Petitioner, Tennessee American Water Company ("**TAWC**"). The responses to the Requests shall be delivered to the offices of the City Attorney, 100 East 11th Street, Suite 200, Chattanooga, Tennessee.

INSTRUCTIONS AND DEFINITIONS

A. These Requests are to be deemed as continuing, and you are requested to provide, by way of supplemental responses, such additional information as may be hereafter obtained by you or any person on your behalf which augment, supplement, or otherwise modify responses to these Requests.

B. The word "**Document**" shall include and mean, without limitation, the original and each draft and copy of any kind of written, printed, typed, recorded, electronic, or graphic matter, however produced or reproduced, or however stored, of any kind or description, whether sent or received or neither. The term shall further include, without limitation, originals, all copies, all images, all backup or archived copies, all electronic copies in native or original format with all formulas and calculations intact and discernable, and all drafts of: Papers, books, writings, memoranda, letters, electronic messages, electronic files, computer files, emails, correspondence, telegraphs, notes, book entries, accounts, statements of accounts, checks,

cancelled checks, minutes of meetings, contracts, cables, telex messages, intra-office communications, intra-departmental communications, recordings or notes of telephone conversations, recordings or notes of other conversations, or meetings, affidavits, schedules, tabulations, calculations, computer files, and all other written or electronic records. The term "**Document**" includes the term "**Communication**".

C. The term "**Communication**" means any oral or written statement conveyed by one person or entity to another person or entity by whatever means, including electronic **Communications**, emails, and computer files.

D. If any **Document** called for by any request herein is to be withheld pursuant to any purported privilege or immunity:

(1) State the basis for such claim of privilege or immunity (e.g., attorney-client privilege, work product doctrine);

(2) **Identify** the **Document** being withheld by stating the name or title of the **Document**; the type of **Document**; its date, author, addressee, and all recipients of copies; a general description of its subject matter; its present location(s) and custodian(s); and each person who, to your knowledge, has seen it; and

(3) State the number and/or portion of the request to which each such **Document** would be responsive.

E. "**TAWC**" means the Petitioner, Tennessee American Water Company.

F. "**TAWC Parent or Affiliate**" means **AWWC** or any subsidiary or affiliate of **AWWC**.

G. "**AWWSC**" means American Water Works Service Company, Inc.

H. "**AWWC**" means American Water Works Company, Inc.

- I. **"AWCC"** means American Water Capital Corp.
- J. **"AWSCorp"** means American Water Services Corp.
- K. **"AWR"** means American Water Resources.
- L. **"ACS"** means American Carbon Services.
- M. **"Explain"** means to provide a detailed explanation of the specified subject matter and to provide all **Documents** reflecting, recording, referring to, reporting, or relating to the subject matter or the response.
- N. **"Identify"** means: (i) when used with reference to an individual person, to state his/her full name, employer, job title, present or last known residence address and telephone number, and present or last known business address and telephone number; (ii) when used with reference to an entity, to state the entity's full legal name, present address and telephone number, and the names, addresses, and telephone numbers of the owners or principals of the entity; and (iii) when used with reference to a **Document**, means to state the type of the **Document**, its date, author, addressee, any other recipient(s), general subject matter, present location, and custodian. If any **Document** to be identified was, but no longer is, in your possession, state the disposition that was made of it and the reasons, facts, or circumstances associated with its disposition.
- O. **"Non-Regulated Company"** means an affiliate or subsidiary of **AWWC**, **AWWSC**, **AWR**, or **TAWC** that existed during any portion of the period 2006 to present, the rates and/or operations of which are not subject to regulation as public utilities. It includes all "non-regulated businesses" as that term is used in AWWC's SEC filings.
- P. **"Non-Regulated Service"** means any product or service provided during any portion of the period 2006 to present by **TAWC** or by any subsidiary or affiliate of **AWWC**,

AWWSC, AWR, or TAWC, the cost of which is not subject to regulation by any state agency that regulates public utilities.

Q. **"Schumaker Report"** means the "Shumaker & Company Affiliate Audit Report of Tennessee-American Water Company for the Tennessee Regulatory Authority, dated August, 2010."

R. **"Schumaker & Company"** means *Schumaker & Company*, its subcontractor Work & Greer, PC, and any other employee, agent, contractor, or subcontractor of *Schumaker & Company* and Work & Greer, PC.

S. **"Workpapers"** mean spreadsheets, notes, calculations, compilations, or other *Documents* related to or referring to the referenced subject. All *Workpapers* shall be provided in form that permits full access, including full access to all formulas and calculations.

T. **"Baryenbruch Report"** means the "Market Cost Comparison of Service Company Charges to Tennessee American Water Company, 12-Months Ended March 31, 2010" prepared by Baryenbruch & Company, LLC.

U. **"Baryenbruch"** means Patrick L. *Baryenbruch* and Baryenbruch & Company, LLC and all associates, employees, contractors, and agents of either of them.

DISCOVERY REQUESTS

1. For purposes of this request please refer to Mr. *Baryenbruch*'s Exhibit 3. Please provide the title, base pay rate, fully loaded labor rate, and hours worked for each person whose hours are shown in Exhibit 3. **Identify** all employees of *AWWSC* that were not included in Exhibit 3 and **Explain** why they were excluded.

RESPONSE:

2. In response to TRA 1-63, the Company stated that "AWWSC billed the non-regulated subsidiaries of *AWWC* \$18,283,334 in 2008 and \$19,856,914 in 2009." In response to COC 1-66, the data provided by the Company shows that *AWWSC* billed non-regulated subsidiaries of *AWWC* \$13,380,937 in 2008 and \$12,138,744 in 2009. Please ***Explain*** in detail the discrepancies between the two sets of data. Provide all ***Workpapers*** and supporting ***Documents*** used to develop this response.

RESPONSE:

3. For purposes of this request, please refer to the Company's response to IR 2-39 issued during the management audit conducted by ***Schumaker & Company*** in connection with Docket No. 09-00086.

(a) Please provide the password to permit full access to the spreadsheet, "TAWC-Schumaker-02-Q39-ATTACHMENT 1.xls."

(b) Please provide the analogous information provided in the spreadsheet, "TAWC-Schumaker-02-Q39-ATTACHMENT 1.xls" for 2006, 2007, 2008, and 2010. Please include any passwords, if applicable.

(c) Please ***Explain*** how the factors in the tab "formulas" are used and ***Explain*** to what expense account each of the factors is applied.

(d) Provide the ***Workpapers***, including all spreadsheets, that show how the *AWWSC* expenses are allocated to each affiliated company. Please provide this for 2006, 2007, 2008, and 2010. Please include any passwords, if needed to fully access the ***Workpapers***.

RESPONSE:

4. For purposes of this request, please refer to the following statements made in *AWWC's* 2009 10-K:

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

*Building on the success of its Service Line Protection Programs, our Homeowner Services Group recently introduced LineSaver™, an exclusive program for municipalities and public water systems that is available across the country. The LineSaver™ program involves partnering with municipalities to offer our protection programs to homeowners serviced by the municipal system while providing an income opportunity to the municipality or public water system. We entered into our first LineSaver™ program partnership with the city of Trenton, New Jersey and are currently discussing partnerships with municipalities across the nation."*¹

(a) Provide *AWWC's* business plans, strategic plans and any other current and forward-looking planning **Documents** for the LineSaver program.

(b) Provide *AWWC's* business plans, strategic plans and any other current and forward-looking planning **Documents** concerning, relating to, or referring to *AWWC's* intention to expand its service offering to the remaining key states in which it operates its Regulated Businesses as well as other viable territories.

(c) State the amount of expense from *AWWC* and *AWWSC* that were allocated or charged to the function of planning, building, and marketing of the programs identified in (a) and (b).

(d) **Identify** the persons responsible for developing the business plans, strategic plans and any other current and forward-looking plans for the programs identified in (a) and (b).

(e) Provide the amount of *AWR* revenue earned in 2005, 2006, 2007, 2008, 2009 and 2010.

(f) Provide the amount of expenses charged to *AWR* by *AWWSC* in 2005, 2006, 2007, 2008, 2009 and 2010.

¹ American Water Works Company, 10-K, 2009, p. 19.

(g) Provide the amount of expenses charged to **AWR** by **AWWC** or **AWWSC** in 2005, 2006, 2007, 2008, 2009 and 2010.

(h) Provide the amount of **AWR** revenue earned in 2005, 2006, 2007, 2008, 2009 and 2010 for the services provided to **TAWC** customers.

RESPONSE:

5. For purposes of this request, please refer to **AWWC**'s 2009 10-K, p. 135, where it states: *"The Non-Regulated Businesses segment is comprised of non-regulated businesses that provide a broad range of non-regulated water and wastewater services and products including homeowner water and sewer line maintenance services, water and wastewater facility operations and maintenance services, granular carbon technologies and products for cleansing water and wastewater, wastewater residuals management services and water and wastewater facility engineering services."*

(a) Please provide for each **AWWC Non-Regulated Company** that is involved in the lines of business described above, for each water and wastewater system served by **AWWC**'s non-regulated businesses, the number of customers served by each system for the years 2006, 2007, 2008, 2009, 2010, and as projected for 2011. Provide all **Workpapers** and supporting **Documents** used to develop this response.

(b) Please state whether the number of customers provided in (a) is used to allocate **AWWSC** expenses to each of the **AWWC** nonregulated businesses that provide the services described in **AWWC**'s 2009 10-K, p. 135. Provide this response for each "Non-Regulated Business" providing non-regulated services, including, without limitation, each company that provides each of the following lines of business: homeowner water and sewer line maintenance services, water and wastewater facility operations and maintenance services, granular carbon

technologies and products for cleansing water and wastewater, wastewater residuals management services and water and wastewater facility engineering services.

RESPONSE:

6. Allocation Factors.

(a) For each Tier One allocation factor, separate by account, please provide the total amount of expense each factor is used to allocate and the allocated amount for each subsidiary for the years 2006, 2007, 2008, 2009, the test year, the normalization period, and the attrition period.

Provide all *Workpapers* and supporting *Documents* used to develop this response.

(b) For each Tier Two allocation factor, separate by account, please provide the total amount of expense each factor is used to allocate and the allocated amount for each subsidiary for the years 2006, 2007, 2008, 2009, the test year, the normalization period, and the attrition period.

Provide all *Workpapers* and supporting *Documents* used to develop this response.

RESPONSE:

7. Please provide all spreadsheets of Mr. *Baryenbruch*, or provided to Mr. *Baryenbruch*, under the directory P:/amwater/TN10/Report.

RESPONSE:

8. Please ***Explain*** all differences between the draft versions of the "American Water Works Service Company, Inc. Accounting and Service Fee Billing Manual" included in your response to TN-COC-01-Q19.

RESPONSE:

9. Please provide the versions of the "Accounting and Service Fee Billing Manual" used by ***AWWSC*** in each of the years 2004 to date.

RESPONSE:

10. Please describe the process by which any version of the "Accounting and Service Fee Billing Manual" will be further modified or revised, state the schedule for such revisions, and ***Identify*** the person or persons who will be responsible for such revisions.

RESPONSE:

11. Please ***Identify*** each ***Document*** that you anticipate you will rely on in support of the request(s) for relief, including any increase in rates, made by ***TAWC*** in TRA Docket No. 10-00189.

RESPONSE:

12. Please *Identify* all persons known to you who have or claim to have knowledge, information, or possess any document(s) that support your answer to the previous discovery request.

RESPONSE:

13. Please *Identify* any person you intend to call as a fact witness, the subject matter of the witness' testimony, the substance and basis of the facts to be testified to, the data, documents, materials or other information shown to, relied upon, created by or considered by the witness as part of this case, any exhibits to be used by the witness, a full resume for the witness, the compensation to be paid for the testimony, and a listing of any other cases in which the witness has testified at trial or by deposition.

RESPONSE:

14. Please *Identify* and produce any and all engagement letters, expert reports and work papers (including drafts) created by or provided to any expert or other witness.

RESPONSE:

15. Please produce in electronic media (Word, Excel, or other Microsoft Office compatible format) and in hard copy all work papers and other documents, created by or relied upon by all expert or fact witnesses of *TAWC*.

RESPONSE:

16. Please *Identify* and produce any and all documentation, items, reports, data, communications, and evidence of any kind that *TAWC* intends to offer as evidence at the hearing or to refer to in any way at the hearing.

RESPONSE:

17. If you believe that the City of Chattanooga or any other Intervenor in this proceeding has made any admission or statement against interest that contradicts the position of the City or the other Intervenor, please state with specificity any and all admissions or statements against interest allegedly made by the City or the other Intervenor. For each such admission or statement against interest state:

- (a) The identity of the person making each admission or statement;
- (b) The location where each admission or statement was made;
- (c) The date and time each admission or statement was made;
- (d) The identity of all persons present when each admission or statement was made; and

(e) Identify all *Documents* which refer or relate to each admission or statement and attach copies of said *Documents* hereto.

RESPONSE:

18. Please *Identify*, other than your attorneys, each person who provided information or participated in the preparation of the responses to each of these discovery requests, and for each such person specify the responses for which he or she provided information or participated in preparing.

RESPONSE:

19. Please *Identify* all persons with whom you consulted prior to answering these discovery requests.

RESPONSE:

20. Please *Identify* all *Documents* reviewed by you to respond to these discovery requests.

RESPONSE:

21. Please produce all *Documents* identified or specified in your answers or responses to the discovery requests.

RESPONSE:

22. Please provide all *Documents* reflecting any services provided by *TAWC* to *AWR* other than those described under Sections 6.1.1, 6.1.2, and 6.1.3 of the "Agreement for Support Services Between American Water Resources, Inc. and Tennessee American Water Company", dated May 1, 2004 (as it may have been amended or replaced subsequently) (the "*AWR Service Agreement*").

RESPONSE:

23. Please provide copies of all Service Orders prepared or submitted by *TAWC* to *AWR* pursuant to the *AWR Service Agreement* or otherwise.

RESPONSE:

24. Please provide all *Workpapers* and *Documents* containing, referring to, relating to, or discussing information used or consulted in the preparation of the *Schumaker Report*.

RESPONSE:

25. Please *Identify* Huron Consulting and describe the work completed by Huron Consulting for *TAWC* or any other *TAWC Parent or Affiliate*.

RESPONSE:

26. Please *Identify* all of the employees, officers, contractors, and subcontractors of Huron Consulting engaged in work completed by Huron Consulting for *TAWC* or any other *TAWC Parent or Affiliate*.

RESPONSE:

27. Please produce all *Documents* created by or received by Huron Consulting, or any of its employees, officers, contractors, or subcontractors, containing, referring to, relating to, or discussing the *Schumaker Report*.

RESPONSE:

Respectfully Submitted,

OFFICE OF THE CITY ATTORNEY

By:  *by FLH in permission*

Michael A. McMahan (BPR No. 000810)

City Attorney

Valerie L. Malueg (BPR No. 023763)

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CHAMBLISS, BAHNER & STOPHEL, P.C.

By: 

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing pleading was emailed and was served upon the following person(s) via ☐ hand delivery or ☒ United States first class mail with proper postage applied thereon to ensure prompt delivery:

Mr. J. Richard Collier
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State of Tennessee
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Mr. T. Jay Warner
Mr. Ryan L. McGehee
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Mr. Donald L. Scholes
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue, North, Fourth Floor
Nashville, TN 37201

This 14th day of January, 2011.



Frederick L. Hitchcock