

January 21, 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 01/21/11

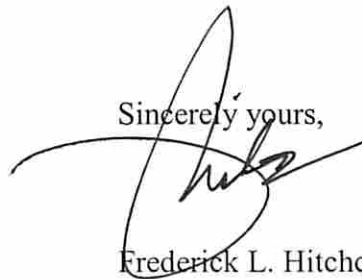
**Re: Petition of Tennessee American Water Company  
Docket No. 10-00189**

Dear Chairman Freeman:

Enclosed please find an original and five (5) copies of the City of Chattanooga's Responses and Objections to Tennessee American Water Company's Second Discovery Request. 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:pgh  
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**

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**CITY OF CHATTANOOGA'S RESPONSES AND OBJECTIONS TO TENNESSEE  
AMERICAN WATER COMPANY'S SECOND DISCOVERY REQUEST**

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The City of Chattanooga ("the City"), by and through counsel, hereby serves its Second Supplemental Responses to certain of the First Discovery Requests propounded by Tennessee-American Water Company ("TAWC").

**RESTATEMENT OF GENERAL OBJECTIONS**

(1) The City objects to all requests that seek information protected by the attorney-client privilege, the work product doctrine, and/or any other applicable privilege or restriction on disclosure.

(2) The City objects to the definitions and instructions accompanying requests to the extent definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by the Tennessee Rules of Civil Procedure or the rules, regulations, and orders of the Tennessee Regulatory Authority.

(3) The City objects to the definitions of the words "document" or "documents" or "documentation" that accompany the requests, because such definitions are overbroad and unduly burdensome.

(4) The City is providing its objections herein without waiver of, or prejudice to, its right at any later time to raise objections to: (a) the competence, relevance, materiality,

privilege, or admissibility of the response, or the subject matter thereof; and (b) the use of any response or subject matter thereof in any subsequent proceedings.

(5) The City objects to each request to the extent that it is unreasonably cumulative or duplicative or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

(6) The City objects to each request to the extent it is premature, that it seeks information concerning matters about which discovery is ongoing, and/or seeks information to be provided by experts who have been consulted by counsel but as to whom a decision has not yet been made concerning testimony at the hearing in this matter.

(7) The City objects to each request to the extent it seeks information outside the City's custody or control.

(8) The City's specific objections to each request shall be in addition to the General Objections set forth in this section. These General Objections form a part of each discovery response, and they are set forth here to avoid the duplication and repetition of restating them for each discovery response. The absence of a reference to a General Objection in response to a particular request does not constitute a waiver of any General Objection with respect to that discovery request. All responses are made subject to and without waiver of the City's general and specific objections.

#### **RESERVATION OF RIGHT TO SUPPLEMENT OR MODIFY**

Because of the abbreviated schedule for response to these requests, the City reserves the right to supplement or modify its responses to reflect later-developed or discovered information.

**DISCOVERY REQUEST NO. 1:**

List each consulting assignment Ms. Dismukes has performed directly for a regulated utility or a utility service company and for each such assignment please provide: (a) the name of the utility; (b) the name, position, and title of her client contact; (c) the project description; and (d) the project duration (including start and completion dates).

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, *see* Attachment 1 to the testimony of Ms. Kim Dismukes. *See* also TAWC-02-01, listing client contact information.

**DISCOVERY REQUEST NO. 2:**

Please state all facts that support Ms. Dismukes' qualifications to testify as an expert witness with respect to management fees and provide a detailed listing in the tabular format below for each docket or case in which Ms. Dismukes has testified specifically to the prudence or imprudence of management fees charged by the service company of an investor-owned, multijurisdictional utility.

State of Jurisdiction	Year	Docket (case)#	Name of Parent Co.	Name of Subsidiary	Summary Of MJM position	Was MJM position upheld by Commission

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, *see* Attachment 1 to Kim Dismukes' testimony and *see* response to Request No. 9 and 30.

**DISCOVERY REQUEST NO. 3:**

Please state all facts that support Ms. Dismukes' qualifications to testify as an expert witness with respect to utility-affiliate transactions and provide a detailed listing in the tabular format below for each docket or case in which Ms. Dismukes has testified specifically regarding utility-affiliate transactions for investor-owned, multi-jurisdictional utility.

State of Jurisdiction	Year	Docket (case)#	Name of Parent Co.	Name of Subsidiary	Summary Of MJM position	Was MJM position upheld by Commission

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, *see* Attachment 1 to Kim Dismukes' testimony and *see* response to Request Nos. 9 and 30.

**DISCOVERY REQUEST NO. 4:**

Please identify, and to the extent not previously produced, provide all information reviewed by Ms. Dismukes and any analysis performed by Ms. Dismukes prior to the filing of her testimony in this docket that addresses how organization changes at AWW, AWWSC, or TAWC have impacted or caused the changes in management fees for 2000 through present, including but not limited to: the creation of the national customer service facility, the creation of the centralized shared service transactional accounting facility, the creation of the centralized national procurement group, or any other organization change that has occurred at AWW, AWWSC, or TAWC.

**RESPONSE:**

*See the City's Third Supplemental Response to the First Discovery Requests of Tennessee American Water Company ("Third Supplemental Response").*

**DISCOVERY REQUEST NO. 5:**

Please provide all information reviewed by Ms. Dismukes (or analysis performed by Ms. Dismukes) prior to the filing of her pre-filed testimony in this docket that addresses the impact that changes in ERISA pension expense and OPEB expenses have had on management fees charged to TAWC on an annual basis from 2000 to 2011.

**RESPONSE:**

*See Third Supplemental Response.*

**DISCOVERY REQUEST NO. 6:**

Please provide a list of all sources and individuals that Ms. Dismukes consulted with in developing her testimony in this proceeding.

**RESPONSE:**

All sources on which Ms. Dismukes relied in reference to her testimony were cited therein or are disclosed in the material accompanying the City of Chattanooga's Third Supplemental Responses.

**DISCOVERY REQUEST NO. 7:**

Produce all source documents that Ms. Dismukes referred to or relied on to substantiate her statement that electric utilities have a higher skilled workforce than water utilities.

**RESPONSE:**

The differences between the complexity of the operations of a municipal water system and an electric utility are obvious to anyone who has observed both. For example, electric utilities do not have unaccounted for electricity of 24% or more, and water utility customers are not electrocuted by touching a puddle of water produced by a broken main. Ms. Dismukes' observations are based on the numerous documents and testimony that she has examined in both electric and water rate proceedings during her experience of more than 30 years of work with both electric and water utilities. This experience generally is reflected in her background information contained in Attachment 1 to her pretrial testimony.

**DISCOVERY REQUEST NO. 8:**

Identify, and to the extent not previously produced, provide all work papers or spreadsheets in native form (e.g., excel, word) with formulas intact, annual reports and all other source documents referred to, relied upon or used by Ms. Dismukes to create the schedules attached to her testimony.

**RESPONSE:**

See Third Supplemental Response.



**DISCOVERY REQUEST NO. 9:**

For every management audit conducted or performed by Ms. Dismukes, provide a copy of the audit report and for each audit report that was filed with any commission identify the state, docket number, year, company name and parent company name for which the management audit was conducted, and any related RFPs or contracts.

**RESPONSE:**

TAWC-2-09 contains a copy of the public versions of Ms. Dismukes' report.

**DISCOVERY REQUEST NO. 10:**

Identify "all Class A water and combination water/waste water utilities operating in the South," referred to by Ms. Dismukes on page 40, line 6 of her direct testimony.

**RESPONSE:**

See TAWC-2-10, which contains a listing of the requested information.

**DISCOVERY REQUEST NO. 11:**

State the criteria used to "determine which reports contained the data necessary to conduct the analysis," as testified to by Ms. Dismukes on page 40, line 14 of her direct testimony.

**RESPONSE:**

The reports that were used for the analysis were those that contained accounting details sufficient to derive information comparable to that set forth in the TAWC annual report.

**DISCOVERY REQUEST NO. 12:**

Provide any analysis regarding Ms. Dismukes' comparison of the "salaries and wages, pensions and benefits, materials and supplies, all contractual services, rental of buildings, and miscellaneous expenses" of TAWC to expenses in the same accounts of each comparative Class

A water and combination water/wastewater company, as described on pages 40, line 22 through page 41, line 8 of Ms. Dismukes' direct testimony.

**RESPONSE:**

*See KHD-15 and KMD-16, appended to the pre-trial testimony of Ms. Dismukes.*

**DISCOVERY REQUEST NO. 13:**

Please identify all increases in City of Chattanooga rates for electricity, wastewater/sewer and property taxes since 2008 or projected for the attrition year and for each increase identify all facts that were relied upon to justify each increase.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence.

**DISCOVERY REQUEST NO. 14:**

Produce a copy of the current uniform system of accounts, as published by the regulatory commissions of Arkansas, Florida, Kentucky, Missouri, South Carolina and Virginia.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, that the request seeks information equally available to TAWC, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence.

**DISCOVERY REQUEST NO. 15:**

With respect to Ms. Dismukes' testimony at page 41 lines 9-10, please state why Ms. Dismukes chose to include the referenced accounts and provide any supporting documentation for this decision.

**RESPONSE:**

In general, the referenced accounts were chosen because they were the accounts AWWSC management fees would have been charged to had they not been charged to the contractual services account by TAWC. In addition, for the companies that do not have management fees or service companies, the functions generally performed by the management company would be performed by company personnel, whose costs would be charged to these accounts.

**DISCOVERY REQUEST NO. 16:**

Please state each and every basis for Ms. Dismukes' statement on page 44, lines 14-17 that "the length of calls, on average, for an electric company would be longer than a water company," and provide any documents referred to or relied upon by Ms. Dismukes in support of this statement.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, In general, the basis is stated in the testimony. The observation is

based upon Ms. Dismukes' extensive experience with both water and electric utilities and the greater complexity and risks involved with electric utilities. TAWC-2-16 contains documents that show that the average handling time for an electric company are longer than for a water company.

**DISCOVERY REQUEST NO. 17:**

With respect to page 47, lines 5 to 9 of Ms. Dismukes' direct testimony, provide the percent discount that Ms. Dismukes believes a third party provider of management and professional services would provide to TAWC for outsourcing services it receives from AWWSC and provide any documents referred to or relied upon by Ms. Dismukes in support of this statement.

**RESPONSE:**

Discounts reflect a number of factors, including whether they are negotiated in an arms-length transaction between unrelated parties. In general, discounts are the result of negotiations and are not subject to general rules of estimation.

**DISCOVERY REQUEST NO. 18:**

With respect to page 7, lines 8 through 12 of Ms. Dismukes' direct testimony, please provide all evidence, studies, or any other information in the possession of Ms Dismukes that supports her assertion that American Water or American Water Works Service Company may be incentivized "to misallocate or shift costs to regulated companies so that the non-regulated companies can reap the benefits" and reference any portion of the independent Schumaker Management Audit performed for the TRA that found evidence of misallocation or shifts of costs to the regulated companies.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, because companies maximize profit and public utility profits are typically limited by regulation, there is an inherent incentive to shift costs to the regulated operations to maximize the profits of a company that has both regulated and nonregulated companies or operations.

**DISCOVERY REQUEST NO. 19:**

With respect to page 13, line 26 to page 14, line 1 of Ms. Dismukes' direct testimony, please state whether, based on the information presented in the American Water 10-K provided to Ms. Dismukes, the non-regulated segment of American Water produces more net income than the regulated segment.

**RESPONSE:**

Not according to American Water Work's 10K.

**DISCOVERY REQUEST NO. 20:**

With respect to page 18, line 22 to page 19, line 5; page 24, lines 4 - 23; and page 55, lines 18 to 21 of Ms. Dismukes' direct testimony, does Ms. Dismukes advocate a benefit based system of cost allocation? If so, provide all studies, analyses, publications, testimony, briefs, orders or any other documents or information referred to or relied upon to support this position.

**RESPONSE:**

Ms. Dismukes has not made a recommendation concerning an adoption of a benefit based system of cost allocation in this case. She has endorsed such an approach in other cases.

**DISCOVERY REQUEST NO. 21:**

With respect to page 18, line 22 to page 19, line 5; page 24, lines 4 - 23; and page 55, lines 18 to 21 of Ms. Dismukes' direct testimony, does Ms. Dismukes believe that the metrics used for Tier 1 allocations are inappropriate? If so, provide all studies, analyses, publications, testimony, briefs, orders or any other information referred to or relied upon to support this position.

**RESPONSE:**

The City objects to the request, as it mischaracterizes the testimony.

**DISCOVERY REQUEST NO. 22:**

Please provide any studies, reports, correspondence, City Council minutes, committee minutes, ordinances, resolutions, or other documents of any kind created from January 1, 2008 to the present that reflect discussions with or requests to TAWC related to planning, proposing, or making capital improvements for reasons including, but not limited to: fire protection, downtown revitalization, service problems, economic development, or transportation improvements.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections

or the General Objections, the City does not have any role in TAWC's capital expenditure decisions. TAWC-2-22 contains copies of documents that might be responsive to a broad reading of the request. The City will supplement as needed.

**DISCOVERY REQUEST NO. 23:**

With respect to page 27, line 20 to page 30, line 7 of Ms. Dismukes' direct testimony, please provide a list of all water utilities used by Ms. Dismukes for comparison in schedules KHD-15 and KHD-16, and for each utility identified, state whether the water is produced or purchased, and if produced, the source of the water. If there is more than one type of source of water, list annual amounts from each source and provide the type of treatment system utilized to produce finished drinking water.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, the utilities are identified in the materials provided in the City's Third Supplemental Responses. TAWC-2-23 contains available information responsive to the request.

**DISCOVERY REQUEST NO. 24:**

With respect to page 27, line 20 to page 30, line 7 of Ms. Dismukes' direct testimony, list all affiliates for each water company listed by Ms. Dismukes in schedules KHD-15 and KHD-16, and identify the states in which they operate. For each affiliate, indicate: (a) whether the

affiliate is regulated or non-regulated; (b) whether tariff rates are metered rates, flat rate, or some combination; and (c) list the number of residential, commercial, industrial, governmental, public authority, fire service and other classes of customer for each affiliate.

**RESPONSE:**

The City objects to the request as it mischaracterizes the testimony, and it is, therefore, impossible to respond to the request. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence.

**DISCOVERY REQUEST NO. 25:**

With respect to page 30, lines 8-11 of Ms. Dismukes' direct testimony, please provide all studies, analyses, publications, testimony, briefs, orders or any other information referred to, or relied upon by Ms. Dismukes to support her contention that there are minimal seasonal differences in demand for water utilities, and provide all comparative studies performed by Ms. Dismukes of the relative demand differentials of electric and/or gas utilities and water utilities.

**RESPONSE:**

The City objects to the request as it mischaracterizes the testimony, and it is, therefore, impossible to respond to the request. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence.



**DISCOVERY REQUEST NO. 26:**

With respect to page 44, lines 3-8 of Ms. Dismukes' direct testimony, please provide all studies, analyses, publications, or other information referred to or relied upon by Ms. Dismukes to support her statement that "Underground facilities cause fewer safety concerns and therefore fewer calls to water call centers than to electric company call centers."

**RESPONSE:**

The observation is based upon Ms. Dismukes' 30 years of experience working with electric and water utilities and upon logic and common sense. It is generally understood in the electric industry that underground facilities are safer and cause fewer outages during storms and inclement weather than overhead lines. The same is true for water companies, however, most if not all of their water is transported underground and not in overhead or aboveground lines. A similar conclusion obviously was reached by Mr. Baryenbruch as he adjusted the electric company data to recognize that water companies have fewer calls per customer than electric companies.

**DISCOVERY REQUEST NO. 27:**

With respect to page 44, lines 3-8 of Ms. Dismukes' direct testimony, please provide all studies, analyses, publications, or other information referred to or relied upon by Ms. Dismukes to support her statement that " . . . due to their more complicated operations and seriousness of outages, the length of calls, on average, for an electric company, would be longer than a water company."

**RESPONSE:**

In general, the basis is stated in the testimony. The observation is based upon Ms. Dismukes' extensive experience with both water and electric utilities. See response to Request

No. 26.

**DISCOVERY REQUEST NO. 28:**

With respect to page 48, lines 19 and 20 of Ms. Dismukes' direct testimony, please state whether Ms. Dismukes contends that AWWSC provides public utility water service to customers of Tennessee American or any other state utility subsidiary of American Water. If not, please state whether Ms. Dismukes contends that water service is provided by the comparative water utilities shown on KHD-16 at a lower cost than the cost of water service provided by Tennessee American to its customers.

**RESPONSE:**

The City objects to the request as it mischaracterizes Ms. Dismukes' testimony. The City further objects to this request on the grounds that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, *see* Ms. Dismukes' testimony at the referenced page and lines. The comparative utilities referenced in KHD-16 provide management and administrative services at a lower cost than TAWC.

**DISCOVERY REQUEST NO. 29:**

With respect to page 6, lines 10-13 of Ms. Dismukes' direct testimony, identify by page and line number in Ms. Dismukes' testimony each alleged problem and flaw identified with respect to the Baryenbruch report that is "equally applicable" to the Schumaker audit and leads her to the conclusion that the TRA should reject the Schumaker audit.

**RESPONSE:**

The City objects to this request on the grounds that the request mischaracterizes the testimony, that the request seeks information that is overly broad, that the request is unduly

burdensome, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, the problems with the Baryenbruch report identified on page 27, line 13 through page 33, line 9 equally apply to the Schumaker report and those identified on page 34, line 1 through page 39, line 17 apply to the Schumaker report, but the accounts are different.

**DISCOVERY REQUEST NO. 30:**

In Appendix 1 to Ms. Dismukes' testimony Ms. Dismukes lists 29 water or water/wastewater cases in which she appeared as a witness. With respect to those cases, identify each case that involved a utility which is part of a multi-state utility holding company organization structure and for each of the utilities listed, (a) identify each case in which Ms. Dismukes provided testimony regarding affiliate agreements between a multi-state service company affiliate and the regulated utility in that case; (b) provide copies of the testimony (with exhibits) given by Ms. Dismukes in each case; and (c) provide copies of all studies, reports and exhibits referred to or relied upon to support Ms. Dismukes' position in each case.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome and is duplicative of other requests, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, see responses to Request Nos. 2, 3, and 9. Additional responsive documents are contained in TAWC-2-30.

**DISCOVERY REQUEST NO. 31:**

Does the City contend that the Schumaker Management Audit ordered by the TRA fails to provide the "thorough examination of the affiliate arrangement between TAWC and AWR" as recommended by Ms. Dismukes on page 3, lines 7-8? If yes, please state each fact or basis for the City's position.

**RESPONSE:**

Yes. See, generally, Ms. Dismukes' testimony concerning the Shumaker Management Audit. The request is premature in that it seeks information concerning matters about which discovery and analysis are ongoing and may not be completed the time of the hearing. The City notes that TAWC has withheld extensive documents that may be relevant to this request, and that the City has requested that the deposition of Ms. Shumaker be scheduled in Chattanooga. The City reserves the right to supplement this response.

**DISCOVERY REQUEST NO. 32:**

With respect to page 3, lines 17 through 19 of Ms. Dismukes' direct testimony, please state whether Ms. Dismukes agrees that the use of customers to allocate costs is acceptable in this case, or whether she proposes an alternative approach. If an alternative approach, please describe in detail the proposed alternative approach.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections

or the General Objections, Ms. Dismukes did not make a recommendation on the subject. However, she pointed out the shortcomings of the customer allocation methodology.

**DISCOVERY REQUEST NO. 33:**

Please identify each service included in AWWSC's A&G costs that are not essential to maintain adequate service, meet accounting standards, meet water quality standards, process regulatory filings, obtain low cost capital, prepare budgets, communicate with customers, and obtain and retain qualified employees. If the Company is not able to obtain the lower costs Ms. Dismukes proposes please explain in detail how setting rates at the cost of service Ms. Dismukes proposes will result in just and reasonable rates.

**RESPONSE:** The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information or analysis that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, Ms. Dismukes did not complete an item-by-item analysis of each of the thousands of charges made to TAWC. Instead, she undertook a comparison of the overall administrative and management customer account expenses incurred by comparable water utilities. If TAWC is well-managed, there is no reason that it can not obtain needed levels of necessary management services at cost comparable to those paid by other water utilities in the south. The TRA should not permit TAWC to charge its customers for expenses that are excessive when compared to comparable companies.

**DISCOVERY REQUEST NO. 34:**

Provide any studies which Ms. Dismukes refers to or relies upon to support: (1) the

statement on page 5 of her testimony that business development costs should be eliminated and/or (2) that growth in revenue from regulated customer acquisition or regulated services does not benefit the customer.

**RESPONSE:**

The City objects to the mischaracterization of Ms. Dismukes' testimony. Without waiving this objection or the general objections, please refer to pages 49 through 55 of Ms. Dismukes' testimony.

**DISCOVERY REQUEST NO. 35:**

Please state whether the City contends that the allocations of time and expenses made during the service company accounting process should be made at the account level or the transaction level and explain your understanding of how overhead transactions are allocated in the service company accounting process.

**RESPONSE:**

The City objects to the request, as it uses terms that are not defined. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence.

**DISCOVERY REQUEST NO. 36:**

With respect to page 3, lines 18-19 of Ms. Dismukes' testimony, please identify all approaches that "are superior" to the use of customers for allocating costs between the regulated companies. For each approach identified: (a) explain why the listed approach is superior;

(b) explain how the allocation methodology "considers usage and/or volume in the allocation formula;" and (c) referencing page 19, lines 6-7, explain how the approach listed "recognizes the benefits received by each affiliate" in the allocation formula and provide all studies, reports, etc. that support the superiority of each approach.

**RESPONSE:**

The City objects to the request as it mischaracterizes Ms. Dismukes' testimony. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving this objection or the general objections, Ms. Dismukes has not identified all the approaches that are superior to the use of customers for allocating costs. However, she does describe some deficiencies in the present allocation method in her testimony.

**DISCOVERY REQUEST NO. 37:**

Please state whether Ms. Dismukes has performed any studies that show there is a relationship between the type of customer (e.g., residential, commercial, industrial, other) served by a regulated water/wastewater utility and the level of support services required from an affiliate service provider to serve the specific type of customer. If so, please provide a copy of all such studies.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of

information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, studies of the type indicated were not required for the preparation of Ms. Dismukes' testimony.

**DISCOVERY REQUEST NO. 38:**

With respect to page 19, line 9 of Ms. Dismukes' testimony, please define the term "relatively new acquisitions" and state whether Ms. Dismukes performed any studies that show that "relatively new acquisitions" may benefit disproportionately from the corporate functions that are provided by AWWSC. If so, please provide all such studies.

**RESPONSE:**

The City objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, in general, Ms. Dismukes used the phrase "relatively new acquisitions" to refer to companies and startup or development that have not yet achieved planned numbers of customer levels, revenue, levels of assets, and/or levels of employees.

**DISCOVERY REQUEST NO. 39:**

With respect to Appendix 1 — Dismukes Qualifications page 4, line 28, Ms. Dismukes refers to "the Massachusetts Formula for cost allocations" in her qualifications. Please identify the allocation factors contained in the Massachusetts Formula and for each allocation factor



identified in the Massachusetts Formula, explain whether Ms. Dismukes believes that the allocation factor is largely "size based" and explain how the factor recognizes the benefits received by each affiliate in the allocation formula.

**RESPONSE:**

The City objects to the request as it mischaracterizes Ms. Dismukes' testimony and/or uses terms that are not defined. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, allocation factors used in the "Massachusetts Formula" generally includes operating expenses, net assets, and number of employees. The formula generally does not recognize or allocate the full benefits provided by a service company to a new unregulated enterprise.

**DISCOVERY REQUEST NO. 40:**

Please state whether the Massachusetts Formula and the Modified Massachusetts Formula have been used and accepted to allocate costs between regulated and non regulated affiliates by various regulatory authorities and whether Ms. Dismukes has ever recommended use of Massachusetts formula or used the formula in any analysis of the appropriateness of allocations. If so, please provide the name of the regulatory commission, state, rate case number and a copy of all relevant testimony, exhibits and orders related to its use.


**RESPONSE:**

The City objects to the request as it mischaracterizes Ms. Dismukes' testimony or

requests that express opinions as to matters not included within the scope of her testimony. The City further objects to this request on the grounds that the request seeks information that is overly broad, that the request is unduly burdensome, that the request seeks the creation of information or analysis that is not in existence and seeks its presentation in a form that may be incomplete or inaccurate, and that the request seeks information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections or the General Objections, Ms. Dismukes has not recommended or used the "Massachusetts Formula."

Respectfully Submitted,

OFFICE OF THE CITY ATTORNEY

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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:

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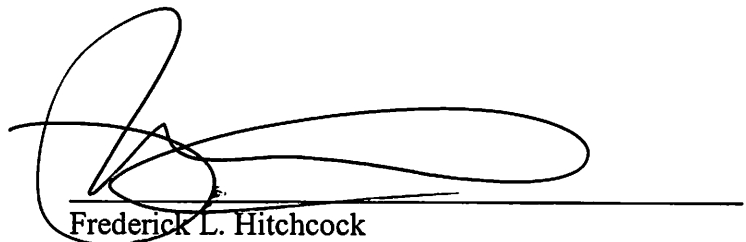
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