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January 21, 2011

R. Dale Grimes, Esq.
Bass, Berry & Sims, PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201

filed electronically in docket office on 01/21/11

Re: *Petition of Tennessee American Water for a General Rate Increase*
Docket No. 10-00189

Dear Dale:

This is in reply to your letter of January 20, 2011, regarding information you have identified as being absent from the Consumer Advocate's pre-filed direct testimony and first round discovery responses. I am also addressing a matter brought to my attention last night by David Killion regarding the Schumaker workpapers related to the audit and an additional issue regarding the discovery responses provided by the Tennessee American Water Company ("TAWC") this morning.

With regard to your requests of yesterday regarding the first round discovery requests, we have reviewed the materials provided and respond with the following:

TAWC Request 4

As you know, Terry Buckner and John Hughes are state employees. Neither will receive any compensation for their testimony outside of their normal salary. In addition, they receive no overtime pay for their work beyond normal office hours. Furthermore, Terry Buckner has not authored any publications.

TAWC Request 6

Regarding workpapers in electronic format, please see the CD we provided yesterday.

TAWC Request 7

The articles by Dr. Klein are listed in his CV. Although many of these articles are publicly available, Dr. Klein does not have copies on hand of every article. Dr. Klein is out of the state at this time, but once he returns, he will review what he has on hand and copies will be provided accordingly. No other witness presented by the Consumer Advocate has authored any publications or given prepared speeches.

Privilege Log

This letter will also confirm that in response to the discovery requests submitted by TAWC, the Consumer Advocate did not withhold the production of any documents or things on the basis of the presence of any privilege. Please accept this letter in lieu of a formal privilege log.

I trust these assurances will resolve your concerns with the first round of discovery.

Confidential Schumaker Workpapers

There is an additional issue I am addressing at the request of the Company last night. Last evening, Mr. Killion called me and brought to my attention a matter concerning TAWC's position that the Company had provided the Schumaker workpapers via hand delivery some time ago. As a result of this discussion, we have located the non-confidential CD for the Schumaker workpapers. However, we do not have a CD containing the confidential version of the Schumaker workpapers. Initially in response to Consumer Advocate Request 114 seeking the confidential Schumaker workpapers, the Company referred us to the response to City of Chattanooga Discovery Request 19; however, this response contained documents related to dividend policies rather than Schumaker workpapers. This is the extent of the material we have.

Mr. Killion has informed me he hand delivered a CD he asserts contained the confidential Schumaker workpapers to replace a CD that contained an inadvertent disclosure by TAWC. During this exchange, there was some apparent confusion as to which CD was returned to the Company which required additional follow up to resolve.

The Consumer Advocate acknowledges it was provided a CD by hand delivery from Mr. Killion, however the Consumer Advocate does not have possession of the confidential Schumaker workpapers at this time. As the Consumer Advocate has stated in this docket, it assumes any failure to provide the information is the result of an inadvertent error. I have no reason to question Mr. Killion's description of events or question the good faith of the Company regarding this issue. Nor do I have reason to question the good faith of the Consumer Advocate's staff. If the CD with the confidential Schumaker workpapers was provided and the Consumer Advocate has been in error, we apologize. We appreciate Mr. Killion's offer to provide a copy of the CD containing the Schumaker confidential workpapers and gladly accept that offer. In response to Mr. Killion's request for a public filing resolving this matter, I am filing a copy of this letter in Docket 10-00189.

Company Response to Consumer Advocate Request 1 of the Second Round of Discovery

With regard to the Company's responses to the Consumer Advocate's 2nd round of discovery requests, I wish to bring a matter to your attention. In reference to TAWC's responses to the Consumer Advocate's second round of discovery, the Consumer Advocate seeks to compel a response to CAPD Discovery Request #1, as TAWC's response filed on January 21, 2011 is insufficient to fully answer the question. In order to streamline the hearing on Monday, January 24, 2010, we ask that you review the Company response to Consumer Advocate Discovery Request #1 submitted to us this morning.

Specifically, the Consumer Advocate requested TAWC to provide "the amounts, accounts and dates for each journal entry on TAWC's books to record the 'level of rate base reduction...in the Company's filing related to deferred income taxes-capitalized repairs (net of the FIN 39 reserve'." While TAWC has provided the "Net Deferred Tax Effective" amounts for the years 2001-2008, 2009 and 2010, TAWC has not provided the related debit and credit accounts for each journal entry or the related journal entry dates and amounts. In order to fully comply with CAPD Discovery Request #1, the Consumer Advocate requests TAWC provide the related debit and credit accounts for each journal entry and the related journal entry dates and journal entry amounts in excel or native format.

Thank you for your time and consideration of this matter.

Sincerely,



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CC: Docket 10-00189; all parties of record in Docket 10-00189