

TENNESSEE REGULATORY AUTHORITY



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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA FAX AND US MAIL

January 28, 2011

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

RE: Docket No. 10-00189 – PETITION OF TENNESSEE AMERICAN WATER COMPANY TO CHANGE AND INCREASE CERTAIN RATES AND CHARGES SO AS TO PERMIT IT TO EARN A FAIR AND ADEQUATE RATE OF RETURN ON ITS PROPERTY USED AND USEFUL IN FURNISHING WATER SERVICE TO ITS CUSTOMERS

Dear Mr. Grimes:

To further the Staff's investigation of the reasonableness of the rates filed with this Authority on September 17, 2010 by Tennessee American Water Company, it is requested that you furnish additional information on the attached Staff Data Request No. 3. Please pay particular attention to the directions provided in the first section labeled "Administrative." If you have questions regarding any item number in the attached request, please contact Patsy Fulton (extension 193) or Pat Murphy (extension 178) for clarification before responding.

Thank you for your attention to this matter. Please provide all responses by February 11, 2011.

Sincerely,

David Foster
Chief
Utilities Division

Enclosure

C: John S. Watson

TRA DATA REQUEST NO. 3

ADMINISTRATIVE

⇒The Tennessee Regulatory Authority ("TRA") requires an original and thirteen (13) copies of the filing (an original and four (4) copies of electronic filings).

⇒All schedules requested as an electronic file are to be provided in Microsoft Excel (with working formulas) or Microsoft Word readable format.

⇒Please respond fully to each question, even if the data has been partially supplied in prior filings or dockets. Do not simply reference data provided in response to other data requests.

⇒Each copy of the responses should be placed in loose-leaf binders with each item tabbed. Each response should begin by restating the item request. If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.

⇒For each item responded to, indicate the witness whose testimony would encompass the information requested, where applicable.

⇒For data requested that is also supplied in summary form on the PSC 3.06 reports for the test period only, please reconcile your response to these reports if a variance exists.

⇒Unless otherwise specifically requested, information shall be required for the Tennessee operations only.

RATE BASE:

139. On page 55 (lines 7-10) of his direct testimony, Mr. Buckner states that CAPD "recommends that the FIN 48 amount be included as a deduction from rate base. Conversely, TAWC has excluded the FIN 48 amount for setting rates in this docket."

TAWC witness Mr. Miller states on page 62 (lines 23-24) of his testimony that the "Company proposes that its jurisdictional rate base be reduced for the value of the additional ADITs arising from application of the tax accounting change." On page 63 (lines 15-17), Mr. Miller states "I am attaching to this testimony Rebuttal Exhibit MAM-14 which I believe demonstrates what level of rate base reduction is in the Company's filing related to deferred income taxes-capitalized repairs (net of the FIN 48 reserve)."

Please reconcile these statements (whether in your opinion TAWC has included a reduction to rate base to reflect FIN 48) and provide your position as to this inclusion or exclusion of the reduction to rate base for FIN 48. Provide any documentation, workpapers, or reference to previously submitted workpapers that will support your position.

140. Regarding the Company's CWIP forecast, please explain whether retirements were included in the balances of CWIP and provide justification for the inclusion (or exclusion) of retirements in that calculation.
141. With regard to UPIS forecast, should the addition of \$250,000 of land be included in additions to Plant in determining the 13-month average? Provide justification for your position.
142. Provide a reconciliation of the TAWC Trial Balance Sum of Deferred Income Taxes as referenced on RB-ADIT in the amount of \$31,014,034 (\$27,159,180 + \$3,854,854) at September 2010 and the Per Books Rate Base at 9/30/2010 (TN-TRA-02-Q138-Attachment Page 1 of 1) in the amount of \$20,317,638. Provide all supporting workpapers or reference to previously submitted workpapers.
143. Provide a reconciliation of each of the above (Trial Balance and Per Books Rate Base) for Deferred Tax to the Total Deferred Tax of \$14,153,878 shown on Exhibit MAM-13. Provide all supporting workpapers or reference to previously submitted workpaper.
144. Does the booked Accrued Deferred Income Tax amount of \$31,014,034 provided on the trial balance for the period ending 9/30/2010 include or reflect timing differences attributable to Post 80 booked depreciation through 9/30/2010? Please fully explain your response.
145. Provide an explanation for the differences in the amount of Accumulated Deferred Income Taxes provided in TRA responses #58, #138 and in the General Ledger.
146. Please explain how the Accumulated Deferred Income Tax calculated by CAPD in the amount of \$33,664,910 (RB-ADIT) is incorrect and why the methodology applied in arriving at this amount should not be approved. Note: The docket file should contain any data needed to answer this question. If not, please consult with the other party to obtain any needed information.