TENNESSEE REGULATORY AUTHORITY

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T.R.A. DOCKET ROOM

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA FAX AND US MAIL

January 28, 2011

Ryan L. McGehee
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202-0207

RE: Docket No. 10-00189 – PETITION OF TENNESSEE AMERICAN WATER COMPANY FOR A GENERAL RATE INCREASE.

Dear Mr. McGehee:

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. 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

Telephone (615) 741-2904, Toll-Free 1-800-342-8359, Facsimile (615) 741-5015
www.state.tn.us/tra

TRA DATA REQUEST NO. 2

5. 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.

6. Regarding the CAPD'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.

7. 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.

8. On page 54 (lines 9-11) of his direct testimony, Mr. Buckner states that CAPD has included SFAS 109 assets and liabilities in its rate base calculations. Please identify the amount of SFAS 109 temporary differences related to Post 80 Book Depreciation is included in the CAPD's projected Accumulated Deferred Income Taxes for the attrition period. Please reconcile the temporary differences related to Post 80 Book Depreciation utilized by CAPD to the Accumulated Post 80 Book Depreciation provided on TRA-02-Q92g, page 7 of 9, in the amount of $39,006,144. Provide all supporting workpapers or reference to the previously submitted workpapers for these amounts.

9. Please reference CAPD's data response of January 27, 2011, questions #20 and #22. Is CAPD of the opinion that regulatory accounting requires the inclusion of these regulatory assets to recognize future recovery from customers? Please provide a full explanation.

10. Please explain how the Accumulated Deferred Income Tax calculated by TAWC in the amount of $17,153,815 (MAM-13 & 14) 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.

11. Terry Buckner states in his direct testimony (page 12) that, for eleven categories of O&M expenses, the CAPD grew each test period amount by half of customer growth plus the annual GDP Chained Price Deflator growth rate at December 2011. The combined growth rate from September 2010 through December 2011 was calculated to be 1.51%. John Hughes work paper (R-CUSTOMER GROWTH) calculates an "annual" growth rate of 0.89%, based on the totals at September 2010 and December 2011. To arrive at the customer growth rate for the attrition period, the CAD "normalized" this rate by dividing 0.89% by 12 months and multiplying by 15 months to the end December 2011 resulting in 1.112%. One-half of this rate is 0.556% and when added to the annual GDP rate of 0.95% at December 2011 results in a combined rate of 1.51%.

    a. Please explain why the CAD normalized the customer growth rate of 0.89%, when the 0.89% was calculated using the total at December 2011 compared to the total at September 2010.
    b. Should the customer growth rate for the attrition period be 0.89%, resulting in a combined growth rate of 1.4% (0.445% plus 0.95%)?
    c. If the answer to b. above is "yes," please provide corrected work papers and revised CAD exhibits.