

# BASS

BERRY • SIMS<sub>FLC</sub>

150 Third Avenue South, Suite 2800  
Nashville, TN 37201  
(615) 742-6200

David Killion  
PHONE: (615) 742-7718  
FAX: (615) 742-0414  
E-MAIL: [dkillion@bassberry.com](mailto:dkillion@bassberry.com)

January 28, 2011

**VIA HAND DELIVERY**

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

filed electronically in docket office on 01/28/11

**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***

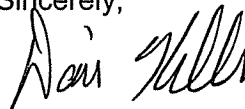
Dear Chairman Freeman:

Enclosed please find an original and five (5) sets of copies of Tennessee American Water Company's Supplement to Its Second Set of Discovery Requests to the Consumer Advocate and Protection Division.

Please file the original and four copies of the Motion and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Sincerely,



David Killion

Enclosures

January 28, 2011

Page 2

cc: Mr. David Foster, Chief of Utilities Division  
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division  
Ryan McGehee, Esq.  
Mary L. White, Esq.  
David C. Higney, Esq.  
Henry M. Walker, Esq.  
Michael A. McMahan, Esq.  
Valerie L. Malueg, Esq.  
Frederick L. Hitchcock, Esq.  
Harold L. North, Jr., Esq.  
Mark Brooks, Esq.  
Scott H. Strauss, Esq.  
Katharine M. Mapes, Esq.  
Donald L. Scholes, Esq.

9151695.1

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

**IN RE:**

**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**

**Docket No. 10-00189**

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**TENNESSEE AMERICAN WATER COMPANY'S SUPPLEMENT TO ITS SECOND  
SET OF DISCOVERY REQUESTS TO THE CONSUMER ADVOCATE AND  
PROTECTION DIVISION OF THE ATTORNEY GENERAL**

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Pursuant to the agreement reached between Tennessee American Water Company ("Petitioner" or "TAWC") and the Consumer Advocate and Protection Division of the Attorney General for the State of Tennessee ("CAPD") during the parties' meet and confer on January 24, 2011, TAWC serves this supplement to its second set of discovery requests to the CAPD, and asks that the CAPD provide responses to each request separately, fully, and in writing. The CAPD is also called upon to produce all documents and evidence requested herein. Furthermore, the CAPD is called upon to fulfill its duty to supplement its answers as far in advance of the beginning of any hearing as is reasonably possible if it has learned that any response is in any material respect incomplete, incorrect or has changed.

TAWC hereby incorporates all instructions and definitions contained in TAWC's second set of discovery requests to the CAPD. Pursuant to the Procedural Schedule in this matter, please produce all supplemental responses to all discovery requests by February 1, 2011.

**DISCOVERY REQUEST NO. 36:**

In order to assess the changes to Dr. Klein's direct testimony, please refer to page 8 of the original direct testimony of Dr. Klein where he states, "I started with the capital structure proposed by TAWC's witness Mr. Miller. I then compared this to the historical capital structures of TAWC as shown on page 3 of my Exhibit."

- a) Please provide the total capital (in dollars) on which Dr. Klein based his original capital structure, by each element of the total capitalization (i.e. ST Debt, LT Debt, Preferred Stock and Common Equity) included on page 2 of the Exhibit to Dr. Klein's original testimony.

**RESPONSE:**

**DISCOVERY REQUEST NO. 37:**

In response to question No. 21 of the Company's second set of discovery requests to the CAPD, the CAPD indicates the total capital on which Dr. Klein based his corrected testimony and Page 2 of his corrected Exhibit is \$106,597,549 (shown by the individual capital components).

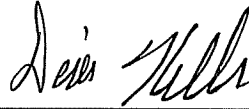
- a) Please state whether the CAPD agrees that the cash generated by ADITs permits the Company to avoid having to obtain additional debt and equity capital. If the CAPD does not agree, please explain in detail your answer.
- b) Please reconcile the amount provided in response to question No. 36(a) with the \$106,597,549 of capitalization on which the CAPD claims it based its capital structure in response to question No. 21.
- c) Please state each element the CAPD eliminated from its calculation of rate base and state whether the CAPD contends each eliminated element was imprudently incurred or

financed plant not used and useful in the provision of service to the Company's customers.

- d) If the CAPD does not agree that the cash generated by ADITs permits the Company to avoid having to obtain additional debt and equity capital, please provide the CAPD's explanation of how the CAPD's use of increased ADITs in this case, over the amount used in the Company's 2008 rate case (approximately \$14 million), can produce rate base approximately \$16 million below the Company's known and measurable attrition year total capitalization.

**RESPONSE:**

Respectfully submitted,



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R. Dale Grimes (#006332)  
E. Steele Clayton (#017298)  
C. David Killian (#026412)  
BASS, BERRY & SIMS PLC  
150 Third Ave. South, Suite 2800  
Nashville, TN 37201  
(615) 742-6200

*Counsel for Petitioner  
Tennessee American Water Company*

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served by way of the method(s) indicated, on this the 28<sup>th</sup> day of January, 2011, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Ryan McGehee, Esq.
<input type="checkbox"/> U.S. Mail	Mary L. White, Esq.
<input type="checkbox"/> Facsimile	Counsel for the Consumer Advocate
<input type="checkbox"/> Overnight	and Protection Division
<input checked="" type="checkbox"/> Email	OFFICE OF THE ATTORNEY GENERAL
	425 5th Avenue North, 2nd Floor
	Nashville, TN 37243-0491
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Counsel for Chattanooga Regional
<input type="checkbox"/> Facsimile	Manufacturers Association
<input type="checkbox"/> Overnight	GRANT, KONVALINKA & HARRISON, P.C.
<input checked="" type="checkbox"/> Email	633 Chestnut Street, 9th Floor
	Chattanooga, TN 37450
<input type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Counsel for Chattanooga Regional
<input type="checkbox"/> Facsimile	Manufacturers Association
<input type="checkbox"/> Overnight	BRADLEY, ARANT, BOULT, CUMMINGS, PLC
<input checked="" type="checkbox"/> Email	1600 Division Street, Suite 700
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Valerie L. Malueg, Esq.
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input type="checkbox"/> Overnight	OFFICE OF THE CITY ATTORNEY
<input checked="" type="checkbox"/> Email	100 East 11 <sup>th</sup> Street, Suite 200
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input type="checkbox"/> Overnight	CHAMBLISS, BAHNER & STOPHEL, P.C.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
	Two Union Square
	Chattanooga, TN 37402

- ☐ Hand-Delivery
- ☒ U.S. Mail
- ☐ Facsimile
- ☐ Overnight
- ☒ Email

Mark Brooks, Esq.  
Counsel for Utility Workers Union of America,  
AFL-CIO and UWUA Local 121  
521 Central Avenue  
Nashville, TN 37211

- ☐ Hand-Delivery
- ☒ U.S. Mail
- ☐ Facsimile
- ☐ Overnight
- ☒ Email

Scott H. Strauss, Esq.  
Katharine M. Mapes, Esq.  
Counsel for UWUA, AFL-CIO and UWUA Local 121  
SPIEGEL & MCDIARMID LLP  
1333 New Hampshire Avenue, NW  
Washington, DC 20036

- ☐ Hand-Delivery
- ☒ U.S. Mail
- ☐ Facsimile
- ☐ Overnight
- ☒ Email

Donald L. Scholes, Esq.  
Counsel for Walden's Ridge Utility District and Signal Mountain  
BRANSTETTER, STRANCH & JENNINGS PLLC  
227 Second Avenue North  
Fourth Floor  
Nashville, TN 37201

