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VIA HAND DELIVERY

filed electronically in docket office on 02/08/11

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

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:

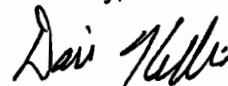
Enclosed please find an original and five (5) sets of copies of Tennessee American Water Company's Rebuttal Testimony filed on behalf of the following witnesses: Bernard L. Uffelman, James H. Vander Weide, James I. Warren, Sheila A. Miller, Patrick L. Baryenbruch, Paul R. Herbert, Dr. Edward L. Spitznagel, John S. Watson and Michael A. Miller.

Two disks are included with this submission. The first disk, labeled "Docket Manager Disk" contains PDF images of the testimony of each witness. The second disk contains all of the documents submitted in their native formats.

Please file the original and four copies of this Rebuttal Testimony 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

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**TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE
DOCKET NO. 10-00189**

TAWC EXHIBIT _____

**REBUTTAL TESTIMONY OF
PATRICK L. BARYENBRUCH**

TENNESSEE-AMERICAN WATER COMPANY

FEBRUARY 8, 2011

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	<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
I.	WITNESS INTRODUCTION	3
II.	PURPOSE OF TESTIMONY	3
III.	MS. DISMUKES' TESTIMONY CONCERNING SERVICE COMPANY COST COMPARISON	4
IV.	MS. DISMUKES' TESTIMONY CONCERNING COST COMPARISON OF CUSTOMER ACCOUNTS SERVICES.....	33
V.	MS. DISMUKES' TESTIMONY CONCERNING LOWER OF COST OR MARKET PRICING COMPARISON	38
VI.	MS. DISMUKES' TESTIMONY CONCERNING TAWC'S NEED FOR SERVICE COMPANY SERVICES	40
VII	OVERALL ASSESSMENT OF MS. DISMUKES' TESTIMONY RELATED TO THE BARYENBRUCH STUDY.....	42
VIII	MR. BUCKNER'S TESTIMONY CONCERNING ATMOS ENERGY'S SERVICE COMPANY PER CUSTOMER COSTS...	42
IX.	SUMMARY OF REBUTTAL TESTIMONY	44
	SCHEDULES	

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

I – WITNESS INTRODUCTION

1. Q. Please state your name and business address.

A. Patrick L. Baryenbruch, 2832 Claremont Road, Raleigh, North Carolina 27608.

2. Q. Did you previously file direct testimony in this case?

A. Yes, I filed direct testimony and a study that evaluated the necessity of services provided by American Water Works Service Company, Inc. (“Service Company”) to Tennessee American Water Company (“TAWC”) and the reasonableness of those charges.

My study answered four questions concerning the services provided by the Service Company to TAWC, each of which bears on the appropriateness of those charges as incurred during the 12 months ended March 31, 2010. First, are the Service Company’s charges to TAWC during the 12 months ended March 31, 2010 reasonable? Second, was TAWC charged the lower of cost or market for managerial and professional services provided by the Service Company during those 12 months? Third, were the costs of the Service Company’s customer accounts services, including those of the National Call Centers, comparable to those of other utilities for those 12 months? Fourth, are the services TAWC receives from the Service Company necessary?

II – PURPOSE OF TESTIMONY

3. Q. Please describe the reason for your rebuttal testimony.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 A. I am responding to the following sections from the direct testimony of Kimberly H.
2 Dismukes, witness for the City of Chattanooga:

- 3 • Are the Service Company's charges to TAWC during the 12 months ended
4 March 31, 2010 reasonable? – Dismukes: Section VI
- 5 • Was TAWC charged the lower of cost or market for managerial and
6 professional services provided by the Service Company during the 12 months
7 ended March 31, 2010? – Dismukes: Section VII
- 8 • Were the 12 months ended March 31, 2010 costs of the Service Company's
9 customer accounts services, including those of the National Call Centers,
10 comparable to those of other utilities? – Dismukes: Section VIII
- 11 • Are the services TAWC receives from the Service Company necessary? –
12 Dismukes: Section IX

13 **III – MS. DISMUKES' TESTIMONY CONCERNING**
14 **SERVICE COMPANY COST COMPARISON**

15 **4. Q. What is Ms. Dismukes' argument against your answer to the question**
16 **regarding the reasonableness of Service Company costs?**

17 A. The benchmarking I employ in answering this question compares A&G costs per
18 customer for TAWC's Service Company charges to the same charges for electric
19 and combination electric/gas services companies that must file the Form 60 with
20 the FERC.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 Ms. Dismukes would prefer that I use data only from other water companies.
2 This is impossible because no publicly available cost information exists for water
3 service companies. Very few water companies have a centralized service
4 company arrangement. Those that do are not overseen by a single regulatory
5 authority that requires standard informational filings, as does the FERC.

6 Ms. Dismukes contends it is impossible to compare any costs of water utilities to
7 those of electric utilities. On page 4 of her testimony, Ms. Dismukes states that I
8 have “provided no evidence that the service company charges of electric
9 companies are comparable to or should be compared to the service company
10 charges of water companies.”

11 Ms. Dismukes attempts to argue against the service company comparison group
12 by discussing the various ways electric generation, transmission and distribution
13 are different from water treatment and distribution. She is correct in noting that
14 these operating and maintenance (O&M) functions are completely different for
15 the two industries. This is not relevant to the question, however, because I do
16 not make comparisons of O&M expenses. I compare American Water’s Service
17 Company costs for administrative and general (A&G) expenses to the same
18 costs for electric and electric/gas utility service companies. In pages 27 through
19 38, Ms. Dismukes presents various arguments against my comparison group
20 approach. She tries to extrapolate differences in utility O&M functions to A&G
21 services, although A&G services involve similar processes across utilities. I will

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 demonstrate in this rebuttal testimony that her arguments are flawed. In this
2 rebuttal testimony, I will demonstrate why A&G service activities are similar
3 among different utility types.

4 **5. Q. Please define what comprises the A&G services that you include in your**
5 **service company cost comparison.**

6 A. A&G functions include the following:

- 7 • Legal
- 8 • Internal Auditing
- 9 • Accounting & Property Records
- 10 • Taxes
- 11 • Budgeting and Reporting
- 12 • Information Technology
- 13 • Rates and Regulatory
- 14 • Procurement
- 15 • Human Resources
- 16 • Customer Services
- 17 • Executive Management

18 The question Ms. Dismukes should have addressed in her direct testimony is
19 “Are there significant differences in the nature of these A&G-related services
20 between water and electric utilities?” I will demonstrate that A&G services

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 provided by utility service companies are generally similar and, therefore, valid
2 cost comparisons can be made across utility industry types.

3 **6. Q. Please describe your experience to make this determination.**

4 A. Based on Ms. Dismukes' description of her background in her direct testimony,
5 the focus of her career has been in representing parties on the opposite side of
6 regulated utilities in regulatory proceedings. Her lack of direct work experience
7 within utility organizations is evident in her analysis and presentation of her water
8 sample group and unsupported assertions about service company organizations
9 in general as pointed out in this testimony.

10 In contrast to Ms. Dismukes' background, I have significant experience working
11 for utility clients over 35 years, performing a wide variety of consulting
12 assignments that provide me a thorough understanding of their structure,
13 organization, operations and business processes. I have worked for 46 investor-
14 owned utility companies and 8 public power entities. My clients include several
15 utilities served by service companies in this study's comparison group, including
16 Allegheny, Dominion, Duke Energy, Entergy, E-On, Exelon, First Energy,
17 NiSource, Northeast and Progress Energy.

18 For the past several years, I have helped manage a number of information
19 technology projects involving over 500,000 hours of work. These projects require
20 a detailed understanding of the utility client's processes affected by the new
21 systems.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 I have performed consulting assignments at several nuclear stations, including
2 Brunswick, Robinson, Harris, Limerick, Grand Gulf, ANO 1, Waterford, Salem,
3 Hope Creek, Comanche Peak and Diablo Canyon.

4 During 2004, I helped Duke Energy manage its implementation of Sarbanes-
5 Oxley 404, a project that involved the work of hundreds of employees and
6 outside consultants. I later assisted Duke Energy with its 2006 merger with
7 Cinergy, helping to integrate the two companies' financial systems, charts of
8 accounts and business processes.

9 Besides working directly for utility clients, I have worked for their regulators,
10 participating in the 22 commission-ordered general management audits. In
11 addition, my firm conducted the 2002-2005 audits of Southern California Edison's
12 affiliate transactions for compliance with the California Public Utilities
13 Commission's regulations.

14 This extensive utility industry experience puts me in a position to determine that
15 the cost of administrative and general services can be validly compared across
16 different utility types. This is so because A&G processes are similar even though
17 the utility services differ.

18 **7. Q. Please provide examples of how A&G services are similar across different**
19 **utility types.**

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 A. Take, for instance, accounting services. Regardless of utility type, the work of
2 accountants revolves around their assigned set of general ledger accounts; they
3 ensure transactions have been processed and properly posted to their accounts,
4 reconcile accounts to subsidiary ledgers, prepare journal entries, compile budget
5 versus actual data, research variances and prepare cost performance reports for
6 operating managers. These activities take place in water utilities in just the same
7 way as in electric utilities.

8 Investor-owned utilities of any type have similar processes for tax accounting and
9 compliance. They all have to deal with federal and state income, property, sales
10 and use taxes. In general, tax personnel are responsible for determining tax
11 provisions and preparing and filing various tax returns.

12 Information technology services cover a broad range of activities that are also
13 generally quite similar among utilities. Employees are provided with
14 workstations, email, Microsoft Office, phone service, internet connections and
15 access to financial, human resources and various other corporate applications.
16 Many of the same applications are used by different utilities. For example,
17 American Water uses an application called PowerPlant for project and fixed
18 asset accounting. My clients Duke Energy and Progress Energy use the same
19 application.

20 Information technology hardware and software is operated and maintained in the
21 same way regardless of utility type. Servers reside in a data center that is

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 operated and maintained by the central IT organization. Telecom and network
2 services are handled in the same centralized way. Corporate applications are
3 supported by technical personnel in the central IT organizations of any type of
4 utility. Thus, American Water's data center in Harrisburg, Pennsylvania, provides
5 the same type of services as the data centers of electric service companies.

6 The processes and activities associated with delivering other A&G services, such
7 as legal, procurement, human resources, customer services and executive
8 management are likewise similar among different types of utilities.

9 For all these reasons, I believe my comparison provides a valid and useful way to
10 put into perspective the A&G-related charges from American Water's service
11 company compared to the cost of other utility service companies.

12 **8. Q. What is Ms. Dismukes' first mischaracterization of utility A&G differences?**

13 A. Beginning with line 21 on page 28, Ms. Dismukes contends the level of regulation
14 of electric utilities is monumentally greater than that faced by water companies.
15 Her statement that "electric companies are regulated by numerous agencies"
16 suggests that water companies face little regulation. This, of course, is not the
17 case. Water is ingested and is highly regulated by federal and state authorities.
18 For instance, TAWC must comply with many regulations established by the
19 Tennessee Division of Water Supply and US Environmental Protection Agency
20 ("EPA"). In states where American Water utilities have water impoundments or
21 stream supplies, they may face regulation related to dams and fish and wildlife

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 agencies. Some American Water utilities are also subject to regulation by the
2 Army Corps of Engineers and National Oceanic and Atmospheric Administration.

3 On page 29, Ms. Dismukes includes an excerpt from an Exelon statement that
4 describes the aspects of its nuclear generation stations that are regulated by the
5 Nuclear Regulatory Commission ("NRC"). She then contends the "operating and
6 regulatory framework of nuclear power generators and water treatment plants is
7 so dissimilar it is unrealistic to think their A&G expenses would be in any way
8 comparable."

9 If, as Ms. Dismukes contends, regulatory costs of electric/gas utilities were highly
10 significant, that would be reflected in their affiliate service company charges
11 associated with FERC Account 928 – Regulatory Commission Expenses.
12 However, as shown in Schedule PLB-1, the 2009 cost per customer for such
13 charges are not material. The 2009 average annual cost per customer was only
14 \$0.55, which represents 1% of total service company A&G charges.

15 Also, if regulatory costs for nuclear utility companies are driven up significantly by
16 the NRC's regulation, as Ms. Dismukes contends, you would expect their A&G
17 costs to be much higher than non-nuclear utility companies. However, an
18 analysis of the underlying numbers shows this to be untrue. As shown in
19 Schedule PLB-2, the service companies that have affiliates with nuclear
20 generation actually have a lower total A&G annual cost per customer (\$95)
21 compared to those without nuclear generation (\$97). Furthermore, a review of

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 each utility's per-customer costs in Schedule PLB-2 shows there is no
2 relationship between A&G costs and the extent of a utility company's nuclear
3 generation.

4 In conclusion, an analysis of the relevant data shows Ms. Dismukes to overstate
5 the impact of nuclear regulation on electric utility A&G costs.

6 **9. Q. What is Ms. Dismukes' next mischaracterization of utility A&G differences?**

7 A. Beginning on page 30, line 1, Ms. Dismukes describes the operational aspects of
8 running an electric utility generation fleet. In this aspect she is correct that these
9 are clearly different and more complex than running water company treatment
10 facilities. The problem with her application of this finding, however, is that
11 expenses associated with the generation plant functions she describes are all
12 recorded in FERC O&M accounts 500-545 and are largely recorded on the books
13 of the regulated utility itself, not its service company. They are irrelevant to the
14 study of service company costs. My cost comparison focuses on service
15 company A&G costs which are recorded in the 900 series of FERC accounts.
16 Again, Ms. Dismukes is mistaken in her contention that the nature of electric
17 utility A&G costs is different than water company A&G costs.

18 **10.Q. What is Ms. Dismukes' next mischaracterization of utility A&G differences?**

19 A. Starting on line 14 on page 30, Ms. Dismukes states that electric generating
20 plants "...demand a more skilled workforce which also requires a more skilled

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 and higher paid management team, including those that are employed by the
2 service company and those in an administrative capacity.”

3 The cost of the more highly skilled generation station workers, their supervisors
4 and the layers of plant and group management are recorded in FERC O&M
5 accounts 500-554. If service company executives are primarily responsible for
6 generation-related functions, then FERC requires that their salaries be charged
7 to the appropriate O&M, not A&G, account. This is required by FERC’s order
8 684 (issued October 19, 2006), which required electric utility service companies
9 to record transactions to the same set of accounts to which they would be
10 recorded if regulated utility affiliates had directly incurred the costs. Thus, if a
11 service company employee is performing generation-related services, the
12 associated costs must be charged by the service company to the applicable
13 O&M account.

14 **11.Q. What is the next erroneous assertion in Ms. Dismukes’ testimony regarding**
15 **utility A&G differences?**

16 A. On page 30, starting on line 21, she points out that electric utility chief executive
17 compensation is greater than water utility chief executive compensation. In her
18 schedule KHD-8, Ms. Dismukes shows absolute compensation amounts in an
19 attempt to show that the higher cost structure of electric utilities proves the lack
20 of comparability to water companies.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 The flaw in this argument is her failure to factor in the much larger size of the
2 electric utility companies than the water companies. When chief executive officer
3 (CEO) compensation is appropriately denominated in terms of cost per customer,
4 her argument falls apart. As shown in Schedule PLB-3, the average annual cost
5 per customer for water company CEOs is actually higher than that of electric
6 companies (\$0.41 versus \$0.31). Total CEO compensation cost per customer for
7 electric companies (\$2.36 per customer) is not significantly higher than that of
8 water companies (\$2.19 per customer). My entire service company cost
9 comparison is denominated in costs per customer, so CEO compensation must
10 also be analyzed on a cost-per-customer basis. Once again, an analysis of the
11 relevant data proves Ms. Dismukes' contention to be false.

12 Schedule PLB-3 illustrates one other very important point. Total compensation
13 per customer for American Water's CEO is the lowest of any utility—water or
14 electric—in the comparison group. This is another data point that supports the
15 reasonableness of Service Company charges.

16 **12.Q. What is the next erroneous assertion in Ms. Dismukes' testimony regarding**
17 **utility A&G differences?**

18 A. On page 31, starting on line 10, Ms. Dismukes cites the existence of more rate
19 schedules and riders for one electric utility, Kingsport Power Company,
20 compared to TAWC. While she does not state it directly, I assume she offers this
21 as further evidence of electric utilities higher A&G cost structure.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 An analysis of the underlying data shows Ms. Dismukes' arguments again to be
2 without merit. Presented in Schedule PLB-4 is an analysis of Kingsport Power
3 Company's customers, revenues and Mwh sales by rate schedule per the
4 company's FERC Form 1. The vast majority (87%) fall into one customer
5 category—Residential Sales.

6 Ms. Dismukes may not be aware that every Kingsport Power Company customer
7 service representative does not have to be proficient in every rate schedule.
8 Thus, the majority of representatives spend their time working with residential
9 service customers who have one rate schedule. A certain amount of
10 specialization occurs, whereby the most experienced service representatives are
11 assigned the more complex schedules. Thus, the existence of more electric/gas
12 utility rate schedules does not create a significantly greater customer services-
13 related workload compared to water utilities.

14 **13.Q. What is the next erroneous assertion in Ms. Dismukes' testimony regarding**
15 **utility A&G differences?**

16 A. On page 32, starting on line 25, she states that electric utilities have fewer
17 customers per employee because of the number of personnel required to run
18 their generating stations. Here again, I point to the fact that the costs of
19 operating and maintaining generating stations are charged to FERC O&M
20 accounts 500-554. My cost comparison is based on A&G costs recorded in the

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 900 series of FERC accounts. These are the types of services that are similar
2 between water and electric/gas utilities.

3 I might point out an error in her analysis of customers per employee, as shown in
4 Schedule KHD-9. Ms. Dismukes calculates customers per corporate employee
5 for both water and electric utilities. By using total corporate employees in her
6 analysis, however, she understates electric utilities' customer-to-employee ratio
7 because some electric utility companies have considerable unregulated revenues
8 and employees. To show the effect of her error, in the top half of Schedule PLB-
9 5, I calculate Duke Energy's total revenues by segment. Only 74% of Duke's
10 total revenues come from regulated revenues. The remainder is produced by
11 Duke's unregulated business segments. In order to produce an apples-to-apples
12 comparison, Ms. Dismukes should have removed unregulated customers from
13 her electric utility calculation, comparing regulated customer per regulated
14 employee. As shown in the lower half of Schedule PLB-5, that adjustment would
15 have increased Duke Energy's regulated customers per regulated employee to
16 324. Ms. Dismukes' calculation understated Duke's ratio by 35%.

17 **14.Q. Ms. Dismukes has set forth a number of issues with the way you calculate**
18 **the comparison group's A&G cost per customer. Would you briefly**
19 **describe how you selected the FERC accounts to include in your cost**
20 **calculation?**

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 A. I selected the following 13 of 24 FERC A&G-related accounts for inclusion in my
2 calculation of the comparison group's cost per customer:

- 3 • 901 Supervision
- 4 • 903 Customer Records and Collection Expenses
- 5 • 905 Miscellaneous Customer Accounts Expenses
- 6 • 907 Supervision
- 7 • 910 Miscellaneous Customer Service and Information Expenses
- 8 • 911 Supervision
- 9 • 920 Administrative and General Salaries
- 10 • 921 Office Supplies and Expenses
- 11 • 923 Outside Services Employed
- 12 • 928 Regulatory Commission Expenses
- 13 • 930.2 Miscellaneous General Expenses
- 14 • 931 Rents
- 15 • 935 Maintenance of Structures and Equipment

16 **15.Q. Which FERC accounts did you exclude from the comparison group cost-**
17 **per-customer calculation?**

18 A. I excluded 12 A&G-related FERC accounts from the calculation for the reasons
19 described below:

- 20 • Account 902 Meter Reading Expenses – Generally, meter reading is a
21 function that resides within the regulated utility and not the service

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 company. Any charges to this account from a service company would be
2 unusual, so the account is excluded from my cost calculations.

- 3 • Account 904 Uncollectible Accounts – The regulated utility and not the
4 service company generally incurs this expense, the size of which could be
5 influenced by regulations that vary from state to state.

- 6 • Account 908 Customer Assistance Expenses – The regulated utility and
7 not the service company generally incurs this expense, the size of which
8 could be influenced by regulations that vary from state to state.

- 9 • Account 909 Informational and Instructional Advertising Expenses – This
10 is an expense that is generally recorded on the books of the regulated
11 utility.

- 12 • Account 912 Demonstrating and Selling Expenses – I exclude all
13 advertising and sales-related expenses from my cost calculations.

- 14 • Account 913 Advertising Expenses – I exclude all advertising and sales-
15 related expenses from my cost calculations.

- 16 • Account 916 Miscellaneous Sales Expenses - I exclude all advertising and
17 sales-related expenses from my cost calculations.

- 18 • Account 924 Property Insurance – There may be instances where the
19 property insurance expenses in this account relate to property owned by
20 the regulated utility, not just the service company.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

- 1 • Account 925 Injuries and Damages - This is an expense that is generally
2 recorded on the books of the regulated utility.
- 3 • Account 926 Employee Pensions and Benefits – Pension and benefit plan
4 costs for service company employees are charged to this account, which
5 has one of the largest balances of any A&G account. My cost calculation
6 excludes this account because the pension and benefits costs pertain to
7 all service company employees, including those involved in O&M-related
8 services (e.g., power generation and transmission services, engineering).
9 Thus, some portion of this account does not relate to the cost of providing
10 A&G services. To be conservative, I excluded the entire balance from my
11 cost calculation. The impact of this exclusion is considerable. In PLB-
12 Schedule 6, I calculate the estimated A&G-related cost per customer for
13 pensions and benefits was \$9 for the comparison group. Had I included
14 these pension and benefits costs, the total service company A&G
15 expenses per customer for the comparison group would have increased
16 from \$95 to \$104. When I calculated TAWC's \$59 per customer A&G
17 expenses, however, I included pension and benefit costs. The effect is to
18 increase the calculated cost of TAWC's Service Company relative to the
19 comparison group. This is just one instance of the very conservative
20 approach I take in my market cost comparisons.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

- Account 930.1 General Advertising Expenses - I exclude all advertising and sales-related expenses from my cost calculations.

16.Q. Would you respond to Ms. Dismukes' first issue with your calculation of the comparison group A&G cost per customer?

A. In two places (starting on page 35, line 9 and starting on page 36, line 16), Ms. Dismukes contends that supervision costs associated with the FERC accounts not included in my comparison group should also be excluded. For instance, she contends a portion of the included FERC account 901 Supervision should be excluded because it relates to supervision of meter readers, whose expenses are recorded in the excluded FERC account 902.

She does not calculate what the exclusion should be and how that would affect the comparison group's \$95 average per-customer cost. This is a pattern with most of her complaints about my comparison group cost calculations. She attempts to cast doubt on my methodology without employing facts to back up her position.

I disagree with her proposal for two reasons. First, it is not possible to tell from the FERC Form 60 how much of the supervisory costs in the included accounts in question (901 and 911) are associated with the excluded FERC accounts.

Second, the average balances in the included accounts 901 and 911 are not material and do not warrant adjustment. As shown in Schedule PLB-7, the 2009 average comparison group costs per customer for account 901 was 32 cents and

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 for account 911 was less than a penny. These amounts are immaterial
2 compared to the \$95 total A&G cost per customer. The issue is insignificant
3 when subjected to factual analysis.

4 My approach in performing market cost-comparison studies is to use data from
5 publicly available sources and to keep the numbers intact without making
6 adjustments that have insignificant effects. In this way, it is easier for reviewers
7 to trace the numbers in my calculations back to their original source.

8 **17.Q. What is Ms. Dismukes' next issue with your calculation of the comparison**
9 **group A&G cost per customer?**

10 A. Starting on page 37, line 1, she contends that some portion of FERC account
11 920 Administrative and General Salaries, which I include in comparison group
12 cost calculation, should be excluded because it relates in some vague way to the
13 excluded FERC account 930.1 General Advertising. I am unaware of any
14 relationship between these accounts.

15 Ms. Dismukes provides no data to back up her claim and again does not attempt
16 to analyze the impact of the issue. I am puzzled by her insistence on its
17 importance.

18 As shown in Schedule PLB-8, the total balance in account 930.1 represents
19 around 1% of the total of account 920. Eliminating the portion of account 920
20 associated with the insignificant amount in account 930.1 would produce very
21 little change in the \$95 overall comparison group cost per customer. This is

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 demonstrated in Schedule PLB-9, which shows that eliminating an amount equal
2 to even the entire balance of account 930.1 would produce a drop of only \$0.60
3 per customer.

4 **18.Q. What is Ms. Dismukes' next issue with your calculation of the comparison**
5 **group A&G cost per customer?**

6 A. On page 37, starting on line 16, Ms. Dismukes criticizes my method for
7 estimating service company charges by A&G account to their regulated utility
8 affiliates.

9 The Form 60 does not report charges by FERC Account to every individual
10 affiliate. Thus, I must estimate those charges. I do so based on the overall
11 percent of total charges from service companies to regulated and unregulated
12 affiliates. This is the most reasonable method absent more detailed information.

13 On page 38, Ms. Dismukes alleges "Use of the average percentage of service
14 company costs charged to regulated companies as opposed to actual amount
15 (sic) charged to the regulated accounts overestimates the amount of
16 administrative and general service company expenses charged to the regulated
17 electric and electric/gas companies." Perhaps Ms. Dismukes mistakenly
18 assumes there is a source from which to obtain the "actual amount" of charges
19 by FERC Account to each affiliate. That information is similarly not available.
20 Therefore, it is necessary to develop a reasonable estimation of those charges in
21 my analysis.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 **19.Q. Ms. Dismukes goes on to contend that your estimating method overstates**
2 **service company A&G expenses to regulated utility affiliates. What is your**
3 **response?**

4 A. Ms. Dismukes' allegation is based on her schedule KHD-14, in which she
5 compares my total service company A&G expenses charged to regulated utility
6 affiliates to total A&G expenses per affiliate in FERC Form 1. In some cases, my
7 estimate of total A&G service company charges exceeds the total she developed
8 from her Form 1 analysis. If her analysis were correct, this would be the most
9 substantive of her complaints.

10 Ms. Dismukes' Schedule KHD-14 is wrong, however; she includes only electric
11 utility affiliate A&G expenses from FERC Form 1s. She misses regulated A&G
12 expenses for gas utility affiliates, which do not file a FERC Form 1 – Report of
13 Major Electric Utilities. My tabulation of A&G expenses included comparison of
14 group service company charges to both gas and electric utility affiliates. As
15 shown in Schedule PLB-10, in a number of cases, the comparison group of utility
16 companies have significant numbers of retail gas customers. I have highlighted
17 the percent of retail gas to total customers and Ms. Dismukes' "percent of FERC
18 Form 1 expenses." In most cases where Ms. Dismukes' A&G percentage is high,
19 the utility company had both retail electric and gas customers. For instance,
20 schedule PLB-11 shows the retail gas affiliates Ms. Dismukes failed to include in

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 her calculation for the three utility companies with the largest A&G percentages
2 in KHD-14.

3 Unlike regulated electric utilities, retail gas distribution utilities are not regulated
4 by FERC, so they are not required to submit an annual report to FERC. Thus,
5 there is no single source of retail gas utility data with which to tabulate their A&G
6 charges. Ms. Dismukes' desired comparison cannot be made.

7 **20.Q. Does this mean Ms. Dismukes' re-calculation of comparison group service**
8 **company A&G charges of \$79 per customer is incorrect?**

9 A. Yes. I have demonstrated that her Schedule KHD-14 incorrectly excludes A&G
10 charges to affiliate retail gas distribution utilities. Her cost per customer is
11 therefore wrong because she based it on flawed data in Schedule KHD-14. She
12 has therefore failed to disprove the accuracy of my comparison group per
13 customer amount of \$95.

14 **21.Q. Why is it important that this claim of Ms. Dismukes be refuted?**

15 A. This particular criticism, supported by the faulty Schedule KHD-14, is the
16 centerpiece of Ms. Dismukes' attack on my service company cost comparison.
17 Her mistaken analysis does not detract from the validity of my methodology for
18 calculating service company cost comparisons. Nor can her inaccurate analysis
19 cast doubt on the accuracy of my results, which show TAWC's Service Company
20 A&G charges of \$59 to be less than the comparison group's \$95 average.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 Ms. Dismukes uses her false critique as an opening for introducing what she
2 calls her "superior analysis" A&G comparison, which I will address next.

3 **22.Q. What are your overall thoughts on Ms. Dismukes' comparative analysis,**
4 **which she introduces on page 39 of her testimony?**

5 A. Before I get into the details of why Ms. Dismukes' comparison should be
6 rejected, I would like us to contemplate what she recommends based on her
7 flawed comparison. In her schedule KHD-17, she recommends a disallowance
8 of \$4,089,360, or 100%, of total attrition-year A&G charges. The only possible
9 conclusion is that, in her professional opinion, the services currently provided to
10 TAWC can continue to be rendered at zero cost.

11 It is inconceivable that her recommendation could be taken seriously or
12 considered as credible evidence as to the delivery of corporate services through
13 a service company arrangement. If she is going to recommend such an
14 enormous disallowance, then she needs to be held accountable for defining
15 exactly how TAWC will continue to deliver water service to its customers without
16 the Service Company's administrative and management support.

17 **23.Q. Is the scope of Ms. Dismukes' comparison the same as your service**
18 **company cost comparison?**

19 A. The scope of my cost comparison is TAWC's A&G charges from its Service
20 Company affiliate. Ms. Dismukes' comparison is broadened to cover those

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 charges plus A&G expenses that were incurred directly by and recorded on the
2 books of TAWC. Thus, her comparison is not an alternative to mine because it
3 does not cover the same base of A&G charges.

4 **24.Q. Did you find anything unusual with the cost data used by Ms. Dismukes?**

5 A. Yes. By coincidence, I am acting as an expert witness in a September 30, 2010
6 rate case for Water Service Corporation of Kentucky ("WSCK"), one of the
7 regulated utilities in Ms. Dismukes' comparison group. What caught my attention
8 in first reading Ms. Dismukes' testimony was the enormous discrepancy between
9 her numbers for WSCK in KHD-15 and the actual numbers from WSCK's rate
10 case filing. In Schedule KHD-15, Ms. Dismukes calculates an annual A&G cost
11 per customer of \$5 for WSCK compared to an A&G cost per customer of \$72
12 from my rate case study. The actual WSCK A&G costs per customer are over 14
13 times greater than Ms. Dismukes alleges.

14 **25.Q. Are you familiar enough with Water Service Corporation of Kentucky's**
15 **service company to calculate their cost per customer?**

16 A. I have knowledge of Water Service Corporation ("WSC"), WSCK's service
17 company affiliate and its operation. WSCK has no employees of its own. All
18 Kentucky operations personnel are employees of the service company, WSC.
19 Off-site A&G and O&M services are provided by WSC personnel:

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

- Executive management, accounting, legal, rates and regulatory, information technology, human resources, billing and customer relations, engineering, construction and operations (in the Northbrook, Illinois headquarters)
- Regional management, operations, engineering (regional offices)
- National call centers (Charlotte, North Carolina, Altamonte Springs, Florida and Pahrump, Nevada)

Schedule PLB-12 shows WSC's positions that serve its regulated utility affiliates such as WSCK.

26.Q. How does your calculation of WSCK's A&G cost per customer compare to Ms. Dismukes' calculation?

A. The top portion of Schedule PLB-13 shows my calculation of WSCK's \$72 A&G cost per customer based on the many services it receives from its affiliate service company. The lower half of Schedule PLB-13 shows Ms. Dismukes' \$5 per customer calculation, which has only one cost element—contractual services—other.

27.Q. Do you believe a regulated utility can function on \$5 per customer in A&G spending?

A. No. The idea that a utility can function on Ms. Dismukes' A&G costs of \$5 per customer (or \$37,000 per year for WSCK) is preposterous and should have been a sign to her there are serious problems with her data on WSCK. She should

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 have eliminated WSCK from her analysis. Instead, she kept WSCK in her
2 comparison group with the effect of driving down the group's average cost and
3 increasing the size of her recommended disallowance. This discrepancy
4 illustrates the massive flaws in her entire cost comparison, which has the sole
5 purpose of generating an enormous and erroneous disallowance of TAWC's
6 Service Company charges.

7 **28.Q. Do you suspect numbers for any other utilities in Ms. Dismukes'**
8 **comparison group?**

9 A. Yes. Numbers for the following utilities in her comparison group do not make
10 sense:

- 11 • Carolina Water Services has a negative \$110,912 in salaries.
- 12 • The Empire District Electric Company has relatively little salaries
13 (\$17,645) and no contractual services charges. This level of salaries
14 amounts to \$5 per customer. Just as with WSCK, this is unbelievably low.

15 Data aberrations like this should have caused Ms. Dismukes to eliminate these
16 utilities, as well, from her comparison group.

17 **29.Q. Do these unusual numbers reflect on the source of Ms. Dismukes' data?**

18 A. Yes. These problems with Ms. Dismukes' data illustrates perfectly why I do not
19 use water companies' annual reports to perform my cost comparisons. The
20 reliability of the data is sometimes questionable. There is obviously some
21 discretion in how expenses are functionalized (i.e., designated as O&M, A&G,

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 customer services) and reported in these water utility annual reports. This differs
2 markedly from FERC Form 60 filers. Electric utility service companies must
3 follow the FERC's uniform system of accounts, which have discrete accounts for
4 every function (e.g., account 574 – Maintenance of Transmission Plant, 920 –
5 Administrative and General Salaries). Finally, the FERC checks Form 60
6 submissions and periodically conducts audits that may involve detailed reviews
7 of the Form 60. The data available from the Form 60 have a high degree of
8 reliability.

9 **30.Q. Do you agree with the costs Ms. Dismukes included in her A&G cost**
10 **calculation?**

11 A. No. She excluded charges from the following two accounts that are listed as
12 A&G-related expenses in the annual reports.

- 13 • 642–Rental of equipment
- 14 • 650–Transportation expenses

15 She also includes pension and benefits expenses in her calculation. Normally,
16 these are a cost of service. However, pension and benefit costs reported vary
17 wildly among the water utilities. Four water companies reported no pension and
18 benefits charges to 604-Employee Pension and Benefits. One reported the
19 equivalent of \$91 per customer. Even when the cost reported falls within a
20 reasonable range, the data are unreliable. Charges to this account cover
21 pension and benefit costs of all utility personnel, including those involved in O&M

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 functions. Thus, these are not entirely a cost of A&G services. For these
2 reasons, I believe pension and benefit costs should be removed from the A&G
3 cost calculation to arrive at an apples-to-apples comparison showing TAWC's
4 cost position relative to Ms. Dismukes' utility group.

5 **31.Q. What is TAWC's A&G cost per customer when pension and benefits costs**
6 **are removed?**

7 A. Schedule PLB-14 shows TAWC's A&G costs per customer to be \$74, which is
8 close to Ms. Dismukes' cost of \$76 when recalculated to remove pension and
9 benefit costs. (Ms. Dismukes used an incorrect amount for Service Company
10 charges which accounts for the \$2 difference in our calculations.)

11 **32.Q. What happens when you remove water utility data aberrations and pension**
12 **and benefits from Ms. Dismukes' comparison group cost calculation?**

13 A. When I make the previously discussed adjustments to get costs on an apples-to-
14 apples comparative basis, the result is quite different than Ms. Dismukes
15 calculation in Schedule KHD-15. Schedule PLB-15 shows the water utility
16 comparison group average to be \$63. TAWC costs fall within the mid-range of
17 the comparison group. Six water utilities had higher A&G costs than TAWC.
18 This is a considerably different result than that produced by Ms. Dismukes'
19 aberrant comparison group cost calculation.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 **33.Q. Please summarize your thoughts on Ms. Dismukes' overall critique of your**
2 **service company cost comparison.**

3 A. Ms. Dismukes first presented a series of arguments to exaggerate the
4 differences in water and electric utility A&G functions in order to discredit my use
5 of service company A&G cost data from the FERC Form 60. I successfully
6 refuted each of her points with analyses of relevant data.

7 She then criticizes my methodology for calculating A&G expenses per customer
8 based on data from the FERC Form 60. The foundation for her criticism
9 crumbled when I showed she had forgotten to include in her Schedule KHD-14
10 my comparison group service companies' A&G charges to regulated gas utility
11 affiliates.

12 Finally, Ms. Dismukes attempted to perform an alternative cost comparison. She
13 did not benchmark service company charges. Instead, she looked at the broader
14 measure of total utility A&G expenses. She selected 19 water utilities, three of
15 which had severe data aberrations and should not have been included in her
16 comparison group. Her calculation includes total utility pension and benefits
17 costs which creates an apples-to-oranges comparison effect. I corrected all of
18 these issues and recalculated the average A&G cost per customer for the
19 adjusted set of water utilities based on the seriously deficient data in her sample.
20 Even with these shortcomings, in the end, TAWC's A&G cost per customer
21 turned out to be very close to the water utility comparison group. Most

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 importantly, the enormous disallowance Ms. Dismukes produced with her
2 erroneous cost comparison turned out to be fictitious.

3 I believe Ms. Dismukes' testimony and schedules related to my service company
4 cost comparison should be completely disregarded. My original conclusion that
5 the Service Company's charges to TAWC during the 12 months ended March 31,
6 2010 still holds.

7 **34. Please respond to Ms. Dismukes' complaint concerning the spreadsheet you**
8 **provided with service company data used in your cost comparison.**

9 A. The spreadsheet to which Ms. Dismukes refers should have contained 2009
10 FERC Form 60 data for my service company comparison group. Instead, I
11 mistakenly provided 2008 data. This was caused when I used a data request
12 template from a previous American Water 2008 cost comparison study. I used
13 this spreadsheet because it already had headers, footers, page numbers and
14 print areas set. Unfortunately, I pasted the TAWC study's 2009 data in only 4 of
15 7 tabs of the spreadsheet. I was unaware of this mistake until I read Ms.
16 Dismukes' testimony. I apologize for the extra effort it took her to retrieve the
17 data from the FERC website and replicate my analysis.

18 The data contained in the spreadsheet was copied in as absolute values
19 because many of the tabs are linked and an incorrect keystroke can break the
20 formulas and cause the final analysis to be off from my report tables. Again, I
21 apologize for this causing Ms. Dismukes additional work.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

**IV – MS. DISMUKES’ TESTIMONY CONCERNING
COST COMPARISON OF CUSTOMER ACCOUNTS SERVICES**

35.Q. Would you please describe the customer services and costs you evaluated in answering your study’s second question?

A. I evaluated the cost of the following customer services provided to TAWC by the Service Company:

- Customer Call Center Support – customer calls/contact, credit, order taking/disposition, bill collection efforts, outage calls
- Call Center and Customer System Support – maintenance of phone banks, voice recognition units, call center software applications, telecommunications, customer system maintenance and support
- Customer Billing – bill printing, stuffing, and mailing

During the test period ended March 31, 2010, the Service Company charged TAWC \$1,120,000 for customer services. I tested these charges plus other customer services-related charges incurred directly by TAWC.

I benchmarked these costs against the same charges for Tennessee and neighboring states’ electric utilities that must file a Form 1 with the FERC.

36.Q. What is Ms. Dismukes’ argument against your comparison methodology?

A. As with my service company A&G cost comparison, Ms. Dismukes would prefer that I use data only from other water companies. Here too, this is impossible because no publicly available cost information exists for water service

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 companies. Very few water companies have a centralized service company
2 arrangement. Those that do are not overseen by a single regulatory authority
3 that requires standard informational filings, as does the FERC.

4 In her testimony, Ms. Dismukes repeats her arguments that electric and water
5 customer services functions are so dramatically different that cost comparisons
6 are impossible. In fact, customer services functions are quite similar across
7 utility types.

8 **37.Q. Do you make adjustments for the one difference between water and electric**
9 **call center costs?**

10 A. Yes. Electric utilities customers make more call center calls on average
11 compared to other utility types due to a greater occurrence of service problems. I
12 adjust for this difference by increasing the cost pool I use to calculate TAWC's
13 cost per customer.

14 Ms. Dismukes contends electric utilities also experience longer call durations.
15 Her testimony provides no evidence to back up this assertion or its alleged
16 impact on the cost-per-customer calculation. When asked for that support in
17 interrogatory TAWC 2-16, Ms. Dismukes provided 17 pages of documents
18 containing statistics from only two utilities--Aqua America and Connecticut Light
19 & Power—with no explanation as to which data prove her point. This is hardly
20 enough evidence to reach her definitive conclusion on call duration.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 **38.Q. What is your assessment of Ms. Dismukes alternative customer service**
2 **cost comparison?**

3 A. As with her A&G cost comparison, she attempts to use data from utility annual
4 reports filed with state commissions to calculate a cost per customer for
5 customer services. This analysis suffers from the same data problems as her
6 A&G cost comparison. Two of her utilities, incredibly, had no customer services
7 expenses. One of these water companies, North Sumter Utility Company, LLC,
8 disclosed on its annual report page E-10(a), that it has affiliate transactions with
9 an affiliate that provides "Billing, accounting, customer service and management"
10 services at a cost of \$1,031,809 for 2009. Yet North Sumter Utility Company
11 reported no customer accounts expenses for that year. As evidence, Schedule
12 PLB-16 shows a copy of North Sumter's affiliate transactions disclosure page
13 and its water service income statement with no customer accounts charges
14 listed. This annual report is obviously incorrect.

15 In addition, three other utilities in Ms. Dismukes' comparison group have no
16 salaries and no contractual services charges. It is not credible that customer
17 services can be delivered to their customers without any labor costs.

18 Here again, data aberrations like this should have caused Ms. Dismukes to
19 eliminate these utilities from her comparison group.

WITNESS: P.BARYENBRUCH

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 Quality and reliability is not a problem with the FERC Form 1, the source of my
2 comparative data. FERC requires the Form 1 be audited and that the CPA firm's
3 opinion letter contain the following language:

4 "In connection with our regular examination of the financial statements of
5 _____ for the year ended on which we have reported separately under
6 date of _____, we have also reviewed schedules _____ of FERC
7 Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for
8 conformity in all material respects with the requirements of the Federal Energy
9 Regulatory Commission as set forth in its applicable Uniform System of Accounts
10 and published accounting releases. Our review for this purpose included such
11 tests of the accounting records and such other auditing procedures as we
12 considered necessary in the circumstances. Based on our review, in our opinion
13 the accompanying schedules identified in the preceding paragraph (except as
14 noted below) conform in all material respects with the accounting requirements of
15 the Federal Energy Regulatory Commission as set forth in its applicable Uniform
16 System of Accounts and published accounting releases." (FERC Form 1
17 instructions, page ii)

18 **39.Q. What happens when you remove water utility data aberrations from Ms.**
19 **Dismukes' comparison group cost calculation?**

20 A. When I remove the costs of utilities with data aberrations in order to get costs on
21 an apples-to-apples comparative basis, the result is quite different than Ms.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 Dismukes' calculation in Schedule KHD-16. Schedule PLB-18 shows TAWC's
2 customer services cost of \$30 per customer to be relatively close to the water
3 utility comparison group average of \$26. Three water utilities had higher
4 customer services costs than TAWC. Again, as with the analysis of the A&G
5 costs, the data for her water utility comparison group is seriously flawed and
6 should not be relied upon to draw any valid conclusion.

7 **40.Q. Are there factors Ms. Dismukes does not address in her cost comparison?**

8 A. Yes. Her comparison does not consider different levels of service in calculating
9 her per customer costs. For instance, the Service Company's call centers offer
10 TAWC customers the ability to reach a representative every hour of every day.
11 Customers also receive monthly bills. The water companies' annual reports do
12 not provide information necessary to delineate service level differences that are
13 necessary for an accurate cost comparison. These can only be determined
14 through a more detailed, painstaking benchmarking study. If Ms. Dismukes is
15 going to use her cost comparisons to recommend disallowances, she needs to
16 be considerably more precise.

17 **41.Q. Please summarize your views on Ms. Dismukes' customer service cost**
18 **comparison.**

19 A. Ms. Dismukes is exacting in the use of her cost comparisons—if a utility exceeds
20 the average cost of her comparison group, then that is definitive evidence of
21 inefficiency and grounds for disallowance. There are several problems with this

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 approach. First, I have shown that data from water utility annual reports is not
2 consistently reliable for valid cost comparisons. Second, her comparisons give
3 no consideration to service level differences and their cost impacts. Finally, she
4 declares some costs prudent and others not based on suspect data, and no
5 studies to detect and correct. When asked to support her claims and assertions
6 from studies or analysis in discovery she indicated no studies or analysis was
7 done or referenced. Ms. Dismukes has never managed a customer service
8 function. Nor has she ever performed a customer services-related consulting
9 assignment such as implementing a new customer accounting system or
10 improving related processes on which to develop proper and accurate analysis
11 and recommendations.

12 Ms. Dismukes recommends a disallowance of \$676,655, or 59%, of attrition year
13 Service Company customer accounts expenses. I recommend Ms. Dismukes'
14 disallowance, testimony and alternative cost comparison be completely
15 disregarded.

16 **V – MS. DISMUKES' TESTIMONY CONCERNING**
17 **LOWER OF COST OR MARKET PRICING COMPARISON**

18 **42.Q. What issues does Ms. Dismukes take with your market comparison of**
19 **hourly rates for Service Company services?**

20 A. She cites two issues. First, she complains that I do not consider discounts
21 outside providers might grant to secure outsourcing contracts. Second, she

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 contends that not every Service Company position should be a candidate for
2 outsourcing and therefore should not be considered in my lower of cost or market
3 pricing analysis.

4 **43.Q. Please address her first issue related to outsourcing discounts.**

5 A. My comparison showed outside providers to be 45% more expensive than the
6 Service Company. It would have cost TAWC ratepayers \$2 million more if all
7 Service Company services were outsourced during the 12 months ended March
8 31, 2009.

9 There is a possibility that some outside providers might provide discounts but it is
10 not possible to estimate how much. Such information on outsourcing
11 arrangements is not generally disclosed due to contractual restrictions. Take one
12 example, I doubt TAWC would receive a much lower cost per hour than the rate I
13 calculated for CPA firms, one of my outsourcing comparison groups. An
14 American Institute of Certified Public Accountants' survey showed the overall
15 average hourly rate for Tennessee CPAs to be \$108 per hour. This is a very
16 conservative number because large national CPA firms, who have higher billing
17 rates, generally do not participate in this survey. I do not believe the firms TAWC
18 would turn to for outsourcing bids would provide hourly rates substantially lower
19 than this.

20 Ms. Dismukes does not identify how much of a discount she believes TAWC
21 would realize in negotiating with outside providers. I do not believe the discount

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 would be significant and certainly nowhere near my study's 45% differential
2 between the Service Company and outside providers. Ms. Dismukes is incorrect
3 when she contends that outside provider discounts would be so significant as to
4 invalidate my hourly rate comparison.

5 **44.Q. Please address Ms. Dismukes' second issue related to outsourcing**
6 **discounts.**

7 A. Starting on page 47, line 10, Ms. Dismukes contends that my hourly rate
8 comparison should only have been applied to certain "skilled" positions because
9 those would be outsourced. Other "day-to-day" activities would not be
10 outsourced she claims and thus should be omitted from my comparison. She is
11 wrong about this. Outsourcers will take over any function, routine to complex.
12 They will take over all aspects of functions, as different as payroll accounting,
13 internal auditing services and information technology. Thus, it is appropriate that
14 I consider all management and professional positions as candidates for
15 outsourcing.

16 Her criticisms of my lower of cost or market comparison are invalid, and as a
17 result, my conclusion stands that Service Company services were provided at the
18 lower of cost or market. Ms. Dismukes' testimony should be disregarded.

19 **VI – MS. DISMUKES' TESTIMONY CONCERNING**
20 **THE NEED FOR SERVICE COMPANY SERVICES**

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 **45.Q. What is Ms. Dismukes stated concern with the final aspect of your study,**
2 **the necessity of Service Company services?**

3 A. On page 48, starting on line 15, she erroneously asserts that I have failed to
4 “demonstrate that the level of services provided by AWWSC would be required if
5 TAWC were a standalone water company”.

6 I demonstrate the Service Company’s services are needed in Exhibit 11 where I
7 list all the functions and activities any water utility—stand-alone or with a service
8 company arrangement—must perform to deliver service to its customers. I
9 designate which of these activities the Service Company performs for TAWC. I
10 looked for duplication and overlap and found none. In this way, I proved the
11 services provided by the Service Company are vital and would be required even
12 if TAWC were a standalone water company.

13 I dealt with the level of services provided by the Service Company in the first part
14 of my study which compared the Service Company’s A&G charges to TAWC to a
15 comparison group of other utility service companies. That analysis showed the
16 Service Company’s cost per customer to be lower than the comparison group
17 average. Since the quantity of services affects the cost per customer, I have
18 demonstrated that the level of Service Company services is appropriate.

19 I believe Ms. Dismukes’ testimony and criticism concerning my determination that
20 TAWC needs the services it is provided by the Service Company should be
21 disregarded.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

**VII – OVERALL ASSESSMENT OF MS. DISMUKES' TESTIMONY
RELATED TO THE BARYENBRUCH STUDY**

46.Q. What is your overall assessment of Ms. Dismukes' testimony covering your work?

A. I have subjected Ms. Dismukes' testimony to a thorough analysis of the data and facts surrounding her concerns. In the process, I was able to show Ms. Dismukes criticisms of my direct testimony and report to be invalid.

Ms. Dismukes A&G and customer services costs comparisons were based on faulty and unreliable data from water company annual reports filed with public utility commissions. When I adjusted for aberrant data in her numbers, TAWC and the Service Company's relative position improved among the comparison group.

In calculating disallowances of Service Company A&G and customer services charges to TAWC, Ms. Dismukes takes a simplistic and biased approach. Any costs above the comparison group average are deemed to be imprudent without regard to the nature and level of services provided. I strongly recommend her disallowances be disregarded.

**VIII – MR. BUCKNER'S TESTIMONY CONCERNING ATMOS ENERGY'S
SERVICE COMPANY PER CUSTOMER COSTS**

47.Q. Did Mr. Buckner criticize your service company cost comparison?

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 A. Yes. On page 41, starting on line 2 of his direct testimony, Mr. Buckner indicates
2 "The Consumer Advocate, however, does not believe that TAWC's service
3 company cost comparisons are particularly meaningful just because they are
4 easily accessible through FERC."

5 Mr. Buckner is incorrect about the validity of my service company cost
6 comparisons. I believe my detailed rebuttal of Ms. Dismukes' various criticisms
7 proved that service company A&G-related functions and costs are similar across
8 utility industries.

9 In performing my cost comparisons, I use the best data that is publicly available.
10 For service company A&G costs, this information comes from the FERC Form
11 60. Quality of data, not its accessibility, is the most important factor in my choice
12 of comparative cost information. I have demonstrated, with many examples, the
13 aberrations in water company annual report information used by Ms. Dismukes.
14 FERC data is of a higher quality and, therefore, more reliable.

15 **48.Q. Why did you not include Atmos Energy in your service company cost**
16 **comparison group?**

17 A. Because Atmos Energy's service company, Atmos Energy Services, LLC, is not
18 required to file a Form 60 with FERC and I do not have access to their cost data.
19 It is likely that Atmos Energy Services, LLC has been granted an exemption from
20 filing the Form 60 because Atmos Energy Corporation's local distribution utilities

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

1 are not subject to FERC's regulation as natural gas companies under the natural
2 gas act.

3 Mr. Buckner indicates that Atmos Energy Services, LLC's charges to its
4 Tennessee utility affiliate amount to \$39 per customer. I am not familiar with how
5 this was calculated. Atmos Energy Services, LLC may or may not perform
6 services for its Tennessee utility affiliate that are similar to those provided by the
7 Service Company to TAWC. Without the availability of this information, I am not
8 able to comment on the comparability of Atmos and American Water service
9 company costs per Tennessee customer. The information Mr. Buckner cites to
10 support his statement is not provided in a way that consistent with the information
11 I have relied on from FERC Form 60 filings and therefore cannot be used for
12 comparison purposes.

13 **IX – SUMMARY OF REBUTTAL TESTIMONY**

14 **49.Q. Have your market cost comparison studies been accepted by other state**
15 **utility commissions?**

16 A. Yes. Besides Tennessee, I have acted as a witness in 43 cases before
17 commissions in the following states:

- 18 • Connecticut
- 19 • Georgia
- 20 • Illinois
- 21 • Kentucky

WITNESS: P.BARYENBRUCH

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

- Massachusetts
- Missouri
- New Mexico
- New York
- Ohio
- Pennsylvania
- Virginia
- West Virginia

These commissions all have accepted my methodology. One that stands out is the Virginia State Corporation Commission, which stated the following in order PUE-2002-00375, dated September 3, 2003:

As this Commission has found previously that the methodology of the Baryenbruch study is satisfactory, we decline today to find that the Company [Virginia American Water Company] failed to meet its burden of proof regarding the reasonableness of the affiliate expenses. Virginia Code paragraph 56-79 provides that we may approve such arrangements where reasonable, and we find that it is reasonable in this case to do so.

50.Q. Does this complete your rebuttal testimony?

A. Yes.

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
SERVICE COMPANY REGULATORY COST PER CUSTOMER

Utility Company	2009 Acct 928 Charges	Regulated Retail Customers	Acct 928 Cost per Customer	Total Svc Co Cost per Customer	Acct 928 as % of Total
AEP	\$3,201,440	5,213,000	\$ 0.61	\$ 80.28	1%
Allegheny	\$394,084	1,585,700	\$ 0.25	\$ 111.42	0%
Alliant	\$1,804,077	1,395,189	\$ 1.29	\$ 106.88	1%
Ameren	\$990,033	3,300,000	\$ 0.30	\$ 64.25	0%
Black Hills	\$942,198	759,400	\$ 1.24	\$ 107.30	1%
Centerpoint	\$0	5,300,000	\$ -	\$ 22.51	0%
Dominion	\$3,078,964	3,700,000	\$ 0.83	\$ 75.44	1%
Duke Energy	\$0	4,500,000	\$ -	\$ 200.39	0%
Energy East	\$0	2,973,000	\$ -	\$ 30.13	0%
Entergy	\$6,087,274	2,700,000	\$ 2.25	\$ 97.26	2%
E-On	\$509,799	1,226,000	\$ 0.42	\$ 86.37	0%
Exelon	\$207,867	5,886,000	\$ 0.04	\$ 91.34	0%
FirstEnergy	\$1,021,181	4,500,000	\$ 0.23	\$ 56.86	0%
Integrus	\$215	2,157,700	\$ 0.00	\$ 81.30	0%
Nat Grid	\$630,244	6,700,000	\$ 0.09	\$ 196.25	0%
NiSource	\$0	3,750,000	\$ -	\$ 57.73	0%
Northeast	\$2,562,812	2,095,000	\$ 1.22	\$ 128.85	1%
PHI	\$6,016	1,946,000	\$ 0.00	\$ 110.72	0%
Progress Energy	\$0	3,100,000	\$ -	\$ 60.08	0%
PNM	\$1,930,717	729,700	\$ 2.65	\$ 120.60	2%
SCANA	\$1,131,010	1,445,000	\$ 0.78	\$ 115.26	1%
Southern Co	\$92,972	4,402,000	\$ 0.02	\$ 115.43	0%
Unitil	\$0	169,600	\$ -	\$ 124.50	0%
Xcel	\$125,366	5,300,000	\$ 0.02	\$ 62.90	0%
Total	\$24,716,269	74,833,289	\$ 0.33	\$ 94.68	0%

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
NUCLEAR/NON-NUCLEAR SERVICE COMPANY
REGULATORY COST PER CUSTOMER

	Service Co	2009 Service Company Cost/Regulated Customer	Nuclear Generation Percent	Nuclear/ Non-Nuclear Group Average Cost/Customer
Nuclear Utilities	Exelon	\$91	93%	\$95
	Entergy	\$97	58%	
	FirstEnergy	\$57	45%	
	Progress Energy	\$60	44%	
	Dominion	\$75	43%	
	Duke Energy	\$200	37%	
	SCANA	\$115	26%	
	Southern Co	\$115	23%	
	Xcel	\$63	17%	
	PNM	\$121	15%	
	Ameren	\$64	14%	
	AEP	\$80	6%	
Non-Nuclear Utilities	Nat Grid	\$196		\$97
	Northeast	\$129		
	Unitil	\$125		
	Allegheny	\$111		
	PHI	\$111		
	Black Hills	\$107		
	Alliant	\$107		
	E-On	\$86		
	Integrus	\$81		
	NiSource	\$58		
	Energy East	\$30		
	Centerpoint	\$23		

Source: FERC Form 60, Dismukes Schedule KHD-7 (corrected to show Progress Energy with nuclear generation)

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
ANALYSIS OF CHIEF EXECUTIVE OFFICE COMPENSATION

	2009 Compensation		Number of Customers	2009 Compensation	
	Base Salary	Total		Per Customer	
<u>Water and Wastewater Utilities</u>					
American Water Works	\$ 610,615	\$ 2,407,571	3,330,929	\$ 0.25	\$ 0.72
Aqua America	\$ 507,527	\$ 2,548,984	953,437	\$ 0.20	\$ 2.67
California Water Service Group	\$ 904,619	\$ 2,159,139	494,700	\$ 0.42	\$ 4.36
American States Water Company	\$ 449,212	\$ 1,003,796	291,638	\$ 0.45	\$ 3.44
SJW Corp.	\$ 475,000	\$ 1,396,575	234,900	\$ 0.34	\$ 5.95
SouthWest Water Company	\$ 467,308	\$ 522,699	129,956	\$ 0.89	\$ 4.02
Middlesex Water Co.	\$ 370,200	\$ 459,146	102,220	\$ 0.81	\$ 4.49
Connecticut Water Service Inc.	\$ 345,000	\$ 673,873	88,390	\$ 0.51	\$ 7.62
Artesian Resources Corp	\$ 390,225	\$ 572,131	76,900	\$ 0.68	\$ 7.44
York Water Co.	\$ 237,685	\$ 329,989	62,186	\$ 0.72	\$ 5.31
Pennichuck Corp.	\$ 265,000	\$ 396,649	33,600	\$ 0.67	\$ 11.81
Pure Cycle Corp.	\$ 250,000	\$ 250,000	404	\$ 1.00	\$ 618.81
Water Utilities Total	\$ 5,272,391	\$ 12,720,552	5,799,260	\$ 0.41	\$ 2.19
<u>Electric/Gas Utilities</u>					
Exelon Corporation	\$ 1,468,077	\$ 12,210,448	5,886,000	\$ 0.25	\$ 2.07
Xcel Energy Inc.	\$ 1,175,000	\$ 11,340,182	5,300,000	\$ 0.22	\$ 2.14
CenterPoint Energy Inc.	\$ 1,060,000	\$ 7,618,537	5,300,000	\$ 0.20	\$ 1.44
American Electric Power Co	\$ 1,254,808	\$ 7,539,278	5,213,000	\$ 0.24	\$ 1.45
FirstEnergy Corporation	\$ 1,159,615	\$ 12,441,092	4,500,000	\$ 0.26	\$ 2.76
Duke Energy Corporation	\$ -	\$ 6,927,663	4,500,000	\$ -	\$ 1.54
Southern Company	\$ 1,172,908	\$ 10,804,474	4,402,000	\$ 0.27	\$ 2.45
NiSource Inc.	\$ 800,000	\$ 4,138,377	3,750,000	\$ 0.21	\$ 1.10
Dominion Resources Inc.	\$ 1,200,000	\$ 11,973,541	3,700,000	\$ 0.32	\$ 3.24
Pepco Holdings, Inc.	\$ 796,669	\$ 3,116,833	1,946,000	\$ 0.41	\$ 1.60
Ameren Corporation	\$ 616,667	\$ 2,763,059	3,300,000	\$ 0.19	\$ 0.84
Progress Energy Inc.	\$ 979,231	\$ 6,454,010	3,100,000	\$ 0.32	\$ 2.08
Entergy Corporation	\$ 1,341,174	\$ 15,166,209	2,700,000	\$ 0.50	\$ 5.62
Integrus Energy Group Inc.	\$ 1,090,385	\$ 5,517,783	2,157,700	\$ 0.51	\$ 2.56
SCANA Corporation	\$ 1,099,000	\$ 5,033,358	1,445,000	\$ 0.76	\$ 3.48
Allegheny Energy	\$ 1,200,000	\$ 12,589,731	1,585,700	\$ 0.76	\$ 7.94
Alliant Energy	\$ 832,000	\$ 3,332,497	1,395,189	\$ 0.60	\$ 2.39
PNM Resources, Inc.	\$ 874,067	\$ 3,532,176	729,700	\$ 1.20	\$ 4.84
Black Hills Corporation	\$ 564,000	\$ 1,873,600	759,400	\$ 0.74	\$ 2.47
Unitil Corp.	\$ 456,601	\$ 1,306,751	169,600	\$ 2.69	\$ 7.70
Electric/Gas Utilities Total	\$ 19,140,202	\$ 145,679,599	61,839,289	\$ 0.31	\$ 2.36

Source: Dismukes Schedules KHD-8 and KHD-9

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

KINGSPORT POWER COMPANY NUMBER OF CUSTOMERS PER RATE SCHEDULE

Rate Schedule		Number of Customers	% of Total
Residential	Residential Service Employee	2	0%
	Residential Service	41,073	87%
Commercial	Church Service	186	0%
	Electric Heating General	630	1%
	Industrial Power Service	1	0%
	Large General Service	216	0%
	Medium General Service	1,261	3%
	Medium General Service TOD	4	0%
	Small General Service	3,326	7%
Industrial Service	Electric Heating General	15	0%
	Industrial Power Service	6	0%
	Large General Service	39	0%
	Medium General Service	67	0%
	Medium General Service TOD	1	0%
	Small General Service	47	0%
Public Street & Highway	Small General Service	115	0%
	Street Lighting	4	0%
Public Authorities	Public School	34	0%
Total		47,027	100%

source: Kingsport Power Company 2009 FERC Form 1, page 304

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
ANALYSIS OF DUKE ENERGY'S CUSTOMERS PER EMPLOYEE

Analysis of 2009 Revenues

	2009 Revenues	
	Amount (millions)	Percent of Total
Duke Energy Business Segment		
Franchised Electric & Gas (regulated)	\$ 9,433	74%
Commercial Power (unregulated)	\$ 2,114	17%
International Energy (unregulated)	\$ 1,158	9%
Total Segment Revenues	\$ 12,705	100%

Source: Duke Energy Corporation's 2009 10K

Analysis of 2009 Revenues

Calculation	Customers	Employees	Estimated Regulated Utility Employees		Customers Per Employee
			% of Total	Number	
Ms. Dismukes (Regulated Customers per Corporate Employee)	4,500,000	18,680			241
Mr. Baryenbruch (Regulated Customers per Regulated Employee)	4,500,000	18,680	74%	13,869	324

Percent Ms. Dismukes' understatement 35%

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
ANALYSIS OF SERVICE COMPANY
ESTIMATED A&G-RELATED PENSION AND BENEFITS COSTS PER CUSTOMER

2009	Total Account 926 Cost Per Regulated Customer					Portion of Account 926 That Pertains to A&G Services			
Utility	Total Acct 926 Charges	Regulated Percent	Regulated Charges	Number of Customers	Total Cost Per Customer	A&G Portion of Service Company Charges			A&G Cost Per Customer
						Total Charges		A&G Percent	
						A&G Accounts	Total Charges		
AEP	\$ 9,257,354	93%	\$ 8,636,616	5,213,000	\$ 2	\$ 418,484,117	\$ 675,892,933	62%	\$ 1
Allegheny	\$ 100,723,967	95%	\$ 96,030,672	1,585,700	\$ 61	\$ 176,685,245	\$ 690,714,070	26%	\$ 15
Alliant	\$ 38,247,122	96%	\$ 36,545,585	1,395,189	\$ 26	\$ 149,116,475	\$ 692,240,990	22%	\$ 6
Ameren	\$ (472,381)	76%	\$ (360,111)	3,300,000	\$ (0)	\$ 212,036,412	\$ 552,287,141	38%	\$ (0)
Black Hills	\$ 17,718,689	77%	\$ 13,594,054	759,400	\$ 18	\$ 81,484,333	\$ 555,825,628	15%	\$ 3
CenterPoint	\$ 64,409,659	51%	\$ 32,725,577	5,300,000	\$ 6	\$ 119,304,604	\$ 368,092,920	32%	\$ 2
Dominion	\$ 86,919,779	64%	\$ 55,316,577	3,700,000	\$ 15	\$ 279,128,940	\$ 461,060,420	61%	\$ 9
Duke	\$ 114,253,295	97%	\$ 110,282,493	4,500,000	\$ 25	\$ 901,762,388	\$ 699,292,706	129%	\$ 32
Energy East	\$ 30,699,569	85%	\$ 26,002,396	2,973,000	\$ 9	\$ 89,580,962	\$ 613,623,873	15%	\$ 1
Entergy	\$ 214,447,561	76%	\$ 162,394,405	2,700,000	\$ 60	\$ 262,596,172	\$ 548,619,334	48%	\$ 29
E-On	\$ 37,844,988	88%	\$ 33,369,703	1,226,000	\$ 27	\$ 105,893,093	\$ 638,800,320	17%	\$ 5
Exelon	\$ 79,327,589	91%	\$ 72,470,435	5,886,000	\$ 12	\$ 537,633,122	\$ 661,847,255	81%	\$ 10
FirstEnergy	\$ 83,019,982	88%	\$ 73,344,734	4,500,000	\$ 16	\$ 255,874,712	\$ 640,040,503	40%	\$ 7
Integrus	\$ 69,122,193	89%	\$ 61,223,306	2,157,700	\$ 28	\$ 175,423,352	\$ 641,682,843	27%	\$ 8
Nat Grid	\$ 125,982,398	95%	\$ 119,318,756	6,700,000	\$ 18	\$ 1,314,902,105	\$ 686,151,479	192%	\$ 34
NiSource	\$ 31,896,661	75%	\$ 23,834,415	3,750,000	\$ 6	\$ 216,480,637	\$ 541,352,854	40%	\$ 3
Northeast	\$ 61,855,941	99%	\$ 60,980,843	2,095,000	\$ 29	\$ 269,948,801	\$ 714,221,903	38%	\$ 11
PHI	\$ 130,891,572	84%	\$ 109,307,946	1,946,000	\$ 56	\$ 215,465,623	\$ 605,008,128	36%	\$ 20
PNM	\$ 13,823,207	99%	\$ 13,699,003	3,100,000	\$ 4	\$ 186,256,921	\$ 717,961,728	26%	\$ 1
Progress	\$ 41,073,239	88%	\$ 36,340,039	729,700	\$ 50	\$ 87,998,259	\$ 640,984,603	14%	\$ 7
SCANA	\$ 19,109,671	83%	\$ 15,831,048	1,445,000	\$ 11	\$ 166,555,883	\$ 600,174,588	28%	\$ 3
Southern Co	\$ 163,672,130	96%	\$ 157,050,806	4,402,000	\$ 36	\$ 508,130,523	\$ 695,162,911	73%	\$ 26
Unitil	\$ 6,209,264	92%	\$ 5,686,425	169,600	\$ 34	\$ 21,115,280	\$ 663,468,616	3%	\$ 1
Xcel	\$ 49,393,402	99%	\$ 48,692,080	5,300,000	\$ 9	\$ 333,389,459	\$ 714,184,713	47%	\$ 4
Total	\$ 1,589,426,851		\$ 1,372,317,802	74,833,289	\$ 18	\$ 7,085,247,416	\$ 15,018,692,461	47%	\$ 9

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
COMPARISON GROUP FERC ACCOUNT 930.1 AS PERCENT OF ACCOUNT 920

Comparison Group Total	2009
Acct 901 Charges	23,679,964
Total Comparison Group Customers	74,833,289
Acct 901 Annual Cost per Customer	\$ 0.32
Comparison Group Overall Average	\$ 95.00
Acct 901 as a % of Overall Average	0.3%

Comparison Group Total	2009
Acct 911 Charges	311,954
Total Comparison Group Customers	74,833,289
Acct 911 Annual Cost per Customer	\$ 0.00
Comparison Group Overall Average	\$ 95.00
Acct 911 as a % of Overall Average	0.0%

Source: FERC Form 60s; Baryenbruch workpapers

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
COMPARISON GROUP FERC ACCOUNT 930.1 AS PERCENT OF ACCOUNT 920

Utility Company	2009 Acct 930.1 Charges	2009 Acct 920 Charges	Acct 930.1 as % of Total
AEP	\$3,236,317	\$209,472,332	2%
Allegheny	\$55,692	\$92,369,193	0%
Alliant	\$134,191	\$78,594,490	0%
Ameren	\$109,750	\$119,065,172	0%
Black Hills	\$488,272	\$46,316,732	1%
Centerpoint	\$5,491,173	\$107,957,561	5%
Dominion	\$1,240,571	\$281,246,679	0%
Duke	\$2,639,693	\$351,329,220	1%
Energy East	\$124,416	\$46,047,881	0%
Entergy	\$655,034	\$141,507,830	0%
E-On	\$1,309,969	\$42,191,042	3%
Exelon	\$3,348,298	\$253,721,484	1%
FirstEnergy	\$4,395,824	\$130,597,355	3%
Integrus	\$317,819	\$77,617,719	0%
Nat Grid	\$2,381,951	\$516,012,030	0%
NiSource	\$74,101	\$87,313,477	0%
Northeast	\$0	\$153,573,629	0%
PHI	\$225,122	\$107,199,846	0%
Progress	\$1,192,114	\$89,255,961	1%
PNM	\$0	\$47,963,133	0%
SCANA	\$683,976	\$56,887,556	1%
Southern Co	\$8,588,616	\$125,961,507	7%
Unitil	\$16,863	\$17,487,105	0%
Xcel	\$8,117,941	\$121,867,585	7%
Total	\$44,827,703	\$3,301,556,519	1%

Source: FERC Form 60s

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
COMPARISON GROUP FERC ACCOUNT 930.1 AS PERCENT OF TOTAL A&G

Utility Company	2009 Acct 903.1 Charges	Regulated Retail Customers	Acct 930.1 Cost per Customer	Total Svc Co Cost per Customer	Acct 930.1 as % of Total
AEP	\$3,236,317	5,213,000	\$ 0.62	\$ 80.28	1%
Allegheny	\$55,692	1,585,700	\$ 0.04	\$ 111.42	0%
Alliant	\$134,191	1,395,189	\$ 0.10	\$ 106.88	0%
Ameren	\$109,750	3,300,000	\$ 0.03	\$ 64.25	0%
Black Hills	\$488,272	759,400	\$ 0.64	\$ 107.30	1%
Centerpoint	\$5,491,173	5,300,000	\$ 1.04	\$ 22.51	5%
Dominion	\$1,240,571	3,700,000	\$ 0.34	\$ 75.44	0%
Duke	\$2,639,693	4,500,000	\$ 0.59	\$ 200.39	0%
Energy East	\$124,416	2,973,000	\$ 0.04	\$ 30.13	0%
Entergy	\$655,034	2,700,000	\$ 0.24	\$ 97.26	0%
E-On	\$1,309,969	1,226,000	\$ 1.07	\$ 86.37	1%
Exelon	\$3,348,298	5,886,000	\$ 0.57	\$ 91.34	1%
FirstEnergy	\$4,395,824	4,500,000	\$ 0.98	\$ 56.86	2%
Integrus	\$317,819	2,157,700	\$ 0.15	\$ 81.30	0%
Nat Grid	\$2,381,951	6,700,000	\$ 0.36	\$ 196.25	0%
NiSource	\$74,101	3,750,000	\$ 0.02	\$ 57.73	0%
Northeast	\$0	2,095,000	\$ -	\$ 128.85	0%
PHI	\$225,122	1,946,000	\$ 0.12	\$ 110.72	0%
Progress	\$1,192,114	3,100,000	\$ 0.38	\$ 60.08	1%
PNM	\$0	729,700	\$ -	\$ 120.60	0%
SCANA	\$683,976	1,445,000	\$ 0.47	\$ 115.26	0%
Southern Co	\$8,588,616	4,402,000	\$ 1.95	\$ 115.43	2%
Unitil	\$16,863	169,600	\$ 0.10	\$ 124.50	0%
Xcel	\$8,117,941	5,300,000	\$ 1.53	\$ 62.90	2%
Total	\$44,827,703	74,833,289	\$ 0.60	\$ 94.68	1%

Source: FERC Form 60s

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
COMPARISON GROUP RETAIL ELECTRIC AND GAS CUSTOMERS

Service Co	Number of Customers			Percent of Total Customers			Dismuke A&G % of FERC Form 1
	Electric	Gas	Total	Electric	Gas	Total	
AEP	5,213,000		5,213,000	100%		100%	67%
Allegheny	1,585,700		1,585,700	100%		100%	123%
Alliant	982,462	412,727	1,395,189	70%	30%	100%	127%
Ameren	2,400,000	900,000	3,300,000	73%	27%	100%	67%
Black Hills	202,100	557,300	759,400	27%	73%	100%	180%
Centerpoint	2,100,000	3,200,000	5,300,000	40%	60%	100%	88%
Dominion	2,400,000	1,300,000	3,700,000	65%	35%	100%	82%
Duke	4,000,000	500,000	4,500,000	89%	11%	100%	109%
Energy East	908,000	318,000	1,226,000	74%	26%	100%	27%
Entergy	2,008,000	965,000	2,973,000	68%	32%	100%	78%
E-On	2,700,000		2,700,000	100%		100%	97%
Exelon	5,400,000	486,000	5,886,000	92%	8%	100%	95%
FirstEnergy	4,500,000		4,500,000	100%		100%	70%
Integrus	488,900	1,668,800	2,157,700	23%	77%	100%	213%
Nat Grid	3,300,000	3,400,000	6,700,000	49%	51%	100%	249%
NiSource	450,000	3,300,000	3,750,000	12%	88%	100%	237%
Northeast	1,890,000	205,000	2,095,000	90%	10%	100%	78%
PHI	1,823,000	123,000	1,946,000	94%	6%	100%	64%
Progress	3,100,000		3,100,000	100%		100%	55%
PNM	729,700		729,700	100%		100%	102%
SCANA	659,000	786,000	1,445,000	46%	54%	100%	114%
Southern Co	4,402,000		4,402,000	100%		100%	72%
Unitil	100,300	69,300	169,600	59%	41%	100%	162%
Xcel	3,400,000	1,900,000	5,300,000	64%	36%	100%	92%
Total	54,742,162	20,091,127	74,833,289				

Source: Baryenbruch workpapers; Dismukes Schedule KHD-14

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

RETAIL GAS UTILITIES A&G MISSING FROM MS. DISMUKES' SCHEDULE KHD-14

Utility Company	Incorrect (regulated electric only)	Correct (regulated electric & gas affiliates)
	Included in Dismukes' A&G Calculation	Included in Baryenbruch's A&G Calculation
Integrys	Upper Peninsula Power Company Wisconsin Public Service Corporation Wisconsin River Power Company	Upper Peninsula Power Company Wisconsin Public Service Corporation Wisconsin River Power Company Peoples Gas Light and Coke Company Minnesota Energy Resources Corporation Michigan Gas Utilities Corporation North Shore Gas Company
National Grid	Granite State Electric Company Massachusetts Electric Company Nantucket Electric Company National Grid Generation, LLC New England Electric Transmission Corporation New England Hydro-Trans. Elec. Co., Inc. New England Hydro-Transmission Corporation New England Power Company Niagara Mohawk Power Corporation The Narragansett Electric Company Yankee Atomic Electric Company	Granite State Electric Company Massachusetts Electric Company Nantucket Electric Company National Grid Generation, LLC New England Electric Transmission Corporation New England Hydro-Trans. Elec. Co., Inc. New England Hydro-Transmission Corporation New England Power Company Niagara Mohawk Power Corporation The Narragansett Electric Company Yankee Atomic Electric Company Boston Gas Company Essex Gas Company Colonial Gas Company Energy North Natural Gas, Inc. KeySpan Gas East Corporation The Brooklyn Union Gas Company Narragansett Gas Company
NiSource	Northern Indiana Public Service Company	Northern Indiana Public Service Company Columbia Gas of Kentucky, Inc. Columbia Gas of Maryland, Inc. Columbia Gas of Ohio, Inc. Columbia Gas of Pennsylvania, Inc. Columbia Gas of Virginia, Inc. Kokomo Gas & Fuel Company

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
WATER SERVICE COMPANY POSITIONS SERVING
REGULATED UTILITY AFFILIATES

Location	Group	WSC Position	Location	Group	WSC Position
Northbrook	Regulatory	Regulatory Staff Accountant II	FL Regional Office	Customer Service	CSR II
Northbrook	Billing	Billing Manager	FL Regional Office	Customer Service	CSR II
Northbrook	Regulatory	Regulatory Staff Accountant I	FL Regional Office	Customer Service	CSR II
Northbrook	Regulatory	Regulatory Staff Accountant I	FL Regional Office	Customer Service	CSR II
Northbrook	Officer	President & CEO	FL Regional Office	Customer Service	Customer Care Specialist
Northbrook	Finance / Accounting	Senior Fixed Asset Accountant	FL Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	AP Supervisor	FL Regional Office	Customer Service	Customer Care Manager
Northbrook	Regulatory	Regulatory Accounting Manager	FL Regional Office	Customer Service	CSR II
Northbrook	Regulatory	Director, Governmental Affairs	FL Regional Office	Customer Service	Lead Customer Service Rep
Northbrook	Finance / Accounting	Director, Tax & Accounting Operations	FL Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	Chief Operating Officer	FL Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	Corporate Staff Accountant I	FL Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	Corporate Accounting Manager	FL Regional Office	Customer Service	CSR I
Northbrook	Billing	Asst. Manager of Billing	FL Regional Office	Customer Service	CSR I
Northbrook	Officer	Chief Financial Officer	FL Regional Office	Customer Service	CSR Temp
Northbrook	Finance / Accounting	Payroll Supervisor	FL Regional Office	Customer Service	CSR Temp
Northbrook	Regulatory	Regulatory Staff Accountant I	FL Regional Office	Customer Service	CSR Temp
Northbrook	Regulatory	Regulatory Staff Accountant II	FL Regional Office	Customer Service	CSR Temp
Northbrook	IT	IT Manager	FL Regional Office	Customer Service	CSR Temp
Northbrook	Finance / Accounting	Senior Corporate Accountant	NV Regional Office	Customer Service	CSR II
Northbrook	Finance / Accounting	Senior Regulatory Accountant	NV Regional Office	Customer Service	Collections Specialist
Northbrook	Finance / Accounting	Financial Planning & Analysis Manager	NV Regional Office	Customer Service	Customer Care Manager
Northbrook	Administration	Executive Assistant	NV Regional Office	Customer Service	Collections Specialist
Northbrook	Finance / Accounting	Tax Specialist	NV Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	AP Clerk	NV Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	AP Clerk	NV Regional Office	Customer Service	CSR I
Northbrook	Finance / Accounting	AP Clerk	NC Regional Office	Customer Service	Lead Customer Service Rep
Northbrook	Billing	Billing Specialist	NC Regional Office	Customer Service	CSR I
Northbrook	Regulatory	Senior Regulatory Accountant	NC Regional Office	Customer Service	CSR II
Northbrook	IT	Network Administrator	NC Regional Office	Customer Service	CSR II
Northbrook	Officer	VP, General Counsel	NC Regional Office	Customer Service	CSR Temp
Northbrook	Regulatory	Regulatory Accounting Manager	FL Regional Office	Customer Service	Customer Service Manager
Northbrook	Regulatory	Regulatory Staff Accountant I	NC Regional Office	Customer Service	Customer Care Manager
Northbrook	HR	Human Resources Generalist	NC Regional Office	Customer Service	CSR II
Northbrook	Administration	Operations Administration Manager	Kentucky Operations	Operations	Field Tech III
Northbrook	Finance / Accounting	AP Clerk	Kentucky Operations	Operations	Water-Wastewater Operator II
Northbrook	HR/ Payroll	Payroll/HR Administrator	Kentucky Operations	Operations	Field Tech II
Northbrook	IT	Desktop Support Analyst II	Kentucky Operations	Operations	Regional Manager
Northbrook	Finance / Accounting	AP Clerk	Kentucky Operations	Operations	Lead Water-Wastewater Operator
Northbrook	Administration	Operations Administrator	Kentucky Operations	Operations	Field Tech I
Northbrook	Administration	Regulatory Assistant	Kentucky Operations	Operations	Water-Wastewater Operator II
Northbrook	Administration	Receptionist	Kentucky Operations	Operations	Area Manager - JCT
Northbrook	Finance / Accounting	Senior Corporate Accountant	Kentucky Operations	Operations	Field Tech I
Northbrook	Administration	Compliance & Safety Coordinator	Kentucky Operations	Operations	Water-Wastewater Operator I
Northbrook	IT	Desktop Support Analyst II	Kentucky Operations	Operations	Administrative Assistant
Northbrook	Finance / Accounting	AP Clerk	Regional Offices	Operations	Regional Director
Northbrook	Finance / Accounting	Senior Financial Analyst	Regional Offices	Officer	Regional Vice President
Northbrook	Finance / Accounting	Capital Projects Analyst	Regional Offices	Administration	Executive Assistant
Northbrook	Officer	VP, Corporate Development	Regional Offices	Finance / Accounting	Regional Finance Manager
Northbrook	Regulatory	Executive Director, Regulatory Affairs	Regional Offices	Administration	Regional Compliance & Safety Manager
Northbrook	Finance / Accounting	Corporate Services Manager			
Northbrook	HR	Benefits Administrator			
Northbrook	Regulatory	Regulatory Staff Accountant I			
Northbrook	Administration	Process & Performance Manager			
Northbrook	HR	HR Manager			
Northbrook	Administration	Mail Clerk			

Source: Baryenbruch & Company, LLC

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
WATER SERVICE COMPANY OF KENTUCKY A&G EXPENSES PER CUSTOMER

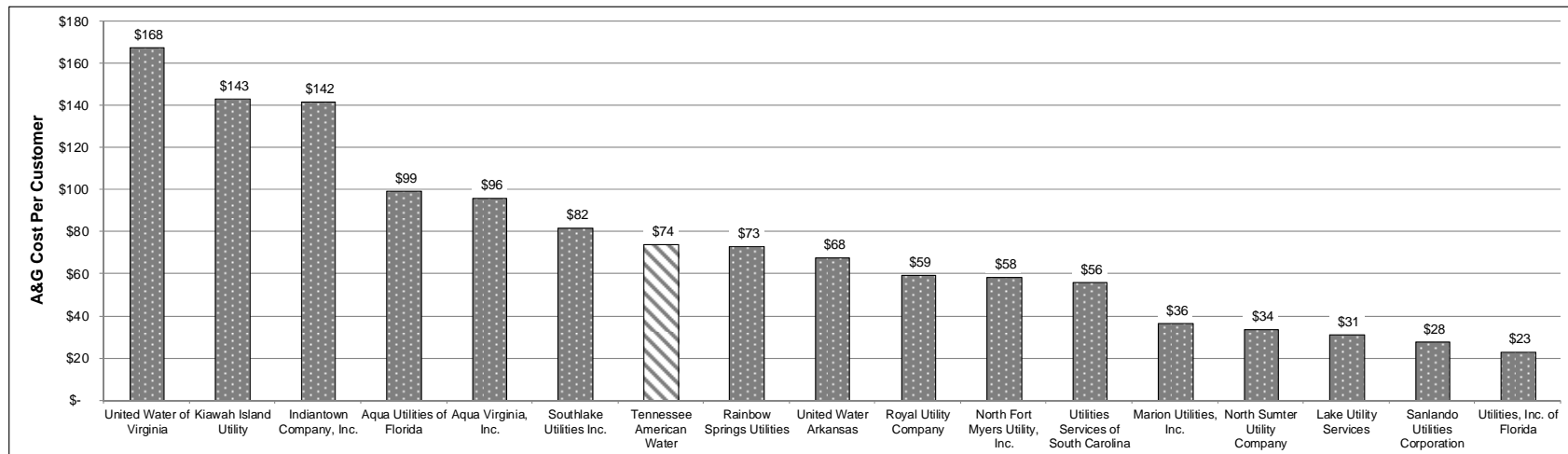
Baryenbruch calculation (based on actual numbers)	
General Expenses	A&G-Related WSC Charges
Salaries and Wages	\$ 151,264
Office Supplies and Other Office Exp.	\$ 102,242
Regulatory Commission Expense	\$ 82,845
Pension and Other Benefits	\$ 36,828
Rent	\$ 18,906
Insurance	\$ 59,054
Office Utilities	\$ 53,825
Miscellaneous	\$ 26,283
Total	\$ 531,246
Total WSCK Customers	7,349
A&G Expenses Per Customer	\$ 72
Source: Baryenbruch & Company, LLC	

Dismukes calculation (based on data from WSCK's annual report to the KPSC)	
Contractual Services - Other	\$ 33,841
Total WSCK Customers	7,344
A&G Expenses Per Customer	\$ 5
Source: Dismukes KHD-15	

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
CALCULATION OF TAWC'S A&G COSTS PER CUSTOMER

TAWC A&G Cost Calculation			
	Dismukes	Baryenbruch	
Salaries & Wages - Employees	\$ 1,538,187		\$ 1,538,187
Salaries & Wages - Officers	\$ -		
Employee Pensions & Benefits			
Materials and Supplies	\$ 6,895		\$ 6,895
Contractual Services - Engineering	\$ -		\$ -
Contractual Services - Accounting	\$ 71,356		\$ 71,356
Contractual Services - Legal	\$ 43,151		\$ 43,151
Contractual Services - Mgt. Fees	\$ -		\$ -
Contractual Services - Other	\$ 3,310,287		
Mgmt & Professional Svc Co Charges		\$ 4,099,018	
Less: Capital Charges		\$ (311,927)	
Less: Non-A&G O&M Charges			
Engineering		\$ (10,568)	
Operations		\$ (541,144)	
Water Quality		\$ (97,262)	
Net - A&G Expenses		\$ 3,138,117	\$ 3,138,117
Rental of Building/Real Property	\$ 2,511		\$ 2,511
Misc. Expense	\$ 732,990		\$ 732,990
Total Selected A&G Expenses	\$ 5,705,377		\$ 5,533,207
Average Number of Customers	74,625		74,625
A&G Expenses Per Customer	\$ 76		\$ 74

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
COMPARISON OF WATER COMPANY A&G EXPENSES



Utility	601-Salaries & Wages - Employees	603-Salaries & Wages - Officers	620-Materials & Supplies	631-Contractual Services - Engineering	632-Contractual Services - Accounting	633-Contractual Services - Legal	634-Contractual Services - Mgmt Fees	636-Contractual Services - Other	641-Rental of Buildings/ Real Property	642-Rental of Equipment	650-Transport Expenses	675-Misc Expenses	Total	Average Customers	A&G/ Customer
1 Aqua Utilities of Florida	\$ 14,110	\$ 18,157	\$ 31	\$ 7,279	\$ 21,132	\$ 97,312	\$ 1,471,184	\$ 84,765	\$ -	\$ 836	\$ -	\$ 115,955	\$ 1,830,761	18,415	\$ 99
2 Indiantown Company, Inc.	\$ 56,315	\$ -	\$ 14,834	\$ 16,743	\$ 8,959	\$ 3,273	\$ 154,387	\$ -	\$ 1,509	\$ -	\$ 1,989	\$ 453	\$ 258,462	1,822	\$ 142
3 Lake Utility Services	\$ 136,090	\$ 60,686	\$ 7,669	\$ -	\$ 9,776	\$ 3,837	\$ -	\$ 11,704	\$ -	\$ -	\$ 6,242	\$ 42,938	\$ 278,942	8,934	\$ 31
4 Marion Utilities, Inc.	\$ 6,754	\$ 99,987	\$ -	\$ -	\$ 25,176	\$ 2,644	\$ -	\$ -	\$ 39,552	\$ -	\$ 1,793	\$ 47,207	\$ 223,113	6,122	\$ 36
5 North Fort Myers Utility, Inc.	\$ -	\$ 33,150	\$ -	\$ -	\$ 11,760	\$ 1,142	\$ 16,209	\$ -	\$ 6,522	\$ -	\$ 237	\$ 38,876	\$ 107,896	1,846	\$ 58
6 North Sumter Utility Company	\$ -	\$ -	\$ 3,100	\$ 64,984	\$ 24,885	\$ 10,740	\$ 382,627	\$ 90,768	\$ -	\$ -	\$ -	\$ 1,114	\$ 578,218	17,126	\$ 34
7 Rainbow Springs Utilities	\$ 42,567	\$ -	\$ 1,378	\$ -	\$ 26,662	\$ 8,982	\$ 60,982	\$ -	\$ 8,101	\$ 375	\$ -	\$ 29,011	\$ 178,058	2,432	\$ 73
8 Royal Utility Company	\$ -	\$ 44,000	\$ -	\$ 480	\$ 12,898	\$ 2,915	\$ -	\$ -	\$ -	\$ -	\$ 910	\$ 52,953	\$ 114,156	1,926	\$ 59
9 Sanlando Utilities Corporation	\$ 180,599	\$ 80,430	\$ 10,356	\$ -	\$ 13,004	\$ 3,841	\$ -	\$ 2,077	\$ -	\$ -	\$ 8,723	\$ 38,384	\$ 337,414	12,160	\$ 28
10 Southlake Utilities Inc.	\$ 14,686	\$ -	\$ 1,127	\$ 13,524	\$ 23,463	\$ 51,541	\$ 66,300	\$ -	\$ 15,378	\$ -	\$ 4,924	\$ 2,887	\$ 193,830	2,366	\$ 82
11 The Empire District Electric Co.	Small Salaries, No Contractual Services Charges														
12 United Water Arkansas	\$ 357,251	\$ -	\$ 12,579	\$ -	\$ 12,669	\$ 1,225	\$ 556,012	\$ 163,592	\$ -	\$ 3,270	\$ 1,168	\$ 65,929	\$ 1,173,695	17,333	\$ 68
13 Utilities, Inc. of Florida	\$ 1	\$ -	\$ 1	\$ -	\$ 7,502	\$ 1,864	\$ -	\$ 41,635	\$ -	\$ -	\$ 3	\$ 104,014	\$ 155,020	6,746	\$ 23
14 Water Service Corp. of KY	Data In Conflict With Rate Case Filing														
15 Carolina Water Services	Negative Salaries,														
16 Kiawah Island Utility	\$ 355,756	\$ -	\$ 5,924	\$ -	\$ 7,083	\$ 3,326	\$ 59,065	\$ -	\$ 19,072	\$ -	\$ -	\$ 53,691	\$ 503,917	3,524	\$ 143
17 Utilities Services of So Carolina	\$ 63,193	\$ -	\$ 203,332	\$ (14,256)	\$ 7,004	\$ 39,366	\$ -	\$ 45,960	\$ -	\$ 18,378	\$ -	\$ 27,451	\$ 390,428	6,960	\$ 56
18 Aqua Virginia, Inc.	\$ 4,760	\$ -	\$ 3,769	\$ -	\$ 12,972	\$ 14,520	\$ 321,652	\$ 21,155	\$ -	\$ 2,306	\$ 119	\$ 35,519	\$ 416,772	4,337	\$ 96
19 United Water of Virginia	\$ 186,573	\$ -	\$ 935	\$ -	\$ -	\$ 18,632	\$ -	\$ 149,280	\$ 4,500	\$ -	\$ -	\$ 73,555	\$ 433,475	2,585	\$ 168
Total	\$ 1,418,655	\$ 336,410	\$ 265,035	\$ 88,754	\$ 224,945	\$ 265,160	\$ 3,088,418	\$ 610,936	\$ 94,634	\$ 25,165	\$ 26,108	\$ 729,937	\$ 7,174,157	114,631	\$ 63
Tennessee American Water	\$ 1,538,187	\$ -	\$ 6,895	\$ -	\$ 71,356	\$ 43,151	\$ 3,138,117	\$ -	\$ 2,511	\$ -	\$ -	\$ 732,990	\$ 5,533,207	74,625	\$ 74

removed from comparison group cost calculation due to aberrant data

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
NORTH SUMTER UTILITY COMPANY, LLC AFFILIATE TRANSACTIONS

UTILITY NAME: North Sumter Utility Company, LLC

YEAR OF REPORT
December 31, 2009

BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of \$500 in any one year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6 identifying the parties, amounts, dates and product, asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

- Enter in this part all transactions involving services and products received or provided.
- Below are some types of transactions to include:
 - management, legal and accounting services
 - computer services
 - engineering & construction services
 - repairing and servicing of equipment
 - material and supplies furnished
 - leasing of structures, land and equipment
 - rental transactions
 - sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION SERVICE AND/OR NAME OF PRODUCT (b)	CONTRACT OR AGREEMENT EFFECTIVE DATES (c)	ANNUAL CHARGES	
			(P)urchased or (S)old (d)	AMOUNT (e)
The Villages of Lake-Sumter	Billing, accounting, customer service & management	Open	P	\$ 1,031,809

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
NORTH SUMTER UTILITY COMPANY, LLC AFFILIATE TRANSACTIONS

UTILITY NAME: North Sumter Utility Company, LLC
SYSTEM NAME / COUNTY: The Villages / Sumter

YEAR OF REPORT
December 31, 2009

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)	.1 SOURCE OF SUPPLY AND EXPENSES - OPERATIONS (d)	.2 SOURCE OF SUPPLY AND EXPENSES - MAINTENANCE (e)
601	Salaries and Wages - Employees	\$ -	\$ -	\$ -
603	Salaries and Wages - Officers, Directors and Majority Stockholders			
604	Employee Pensions and Benefits			
610	Purchased Water			
615	Purchased Power	127,309		
616	Fuel for Power Production			
618	Chemicals			
620	Materials and Supplies	3,100		
631	Contractual Services - Engineering	64,984		
632	Contractual Services - Accounting	24,885		
633	Contractual Services - Legal	10,740		
634	Contractual Services - Mgt. Fees	407,523		24,896
635	Contractual Services - Testing			
636	Contractual Services - Other	895,396		
641	Rental of Building/Real Property			
642	Rental of Equipment			
650	Transportation Expense			
656	Insurance - Vehicle			
657	Insurance - General Liability	4,168		
658	Insurance - Workmens Comp.			
659	Insurance - Other	26,398		
660	Advertising Expense			
666	Regulatory Commission Expenses - Amortization of Rate Case Expense			
667	Regulatory Commission Exp. -Other			
670	Bad Debt Expense			
675	Miscellaneous Expenses	3,394		
	Total Water Utility Expenses	\$ 1,567,897		\$ 24,896

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
NORTH SUMTER UTILITY COMPANY, LLC AFFILIATE TRANSACTIONS

UTILITY NAME: North Sumter Utility Company, LLC
SYSTEM NAME / COUNTY: The Villages / Sumter

YEAR OF REPORT
December 31, 2009

WATER EXPENSE ACCOUNT MATRIX					
.3 WATER TREATMENT EXPENSES - OPERATIONS (f)	.4 WATER TREATMENT EXPENSES - MAINTENANCE (g)	.5 TRANSMISSION & DISTRIBUTION EXPENSES - OPERATIONS (h)	.6 TRANSMISSION & DISTRIBUTION EXPENSES - MAINTENANCE (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMIN. & GENERAL EXPENSES (k)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
127,309					
					3,100
					64,984
					24,885
					10,740
					382,627
310,316	171,479	318,771	4,062		90,768
					4,168
					26,398
2,280					1,114
\$ 439,905	\$ 171,479	\$ 318,771	\$ 4,062		\$ 608,784

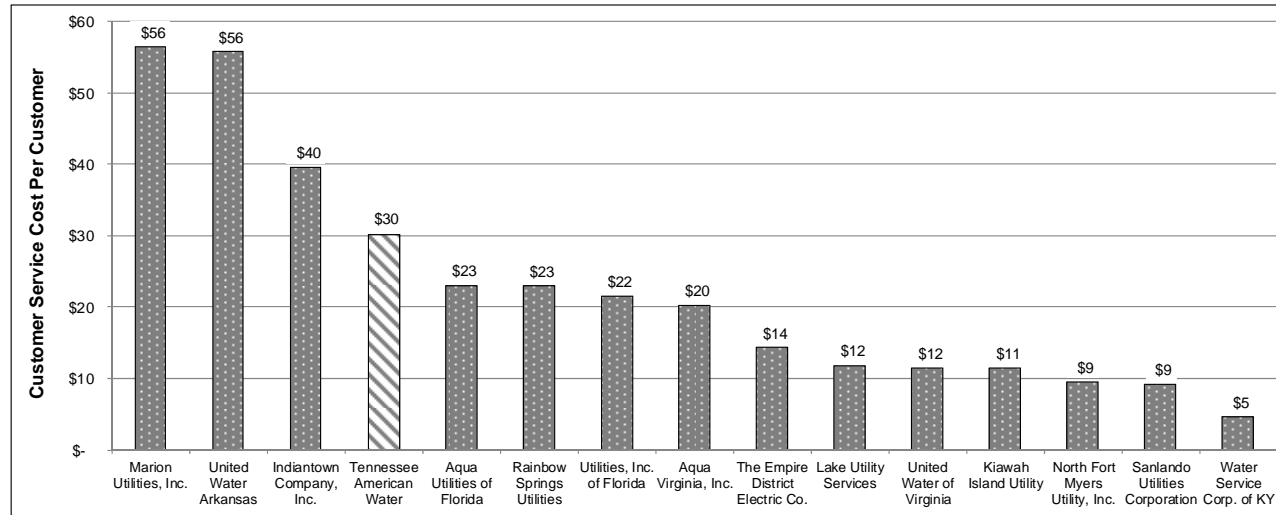
TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY
TAWC CUSTOMER SERVICE EXPENSES PER CUSTOMER

TAWC Customer Service Cost Calculation	
	Dismukes Baryenbruch
Salaries & Wages - Employees	\$ 409,442 \$ 409,442
Materials and Supplies	\$ 1,943 \$ 1,943
Contractual Services - Other	\$ 1,132,225 \$ 1,120,113
Misc. Expense	\$ 823,670 \$ 732,990
Total Selected A&G Expenses	\$ 2,367,280 \$ 2,264,488
Average Number of Customers	74,625 74,625
Cust Svc Expenses Per Customer	\$ 32 \$ 30

Source: Baryenbruch workpapers; Dismukes workpapers

TENNESSEE AMERICAN WATER COMPANY
REBUTTAL TESTIMONY

COMPARISON OF WATER COMPANY CUSTOMER SERVICE EXPENSES



Utility	601-Salaries & Wages - Employees	603-Salaries & Wages - Officers	620-Materials and Supplies	636-Contractual Services - Other	650-Transport Expenses	675-Misc Expenses	Total	Average Customers	A&G/ Customer
1 Aqua Utilities of Florida	\$ 144,015	\$ -	\$ 515	\$ 280,666	\$ -	\$ -	\$ 425,196	18,415	\$ 23
2 Indiantown Company, Inc.	\$ 44,492	\$ -	\$ 27,427	\$ -	\$ 223	\$ -	\$ 72,142	1,822	\$ 40
3 Lake Utility Services	\$ 37,394	\$ -	\$ 7,669	\$ 11,704	\$ 6,242	\$ 42,938	\$ 105,947	8,934	\$ 12
4 Marion Utilities, Inc.	\$ 86,150	\$ 199,973	\$ -	\$ -	\$ 2,131	\$ 57,389	\$ 345,643	6,122	\$ 56
5 North Fort Myers Utility, Inc.	\$ 3,134	\$ -	\$ -	\$ 3,061	\$ -	\$ 11,337	\$ 17,532	1,846	\$ 9
6 North Sumter Utility Company	No Data								
7 Rainbow Springs Utilities	\$ 51,296	\$ -	\$ 1,012	\$ -	\$ -	\$ 3,656	\$ 55,964	2,432	\$ 23
8 Royal Utility Company	No Data								
9 Sanlando Utilities Corporation	\$ 52,755	\$ -	\$ 10,356	\$ 2,077	\$ 8,723	\$ 38,384	\$ 112,295	12,160	\$ 9
10 Southlake Utilities Inc.	No Salaries, No Contractual Services Charges								
11 The Empire District Electric Co.	\$ 27,143	\$ (434)		\$ 38,818			\$ 65,527	4,558	\$ 14
12 United Water Arkansas	\$ 556,713		\$ 9,486	\$ 276,656	\$ 43,761	\$ 80,600	\$ 967,216	17,333	\$ 56
13 Utilities, Inc. of Florida	\$ -	\$ -	\$ -	\$ 41,635	\$ -	\$ 104,014	\$ 145,649	6,746	\$ 22
14 Water Service Corp. of KY				\$ 33,841			\$ 33,841	7,344	\$ 5
15 Carolina Water Services	No Salaries, No Contractual Services								
16 Kiawah Island Utility			\$ 40,479				\$ 40,479	3,524	\$ 11
17 Utilities Services of So Carolina	No Salaries, No Contractual Services								
18 Aqua Virginia, Inc.	\$ 14,880		\$ 8	\$ 72,946			\$ 87,834	4,337	\$ 20
19 United Water of Virginia	\$ 25,082					\$ 4,667	\$ 29,749	2,585	\$ 12
Total	\$ 1,043,054	\$ 199,539	\$ 96,952	\$ 761,404	\$ 61,080	\$ 342,985	\$ 2,505,014	98,154	\$ 26
Tennessee American Water	\$ 409,442		\$ 1,943	\$ 1,120,113		\$ 732,990	\$ 2,264,488	74,625	\$ 30

removed from comparison group cost calculation due to no data or aberrant data

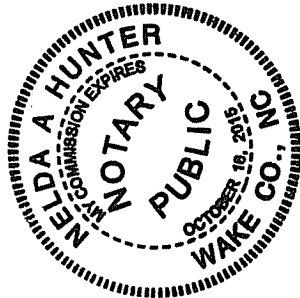
TENNESSEE REGULATORY AUTHORITY

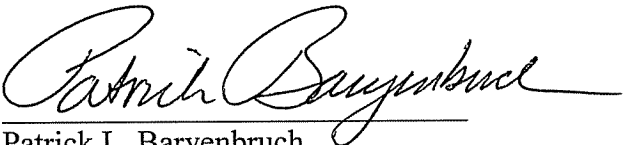
STATE OF NORTH CAROLINA

COUNTY OF WAKE

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Patrick L. Baryenbruch, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his rebuttal testimony would set forth in the annexed transcript consisting of 63 pages.




Patrick L. Baryenbruch

Sworn to and subscribed before me
this 3rd day of February 2011.


Notary Public

My commission expires 10-18-2015