

February 10, 2011

Via E-Mail and USPS

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

filed electronically in docket office on 02/10/11

**Re: Petition of Tennessee American Water Company
Docket No. 10-00189**

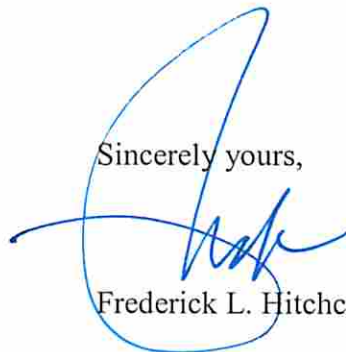
Dear Chairman Freeman:

I have enclosed an original and five (5) copies of an Errata Sheet, correcting errors in the direct testimony of Kimberly H. Dismukes, and revised Schedules KHD-15, KHD-16, and KHD-17 (these schedules are also included in the City of Chattanooga's Second Supplemental Responses to TAWC's Second Discovery Request).

I would appreciate you please appropriately filing the Errata Sheet and revised exhibits and stamping the extra copy "filed" and returning it to me in the enclosed, self-addressed, stamped envelope.

With best regards, I am

Sincerely yours,



Frederick L. Hitchcock

FLH:pgh
Enclosures

Chairman Mary Freeman
c/o Ms. Sharla Dillon
February 1, 2011
Page 2

cc: Mr. J. Richard Collier (w/encl.)
Mr. R. Dale Grimes (w/encl.)
Mr. Vance L. Broemel (w/encl.)
Mr. Ryan L. McGehee
Ms. Mary L. White
Mr. David C. Higney (w/encl.)
Mr. Henry M. Walker (w/encl.)
Mr. Michael A. McMahan (w/enc.)
Ms. Valerie L. Malueg
Mr. Mark Brooks (w/encl.)
Mr. Scott H. Strauss (w/encl.)
Ms. Katharine M. Mapes
Mr. Donald L. Scholes (w/encl.)
Ms. Kelly Cashman-Grams (via email)
Ms. Monica Smith-Ashford (via email)
Ms. Shilina Chatterjee Brown (via email)

AWWSC A&G Charges to TAWC Compared to Peer Water Utilities - 2009

Witness: Dismukes
Docket No. 10-00189
Revised Schedule KHD-15
Page 1 of 1

Utility	State	Salaries & Wages - Employees	Salaries & Wages - Officers	Employee Pensions & Benefits	Materials and Supplies	Contractual Services - Engineering	Contractual Services - Accounting	Contractual Services - Legal	Contractual Services - Mgt. Fees	Contractual Services - Other	Rental of Building/Real Property	Misc. Expense	Total Selected A&G Expenses	Average Number of Customers	A&G/ Customer
United Water Arkansas	AR	\$ 357,251	\$ -	\$ 1,052,864	\$ 12,579	\$ -	\$ 12,669	\$ 1,225	\$ 556,012	\$ 163,592	\$ -	\$ 65,929	\$ 2,222,121	17,333	\$ 128
Aqua Utilities of Florida	FL	\$ 14,110	\$ 18,157	\$ 202,109	\$ 31	\$ 7,279	\$ 21,132	\$ 97,312	\$ 1,471,184	\$ 84,765	\$ -	\$ 115,955	\$ 2,032,034	18,415	\$ 110
Indiantown Company, Inc.	FL	\$ 56,315	\$ -	\$ -	\$ 14,834	\$ 16,743	\$ 8,959	\$ 3,273	\$ 154,387	\$ -	\$ 1,509	\$ 453	\$ 256,473	1,822	\$ 141
Lake Utility Services	FL	\$ 136,090	\$ 60,686	\$ 57,453	\$ 7,669	\$ -	\$ 9,776	\$ 3,837	\$ -	\$ 11,704	\$ -	\$ 42,938	\$ 330,153	8,934	\$ 37
Mad Hatter Utility, Inc.	FL	\$ 132,362	\$ -	\$ 51,580	\$ 4,129	\$ -	\$ 8,980	\$ 23,529	\$ -	\$ 31,849	\$ 111	\$ 49,055	\$ 301,595	3,474	\$ 87
Marion Utilities, Inc.	FL	\$ 6,754	\$ 99,987	\$ 21,348	\$ -	\$ -	\$ 25,176	\$ 2,644	\$ -	\$ -	\$ 39,552	\$ 47,207	\$ 242,668	6,122	\$ 40
Ni Florida, LLC	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981	\$ -	\$ -	\$ -	\$ 176,129	\$ 177,110	744	\$ 238
North Beach Utilities, Inc.	FL	\$ -	\$ -	\$ 19,797	\$ -	\$ 25,112	\$ 12,521	\$ -	\$ 30,720	\$ 14,799	\$ -	\$ 5,965	\$ 108,914	1,139	\$ 96
North Fort Myers Utility, Inc.	FL	\$ -	\$ 33,150	\$ -	\$ -	\$ -	\$ 11,760	\$ 1,142	\$ 16,209	\$ -	\$ 6,522	\$ 38,876	\$ 107,659	1,846	\$ 58
North Sumter Utility Company	FL	\$ -	\$ -	\$ -	\$ 3,100	\$ 64,984	\$ 24,885	\$ 10,740	\$ 382,627	\$ 90,768	\$ -	\$ 1,114	\$ 578,218	17,126	\$ 34
O&S Water Company, Inc.	FL	\$ 66,049	\$ 90,000	\$ 287	\$ 19,163	\$ 6,298	\$ 16,735	\$ 7,747	\$ -	\$ 111,340	\$ 26,322	\$ 51,051	\$ 394,992	3,040	\$ 130
Peoples Water Service Co.	FL	\$ -	\$ -	\$ 195,031	\$ -	\$ -	\$ 9,524	\$ 3,166	\$ 565,770	\$ -	\$ -	\$ 56,710	\$ 830,201	11,877	\$ 70
Rainbow Springs Utilities	FL	\$ 42,567	\$ -	\$ 29,831	\$ 1,378	\$ -	\$ 26,662	\$ 8,982	\$ 60,982	\$ -	\$ 8,101	\$ 29,011	\$ 207,514	2,432	\$ 85
Royal Utility Company	FL	\$ -	\$ 44,000	\$ 12,727	\$ -	\$ 480	\$ 12,898	\$ 2,915	\$ -	\$ -	\$ -	\$ 52,953	\$ 125,973	1,926	\$ 65
Sanlando Utilities Corporation	FL	\$ 180,599	\$ 80,430	\$ 81,634	\$ 10,356	\$ -	\$ 13,004	\$ 3,841	\$ -	\$ 2,077	\$ -	\$ 38,384	\$ 410,325	12,160	\$ 34
Southlake Utilities Inc.	FL	\$ 14,686	\$ -	\$ 1,016	\$ 1,127	\$ 13,524	\$ 23,463	\$ 51,541	\$ 66,300	\$ -	\$ 15,378	\$ 2,887	\$ 189,922	2,366	\$ 80
Utilities, Inc. of Florida	FL	\$ 1	\$ -	\$ 46,312	\$ 1	\$ -	\$ 7,502	\$ 1,864	\$ -	\$ 41,635	\$ -	\$ 104,014	\$ 201,329	6,746	\$ 30
Water Management Services	FL	\$ 141,690	\$ 141,684	\$ 89,739	\$ 3,029	\$ -	\$ 4,225	\$ 4,809	\$ -	\$ 12,735	\$ 22,002	\$ 20,559	\$ 440,472	1,812	\$ 243
Wedgfield Utilities, Inc.	FL	\$ 21,351	\$ 8,036	\$ 8,832	\$ 1,584	\$ -	\$ 1,354	\$ 400	\$ -	\$ 199	\$ -	\$ 7,892	\$ 49,648	1,678	\$ 30
Water Service Corp. of KY	KY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,841	\$ -	\$ -	\$ 33,841	7,344	\$ 5
The Empire District Electric Co.	MO	\$ 17,645	\$ -	\$ 145,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,008	4,558	\$ 36
Carolina Water Services	SC	\$ (110,912)	\$ -	\$ 143,329	\$ 183,019	\$ (65)	\$ 8,855	\$ 16,141	\$ -	\$ 9,666	\$ 288	\$ 27,270	\$ 277,591	8,791	\$ 32
Kiawah Island Utility	SC	\$ 355,756	\$ -	\$ 30,534	\$ 5,924	\$ -	\$ 7,083	\$ 3,326	\$ 59,065	\$ -	\$ 19,072	\$ 53,691	\$ 534,451	3,524	\$ 152
Utilities Services of South Carolina	SC	\$ 63,193	\$ -	\$ 162,368	\$ 203,332	\$ (14,256)	\$ 7,004	\$ 39,366	\$ -	\$ 45,960	\$ -	\$ 27,451	\$ 534,418	6,960	\$ 77
Aqua Virginia, Inc.	VA	\$ 4,760	\$ -	\$ 61,684	\$ 3,769	\$ -	\$ 12,972	\$ 14,520	\$ 321,652	\$ 21,155	\$ -	\$ 35,519	\$ 476,031	4,337	\$ 110
Massanutten Public Service Corp.	VA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,921	\$ 596	\$ -	\$ 7,123	\$ -	\$ 56,370	\$ 67,010	2,489	\$ 27
Peer Total		\$ 1,500,267	\$ 576,130	\$ 2,413,838	\$ 475,024	\$ 120,099	\$ 290,060	\$ 303,897	\$ 3,684,908	\$ 683,208	\$ 138,857	\$ 1,107,383	\$ 11,293,671	158,990	\$ 71
Tennessee American Water ^{1,2}	TN	\$ 1,538,187	\$ -	\$ 3,557,638	\$ 6,895	\$ -	\$ 71,356	\$ 43,151	\$ -	\$ 3,310,287	\$ 2,511	\$ 732,990	\$ 9,263,015	74,625	\$ 124
Difference from Peer Average Adjustment															\$ 53 \$ (3,962,133)

Additional companies highlighted.

¹ \$1,108,290 was removed from the Management Fee as it relates to Customer Service Account Expense.

² Exclusion of non-A&G functions included in the management fee is necessary to develop a per customer cost comparable to the peer group. The expense for non-A&G functions was estimated by using the amounts analogous to those included in Baryenbruch's comparative analysis: \$8,569 for engineering and \$153,782 for Water Quality. The analogous charges for Operations was estimated to be \$427,672 for 2009.

Source: Companies' 2009 Annual Reports.

AWWSC Customer Service Charges to TAWC Compared to Peer Water Utilities - 2009

Witness: Dismukes
Docket No. 10-00189
Revised Schedule KHD-16
Page 1 of 1

Utility	State	Salaries & Wages - Employees	Salaries & Wages - Officers	Employee Pensions & Benefits	Materials and Supplies	Contractual Services - Engineering	Contractual Services - Accounting	Contractual Services - Legal	Contractual Services - Mgt. Fees	Contractual Services - Other	Rental of Building/Real Property	Misc. Expenses	Total	Average Number of Customers	Customer Acct Svcs/ Customer
United Water Arkansas	AR	\$ 556,713	\$ -	\$ -	\$ 9,486	\$ -	\$ -	\$ -	\$ -	\$ 276,656	\$ -	\$ 80,600	\$ 923,455	17,333	\$ 53
Aqua Utilities of Florida	FL	\$ 144,015	\$ -	\$ -	\$ 515	\$ -	\$ -	\$ -	\$ -	\$ 280,666	\$ -	\$ -	\$ 425,196	18,415	\$ 23
Indiantown Company, Inc.	FL	\$ 44,492	\$ -	\$ -	\$ 27,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,919	1,822	\$ 39
Lake Utility Services	FL	\$ 37,394	\$ -	\$ 10,918	\$ 7,669	\$ -	\$ -	\$ -	\$ -	\$ 11,704	\$ -	\$ 42,938	\$ 110,623	8,934	\$ 12
Mad Hatter Utility, Inc.	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Marion Utilities, Inc.	FL	\$ 86,150	\$ 199,973	\$ 57,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,389	\$ 400,737	6,122	\$ 65
Ni Florida, LLC	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491	\$ 491	744	\$ 1
North Beach Utilities, Inc.	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
North Fort Myers Utility, Inc.	FL	\$ 3,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,061	\$ -	\$ 11,337	\$ 17,532	1,846	\$ 9
North Sumter Utility Company	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
O&S Water Company, Inc.	FL	\$ 37,336	\$ -	\$ -	\$ 909	\$ -	\$ -	\$ -	\$ -	\$ 44,266	\$ -	\$ 1,118	\$ 83,629	3,040	\$ 28
Peoples Water Service Co.	FL	\$ 387,387	\$ -	\$ -	\$ 17,120	\$ -	\$ -	\$ -	\$ -	\$ 166,962	\$ -	\$ -	\$ 571,469	11,877	\$ 48
Rainbow Springs Utilities	FL	\$ 51,296	\$ -	\$ -	\$ 1,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,656	\$ 55,964	2,432	\$ 23
Royal Utility Company	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Sanlando Utilities Corporation	FL	\$ 52,755	\$ -	\$ 16,498	\$ 10,356	\$ -	\$ -	\$ -	\$ -	\$ 2,077	\$ -	\$ 38,384	\$ 120,070	12,160	\$ 10
Southlake Utilities Inc.	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,383	\$ 12,383	2,366	\$ 5
Utilities, Inc. of Florida	FL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,635	\$ -	\$ 104,014	\$ 145,649	6,746	\$ 22
Water Management Services	FL	\$ 77,026	\$ -	\$ 24,410	\$ 2,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,001	\$ 109,915	1,812	\$ 61
Wedgefield Utilities, Inc.	FL	\$ 4,883	\$ -	\$ 1,467	\$ 1,584	\$ -	\$ -	\$ -	\$ -	\$ 199	\$ -	\$ 7,892	\$ 16,025	1,678	\$ 10
Water Service Corp. of KY	KY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,841	\$ -	\$ -	\$ 33,841	7,344	\$ 5
The Empire District Electric Co.	MO	\$ 27,143	\$ (734)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,818	\$ -	\$ -	\$ 65,227	4,558	\$ 14
Carolina Water Services	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,844	\$ 45,844	8,791	\$ 5
Kiawah Island Utility	SC	\$ -	\$ -	\$ -	\$ 40,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,479	3,524	\$ 11
Utilities Services of South Carolina	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,756	\$ 51,756	6,960	\$ 7
Aqua Virginia, Inc.	VA	\$ 14,880	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 72,946	\$ -	\$ -	\$ 87,834	4,337	\$ 20
Massanutten Public Service Corp.	VA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,123	\$ -	\$ 56,370	\$ 63,493	2,489	\$ 26
Peer Average		\$ 1,524,604	\$ 199,239	\$ 110,518	\$ 119,043	\$ -	\$ -	\$ -	\$ -	\$ 979,954	\$ -	\$ 520,173	\$ 3,453,531	135,325	\$ 26
Tennessee American Water ¹	TN	\$ 409,442	\$ -	\$ -	\$ 1,943	\$ -	\$ -	\$ -	\$ -	\$ 1,132,225	\$ -	\$ 823,670	\$ 2,367,280	74,625	\$ 32
Difference from Peer Average Adjustment															\$ 6 \$ (462,842)

Additional companies' highlighted.

¹ \$1,108,290 was added to Contractual Services – Other as it relates to Customer Service Accounts portion of the Management Fee.

Note: Mad Hatter Utility, Inc.; North Beach Utilities, Inc.; North Sumter Utility Company; and Royal Utility Company were excluded from the analysis due to lack of customer-related O&M expenses.

Source: Companies' 2009 Annual Reports.

Recommended Adjustment for Excessive Service Company Charges to TAWC

Witness: Dismukes
Docket No. 10-00189
Revised Schedule KHD-17
Page 1 of 1

Account	2009 Disallowance	Percent Disallowance	Attrition Year Expenditures	Attrition Year Disallowance
Service Company Administrative & General	(3,962,133)	100.00%	\$ 4,089,360	\$ (4,089,360)
Service Company Customer Accounts	(462,842)	40.88%	\$ 1,136,675	\$ (464,661)
Total	(4,424,975)		\$ 5,226,034	\$ (4,554,021)

DOCKET NO. 10-00189

**DIRECT TESTIMONY OF
KIMBERLY H. DISMUKES
ERRATA**

Page	Footnote	Change From	Change To
4:19		\$676,655	\$464,661
20:14		\$228.6 million	\$228.4 million
41:18		19 companies	26 companies
41:18		only four had	only six had
42:22		\$3,972,958	\$3,962,133
45:4		\$23	\$26
45:4		39 percent	23 percent
45:12		\$9	\$6
45:14		\$674,006	\$462,842
45:17		\$676,655	\$464,661
51:6		\$50,856	\$43,469
54	37	pp. 57-64	pp. 57 and 64
57:8		\$676,655	\$464,661

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing pleading was emailed and was served upon the following person(s) via ☐ hand delivery or ☒ United States first class mail with proper postage applied thereon to ensure prompt delivery:

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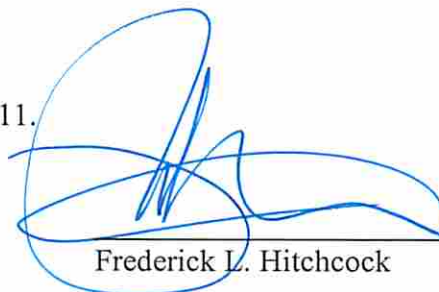
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This 10th day of February, 2011.



Frederick L. Hitchcock