

BASS

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February 22, 2011

VIA HAND DELIVERY

Chairman Mary W. Freeman file electronically in docket office on 02/22/11
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:

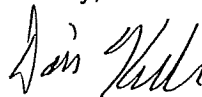
Enclosed please find an original and five (5) sets of copies of Tennessee American Water Company's Response to the Third Discovery Request of the Consumer Advocate and Protection Division.

A compact disk is being provided in the binder of each set of copies. This disk contains all responses and attachments. In addition, these responses are being filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon. I have enclosed a separate disk labeled "Docket Manager Disk" for Ms. Dillon that contains a single PDF file of this material.

Please file the original and four copies of this material 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

Enclosure

Chairman Mary Freeman
February 22, 2011
Page 2

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

9284660.1

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

IN RE:

**PETITION OF TENNESSEE AMERICAN
WATER COMPANY TO CHANGE AND
INCREASE CERTAIN RATES AND
CHARGES SO AS TO PERMIT IT TO
EARN A FAIR AND ADEQUATE RATE
OF RETURN ON ITS PROPERTY USED
AND USEFUL IN FURNISHING WATER
SERVICE TO ITS CUSTOMERS**

Docket No. 10-00189

**TENNESSEE AMERICAN WATER COMPANY'S RESPONSES TO THE THIRD
DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND PROTECTION
DIVISION TO TENNESSEE AMERICAN WATER COMPANY**

The Tennessee American Water Company ("TAWC") hereby responds as follows to the Third Discovery Request of the Consumer Advocate and Protection Division ("CAPD") to TAWC, which is related to the rebuttal exhibits of TAWC's rebuttal testimony:

GENERAL OBJECTIONS

(1) TAWC objects to all requests that seek information protected by the attorney-client privilege, the work product doctrine and/or any other applicable privilege or restriction on disclosure.

(2) TAWC objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations or orders of the Tennessee Regulatory Authority.

(3) TAWC objects to the definitions of the words “communication,” “you,” “person,” “persons,” “identity,” “identify,” and “document” that accompany the data requests because such definitions are overbroad and unduly burdensome.

(4) The specific responses set forth below are based upon information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information and/or documents produced.

(5) TAWC is providing its responses herein without waiver of, or prejudice to, its right at any later time to raise objections to: (a) the competence, relevance, materiality, privilege, or admissibility of the response, or the subject matter thereof; and (b) the use of any response, or subject matter thereof, in any subsequent proceedings.

(6) TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

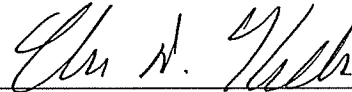
(7) TAWC objects to each request to the extent it seeks information outside TAWC’s custody or control.

(8) TAWC objects to requests that call upon TAWC to create, categorize, manipulate, customize or otherwise organize data regarding time periods outside of TAWC’s historical test year. TAWC objects to all such requests because they are unduly burdensome, seek to have TAWC create work product and seek information that is not relevant to this rate case.

(9) TAWC’s specific objections to each request are in addition to the General Objections set forth in this section. These General Objections form a part of each discovery response, and they are set forth here to avoid the duplication and repetition of restating them for each discovery response. The absence of a reference to a General Objection in response to a

particular request does not constitute a waiver of any General Objection with respect to that discovery request. All responses are made subject to and without waiver of TAWC's general and specific objections.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", is written over a horizontal line.

R. Dale Grimes (#006332)

E. Steele Clayton (#017298)

C. David Killion (#026412)

BASS, BERRY & SIMS PLC

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(615) 742-6200

Counsel for Petitioner

Tennessee American Water Company

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION
RELATED TO THE REBUTTAL EXHIBITS OF
TENNESSEE AMERICAN WATER COMPANY'S REBUTTAL TESTIMONY**

Responsible Witness: Michael A. Miller

Question:

1. Please refer to Rebuttal Exhibit MAM-7 of Mr. Mike Miller's rebuttal testimony filed in this docket. Provide the workpapers supporting Line 10 of Rebuttal Exhibit MAM-7 and provide the response in native electronic format.

Response:

See the attached schedules identified as TN-CAPD-03-Q1-ATTACHMENT. The Excel file is enclosed on the attached CD labeled as TN-CAPD-03-Q1-ATTACHMENT.xls.

Tennessee American Water Company
Revised Deferred Tax Calculation SFAS 109

	9/30/2010	Reversal of Reg Assets Add Back to Current Income Tax Expense
186030 Reg Asset - AFUDC - CWIP	(127,100)	1,176
186035 Reg Asset AFUDC Equity	(1,015,972)	-
186040 Reg Asset Plant Flow Through	(3,487,829)	579,600
186045 Reg Asset Other	(1,197,131)	90,828
186051 Reg Asset State Tax Change	(2,789,881)	(44,232)
186055 Reg Asset Accum Amortization	241,936	(3,540)
	<u>(8,375,977)</u>	<u>623,832</u>
253301 Def Fit Other	27,159,180	
253701 Def SIT Other	3,854,854	
	<u>31,014,034</u>	
	<u>22,638,057</u>	
Current Deferred FIT		553,426
Current Deferred SIT		70,406

Tennessee-American
Amortization Schedule
FAS 109 Reg Assets & Liabilities
Input
ADJUSTED

	a/c 108190 acc depr reg asset depreciation	46,099.00 balance	a/c 186040 Flow through regulatory asset amortization	balance	a/c 186045 Reg asset other amortization	balance	a/c 186051 Flow through reg asset state amortization	balance
balance @ 12/31/97		(6,022.18)		8,749,785.00		2,355,228.00		
1998	(1,176.00)	(7,198.18)	(242,083.00)	8,507,702.00	(90,833.00)	2,264,395.00		
1999	(1,176.00)	(8,374.18)	(272,321.00)	8,235,381.00	(90,833.00)	2,173,562.00		
2000	(1,176.00)	(9,550.18)	(302,488.00)	7,932,893.00	(90,833.00)	2,082,729.00		
2001	(1,176.00)	(10,726.18)	(332,653.00)	7,600,240.00	(90,833.00)	1,991,896.00	44,232.00	2,402,851.00
2002	(1,176.00)	(11,902.18)	(362,822.00)	7,237,418.00	(90,833.00)	1,901,063.00	44,232.00	2,447,083.00
2003	(1,176.00)	(13,078.18)	(392,986.00)	6,844,432.00	(90,833.00)	1,810,230.00	44,232.00	2,491,315.00
2004	(1,176.00)	(14,254.18)	(423,155.00)	6,421,277.00	(90,833.00)	1,719,397.00	44,232.00	2,535,547.00
2005	(1,176.00)	(15,430.18)	(449,460.00)	5,971,817.00	(90,833.00)	1,628,564.00	44,232.00	2,579,779.00
2006	(1,176.00)	(16,606.18)	(473,832.00)	5,497,985.00	(90,828.00)	1,537,736.00	44,232.00	2,624,011.00
2007	(1,176.00)	(17,782.18)	(498,216.00)	4,999,769.00	(90,828.00)	1,446,903.00	44,232.00	2,668,243.00
2008	(1,176.00)	(18,958.18)	(523,056.00)	4,476,713.00	(90,828.00)	1,356,080.00	44,232.00	2,712,475.00
2009	(1,176.00)	(20,134.18)	(548,184.00)	3,922,529.00	(90,828.00)	1,265,252.00	44,232.00	2,756,707.00
2010	(1,176.00)	(21,310.18)	(579,600.00)	3,342,929.00	(90,828.00)	1,174,424.00	44,232.00	2,800,939.00
2011	(1,176.00)	(22,486.18)	(596,296.00)	2,744,633.00	(90,828.00)	1,083,596.00		2,800,939.00
2012	(1,176.00)	(23,662.18)	(617,640.00)	2,126,993.00	(90,828.00)	992,768.00		2,800,939.00
2013	(1,176.00)	(24,838.18)	(650,676.00)	1,476,317.00	(90,828.00)	901,940.00		2,800,939.00
2014	(1,176.00)	(26,014.18)	(689,016.00)	787,301.00	(90,828.00)	811,112.00		2,800,939.00
2015	(1,176.00)	(27,190.18)	(711,564.00)	75,737.00	(90,828.00)	720,284.00		2,800,939.00
2016	(1,176.00)	(28,366.18)	(75,737.00)	-	(90,828.00)	629,456.00		2,800,939.00
2017	(1,176.00)	(29,542.18)			(90,828.00)	538,628.00		2,800,939.00
2018	(1,176.00)	(30,718.18)			(90,828.00)	447,800.00		2,800,939.00
2019	(1,176.00)	(31,894.18)			(90,828.00)	356,972.00		2,800,939.00
2020	(1,176.00)	(33,070.18)			(90,828.00)	266,144.00		2,800,939.00
2021	(1,176.00)	(34,246.18)			(90,828.00)	175,316.00		2,800,939.00
2022	(1,176.00)	(35,422.18)			(90,828.00)	84,488.00		2,800,939.00
2023	(1,176.00)	(36,598.18)						
2024	(1,176.00)	(37,774.18)						
2025	(1,176.00)	(38,950.18)						
2026	(1,176.00)	(40,126.18)						
2027	(1,176.00)	(41,302.18)						
2028	(1,176.00)	(42,478.18)						
2029	(1,176.00)	(43,654.18)						
2030	(1,176.00)	(44,830.18)						
2031	(1,176.00)	(46,006.18)						
2032	(93.00)	(46,099.18)						
2033								
2034								
2035								
2036								
2037								
2038								
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2040								
2041								
2042								
2043								
2044								

1,446,908.07
(0.07)

4,999,769.48
(0.48)

2,668,243.00

Debit IS (Credit) IS	2010 12 Amort 0 Amort	P & L P & L	A 579,600.00	-	90,828.00	-	(44,232.00)
	12 Amort	P & L	579,600.00		90,828.00		(44,232.00)
GL BS Bal 12/31/09			B 3,922,529.48		1,265,252.07		2,756,707.00
Pr Yr Bal Amort Sch			C 3,922,529.00		1,265,252.00		2,756,707.00
Current Yr Activity BS			D (579,600.00)				44,232.00
Amort Sch 12/31/10		C + D	E 3,342,929.00		1,174,424.00		2,800,939.00
GL BS @ 12/31/10		Diff E - F	F 3,342,929.48	(0.48)	1,174,424.07		2,800,939.00
		Diff B - C		0.48			-

This file has been produced natively on the accompanying disk:

TN-CAPD-03-Q1-ATTACHMENT.XLS

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION
RELATED TO THE REBUTTAL EXHIBITS OF
TENNESSEE AMERICAN WATER COMPANY'S REBUTTAL TESTIMONY**

Responsible Witness: Dr. Edward L. Spitznagel

Question:

2. Please refer to Rebuttal Exhibits ELS-1 and ELS-2 of Dr. Spitznagel's rebuttal testimony. Provide the following information for each month of the 25 year period utilized:

- a. The actual historical monthly sales volumes expressed in gallons;
- b. The actual historic monthly number of bills;
- c. The actual historical monthly sales per customer per day expressed in gallons;
- d. The Company's monthly weather adjustment between the historical monthly sales per customer per day, from the response to item c, and the monthly forecasted information included in Rebuttal Exhibits ELS-1 and ELS-2.

Response:

- a. Please refer to the first tab of the excel file on the enclosed CD and identified as TN-CAPD-03-Q2-ELS.xls, with the proviso that the 25 year period 1986-2010 is for residential sales, while a 21-year period 1990-2010 is available for commercial sales.
- b. Please refer to the second tab of excel file TN-CAPD-03-Q2-ELS.xls.
- c. Please refer to the third tab of excel file TN-CAPD-03-Q2-ELS.xls. The Company notes that sales per customer day requires bill days, and thus cannot be calculated from the previous two spreadsheets.
- d. This request cannot be fulfilled, because no weather normalization was performed in Dr. Spitznagel's Rebuttal Testimony. The Rebuttal Exhibits ELS-1 and ELS-2 were used to show the long-term declines in usage, over 25 and 21 years respectively, that support Dr. Spitznagel's statement that the use of a running average will overestimate future consumption. They involve

least squares regression using only time, not weather, and they are done by year, not by month.

This file has been produced natively on the accompanying disk:

TN-CAPD-03-Q2-ELS.XLS

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

**PETITION OF TENNESSEE AMERICAN)
WATER COMPANY TO CHANGE AND)
INCREASE CERTAIN RATES AND)
CHARGES SO AS TO PERMIT IT TO)
EARN A FAIR AND ADEQUATE)
RATE OF RETURN ON ITS PROPERTY)
USED AND USEFUL IN FURNISHING)
WATER SERVICE TO ITS CUSTOMERS)**

DOCKET NO. 10-00189

AFFIDAVIT

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL A. MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing responses to the Discovery Requests to the Consumer Advocate and Protection Division were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 22nd day of February, 2011.

Michael A. Miller
(signature)

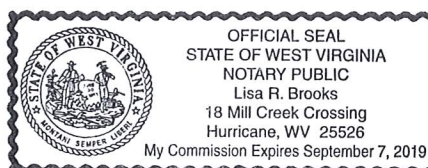
Michael A. Miller
(printed name)

Sworn to and subscribed before me this 22nd day of February, 2011.

Lisa R. Brooks
NOTARY PUBLIC

My Commission Expires:

September 7, 2019



CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 22nd day of February, 2010, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Ryan McGehee, Esq.
<input type="checkbox"/> U.S. Mail	Mary L. White, Esq.
<input type="checkbox"/> Facsimile	Counsel for the Consumer Advocate and Protection Division
<input type="checkbox"/> Overnight	Office of the Attorney General
<input checked="" type="checkbox"/> Email	P.O. Box 20207
	Nashville, TN 37202

<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Grant, Konvalinka & Harrison, P.C.
<input checked="" type="checkbox"/> Overnight	633 Chestnut Street, 9th Floor
<input checked="" type="checkbox"/> Email	Chattanooga, TN 37450

<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Overnight	1600 Division Street, Suite 700
<input checked="" type="checkbox"/> Email	Nashville, TN 37203

<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input type="checkbox"/> U.S. Mail	Valerie L. Malueg, Esq.
<input type="checkbox"/> Facsimile	Special Counsel
<input checked="" type="checkbox"/> Overnight	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Email	Office of the City Attorney
	100 East 11 th Street, Suite 200
	Chattanooga, TN 37402

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<input type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input checked="" type="checkbox"/> Overnight	Chambliss, Bahner & Stophel, P.C.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
	Two Union Square
	Chattanooga, TN 37402

<input checked="" type="checkbox"/> Hand-Delivery	Mark Brooks
<input type="checkbox"/> U.S. Mail	Counsel for Utility Workers Union of America,
<input type="checkbox"/> Facsimile	AFL-CIO and UWUA Local 121
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