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July 16, 2012

Ms. Jean Stone
General Counsel
c/o Sharla Dillon
Docket Manager
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

Re: *Petition of Tennessee American Water for a General Rate Increase*
Docket No. 12-00049

Dear Ms. Stone:

Pursuant to Tenn. Code Ann. §65-4-118(b)(2), the Consumer Advocate and Protection Division of the Attorney General's Office ("Consumer Advocate") respectfully requests the Tennessee Regulatory Authority ("Authority", "TRA") to furnish some specific records which are filed with the Authority by Tennessee American Water Company ("TAWC", "Company") in the normal course of business and other records the Consumer Advocate believes the TRA may possess. The records requested are as follows:

- A. The service metric reports compiled by TAWC and filed with the Authority for the last two calendar years.
- B. Electronic copies of the monthly excel files submitted by TAWC with each monthly 3.06 surveillance report filed since September of 2010.
- C. Either electronic or hard copies of consumer complaints filed with the Authority concerning TAWC since May of 2010, excluding any complaints posted publicly on the TRA's docket website.

- D. Any information given by TAWC to the TRA Staff concerning the status of the Company's capital projects and the plans for a new office facility since August of 2011, excluding information posted publicly on the TRA's docket website. This request arises from a TRA instruction to TAWC made during the Authority Conference of August 22, 2011. *Transcript of Authority Conference*, August 22, 2011, p. 85-87 (Excerpt attached).
- E. Any information the TRA has collected to track the Company's progress in capital projects approved for incorporation in TAWC's rates in Docket 06-00290, Docket 08-00039 and/or Docket 10-00189, excluding information posted publicly on the TRA's docket website.
- F. Electronic copies of all annual reports filed by TAWC for the last five years.

Thank you for your time and consideration of this matter. If you have questions regarding this request, please contact me at (615) 532-5512.

Sincerely,



Ryan L. McGehee
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202-0270

CC: all parties of record in Docket 12-00049

**CERTIFIED
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BEFORE THE TENNESSEE REGULATORY AUTHORITY

TRANSCRIPT OF AUTHORITY CONFERENCE

Monday, August 22, 2011

APPEARANCES:

For TRA Staff:	Mr. Jonathan N. Wike Ms. Kelly Cashman-Grams Mr. Larry Borum Mr. Eric Cherry Ms. Sharla Dillon
For Piedmont Natural Gas:	Mr. Timothy Greenhouse
For Crexendo Business Solutions:	Mr. Jeffrey Korn
For Aqua Green Utility, Inc.:	Mr. Dart Kendall
For Tennessee American Water:	Mr. Deron Allen
For Zayo Enterprise Networks:	Mr. Henry Walker

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1 has been approved, so thank you very much.

2 We'll take just a second, because I
3 know these good people are needing to get back to East
4 Tennessee. So we'll take just a five-minute break.
5 And at that time we will have a discussion regarding
6 Tennessee American Water Company's petition.

7 Thank you.

8 DIRECTOR KYLE: Thank you.

9 CHAIRMAN ROBERSON: Thank you for
10 being here.

11 (Recess taken from 2:32 p.m.
12 to 2:35 p.m.)

13 CHAIRMAN ROBERSON: Okay. We'll come
14 back to order.

15 Madam Clerk, call the next docket.

16 MS. DILLON: Next we have Docket
17 No. 10-00189, Tennessee American Water Company.
18 Petition of Tennessee American Water Company for a
19 general rate increase. Consider method of recovery of
20 rate-case expenses of Docket No. 08-00039.

21 CHAIRMAN ROBERSON: Okay. Thank you.

22 I have asked Director Freeman, since
23 she acted as the hearing officer in this docket, to
24 take the lead in our deliberations.

25 Director Freeman, the floor is yours.

1 DIRECTOR FREEMAN: Thank you,
2 Mr. Chairman.

3 The Tennessee Court of Appeals issued
4 an opinion on January 28th, 2011, affirming in part and
5 reversing in part the Authority's decision in the
6 Tennessee American Water Company's rate case filed in
7 Docket No. 08-00039. The Court reversed the TRA's
8 decision that limited the company's recovery to only
9 half of rate-case expense and issued a mandate on
10 June 7th, 2011 that remanded the case to the TRA to
11 take action consistent with the Court's order.

12 On August 3rd, 2011, the hearing
13 officer issued a Notice of Filing and Deliberations,
14 indicating that the method for recovering the rate-case
15 expense would be decided in Docket No. 10-00189,
16 Tennessee American's most recent rate case, and
17 solicited comments on the issue.

18 Comments were filed by Tennessee
19 American Water, the City of Chattanooga, and the
20 Consumer Advocate. These comments have been reviewed
21 and taken into consideration.

22 Are my fellow directors ready to
23 deliberate?

24 DIRECTOR KYLE: You know, I do. I
25 have a motion, and I'd just like to read it into the

1 record.

2 CHAIRMAN ROBERSON: Well, let's --
3 let's -- I think Director Freeman is in the middle of
4 her motion. Why don't you go ahead and make your
5 motion.

6 DIRECTOR KYLE: I thought she said --

7 CHAIRMAN ROBERSON: And then --

8 DIRECTOR KYLE: I apologize. I
9 thought she said, "Do we want to deliberate?"

10 DIRECTOR FREEMAN: I asked if we were
11 ready to deliberate. I do have a motion, though.

12 DIRECTOR KYLE: Well, that's what I
13 was saying. I had a motion. I didn't mean to cut you
14 off. I thought you said, "Are we ready to deliberate?"
15 And I just said, "I have a motion."

16 DIRECTOR FREEMAN: Okay. Well, let me
17 go ahead with mine.

18 DIRECTOR KYLE: But I can -- I can
19 hold mine until after that.

20 DIRECTOR FREEMAN: Thank you.

21 DIRECTOR KYLE: But you weren't in the
22 middle of your motion, were you?

23 DIRECTOR FREEMAN: I was getting ready
24 to do one.

25 DIRECTOR KYLE: You were getting ready

1 to do one. All right.

2 DIRECTOR FREEMAN: Okay. Great.

3 My motion is to move that Tennessee
4 American-proposed tariffs to recover the \$275,000
5 through fixed monthly and volumetric rates be denied
6 and that the \$275,000 be recovered instead through a
7 separate line-item charge on customers' bills that will
8 discontinue once the full amount is recovered. The
9 amount should be recovered over a period of six months
10 and should be collected from all customer classes,
11 resulting in a surcharge of approximately 62 cents
12 monthly. The company should file tariffs to include
13 the surcharge, including all supporting calculations,
14 within ten days.

15 In addition, I move that Tennessee
16 American work with the chiefs of the Consumer Services
17 and Utility Divisions, and any other TRA staff that may
18 be appropriate, on the acceptable line-item language to
19 be included on customer bills. I so move.

20 DIRECTOR KYLE: All right. My motion
21 is a little bit different. This matter -- and I need
22 mine on the record -- the matter before us today is
23 because the Court of Appeals reversed a previous
24 decision of the TRA, Docket 08-00039, relating to the
25 rate fees.

1 I was not a member of that panel, and
2 I do believe that Tennessee American Water, though
3 [sic] our judicial system, is rightly due -- through
4 our judicial system, is due that money, 275,000. And
5 the question is how the company should collect this
6 additional money.

7 My research and experience leads me to
8 conclude that there are generally two methods for the
9 company to collect this money: Through rates or
10 through a separate line-item surcharge.

11 Foremost, I am not in favor of
12 collecting this money through a line-item surcharge,
13 because to most customers or consumers such surcharges
14 are confusing and appear to be nothing more than
15 additional taxes.

16 After reading the parties' filings and
17 based upon my experience, I would move the company
18 recover the 275,000 through rate -- through increasing
19 fixed monthly service charges and usage rates as
20 proposed by the company. In my opinion, this is the
21 most fair and equitable manner for the collection of
22 this money.

23 But I would say that when the company
24 has collected the 275,000 from the increased rates, I
25 would move that the rates be reduced back to the

1 current levels. And if approved, I would ask that they
2 file all documentations that the new rates -- relating
3 to the new rates to be collected up to 275,000. And
4 the staff people they would work with would be David
5 Foster and Pat Murphy. So move.

6 CHAIRMAN ROBERSON: Okay. We have two
7 motions on the table. I second Director Freeman's
8 motion with these comments.

9 The Court of Appeals upheld the
10 Authority's decision in Docket 08-39 in every respect
11 except for the decision to cut one half of the
12 rate-case cost. I'm proud that the Court affirmed
13 95 percent of the Authority's action.

14 The Court reversed our decision
15 because in its considered opinion the record and final
16 order did not contain sufficient explanations of how we
17 arrived at our decision. It is important to note for
18 the record and for future directors of this agency that
19 the Court did not indicate that the Authority could not
20 cut rate-case expenses. It did not state that the
21 agency could not thoroughly review those expenses and,
22 using a prudence test, deny or cut those rate-case
23 expenses. It only concluded that we needed to explain
24 the reasons for those cuts more fully.

25 And I trust in the future if the

1 Authority decides that those expenses are imprudent or
2 unreasonable that we do a better job of explaining
3 ourselves to the Court.

4 The Court's decision was upheld, and
5 we are now under a mandate. The decision as to whether
6 or not to allow recovery of the expenses has been made,
7 and the only thing for us to consider is how. This
8 issue was not considered in our initial deliberations
9 in this docket because the mandate had not been issued.
10 I believe it is important to do so now in this docket.

11 I support the line-item recovery for
12 several reasons. First, it allows the company a
13 quicker recovery of those expenses that the Court has
14 mandated for us to allow. Second, it also makes it an
15 easy tracking instrument so that once the \$275,000 has
16 been reached or been obtained, the spigot can be cut
17 off quickly.

18 So based on that, I support Director
19 Freeman's motion and again stress that the company
20 should work with the chiefs of the two divisions she
21 mentioned in her motion, to make sure that the language
22 that's included on the customers' bills is appropriate.

23 And with that, the vote is 2 to -- to
24 1?

25 DIRECTOR KYLE: Yes. I had a

1 different motion.

2 CHAIRMAN ROBERSON: Yes.

3 DIRECTOR KYLE: I don't want the line
4 item.

5 CHAIRMAN ROBERSON: Yes. And so
6 noted.

7 And so the motion -- Director
8 Freeman's motion passes 2 to 1.

9 Any other discussions on this item?

10 DIRECTOR KYLE: Yes. Let me just say
11 I am in favor of the recovery. It's right. It's just
12 the method on how to do it, we have differences.

13 CHAIRMAN ROBERSON: Thank you.

14 I do have -- now that we have finished
15 deliberating that issue, I have a question for the
16 company. Would Mr. Allen please come forward, with the
17 company, please. I have a question to ask Mr. Allen.

18 And if you would, please just give
19 your name and title for the record.

20 MR. ALLEN: Deron Allen, president of
21 Tennessee American Water.

22 CHAIRMAN ROBERSON: Thank you.

23 Mr. Allen, Mr. Becton stopped by my
24 office last week. And while I did not meet with him,
25 he told my staff that the company may need to find a

1 new headquarters; that you're being asked to vacate, I
2 believe, a building that TVA now owns. And, first, I
3 want to put that on the record. And, second, could you
4 please elaborate on the company's plans to find a new
5 headquarters.

6 MR. ALLEN: Yes, the TVA has purchased
7 the building. They have some plans to use -- use it as
8 a location for their contractors.

9 We had first right of refusal for the
10 property. We didn't feel that the price that they were
11 willing to pay was really what we needed. They didn't
12 offer us what we thought was a good value. So we
13 started a search, and in that search we looked at
14 construction, we looked at leasing, and we looked at
15 purchasing existing facilities.

16 In the process of that, we looked at
17 it as just the management, so we would go for a smaller
18 location. We also looked at consolidating some of our
19 services, perhaps.

20 The footprint that we have currently
21 down on Amicola Highway, Riverfront Parkway, it wasn't
22 really big enough to allow for more parking or to do
23 any more construction at this time. So we went around
24 town and the county in our service territory and
25 searched quite a few facilities. I can't remember. It

1 was in the -- probably a couple dozen that looked very
2 promising. And we've got that narrowed down to about
3 four properties. And internally we haven't decided
4 which way to go yet. But it looks like leasing or
5 outright purchase would -- would -- would save a
6 considerable amount of money.

7 CHAIRMAN ROBERSON: So it will save
8 money from -- what, you're paying rent now?

9 MR. ALLEN: Absolutely. And part of
10 that, I think, is the location of our current office.
11 It's prime real estate in the Chattanooga area, and
12 it's got its own parking, even though it's a small
13 parking area downtown. So I think that's a big part of
14 it.

15 Also, some of the locations we looked
16 at, I think given the current economic times, in that
17 type of real estate that we're looking at I think
18 there's some good deals to be had.

19 CHAIRMAN ROBERSON: So if it will save
20 you money, you don't anticipate this affecting any of
21 your capital projects?

22 MR. ALLEN: If we did purchase, it
23 would -- we would probably look at what we'd have to do
24 as far as some of the capital programs. I don't know
25 that we would be able to do it all this year. There

1 are some things we'd have to seriously look at. I
2 don't think we can come up with quite the money to do
3 the project and to do the purchase.

4 CHAIRMAN ROBERSON: Excuse me.

5 (Pause.)

6 I would appreciate -- and I do
7 appreciate Mr. Becton coming by, you know, and giving
8 us an update on this so that we're aware of what's
9 going on. I would also appreciate that as you move
10 forward, especially if the company decides to take some
11 of the capital projects off the table, for you to come
12 by and talk to our staff and to inform us, so that we
13 will know what the company is taking off the table, I
14 guess.

15 MR. ALLEN: Yeah, we're -- we should
16 be able to have the property search and everything done
17 in the next week, maybe, and a report written. We
18 would be happy to sit down with you. We could schedule
19 it and come over, and we can present it to you, if you
20 would like.

21 CHAIRMAN ROBERSON: Thank you. And if
22 you would, since -- especially if you're talking about
23 projects that were --

24 MR. ALLEN: Absolutely.

25 CHAIRMAN ROBERSON: -- approved in

1 this rate case. You don't need to talk to us, but you
2 need to talk to the staff.

3 MR. ALLEN: Right.

4 CHAIRMAN ROBERSON: Because a final
5 order is not out yet on the docket.

6 MR. ALLEN: Right.

7 CHAIRMAN ROBERSON: Do my colleagues
8 have any questions or comments?

9 DIRECTOR KYLE: No.

10 DIRECTOR FREEMAN: None.

11 CHAIRMAN ROBERSON: Thank you.

12 MR. ALLEN: No problem. Thank you.

13 DIRECTOR KYLE: Thank you.

14 CHAIRMAN ROBERSON: Next item.

15 MS. DILLON: The next item has been
16 removed from the docket.

17 Next we have Docket No. 11-00116, Zayo
18 Enterprise Networks, LLC. Application of Zayo
19 Enterprise Networks, LLC, for certificate of
20 convenience and necessity. Hear and consider petition.

21 CHAIRMAN ROBERSON: Thank you. We
22 will now convene the hearing in this docket. And I see
23 that their counsel, local counsel, has come to the
24 table.

25 This matter was duly noticed on August