

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE: PETITION FOR A GENERAL RATE)	
INCREASE, IMPLEMENTATION OF A)	
DISTRIBUTION SYSTEM INFRASTRUCTURE)	DOCKET NO. 12-00049
CHARGE AND THE ESTABLISHMENT OF)	
TRACKING MECHANISMS FOR PURCHASED)	
POWER, PENSIONS AND CHEMICAL EXPENSES)	

**SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND
PROTECTION DIVISION TO TENNESSEE AMERICAN WATER COMPANY**

To: Tennessee American Water Company, Inc.
c/o Melvin J. Malone
Butler Snow
1200 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219

This Discovery Request is hereby served upon Tennessee American Water Company, ("TAWC", "Tennessee-American", or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Ryan L. McGehee, on or before 4:00 p.m. (CDT), September 26, 2012.

This is the PUBLIC version of the CAPD's Second Discovery Request in this docket.

PRELIMINARY MATTERS AND DEFINITIONS

Discovery Request 126 contains CONFIDENTIAL INFORMATION and should be treated as such under the protective order entered in this docket. Discovery Requests 101 through 113 were submitted informally to the Company and responses have been provided informally. These requests are being filed with the Authority in order to have a complete record.

Each discovery request calls for all knowledge, information and material available to TAWC as a party, including any of TAWC's parent companies, affiliates, agents, or assigns, whether it be TAWC's, in particular, or in the form of knowledge, information or material possessed or available to TAWC, it's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by TAWC which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that TAWC supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or

handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Tennessee American Water Company and all employees, agents and representatives thereof, as well as any subsidiary, affiliate or parent companies associated with TAWC.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. A complete answer must provide a response which includes all matters known or reasonably available to the company.

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without

limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the "original" document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

Provide all responses in the format which they are maintained such as Microsoft Excel or Microsoft Word format with all formulas intact.

DISCOVERY REQUESTS

100. Refer to the Rate Base Summary on Exhibit RB-1-Summary. Specifically refer to the Utility Plant Acquisition Adjustment of \$39,920 on line 27. Explain the source, nature and purpose of this Amount. Also, provide a copy of the accounting entry recording the acquisition along with the determination and approval for its amortization.

RESPONSE:

101. Refer to the Excel Workbook "TN Trial Bal and Rate Base per Books 123111.xls" that was provided along with the Company's filing. Please provide this same trial balance (with accompanying tabs) for the Company's trial balance at December 31, 2006, 2007, 2008, 2009, and 2010.

RESPONSE:

102. Refer to the Company's response to MFR #52 regarding the deployment of special (investment) projects from January 2012 through November 2013. Provide the source and support for the Company's monthly special project additions. For example, in August 2012, the Company's response indicates that \$3,001,730 will be added for Business Transformation – provide the source and support for this amount.

RESPONSE:

103. Refer to Exhibit RB-8-Working Capital-LCB, Schedule RB-8.1. Provide the exact account numbers and account titles supporting Prepaid Taxes, Materials & Supplies, Deferred Regulatory Expenses, Unamortized Debt Expense and Other Deferred Debits.

RESPONSE:

104. Refer to the Company's response to MFR#59-Lead/Lag Study. Prepare an analysis that cross references the expense lag days in this response with the "Test Year Actual Results" contained on the Company's Working Capital Schedule "Lead/Lag Study-Working Cash Requirement". Provide an explanation for each component where the Cash Working Capital Required is greater than 10% between the current and the previous case.

RESPONSE:

105. Refer to Company Exhibit RB-1-Summary-LCB. We are unable to locate Exhibit RB-4-Capital Lease-LCB, Exhibit RB-7-Accum Amort of Cap Lease-LCB, Exhibit RB-12-Unamort ITC-LCB, and Exhibit RB-13-UPAA-LCB that are shown in the Schedule Reference column. Please provide a copy of these exhibits or provide their location in the Company's filing.

RESPONSE:

106. Please provide all documentation regarding the estimate of savings for regulated and non-regulated American Water Works affiliates from the Business Transformation project as disclosed to the Board of Directors of American Water Works in May, 2010. See page 63 of the Order of the Public Utilities Commission of California for California American Water Company, Application 10-07-007/Application 11-09-016, June 14, 2012. For ease of reference an excerpt of the Order is attached.

RESPONSE:

107. Please provide all documentation and supporting workpapers for any savings or benefits specifically for Tennessee American and/or Tennessee ratepayers as a result of the investment in Business Transformation as estimated and/or prepared by TAWC, American Water Works Service Company, American Water Works Company or by a third party.

RESPONSE:

108. Please provide the jurisdiction/public service commission and case number in which any regulated affiliates of American Water Works Company has supplied testimony, exhibits and workpapers in which the affiliate has submitted estimates of the benefits and savings expected by the affiliate as a result of the investment in Business Transformation.

If such material was designated confidential and not publicly available, please provide any confidential testimony, exhibits and workpapers filed by any regulated American Water

Works Company affiliate submitted for the purpose of providing estimates of the benefits and savings expected by the affiliate as a result of the investment in Business Transformation. In responding to this request, the Company may limit itself to proceedings which have begun, are on-going or were concluded within a twelve month period ending July, 1 2012.

RESPONSE:

109. Refer to Exhibit REV-3-Revenue by Class-DJP, Schedule REV-3.1 for the Chattanooga-Residential Operating Revenue Price-Out. Specifically refer to the test period and attrition period number of bills for 5/8" monthly service of 720,896 and 732,821 – an increase of 11,925 bills. Explain how the Company was able to increase the number of total bills for 5/8" monthly service by 11,925 from the end of the test period while only increasing the monthly number of customers by 45 according to the Company's response to TRA data request 1-17. If the Company's customer growth of 11,925 bills for 5/8" month service is due to an error, please provide corrected supplemental sheets to Exhibit REV-3.

RESPONSE:

110. Refer to Exhibit REV-1-Summary-DJP, Schedule REV-1.1. Specifically refer to Line 30, Sewer Billing Revenues. Explain why Sewer Billing Revenues under current rates of \$596,098 is equal to Sewer Billing Revenues under proposed rates of \$596,098 when the Company has proposed to increase the rates for Sewer Billing Revenues and Disconnects. If the Company's Sewer Billing Revenue under current rates is incorrect, provide a new price-out of Sewer Billing Revenues at current rates using the current Meter Read Rate of \$0.02 per bill and the current disconnect rate of \$15.00.

RESPONSE:

111. Refer to Exhibit REV-3-Revenue by Class-DJP, Schedule REV-3.1, Workpaper #15 regarding billing credits totaling \$105,189 for the test period. Provide the source and support for these amounts as well as the associated volumes.

RESPONSE:

112. Refer to Exhibit REV-6-OWU Annualization-DJP, Schedule REV-6.2, Workpaper 1, Pages 3 and 4 regarding the annualization of revenues from Sale for Resale customers. Explain how the Company is able to alter the test period rates to these customers outside of a TRA docket. Also explain how the Company is able to provide service to Catoosa Utility District or the Town of Signal Mountain when the Company has no Contract in place per the Company's response to CAPD DR 1-11.

RESPONSE:

113. Refer to Exhibit REV-2-Other Revenue-DJP, Schedule REV-2.1, Workpaper 1, Page 2 of 2 regarding the Company's Forfeited Discount adjustment. Explain why there are no test period Forfeited Discounts in the Company's Lone Oak and Suck Creek jurisdictions on this schedule, even though there are disconnections for non-payment in these jurisdictions on this same schedule.

RESPONSE:

114. Please provide all documents and workpapers supporting the calculations on Lines 6 and 14 of Exhibit 6 of Ms. Bridwell's testimony (Excel file Support Services Expense.xlsx; ProForma Adjustment of Support Services Expense). Additionally, please provide access to the columns hidden in the first spreadsheet sent, including formulas.

RESPONSE:

115. Please provide details and workpapers supporting the internal labor costs delineated on Schedule BT-1.1, including a reconciliation proving that these labor costs are not already currently being recovered by AWWC under current rates (which we understand would occur if any of the employees' prior positions remain open and/or were filled by entry level employees earning significantly less than the Subject Matter Experts ("SMEs") moved to the BT project). More specifically:

- How many employees make up the Internal – Business and Internal – ITS expenditures of \$50,217,502 and \$21,942,489, respectively?
- How many of these employees were included in the forecasts as part of the revenue requirement in the rate case before the BT project started?
- How many of these positions remain open?
- Please support your explanation with data from each of the shared services departments allocated as "Support Services" or "Management Fees" or any other AWWC shared costs allocated to TAWC of head count reports and total salaries before BT, as of 12/31/2010, 12/31/2011, and as of 8/31/2012.

RESPONSE:

116. Please provide details and workpapers supporting the "Employee Expenses" amount of \$18,997,741 on Schedule BT-1.1, including descriptions of the types of expenditures , who reviews and approves them, and what type of review is performed to ensure that the expenditures are prudent and reasonable.

RESPONSE:

117. Please provide details and workpapers supporting the "Software" amount of \$28,780,876 on page 1 of Schedule BT-1.1, including descriptions of the types of expenditures, who reviews and approves these expenditures, what type of review is performed to ensure that these expenditures are prudent and reasonable, and whether this amount includes the licensing fees.

RESPONSE:

118. Please provide a list of which modules of SAP (e.g. HRM, BW, etc.) and other software applications (e.g. Kronos) that were purchased and/or leased by AWWC and included in the BT costs, each module's related cost for the software, and a brief description of the intended function of each module. Please indicate which of these systems will be at the Service Company or at TAWC directly and the date of expected implementation at both companies. Will all AWWC plants use all aspects of the EAM and CIS? If not, please explain which functionality will not be used at TAWC and why.

RESPONSE:

119. Please provide details and workpapers supporting the "Contingency" amount of \$14,300,003 on page 1 of Schedule BT-1.1, Line 12, including descriptions of the types of expenditures, who reviews and approves these expenditures to determine whether these expenditures are prudent and reasonable, and when these expenditures are expected to be incurred (before implementation or after implementation of the ERP, EAM, CIS). Furthermore, please provide the expense reports for the "Contingency" amount of \$7,227,333 attributed to the ERP system listed on page 2 of Schedule BT-1.1, Line 12 (e.g. G/L detail or other system-generated report showing all debits and credits to this account and the dates of the transactions).

RESPONSE:

120. Please provide details and workpapers supporting the "AFUDC – BT" amount of \$20,238,249 on page 1 of Schedule BT-1.1, Line 15, including descriptions of the types of expenditures, who reviews and approves to determine whether these expenditures are prudent and reasonable, and when these costs were incurred or expected to be incurred for each of the implementations of ERP, EAM, and CIS.

RESPONSE:

121. Please provide details and workpapers supporting the "Total BT Controls/Organizational Integration" amount of \$19,635,353 on page 1 of Schedule BT-1.1, Line 15, including descriptions of the types of expenditures, who reviews and approves to determine whether these expenditures are prudent and reasonable, and when these costs were incurred or expected to be incurred for each of the implementations of ERP, EAM, and CIS.

RESPONSE:

122. Please provide documents and workpapers supporting the estimated cost savings expected after BT, including how these cost savings were determined and which line item(s) on Schedule BT-1.1 includes these cost savings.

RESPONSE:

123. Please provide a description of the pre-BT and post-BT processes. For example: How have the back-office processes (e.g. timekeeping, payroll, month-end reconciliation, etc.) changed since the ERP system was implemented? Are they expected to change in the future from their current state? If so, how does AWWC envision these back office functions working after stabilization and when does AWWC expect stabilization to occur?

RESPONSE:

124. Please provide supporting documentation and workpapers of the vendors used for the External Labor costs of \$110,076,964 and \$7,572,960, lines 4-5 on page 1 of Schedule BT-1.1, including copies of contracts with all vendors used, what function they support on the BT project, and the expenses to date for each vendor. Specifically, each contract should indicate what basis is the payment to Accenture and other vendors helping with the BT project (e.g. cost-plus, fixed cost, etc.).

RESPONSE:

125. Please provide detail supporting the costs of the External Labor costs of \$110,076,964 and \$7,572,960, lines 4-5 on page 1 of Schedule BT-1.1, including the budgeted amount of the Accenture service contract reviewed and approved by the Board of Directors and the General Ledger account with the total expenses attributed to Accenture to date.

RESPONSE:

126. Please provide a reconciliation of the estimated project costs presented in the Comprehensive Planning Study on and the estimated costs attributed to the each system on various pages of Schedule BT-1.1, Line 20 (attached to Mr. VerDouw's testimony), including separating out by line items the excessive costs (e.g. new module with separate dollar amount of software costs and labor costs, or budget overruns, change requests, etc.), the reasons for the differences details, and who reviewed and approved the additional costs for BT and when. Please indicate how much the project was over budget before the additional costs were approved. For any budget overruns that were not attributed to the addition of a new software module, please indicate AWWC's accountability process for controlling costs:

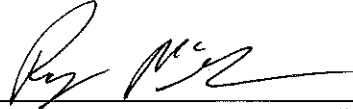
	A		D		A-D=F	F/A=G	
	Comprehensive Planning Study Report	Page	Per testimony	Page (Schedule BT-1.1)	Diff (budget-test)	% Diff	Scheduled Completion date
ERP							
EAM							
CIS							
Totals							

RESPONSE:

127. In the reconciliation request for CIS, please indicate why the estimated costs associated with the Customer Information System ("CIS") went down? For example, was functionality originally budgeted removed from the specifications? If so, what functions were removed from the implementation?

RESPONSE:

RESPECTFULLY SUBMITTED,



RYAN L. MCGEHEE, BPR #25559

Assistant Attorney General

Office of the Attorney General and Reporter

Consumer Advocate and Protection Division

P.O. Box 20207

Nashville, TN 37202-0207

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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on this the 7 day of September, 2012.



Ryan L. McGehee

Decision 12-06-016 June 7, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the 2012, by \$9,897,200 or 4.92 % in 2013, and by \$10,874,600 or 5.16% in the year 2014.

And Related Matter.

Application 10-07-007
(Filed July 1, 2010)

Application 11-09-016

(See Attachment A for a list of appearances)

**DECISION ADOPTING THE 2011, 2012, 2013, AND 2014
REVENUE REQUIREMENT FOR
CALIFORNIA-AMERICAN WATER COMPANY**

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Therefore we adopt the labor escalation factor as Cal-Am's increase for group insurance expense.

8.4.4. Special Request #11 - Business Transformation Memorandum Account

Cal-Am's business transformation project was implemented to automate, update and modernize all aspects of the information technology platforms and business processes used by American Water Works and all its operating companies, including Cal-Am.⁵⁴ The original estimate for the project was \$280 million with Cal-Am's portion set at \$14 million. An updated estimate is set at \$317 million with Cal-Am's allocation increasing proportionately.

Cal-Am proposes that: 1) the revenue requirement on Cal-Am's allocated portion of the full \$280 million originally requested for the business transformation project be included in rate base; 2) that Cal-Am be authorized to earn a return on and recovery of those business transformation project capital expenditures; and either that 3) Cal-Am track in a memorandum account the revenue requirement of all additional business transformation project costs as well as any cost savings generated by the project and that the memorandum account be the subject of review by all parties and the Commission pursuant to a Tier 3 advice letter filing in May 2015, or (in the alternative) 4) the revenue requirement on the updated \$317 million budgeted for the business transformation project be included in rate base.⁵⁵

Cal-Am's position regarding how the business transformation project costs should be recovered has evolved over the course of this proceeding. In

⁵⁴ Exhibit CAW-27 at 54.

⁵⁵ Cal-Am's Reply Brief at 70.

Special Request #11, Cal-Am originally sought to include its estimated business transformation project costs in revenue requirement and requested a balancing account to track differences between the estimated and actual project costs. Special Request #11 also requested that the balancing account earn interest at Cal-Am's authorized rate of return.

In its opening brief, Cal-Am requests a memorandum account rather than a balancing account to track project costs, but still seeks to earn rate of return. And, for the first time in its reply brief, Cal-Am seeks to track the savings generated by the business transformation project in the memorandum account.

DRA agrees that the business transformation project costs should be allowed in revenue requirement, but only under three conditions.⁵⁶ First, DRA recommends that the Commission adopt only Cal-Am's original estimated costs of the project. Second, DRA requests that the Commission impute a 5.3% reduction in the costs to Cal-Am in recognition of the benefits of the business transformation project that inure to the parent company's unregulated affiliates. Third, DRA proposes that the Commission reduce the revenue requirement by savings that have been identified in a confidential document prepared by American Water Works and presented to its board of directors in May 2010.

DRA points out that the Commission already rejected a Cal-Am request for a balancing account to track all costs of the business transformation project because it was determined that the program costs were within the control of Cal-Am's parent company, American Water Works, the costs were not

⁵⁶ DRA does not comment on Cal-Am's requested rate base treatment of the business transformation project expenses.

exceptional in nature and were more like standard operating expenses that could be reasonably forecast.⁵⁷

TURN objects to Cal-Am's request for memorandum account treatment since the costs are within the company's control. TURN, like DRA asks that the Commission recognize the cost savings identified in the document presented to American Water Work's board of directors and reduce the revenue requirement accordingly.

Cal-Am claims that capitalizing rather than expensing the project costs is the proper regulatory treatment and the Commission should reject both DRA's and TURN's recommendation. Cal-Am justifies the need for memorandum account treatment stating that even if memorandum account treatment is approved, there will still be substantial under-recovery of costs because a return on the costs incurred prior to authorization will never be recovered. Cal-Am points out that ratepayer interests are protected because a Tier 3 advice letter is subject to review by all parties and the Commission prior to recovery.

Cal-Am states that the alleged savings identified in the confidential document are only estimates and that both DRA's and TURN's recommendations ask the Commission to recognize savings without recognizing the costs that are necessary to produce the savings. Although Cal-Am agrees that there will likely be savings in reduced personnel costs over time, the ability to measure those savings today is a matter of timing. Cal-Am states that attempts to estimate savings before system implementation would be very

⁵⁷ Exhibit DRA-13 at 2.2-2.3.

preliminary and of limited predictive value and therefore should not be imputed.

We agree with DRA and TURN that the estimated benefit or savings identified by Cal-Am should inure to ratepayers during this rate case cycle. Cal-Am states that the estimates are preliminary and of limited predictive value. We understand Cal-Am's concern regarding the accuracy of estimates, but general rate cases are fundamentally based on estimates of future expenses. Also, the estimates were provided to American Water Work's board of directors, the people who use the information to make decisions affecting the company. We assume that the accuracy of a presentation for the board of directors is at least the same as that of a general rate case filing. And, as Cal-Am's witness stated, there have been no revisions to the estimates of savings since that information was presented to the American Water Work's board of directors in May 2010.⁵⁸

Therefore, we will adopt Cal-Am's estimated savings for 2012, 2013 and 2014, as presented to the American Water Work's board of directors and entered into the record of this general rate case by DRA. The estimated savings are calculated using figures from the confidential document; however, the figures here do not compromise the confidentiality of that document.

As with most estimates in a general rate case, if Cal-Am realizes greater savings than those identified, Cal-Am retains the savings. If project costs exceed the amount authorized, Cal-Am absorbs them. This equilibrium provides the

⁵⁸ Reporter's Transcript 890:3-13.

incentive for Cal-Am to estimate projects accurately, which benefits ratepayers, and reduces costs, which benefits Cal-Am.

We do not approve Cal-Am's request for a memorandum account to track the difference between the estimated costs of the business transformation project and the actual costs of the project. We have confidence in Cal-Am's estimates and assurances by its witness that the project will be brought in on-time and within the budget.

However, Cal-Am is authorized to file a Tier 2 advice letter to move project costs into rate base when each phase of the business transformation project is complete, used and useful. Total recovery for the business transformation project will be capped at \$14 million, reduced by 5.3% in recognition of the benefits of the business transformation project that inure to the parent company's unregulated affiliates. Cal-Am's initial Tier 2 advice letter to move costs associated with the first live phase of Enterprise Resource Planning will include the savings of \$111,066 as an expense offset to the rate base addition requested in the initial Tier 2 Advice Letter. The projected savings for 2013 of \$998,037 and 2014 of \$1,777,056 attributable to Enterprise Resource Planning will be included in the advice letter filing for the attrition years as expense offsets. Cal-Am's Tier 2 advice letter to move costs associated with the first live phase of Customer Information Systems, which is scheduled for 2014, will include the savings of \$873,996, attributable to the Customer Information Systems as an expense offset. We will not impute the project savings until the project costs have been added to rate base.

Additional estimated savings from the business transformation project that Cal-Am projects to occur after this rate case cycle should be recovered in the next general rate case.