

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

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

---

**RESPONSES OF THE CONSUMER ADVOCATE TO THE DATA REQUESTS OF  
TENNESSEE AMERICAN WATER COMPANY**

---

The Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate"), pursuant to the Scheduling Order entered in this Docket, hereby submits its responses to the first discovery request of Tennessee American Water Company. ("TAWC" or "Company"). As noted in a filing in this docket dated September 10, 2012, for purposes of this proceeding, the Consumer Advocate has no objection to the data requests submitted by TAWC.

**DISCOVERY REQUEST 1.**

To the extent not previously provided, please provide electronic copies (on CD) of all tables, charts, diagrams, schedules and exhibits (collectively, "Exhibits") contained in the testimony of all witnesses for the CAD. Please include all workpapers, schedules, underlying computations and supporting documentation used and relief upon by each witness in the preparation of his testimony, including preparation of all Exhibits. Please provide all electronic spreadsheets with cell formulas, cell references, macros and VBA code intact.

**RESPONSE:** The Consumer Advocate believes it has submitted all workpapers, supporting documentation, and exhibits that exist electronically to the Company and with

formulas, references, etc. intact. The Consumer Advocate will work with the Company if it is believed there has been an oversight.

**DISCOVERY REQUEST 2.**

To the extent not previously provided, please provide copies of all schedules and underlying computations and workpapers developed in the analysis by the CAD and/or its witnesses of TAWC's requested rate increase in electronic spreadsheet format with all formulas intact. This request includes, but is not limited to, the analyses of the revenue requirement components and computations, including all ratemaking adjustments to the historic and forecasted data, and the cost of service model.

**RESPONSE:** The Consumer Advocate believes it has submitted all workpapers, supporting documentation, and exhibits that exist electronically to the Company and with formulas, references, etc., intact for those items created in excel format. The Consumer Advocate will work with the Company if it is believed there has been an oversight.

**DISCOVERY REQUEST 3.**

Refer to page P30 of the workpapers of Terry Buckner. Please provide copies of all supporting documents, computations and workpapers used to arrive at the "Property Tax Amount" listed on Exhibit T-OTAXI, year 2012, and also all supporting documents, calculations and workpapers used to arrive at all "Gross Assessments" listed on Exhibit T-OTAXI.

**RESPONSE:** See Attachment CAPD Response #3.

**DISCOVERY REQUEST 4.**

Refer to the testimony of Dr. Christopher C. Klein. Please provide a copy of any and all testimony that Dr. Klein has filed in any state or federal regulatory proceedings in which double leveraging is mentioned and/or discussed.

**RESPONSE:** Dr. Klein has not provided testimony in any federal proceeding discussing or mentioning double leveraging. Dr. Klein's testimony on double leveraging in state proceedings has been before the Tennessee Public Service Commission and the TRA. The docket records of Tennessee Public Service Commission no longer exist. Dr. Klein does not have copies of testimony prepared on behalf of the Tennessee Public Service Commission when he was employed there.

Dr. Klein has prepared testimony that is publicly available on the TRA website in which double leveraging is mentioned or discussed. The docket numbers, public utilities involved and the dates the testimony was filed are listed below and can be downloaded from the TRA docket website.

Docket 10-00189 – TAWC – Direct Testimony, January 5, 2011; Correction to Direct Testimony, January 24, 2011.

Docket 09-00183 – Chattanooga Gas Company – Direct Testimony, March 10, 2010.

**DISCOVERY REQUEST 5.**

Refer to the testimony of Dr. Christopher C. Klein. Please provide a list of each and every cost of equity and/or weighted cost of capital that Dr. Klein has recommended in the last five (5) years. Please include the jurisdiction, docket and/or case number, and the name of the proceeding in the response.

**RESPONSE:** The docket numbers, public utilities involved and the dates the testimony was filed are listed below and can be downloaded from the TRA docket website.

Docket 10-00189 – TAWC – Direct Testimony, January 5, 2011; Correction to Direct Testimony, January 24, 2011.

Docket 09-00183 – Chattanooga Gas Company – Direct Testimony, March 10, 2010.

**DISCOVERY REQUEST 6.**

Refer to page 15 of the testimony of Dr. Christopher C. Klein. Please provide a list of all companies that were eliminated from his discounted cash flow analysis because they “were not primarily utilities, or for whom adequate earnings and dividend data were not available.”

**RESPONSE:** Dr. Klein eliminated all firms that are not classified as utilities by Value Line because “they were not primarily utilities.” A list of such firms is publicly available from Value Line. Dr. Klein eliminated the water utilities Artesian, Connecticut Water, and York from his discounted cash flow analysis for lack of earnings and dividend growth data from Value Line as shown on Klein Exhibit, page 6.

**DISCOVERY REQUEST 7.**

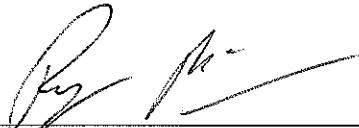
Refer to Exhibit page 2 of 21 of the testimony of Dr. Christopher C. Klein. Please provide the dollar amounts represented by the percentages shown in the “%” column (i.e., column 2). Also, please provide the source for each dollar amount, and for any amounts calculated by Dr. Klein, please show how each amount was calculated.

**RESPONSE:** Dr. Klein did not calculate dollar amounts or make use of any dollar amounts, in preparing the percentages in the “%” column of page 2 of his Exhibit, other than

those provided by TAWC in its Response to First Discovery Request of the Consumer Advocate and Protection Division, Question 1, and the testimony and Exhibits of Mr. Verdouw. Dr. Klein took the percentages of short and long term debt, preferred stock, and common equity calculated by TAWC or its witnesses from these sources as referenced on pages 3 and 4 of his Exhibit to calculate historical average percentages in each category. As explained on pages 8 and 9 of Dr. Klein's testimony, these historical average percentages were used to derive the percentages of each capital structure component on page 2 of his Exhibit. Dr. Klein performed no calculations involving dollar amounts of the capital structure components.

RESPECTFULLY SUBMITTED,

ROBERT E. COOPER, JR. (BPR #010934)  
Attorney General and Reporter  
State of Tennessee



---

RYAN MCGEHEE (BPR #025559)  
Assistant Attorney General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
(615) 532-5512

Dated: September 26, 2012.

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:

Kevin Rogers  
Operations Manager  
Tennessee-American Water Company  
1101 Broad Street  
Chattanooga, TN 37402

Melvin J. Malone  
Butler, Snow, O'Mara, Stevens & Cannada,  
PLLC  
1200 One Nashville Place  
150 Fourth Avenue, North  
Nashville, TN 37219-2433

Lindsey W. Ingram III  
Stoll Keenon Ogden PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507  
(859) 231-3982

Frederick L. Hitchcock  
Thomas C. Greenholtz  
Willa B. Kalaidjian  
Chambliss, Bahner & Stophel, PC  
1000 Tallan Building  
Two Union Square  
Chattanooga, Tennessee 37402

Michael A. McMahan  
Valerie L. Malueg  
Phillip A. Noblett  
100 E. 11<sup>th</sup> Street, Suite 200  
Chattanooga, TN 37402

Phillip A. Noblett  
Signal Mountain Town Attorney  
100 E., 11<sup>th</sup> Street  
Suite 200  
Chattanooga, TN 37402

David Higney  
Grant, Konvalinka & Harrison, PC  
633 Chestnut Street, Suite 900  
Chattanooga, TN 37450-0900

William H. Horton  
Horton, Ballard & Pemerton  
735 Broad Street  
Suite 306  
Chattanooga, TN 37402

This the 26th day of September, 2012.

  
\_\_\_\_\_  
RYAN L. MCGEHEE

## CAPD Response #3

## Ryan McGehee

---

**From:** Ryan McGehee  
**Sent:** Monday, September 10, 2012 9:46 AM  
**To:** 'Melvin Malone'  
**Subject:** FW: TN American 2010, 2011, 2012

Melvin,

This is a forward of the workpaper/data responsive to TAWC Request #3 to the CAPD.

Thanks,

Ryan

---

**From:** robert.buckner@comcast.net [mailto:robert.buckner@comcast.net]  
**Sent:** Saturday, September 08, 2012 10:35 PM  
**To:** Ryan McGehee  
**Subject:** Fwd: Atmos and TN American 2010, 2011, 2012

This email is the only work paper in response to #3 See below. Kyle Skelley works for the Office of State Assessed Properties.

TB

---

**From:** "Kyle L. Skelley" <Kyle.Skelley@cot.tn.gov>  
**To:** "Robert buckner" <Robert.buckner@comcast.net>  
**Sent:** Monday, August 13, 2012 1:23:24 PM  
**Subject:** Atmos and TN American 2010, 2011, 2012

Terry,  
The assessments are:

Tennessee American  
2010 \$54,712,000  
2011 \$58,824,000  
2012 \$57,549,000

Let me know if you need any further assistance.