

# TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

VIA E-MAIL AND US MAIL

January 22, 2013

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

RE: Docket No. 12-00157 – *Joint Petition of Tennessee American Water Company, the City of Whitwell, Tennessee and the Town of Powells Crossroads, Tennessee for Approval of a Purchase Agreement and a Water Franchise Agreement and for the Issuance of a Certificate of Convenience and Necessity.*

Dear Mr. Malone:

To assist the Authority in its evaluation of the Joint Petition filed on December 27, 2012, please provide your responses to the following:

1. See Exhibit 1 to the testimony of Daniel Bickerton. What is the Powells Crossroads CDBG project referenced in footnote 1? Please explain how the Company determined the \$500,000 capital investment adjustment in utility plant.
2. Please identify and itemize the acquisition and transaction costs that TAWC proposes to defer in a regulatory asset account for possible future recovery.
3. The Petition states on page 7, paragraph 22 (f), that the regulatory asset will be amortized over the life of the System assets. How many years is TAWC proposing?
4. The Petition states on page 4, paragraph 11, that the expenses and revenues of the Whitwell system will be kept separate from the operation of TAWC's Chattanooga system. Will any charges be allocated to the Whitwell system from TAWC or AWW? If so, what is the basis and method of allocation?
5. In his testimony, Deron Allen discusses the various infrastructure upgrades and capital improvements required to meet System demands. What is the estimated cost of planned improvements? How will these improvements be paid for? How will the transactions be accounted for?

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6. What is the source of funds to pay for the acquisition of the Whitwell water system? Will the funds come from TAWC, an affiliated company or from external sources? Will new debt be issued to pay for the acquisition?
7. Do TAWCs mortgage indentures require that newly acquired assets, such as the Whitwell water system, be pledged under such indentures?
8. For what purpose is TAWC attempting to enter into an agreement with the City of Dunlap to make additional water supply available?
9. Is the amount shown on Exhibit 1 to Mr. Bickerton's testimony the actual purchase price paid to the City of Whitwell for the water system assets? How will the purchase be recorded on the books of TAWC?
10. For what reason does TAWC propose to reinstate the CIAC previously written off by the City of Whitwell? Provide documentation to support the estimated amounts shown on Lines 4 and 5 of Exhibit 1.
11. In what ways, other than rates, will the purchase impact current customers of TAWC? Explain.

In order for the Authority to evaluate the Petition in a timely manner, it is necessary to receive this information as soon as possible. It is therefore requested that all responses be provided no later than 2:00 p.m. Monday January 28, 2013. Should you have any questions or need clarification regarding any requested item, please contact me at (615) 741-2904, ext. 188. Thank you for your prompt attention to this matter.

Sincerely,



David Foster, Chief  
Utilities Division

C: Deron E. Allen, President  
Tennessee-American Water Company  
1101 Broad Street  
Chattanooga, TN 37402