

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

IN RE: JOINT PETITION OF TENNESSEE)	
AMERICAN WATER COMPANY, THE CITY OF)	
WHITWELL, TENNESSEE AND TOWN OF)	DOCKET NO. 12-00157
POWELL CROSS ROADS, TENNESSEE, FOR)	
APPROVAL OF A PURCHASE AGREEMENT AND)	
WATER FRANCHISE AGREEMENT AND FOR)	
THE ISSUANCE OF A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY)	

**FIRST 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. As agreed by the parties and consistent with the procedural schedule set at the March 11, 2013 Status Conference, 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 Charlena S. Aumiller, on or before 5:00 p.m. (CDT), March 12, 2013.

PRELIMINARY MATTERS AND DEFINITIONS

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: TAWC 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.

In the event TAWC has a technical objection to a discovery request or cannot provide the specific information requested, the Consumer Advocate will make available the consultants it has employed for this docket to have discussions with the responding witnesses of TAWC in order to resolve any technical matter pertaining to the discovery requests.

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

FIRST DISCOVERY REQUESTS

1. Provide a copy of all federal, state, county and any other audits (financial, environmental, etc.) of the Whitwell Water System for 2010, 2011 and 2012.

ANSWER:

2. Provide a detailed income statement and balance sheet for the Whitwell Water System for the last three fiscal years. (Note: This request is consistent with #10 on the *Certificate [sic] of Public Convenience and Necessity for an Investor Owned Utility*, found on the TRA website at http://www.state.tn.us/tra/energyfiles/CCN_Guidelines.pdf.)

ANSWER:

3. Provide a forecasted income statement and balance sheet for the Whitwell Water System division of TAWC for the next three fiscal years assuming the TRA approves the acquisition. Include documentation for all assumptions used in developing the forecast. (Note: This request is consistent with #12 on the *Certificate [sic] of Public Convenience and Necessity for an Investor Owned Utility*, found on the TRA website at http://www.state.tn.us/tra/energyfiles/CCN_Guidelines.pdf.)

ANSWER:

4. Refer to Section 2.3b of the Asset Purchase Agreement in Exhibit A of the *Joint Petition* ("Asset Purchase Agreement"). Provide a schedule showing the grant amounts currently remaining as a liability of the Whitwell Water System from any federal, state, or county agencies.

ANSWER:

5. Refer to Exhibit 1 of the testimony of Daniel Bickerton. Provide the source and support for all figures included on this schedule.

ANSWER:

6. Provide copies of all surveys, appraisals, and any market-value estimates of the Whitwell Water System or components thereof.

ANSWER:

7. Provide a copy of all workpapers of the parties in support of the acquisition.

ANSWER:

8. Refer to TAWC's response to TRA Data Request # 5. Please provide an analysis of the anticipated capital expenditures beyond the initial purchase price that will be necessary for TAWC to provide an adequate water supply to Whitwell for the next 10 years, including the basis of TAWC's current estimate of \$5 million in the first five years of its ownership. (Note: This request is consistent with #11 on the *Certificate [sic] of Public Convenience and Necessity for an Investor Owned Utility*, found on the TRA website at http://www.state.tn.us/tra/energyfiles/CCN_Guidelines.pdf.)

ANSWER:

9. Provide a copy of TAWC's anticipated journal entry to acquire the Whitwell system showing the detail plant transactions (including any supporting asset and depreciation schedules) and the TAWC current approved depreciation rates that will be applied to each plant account.

ANSWERS:

10. Provide a schedule showing any ongoing incremental costs that TAWC expects to incur after the acquisition closes.

ANSWER:

11. Refer to Article 6.12 of the Asset Purchase Agreement. Does TAWC intend to hire any incremental employees to maintain the Whitwell water system? If so, provide a forecast of the wages and associated employee benefit costs.

ANSWER:

12. Provide a comparison of Whitwell's and TAWC's current rates and rate structure including miscellaneous fees and charges.

ANSWER:

13. Provide a schedule showing the number of customers by customer classification for the Whitwell Water System and any expected growth for the first five years. (Note: This request is consistent with #13 on the *Certificate [sic] of Public Convenience and Necessity for an Investor Owned Utility*, found on the TRA website at http://www.state.tn.us/tra/energyfiles/CCN_Guidelines.pdf.)

ANSWER:

14. Describe how TAWC intends to secure adequate water supplies to service Whitwell. Specifically refer to Section 3.19 of the Asset Purchase Agreement and TAWC's response to TRA Data Request #8 and describe the additional water supplies that TAWC intends to acquire from the City of Dunlap and at what cost.

ANSWER:

15. Does TAWC intend to physically interconnect its existing distribution system to the Whitwell system? If so, describe how and when this interconnection would take place and at what cost. (Note: This request is consistent with #9 on the *Certificate [sic] of Public Convenience and Necessity for an Investor Owned Utility*, found on the TRA website at http://www.state.tn.us/tra/energyfiles/CCN_Guidelines.pdf.)

ANSWER:

16. Provide a breakdown of the costs listed in TAWC's response to TRA Data Request #2, including the source, amount (actual if already incurred; estimated if anticipated), and specific purpose for the cost (e.g., title searches).

ANSWER:

17. Provide a calculation of the dilutive effect on the consolidated net income of TAWC using assumptions as if all items set forth in the *Joint Petition* are approved without adjustment.

ANSWER:

18. Refer to paragraph (6) on page 10 of the *Joint Petition*. Provide a comparison of the current depreciation rates and the proposed depreciation rates for each asset in the schedule requested in Data Request # 18.

ANSWER:


19. Refer to sub-section 3.7(d) of the Asset Purchase Agreement. Please provide a schedule of the assets that are leased, including the identity of the lessor, the start and termination dates of the lease term, the lease payments, and any applicable interest rates.

ANSWER:

20. Refer to sub-section 2.3(a) of the Asset Purchase Agreement. Please provide a schedule of the Assumed Contract Liabilities, including the identity of the creditor, the start and termination dates of the liability, the payment schedule, and any applicable interest rates.

ANSWER:

RESPECTFULLY SUBMITTED,



Charlena S. Aumiller (BPR #031465)

Ryan L. McGehee (BPR# 025559)

Assistant Attorney General

Office of the Attorney General

Consumer Advocate and Protection Division

P.O. Box 20207

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(615) 741-2812

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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This the 12 day of March, 2013.


Charlena S. Aumiller