

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

IN RE:)	
)	
PETITION OF TENNESSEE AMERICAN)	
WATER COMPANY FOR APPROVAL OF A)	
QUALIFIED INFRASTRUCTURE INVEST-)	
MENT PROGRAM, AN ECONOMIC)	
DEVELOPMENT INVESTMENT RIDER,)	DOCKET NO. 13-00130
A SAFETY AND ENVIRONMENTAL)	
COMPLIANCE RIDER, AND PASS-)	
THROUGHS FOR PURCHASED POWER,)	
CHEMICALS, PURCHASED WATER,)	
WHEELING WATER COSTS, WASTE)	
DISPOSAL, AND TRA INSPECTION FEE)	

**FIRST DISCOVERY REQUESTS OF CONSUMER ADVOCATE AND
PROTECTION DIVISION TO TENNESSEE AMERICAN WATER COMPANY**

To: Tennessee American Water Company
c/o Melvin J. Malone, Esq.
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Attorneys for Tennessee American Water Company

This First Discovery Request is hereby served upon Tennessee American Water Company ("Tennessee American" or "Company") pursuant to Rules 26, 33 and 34 of the Tennessee Rules of Civil Procedure and TRA Rule 1220-1-2-.11. The Consumer Advocate requests that full and complete responses be produced at the Office of the Attorney General, Consumer Advocate and Protection Division, 425 5th Avenue North, Nashville, Tennessee 37243, c/o Joe Shirley, Senior Counsel, on or before November 19, 2013.

PRELIMINARY MATTERS AND DEFINITIONS

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Tennessee American which would make a prior response inaccurate, incomplete, or incorrect.

If any objections to this discovery are raised on the basis of privilege or immunity, please include in your response a complete explanation concerning the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, please state the exact legal basis for each such refusal.

The terms “you” and “your” as used herein mean Tennessee American Water Company and all employees, agents, and representatives thereof.

The term “person” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever.

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.

The term “document” as used herein shall have the broadest possible meaning under applicable law. “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, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or

communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, please state what disposition was made of the document and when it was made.

Where available, please provide all requested work papers, spreadsheets, and calculations in Excel working format with numbers, formulas, and linked files included.

FIRST DISCOVERY REQUESTS

REQUEST NO. 1: Refer to the statement in Paragraph 6 of the Company's Petition that reads "if Tennessee American must continue to advance the cost of the investment and bear the burden of the associated carrying costs until the conclusion of the next Base Rate case filing to recover these necessary costs, it will not have the opportunity to achieve the rate of return set by the TRA."

a. Is it the Company's contention that the rate of return authorized by the TRA does not take into account regulatory lags such as the one described here?

b. If you contend that the Company's authorized rate of return does not take into account regulatory lags, please explain in detail the basis for your contention.

c. If the TRA grants the Company's Petition as requested, would implementation of the QIIP, EDI, SEC and PCOP tariff riders decrease the Company's costs associated with regulatory lags? Please explain your answer.

d. If the TRA grants the Company's Petition as requested, would the Company's risk of doing business (as well as timely recovery of operating costs) be decreased? Please explain your answer.

e. Based on the most recently available financial data, is the Company currently achieving its authorized rate of return established by the Authority in TRA Docket No. 12-00049? Please provide all calculations that support your answer.

RESPONSE:

REQUEST NO. 2: Refer to the statement in Paragraph 7 of the Company's Petition that reads "As proposed, the QIIP will produce a safer and more reliable water distribution and production system for ratepayers." Please explain in detail how the QIIP will produce a "safer and more reliable" system than the current method.

RESPONSE:

REQUEST NO. 3: Would implementation of the QIIP, EDI and/or SEC tariff riders reduce or defray any operational expenses or capital costs attributable to maintenance and repair? If so, please provide an estimate, by tariff and in the aggregate, of the amount of such expenses and costs that will be reduced or defrayed by implementation of the QIIP, EDI and/or SEC tariff riders for 2014. If you contend that implementation of the QIIP, EDI and/or SEC tariff riders would not reduce or defray any operational expenses or capital costs attributable to maintenance and repair, please explain in detail the basis for your contention.

RESPONSE:

REQUEST NO. 4: Refer to the Annual Reconciliation component of the Company's proposed tariffs for QIIP, EDI and SEC. Each of these tariffs indicates that the Company will make an annual reconciliation filing with the TRA by March 1 of each year.

a. Will the TRA be given an opportunity to audit or review these annual filings before the Company implements any new rates under the QIIP, EDI and/or SEC tariff riders?

b. If so, how long does the Company propose to give the TRA to audit or review such annual filings before implementation of such new rates?

c. Does the Company propose to restrict the scope of any TRA audit or review of the QIIP, EDI and/or SEC mechanisms by, for example, limiting its review of the reasonableness and/or prudence of any costs or expenditures recoverable under these tariff riders? If so, please explain in detail how the Company would propose to restrict the scope of any such audit or review.

RESPONSE:

REQUEST NO. 5: Refer to VerDouw Direct Testimony, page 50, footnote 8 which reads “It is proposed that the TRA would have 60 days to review the PCOP filing.”

- a. Provide a reference within the tariff, if any, that provides for a PCOP filing date.
- b. Provide a reference within the tariff, if any, that gives the TRA 60 days to review the PCOP filing.
- c. Does the Company propose to implement any new rates under the PCOP tariff rider prior to the TRA having an opportunity to audit or review the PCOP filing?
- d. Does the Company propose to restrict the scope of any TRA audit or review of the PCOP mechanism by, for example, limiting its review of the reasonableness and/or prudence of any expenses recoverable under the PCOP tariff rider? If so, please explain in detail how the Company would propose to restrict the scope of any such audit or review.

RESPONSE:

REQUEST NO. 6: Refer to Petitioner’s Exhibit QIIP 2-GMV, EDI 2-GMV and SEC 2-GMV. Explain why the Company chose to exclude accumulated deferred income taxes from these investment worksheets. Please provide a calculation that shows the impact from accumulated deferred income taxes in the investment worksheets for each of these three tariff riders. Please provide a calculation that shows the impact from accumulated deferred income taxes in the revenue requirement for each of these three tariff riders.

RESPONSE:

REQUEST NO. 7: Refer to Petitioner’s Exhibit Avg. Impact-GMV. Does the Company intend to apply QIIP, EDI, SEC and PCOP surcharges to Special Contract customers? If the Company does not intend to apply QIIP, EDI, SEC and PCOP surcharges to Special Contract customers, please explain in detail the basis for not applying such surcharges to such customers.

RESPONSE:

REQUEST NO. 8: Does the Company intend to apply QIIP, EDI, SEC and/or PCOP surcharges on sales of water to other water utility systems, such as Walden's Ridge, Lone Oak, Suck Creek, Signal Mountain, Whitwell, Fort Oglethorpe and Catoosa County? For each such water utility system, please identify such surcharges that will be applied and such surcharges that will not be applied. For each such water utility system, please explain the basis for the Company's application or non-application of each such surcharge.

RESPONSE:

REQUEST NO. 9: Refer to VerDouw Direct Testimony, page 22, lines 16 – 17 which reads "Lastly, qualifying plant for the QIIP will not include infrastructure investments made by the Company that would produce new customer sales revenues." Please explain clearly how the Company intends to capture and distinguish on its books between plant investment that produces new customers and plant investment that does not.

RESPONSE:

REQUEST NO. 10: Refer to VerDouw Direct Testimony, page 24, lines 14 – 16 which reads "Infrastructure can be expanded or enhanced as needed and alternative vehicle transportation fuel infrastructure can grow, all while mitigating the impact of large rate increases as part of the economic development growth." Please explain the rationale for the Company's reference to "alternative vehicle transportation fuel infrastructure."

RESPONSE:

REQUEST NO. 11: What is the typical time horizon for planning a large-scale economic development opportunity? Have such time horizons for such projects been adequately addressed within the timing and frequency of the Company's rate case filings? Please explain your answer.

RESPONSE:

REQUEST NO. 12: Refer to Petitioner's Exhibit PCOP-GMV that lists the five individual components of the Company's proposed PCOP tariff rider. For each individual component, please provide a comparison of the amounts shown on Petitioner's Exhibit PCOP-GMV with the actual amounts for the most recent twelve months available.

RESPONSE:

REQUEST NO. 13: Refer to Petitioner's Exhibit PCOP-GMV that lists the five individual components of the Company's proposed PCOP tariff rider. For each individual component, please provide the actual annual amounts from 2002 through 2012 along with a calculation showing the annual percentage change for each component and a calculation showing the annual percentage change for the total of all five components.

RESPONSE:

REQUEST NO. 14: Refer to VerDouw Direct Testimony, page 45, line 16 which states that "the costs can be volatile in nature." Please provide an analysis that demonstrates and supports the Company's statement that these costs can be volatile.

RESPONSE:

REQUEST NO. 15: Refer to Petitioner's Exhibit Tariff-12-PCOP GMV describing the Company's proposed PCOP tariff rider. The Applicability section of the PCOP tariff states "In addition to other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales For Resale, and Private Fire, a PCOP charge or credit of x.xx% will apply."

a. Does the Company intend to apply a PCOP surcharge to customers' bills in 2014? If so, please state the amount of the PCOP surcharge and provide all work papers, calculations and documents that support it. If the Company intends to apply a PCOP surcharge to customers' bills in 2014, does it propose to make a corresponding reduction to current rates in order to make this rate change revenue-neutral to the Company? Please explain your answer.

b. The proposed PCOP tariff states “Base Rate Cost per 100 Gallons \$0.04038.” Please provide all work papers, calculations and other documents that support the calculation of this amount.

c. Does the Company intend to apply a PCOP surcharge of \$0.04038 per 100 gallons to customers’ bills in 2014? If so, does the Company propose to make a corresponding reduction to current rates in order to make this rate change revenue-neutral to the Company? Please explain your answer.

d. The proposed PCOP tariff identifies a PCOP % of “x.xx %.” Does the Company intend to apply a PCOP % to customers’ bills in 2014? If so, please state the PCOP % that will be applied to customers’ bills in 2014 and provide all work papers, calculations and documents that support it. If not, please state when application of a PCOP % will commence under the tariff. Please explain your answer.

RESPONSE:

REQUEST NO. 16: Refer to VerDouw Direct Testimony, page 52, lines 18 – 19 which states that “The customer’s bill would then have four distinctive line items that identify each rider and the amount of additional costs on the bill for each of those items.” Provide a sample customer bill that shows the “four distinctive line items” for each rider. Is the Company able to modify its current billing system to accommodate this change? Please explain your answer.

RESPONSE:

REQUEST NO. 17: Refer to the testimony of Brent O’Neill that supports the Company’s Strategic Capital Expenditure Plan for 2014 shown on Petitioner’s Exhibit 2014 SCEP-BEO. This exhibit provides the source and support for the forecasted capital additions included on Petitioner’s Exhibit QIIP 2-GMV, EDI 2-GMV and SEC 2-GMV. Is it the Company’s intention to provide similar testimony and exhibits in future periods for the annual reconciliation process? If not, please describe the filing format and supporting documentation the Company intends to provide in future periods for the annual reconciliation process for each of these three tariff riders.

RESPONSE:

REQUEST NO. 18: Refer to the Company's Strategic Capital Expenditure Plan for 2014 shown on Petitioner's Exhibit 2014 SCEP-BEO.

a. Please provide the Company's Strategic Capital Expenditure Plans (or other similar capital plans) for 2011, 2012 and 2013.

b. Please provide a comparison by plant account of the Strategic Capital Expenditure Plan for 2014 with the Strategic Capital Expenditure Plans (or other similar capital plans) for 2011, 2012 and 2013.

c. Please provide a comparison by plant account of the Strategic Capital Expenditure Plans (or other similar capital plans) for 2011, 2012 and 2013 with the actual capital expenditures for 2011, 2012 and year-to-date 2013.

RESPONSE:

REQUEST NO. 19: Please provide an estimate, by tariff and in the aggregate, of the nonrecurring costs the Company will incur to implement the proposed QIIP, EDI, SEC and PCOP tariff riders.

RESPONSE:

REQUEST NO. 20: Please provide an estimate, by tariff and in the aggregate, of the annual recurring costs the Company will incur to manage and administer the proposed QIIP, EDI, SEC and PCOP tariff riders for 2014 and 2015 (including, but not confined to, regulatory costs).

RESPONSE:

REQUEST NO. 21: Does the Company contend that implementation and administration of the QIIP, EDI, SEC and/or PCOP tariff riders will reduce or defray any management or administrative costs (including, but not confined to, regulatory costs)? If so, please provide an estimate, by tariff and in the aggregate, of any such costs that will be reduced or defrayed for 2014 and 2015.

RESPONSE:

REQUEST NO. 22: Has the Company had any communications with any representative of the City of Chattanooga about the capital projects included on Petitioner's Exhibits QIIP 2-GMV, EDI 2-GMV and/or SEC 2-GMV to determine whether these projects are consistent with or enhance the City's service and/or economic development goals? If there have been such communications, for each communication please state the method of communication and provide the date of the communication, the subject of the communication, and the person or persons representing the Company and the City. Please provide all documents relating to any such communications.

RESPONSE:

REQUEST NO. 23: Has the Company had any communications with any representative of the City of Chattanooga about the proposed QIIP, EDI, SEC and/or PCOP tariff riders? If there have been such communications, for each communication please state the method of communication and provide the date of the communication, the subject of the communication, and the person or persons representing the Company and the City. Please provide all documents relating to any such communications.

RESPONSE:

REQUEST NO. 24: Has the Company had any communications with any customer or representative of any customer or class of customers about the proposed QIIP, EDI, SEC and/or PCOP tariff riders? If there have been such communications, for each communication please state the method of communication and provide the date of the communication, the subject of the communication, and the person or persons representing the Company and customer or class of customers. Please provide all documents relating to any such communications.

RESPONSE:

REQUEST NO. 25: If not otherwise provided in response to a discovery request above, please provide all work papers, calculations and other documents that you contend support any of your responses to Request Nos. 1 through 24, above.

RESPONSE:

REQUEST NO. 26: Please identify each person whom Tennessee American expects to call as an expert witness at the hearing on the merits of this matter. For each such witness:

a. Please produce a curriculum vitae detailing the educational background, work experience and professional achievements that you contend qualify the witness to render testimony on the issues on which he or she will testify at the hearing on the merits of this matter.

b. Please produce all pre-filed testimony, work papers, calculations and other documents that you contend support the facts, opinions, conclusions, proposals and recommendations to be presented in the testimony of the witness at the hearing on the merits of this matter.

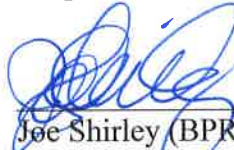
c. Please produce all work papers, calculations and other documents created, used, referenced or relied upon by the witness in this matter.

RESPONSE:

REQUEST NO. 27: Please produce copies of all hearing exhibits and other documents that you plan to introduce, use or reference at the hearing on the merits of this matter.

RESPONSE:

Respectfully submitted,



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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 and electronic mail upon:

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This the 30th day of October, 2013.


Joe Shirley