

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF TENNESSEE AMERICAN WATER)	DOCKET NO.
COMPANY TO CHANGE AND INCREASE CERTAIN)	06-00290
RATES AND CHARGES SO AS TO PERMIT IT TO)	
EARN FAIR AND ADEQUATE RATE OF RETURN)	
ON ITS PROPERTY USED AND USEFUL IN FURNISHING)	
WATER SERVICE TO ITS CUSTOMERS)	

**THE CITY OF CHATTANOOGA'S SUPPLEMENTAL MEMORANDUM IN SUPPORT
OF MOTION TO COMPEL**

The City of Chattanooga ("Chattanooga"), by and through counsel, submits the following Supplemental Memorandum in Support of its Motion to Compel.

In the course of argument before the Hearing Officer on Friday, February 9, 2007, reference was made by the parties to heavily-redacted excerpts from the Supervisory Board Minutes of RWE Aktiengesellschaft held on September 16, 2005; November 4, 2005; February 21, 2006; and April 13, 2006. The excerpts illustrate the importance of obtaining full, unredacted copies of these and other records concerning historical information and plans for the operating assets of American Water Works Company ("AWWC"), including Tennessee American Water Company ("TAWC"). The heavily-redacted RWE Aktiengesellschaft materials contain admissions concerning issues such as cost of capital, reasonable rate of return, and compliance with obligations to properly maintain operating assets.

Chattanooga has specifically requested complete, unredacted copies of these documents, with the intention of introducing them into evidence in this cause for purposes of cross examining TAWC experts who have made inconsistent assertions and supporting the expert testimony to be offered on behalf of the ratepayers.

A copy of the heavily-redacted minutes is attached hereto as Exhibit A. Among the points made in the minutes are:

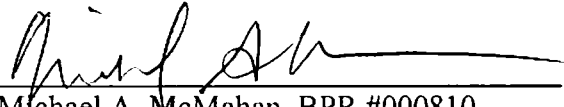
- A water utility cannot expect to earn more than a five to six percent (5%-6%) rate of return, after taxes. E.g., pp. 4, 14.
- Energy utilities, including natural gas utilities, are more risky and their returns are thus greater than water company returns. E.g., p. 14.
- The operating companies of AWWC have made inadequate investment in maintenance of their physical assets. E.g., pp. 4, 12, 18.
- The operating companies of AWWC are experiencing high leakage rates. E.g., pp. 4, 18.
- RWE Aktiengesellschaft expects to receive between 20 and 35 times AWWC's net income for stock sold in the IPO, explaining the AWWC operating companies' push for rate increases before the IPO proceeds. E.g., p. 7.
- RWE Aktiengesellschaft was concerned about the "level and sustainability" of AWWC's financial performance. E.g., p. 6. Chattanooga has sought discovery of information on plans for transfers from TAWC to AWWC through increased dividends and fees.

An examination of the heavily-redacted minutes clearly illustrates the merits of the Intervenor's motions to compel production of information concerning historical problems, practices, and performance and concerning plans for the upcoming IPO and beyond.

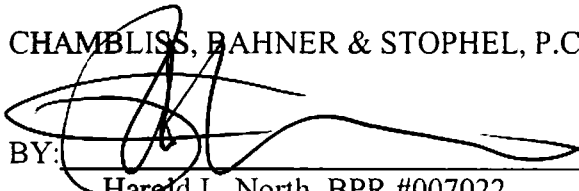
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CERTIFICATE OF SERVICE

This is to certify that the undersigned has this day served a true and correct copy of the foregoing pleading by electronic mail and by depositing same in the United States mail, postage prepaid, and addressed to the following:

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This the 21st day of February, 2007.



FREDERICK L. HITCHCOCK