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February 14, 2007

VIA HAND-DELIVERY

Chairman Sara Kyle
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Petition Of Tennessee American Water Company To Change And Increase Certain Rates And Charges So As To Permit It To Earn A Fair And Adequate Rate Of Return On Its Property Used And Useful In Furnishing Water Service To Its Customers; Docket No. 06-00290

Dear Chairman Kyle:

Enclosed please find an original and sixteen (16) copies of Petitioner Tennessee American Water Company's Response to the City Of Chattanooga's Supplemental Memorandum in Support of Motion to Compel dated February 12, 2007.

Please return two copies of the Response, which I would appreciate your stamping as "filed," and returning to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

With kindest regards, I remain

Yours very truly,



R. Dale Grimes

RDG/ms
Enclosures

Chairman Sara Kyle
February 14, 2007
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cc: Hon. Pat Miller (*w/o enclosure*)
Hon. Ron Jones (*w/o enclosure*)
Hon. Eddie Roberson (*w/o enclosure*)
Ms. Darlene Standley, Chief of Utilities Division (*w/o enclosure*)
Richard Collier, Esq. (*w/o enclosure*)
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)
Ms. Pat Murphy (*w/o enclosure*)
Michael A. McMahon, Esq. (*w/enclosure*)
Frederick L. Hitchcock, Esq. (*w/enclosure*)
Vance Broemel, Esq. (*w/enclosure*)
Henry Walker, Esq. (*w/enclosure*)
David Higney, Esq. (*w/enclosure*)
Mr. John Watson (*w/o enclosure*)
Mr. Michael A. Miller (*w/o enclosure*)

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

IN RE:

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

**PETITIONER TENNESSEE AMERICAN WATER COMPANY'S RESPONSE
TO THE CITY OF CHATTANOOGA'S SUPPLEMENTAL MEMORANDUM
IN SUPPORT OF MOTION TO COMPEL**

Petitioner Tennessee American Water Company respectfully responds to the Supplemental Memorandum filed by the City of Chattanooga on February 12, 2007. The City attaches redacted versions of certain documents it apparently obtained from a third party, cites certain passages and paraphrases taken out of context, and then contends that this shows that they should obtain "full, unredacted copies" of these and unspecified "other records." Instead, the City's submission demonstrates that even the redacted versions of the attached documents have nothing to do with the issues in this rate case. Moreover, it provides no support whatsoever for the City's and other intervenors' pursuit of their overbroad, burdensome, and unspecific discovery requests that remain the subject of their motions to compel.

Tennessee American Water has produced voluminous information to the TRA Staff and the intervening parties in response to their discovery requests. All the information relevant to the issues in this matter can be found in the books and records of Tennessee American or the knowledge of its experts. Tennessee American has fully cooperated with all reasonable requests for information, and given the tremendous time constraints on the discovery process in this case,

Tennessee American has made extraordinary efforts to resolve the vast majority of discovery disputes presented by the intervenors in their motions to compel. Nonetheless, a group of questions remains unresolved that are related not to this case, but to the change of control of Tennessee American Water's parent, American Water Works Company, and the proposal by its ultimate parent, RWE, to sell its stock in AWWC. These questions have no bearing on the merits of this case, are objectionable for a multitude of reasons, and can only be described as a "fishing expedition." None of the intervenors have articulated any legitimate basis for requiring compliance with these extremely broad and burdensome requests. In fact, at the hearing, counsel for the Consumer Advocate's argument in favor of its motion to compel these discovery requests included the following concession: "Now, admittedly, I don't think anyone has a smoking gun on this." Hearing Transcript, at 27 (February 9, 2007). Apparently these discovery requests are designed for other purposes than the merits of this case, and the Hearing Officer should deny the motions to compel.

The City quotes and paraphrases certain snippets of information from the documents it has attached as an exhibit to its supplemental memorandum in a vain attempt to create some reason for inflating the discovery process beyond the bounds of reasonableness and burdensomeness. The effort is without merit. None of the cited information is connected to Tennessee American: the Petitioner's name does not appear once. The comments about returns do not appear to relate to rates of return or return on equity on any particular water distribution company but at best seems to refer to some kind of measure of return on an international combination of assets. Statements indicating that AWWC subsidiaries in some locales had not made sufficient investments in infrastructure have nothing to do with any question in this case, in which rates will be set based on the cost of the actual rate base investment in place and planned

construction through the attrition year, and besides does not mention Tennessee at all. The speculation of what RWE might hope to achieve from the sale of its stock in AWWC is totally beyond any conceivable pertinence to this case.

Given the scope of the issues in this rate case, Tennessee American Water respectfully submits that the Hearing Officer should contain discovery within the bounds of what is truly relevant to those issues, and deny the motions to compel and the attempts by the intervenors to import irrelevant side issues to these proceedings through overbroad, burdensome, and otherwise objectionable discovery requests.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", written over a horizontal line.

R. Dale Grimes (#6223)

J. Davidson French (#15442)

Ross I. Booher (#019304)

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Counsel for Petitioner

Tennessee American Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 14 day of February, 2007, upon the following:

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