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MEMPHIS

February 21, 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 seventeen (17) copies of Tennessee American Water Company's Second Supplemental Responses to Chattanooga Manufacturers Association's First Set of Data Requests dated January 23, 2007.

Please return three copies of the Responses, 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 21, 2007
Page 2

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*)

TENNESSEE AMERICAN WATER COMPANY
Docket No. 06-00290
Chattanooga Manufacturers Association's Data Request No. 1

SECOND SUPPLEMENTAL RESPONSE

Responsible Witness: Michael Miller/John Watson

RATE BASE

Question:

7. Please provide a copy of TAWC's five-year and ten-year capital expenditure and operating expense budgets.

Response:

TAWC objects to this question on the grounds that it is overly broad, unduly burdensome, and not relevant to this proceeding. The requested information beyond the attrition year is not relevant to this proceeding. Notwithstanding the objection, TAWC provides the following response. Please see the responses to TRA Data Request 1, questions 18, 52 and 53. In addition, please see the responses to City Data Request 1, questions 14 and 15.

Supplemental Response:

See the attached file for the Five-Year Capex Plan.

Supplemental Response 2:

See the attached file detailing the five-year operating expense budget.

**Tennessee-American
ANNUAL BUSINESS PLAN
PLAN YEAR: 2007 - July 2008**

**SCHEDULE 6
FORM 188**

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	2006	2009	2010	2011
OPERATING REVENUES	2,503,191	2,345,073	2,525,042	2,428,604	2,562,038	2,800,825	2,790,599	2,847,873	2,861,118	2,616,986	2,794,356	2,867,791	32,144,464	32,368,484	32,499,791	32,677,445	32,665,999
WATER (L3.SCS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SEWER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER	114,756	114,756	114,756	114,756	114,756	114,756	114,756	114,756	114,756	114,756	114,756	114,756	1,377,072	1,377,072	1,377,072	1,377,072	1,377,072
MANAGEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	2,617,937	2,460,829	2,639,798	2,543,360	2,676,794	2,915,581	2,905,355	2,962,629	2,975,874	2,731,742	2,909,111	2,982,547	33,521,536	33,745,556	33,876,863	34,054,517	34,042,071
OPERATING EXPENSE	411,027	358,658	352,008	375,343	408,508	378,488	392,573	408,509	354,429	418,906	408,311	399,961	4,695,759	4,836,632	4,961,781	5,131,183	5,285,119
LABOR (L4.SCS)	3,550	3,800	4,500	4,600	4,600	4,400	4,400	4,500	4,500	3,800	4,100	4,400	51,560	52,862	54,159	55,784	57,457
PURCHASED WATER	153,325	137,857	157,734	150,794	160,348	170,774	173,752	170,268	182,598	180,378	187,313	152,340	1,596,949	1,630,382	1,714,260	1,799,287	1,888,559
CHEMICALS	77,761	72,478	82,734	77,169	82,251	87,859	88,846	85,673	98,628	97,415	98,396	94,335	1,029,811	1,033,337	1,023,337	1,033,708	1,044,190
WASTE DISPOSAL	11,350	10,860	13,770	11,975	14,395	16,540	26,600	13,995	7,200	17,800	13,625	11,985	174,865	178,629	183,103	187,698	192,388
MANAGEMENT FEES	353,614	362,947	360,389	381,775	381,153	387,702	372,738	379,402	358,465	367,099	354,658	365,296	4,483,328	4,454,328	4,174,582	4,201,379	4,228,845
GROUP INSURANCE	125,448	125,448	125,448	125,448	125,448	125,448	125,448	125,448	125,448	125,448	125,448	125,448	1,503,372	1,503,372	1,503,372	1,503,372	1,503,372
PENSIONS	54,390	54,390	54,390	54,390	54,390	54,390	54,390	54,390	54,390	54,390	54,390	54,390	652,878	652,878	652,878	652,878	652,878
REG. EXPENSE (L18.SCS)	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	281,458	281,458	281,458	281,458	281,458
INSURANCE (L19.SCS)	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	129,448	129,448	129,448	129,448	129,448
INSURANCE (L20.SCS)	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	523,940	523,940	523,940	523,940	523,940
CUSTOMER ACCTG (L22.SCS)	100,999	100,999	100,999	100,999	100,999	100,999	100,999	100,999	100,999	100,999	100,999	100,999	1,211,192	1,211,192	1,211,192	1,211,192	1,211,192
RENTS	3,902	3,878	3,902	3,448	3,373	3,373	3,448	3,373	3,373	3,373	3,373	3,373	41,925	41,925	41,925	41,925	41,925
GENERAL OFFICE	20,453	16,361	21,512	16,688	19,984	18,821	18,821	20,673	20,673	18,821	21,016	22,666	242,284	242,284	242,284	242,284	242,284
MISCELLANEOUS	181,205	141,222	147,384	153,953	150,417	166,856	133,028	136,721	169,656	138,353	147,677	150,666	1,804,860	1,804,860	1,804,860	1,804,860	1,804,860
OTHER MAINT. EXPENSE	73,742	54,868	67,568	73,767	92,688	69,458	79,667	106,188	57,288	87,467	53,788	49,388	862,857	862,857	862,857	862,857	862,857
TOTAL	1,832,027	1,590,326	1,617,008	1,600,273	1,675,848	1,653,437	1,642,734	1,660,352	1,617,736	1,640,271	1,604,728	1,580,850	19,435,370	19,545,589	19,657,728	20,354,007	20,696,898
OTHER OPERATING EXPENSES	411,885	412,121	412,121	412,443	413,349	414,351	415,122	416,018	416,712	422,296	424,308	425,609	5,012,115	5,046,913	5,087,403	5,202,969	5,356,298
DEPRECIATION	10,146	10,146	10,146	10,146	10,146	10,146	10,146	10,146	10,146	10,146	10,146	10,146	121,776	121,776	121,776	121,776	121,776
AMORTIZATION	286,255	286,255	286,255	286,255	286,255	286,255	286,255	286,255	286,255	286,255	286,255	286,255	3,417,252	3,417,252	3,417,252	3,417,252	3,417,252
GENERAL TAXES (L41.SCS)	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	14,260	14,260	14,260	14,260	14,260
PT (L3.SCS)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(1,175)	(6,860)	(6,860)	(6,860)	(6,860)	(6,860)
TOTAL OPERATING EXP	2,334,883	2,182,485	2,327,278	2,274,676	2,381,611	2,453,448	2,458,110	2,468,110	2,462,313	2,468,023	2,468,633	2,468,633	28,688,590	28,701,871	28,698,139	30,053,961	30,532,318
UTILITY OPER. INCOME	283,244	277,361	313,519	269,884	315,183	462,133	438,854	474,319	513,561	533,720	425,297	535,912	4,834,878	4,733,565	4,470,733	4,200,556	3,894,865
NON-OPERATING RENTAL INCOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDEND INCOME - COMMON	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST INCOME (L46.SCS)	23	139	271	528	1,147	2,190	4,316	7,359	9,896	10,539	9,216	4,030	49,626	252,396	68,278	182,681	142,456
AFUDC (AFUDC WORKSHEET)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
M&J MISC INC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAIN (LOSS) ON DISPOSITION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	23	139	271	528	1,147	2,190	4,316	7,359	9,896	10,539	9,216	4,030	49,626	252,396	68,278	182,681	142,456
MISC AMORTIZATION (L48.SCS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MISC OTHER DEDUCTIONS	500	900	32,500	2,000	1,000	17,500	1,000	2,000	7,500	1,000	1,000	7,500	74,000	78,320	78,320	80,862	83,288
GENERAL TAXES	(33)	(33)	(2,074)	(130)	(86)	(1,099)	(65)	(130)	(446)	(65)	(65)	(449)	(4,634)	(4,798)	(4,947)	(5,100)	(5,246)
SFT (SFT 4)	(154)	(154)	(10,439)	(653)	(227)	(5,331)	(327)	(653)	(2,256)	(527)	(257)	(2,256)	(23,431)	(24,156)	(24,809)	(25,677)	(26,470)
TOTAL OTHER DEDUCTIONS	324	304	19,867	1,216	608	18,771	608	4,793	4,793	608	608	4,793	45,813	47,284	48,654	50,085	51,589
NET OTHER INCOME	283,244	277,159	327,462	269,188	315,723	462,133	438,854	474,319	513,561	533,720	425,297	535,912	4,834,878	4,733,565	4,470,733	4,200,556	3,894,865
NET INCOME	318,007	320,711	330,711	315,732	315,439	314,635	312,787	310,646	312,129	322,350	315,812	320,868	3,603,008	3,603,008	3,603,008	3,603,008	3,603,008
AFUDC DEBT	(13)	(63)	(127)	(234)	(639)	(1,220)	(2,408)	(4,101)	(5,492)	(5,872)	(5,136)	(2,245)	(27,813)	(28,608)	(29,448)	(30,290)	(31,132)
TOTAL INTEREST	318,007	320,711	330,711	315,732	315,439	314,635	312,787	310,646	312,129	322,350	315,812	320,868	3,603,008	3,603,008	3,603,008	3,603,008	3,603,008
NET INCOME	(58,100)	(448,316)	(27,900)	(448,534)	(263)	(138,516)	(129,778)	(169,817)	(206,504)	(21,301)	(118,064)	(21,459)	(41,818,182)	(41,818,182)	(41,818,182)	(41,818,182)	(41,818,182)
														1.855%	-0.175%	-1.528%	-2.917%

RATE OF RETURN ON AVG. COMMON EQUITY

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

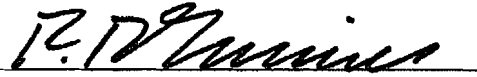
IN RE:

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

**TENNESSEE AMERICAN WATER COMPANY'S SECOND SUPPLEMENTAL
RESPONSES TO CHATTANOOGA MANUFACTURERS ASSOCIATION
FIRST SET OF DATA REQUESTS**

The Tennessee American Water Company, while expressly reserving its prior objections, hereby provides the following second supplemental responses to the First Set of Data Requests from the Chattanooga Manufacturers Association:

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)

BASS, BERRY & SIMS PLC

315 Deaderick Street, Suite 2700

Nashville, TN 37238-3001

(615) 742-6200

Counsel for Petitioner

Tennessee American Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of *Tennessee American Water Company's Second Supplemental Responses to Chattanooga Manufacturers Association First Set of Data Requests* has been served via the method(s) indicated, on this the 21st day of February, 2007, upon the following:

<input type="checkbox"/> Hand-Delivery	Michael A. McMahan
<input type="checkbox"/> U.S. Mail	Special Counsel
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Overnight	Office of the City Attorney
<input checked="" type="checkbox"/> Email	Suite 400
	801 Broad Street
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input type="checkbox"/> U.S. Mail	Shareholder
<input type="checkbox"/> Facsimile	Chambliss, Bahner & Stophel, P.C.
<input checked="" type="checkbox"/> Overnight	1000 Tallan Building
<input checked="" type="checkbox"/> Email	Two Union Square
	Chattanooga, TN 37402
<input checked="" type="checkbox"/> Hand-Delivery	Vance Broemel, Esq.
<input type="checkbox"/> U.S. Mail	Stephen Butler, Esq.
<input type="checkbox"/> Facsimile	Consumer Advocate and Protection Division
<input type="checkbox"/> Overnight	Office of Attorney General
<input checked="" type="checkbox"/> Email	2nd Floor
	425 5th Avenue North
	Nashville, TN 37243-0491
<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Facsimile	Suite 700
<input type="checkbox"/> Overnight	1600 Division Street
<input checked="" type="checkbox"/> Email	P.O. Box 340025
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Grant, Konvalinka & Harrison, P.C.
<input type="checkbox"/> Facsimile	633 Chestnut Street, 9 th Floor
<input checked="" type="checkbox"/> Overnight	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Email	



BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE AMERICAN)
WATER COMPANY TO CHANGE AND)
INCREASE CERTAIN RATES AND)
CHARGES SO AS TO PERMIT IT TO)
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RATE OF RETURN ON ITS PROPERTY)
USED AND USEFUL IN FURNISHING)
WATER SERVICE TO ITS CUSTOMERS)

DOCKET NO. 06-00290

AFFIDAVIT

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL MILLER, Treasurer/Comptroller for Tennessee American Water Company,
do hereby certify that the foregoing responses to the Second Supplemental Response to
Chattanooga Manufacturers Association's Data Request No. 1, Item 7 were prepared by me or
under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 21 day of February, 2007.

Michael A. Miller
(signature)

Michael A. Miller
(printed name)

Sworn to and subscribed before me this 21st day of February, 2007.

J. H. Judy
NOTARY PUBLIC

My Commission Expires:

February 10, 2015

6386720.1

