

**TENNESSEE AMERICAN WATER COMPANY**

**Docket No. 06-00290**

**DIRECT TESTIMONY**

**MAYOR RON LITTLEFIELD**

1. **Question:** Please state your name and business address.

**Response:** My office is temporarily located in what used to be the Tennessee American Water Company building at the corner of 10<sup>th</sup> and Lindsay Streets in Chattanooga, TN. My regular address is City Hall, East 11<sup>th</sup> Street, Chattanooga, TN 37402.

2. **Question:** How long have you been the Mayor of the City of Chattanooga?

**Response:** I have been the Mayor for the City of Chattanooga, Tennessee, since April 18, 2005.

3. **Question:** Did you serve in city government before you became mayor?

**Response:** Yes. In 1987, I served as the Commissioner of Public Works. During fiscal years 1990-1992 and 2002-2003, I was elected as Chairman of the Chattanooga City Council for District 4. I was the Acting Director of Planning and Development in Walker County, Georgia, from 1997-2000. In 1979, I served as Economic Development Coordinator for the City of Chattanooga. In 1977, I served as the Director of Current Planning and Operations, Chattanooga-Hamilton County Regional Planning Commission and was Senior Planner for 1974. In 1969, I worked as the Planner-in-Charge for the Tennessee State Planning Office.

4. **Question:** Why did you decide to recommend that the City of Chattanooga intervene in this rate case?

**Response:** We were very much concerned about the magnitude of a 19.7% rate increase that Tennessee American Water Company ("TAWC") was seeking.

5. **Question:** What impact would such a large increase in rates have upon the City of Chattanooga?

**Response:** The City of Chattanooga in its corporate capacity is a major customer of TAWC. Our water budget for the present fiscal year 2007 is \$634,718.00. It spent approximately \$27,000.00 of that amount with either Hixson Utility District or Eastside Utility District. A 19.7% increase or result in almost \$120,000.00 increase in the City's budget for water next year. However, I am much more concerned about the impact that such a large increase will have on individual citizens and businesses in Chattanooga.

6. **Question:** What is the potential adverse impact of a large rate increase to individual citizens?

**Response:** Water is not a luxury and it is essential to the poorest members of our community. A large rate increase would have a significant adverse impact upon those with modest incomes.

7. **Question:** What impact would a large rate increase have upon business and industries?

**Response:** It is important for the economic viability of our City and the larger Chattanooga community industries and businesses already located here remain competitive. The large water reserves in Chattanooga are such as housing, food, and desired jobs to improve the lower end of the hire market. Some other users provide well-paying industrial jobs for our community.

8. **Question:** What about recruitment of new industries and businesses?

**Response:** The cost of water would be a competitive issue in the recruitment of an industry or business that uses large quantities of water. It is very difficult in today's world to recruit new businesses, so we are always concerned about being competitive in all economic aspects.

9. **Question:** Do you have any concerns about the timing of this requested rate increase?

**Response:** Yes, we question the motivation of TAWC in seeking such a large increase in the middle of its proposed Initial Public Offering (IPO). I have discussed this with other mayors at the U.S. Mayors' Conference and understand that American Water Works Company is seeking large rate increases around the country. It makes us suspicious that they are trying to increase the value of the IPO by increasing their net revenue through rate increases.

10. **Question:** Does this conclude your testimony?

**Response:** Yes.

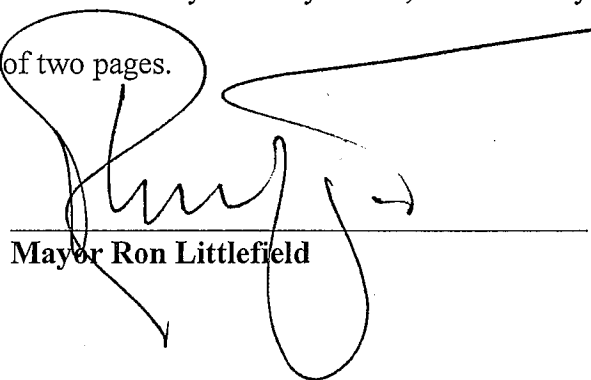
TENNESSEE REGULATORY AUTHORITY

STATE OF TENNESSEE

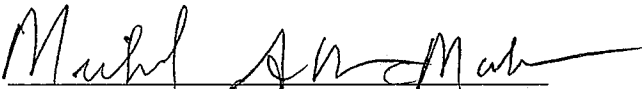
COUNTY OF HAMILTON

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared, **Mayor Ron Littlefield**, who, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of the City of Chattanooga, Tennessee, before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript consisting of two pages.

  
Mayor Ron Littlefield

SWORN TO AND SUBSCRIBED  
BEFORE ME THIS 5<sup>th</sup> DAY OF  
MARCH, 2007.

  
NOTARY PUBLIC

My Commission Expires: 8/12/07

