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March 8, 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 four (4) copies of Tennessee American Water Company's Fifth Supplemental Response to City of Chattanooga's First Discovery Requests dated January 22, 2007. This supplement includes responses to Questions 3, 5, 7, 8, 9, 26, 27, 28 and 34. As requested, we are providing only one paper copy along with six (6) copies on the enclosed CDs. We have recently received additional responsive information that is not included in the initial responses, but will be submitted as soon as possible.

Please note that certain documents produced herewith have been marked "Highly Confidential" pursuant to the Supplemental Protective Order dated March 1, 2007. These are filed in a separate binder under seal and may not be placed on the public record.

Please also note that we will file the affidavit for these responses early next week.

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.

Chairman Sara Kyle
March 8, 2007
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With kindest regards, I remain

Yours very truly,

Dale Grimes by permission
R. Dale Grimes *Alan Fater*

RDG/ms
Enclosures

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 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 FIFTH SUPPLEMENTAL
RESPONSES TO CITY OF CHATTANOOGA'S FIRST DISCOVERY REQUESTS**

The Tennessee American Water Company, while expressly reserving its prior objections, hereby provides the following fifth supplemental responses to the First Discovery Requests from the City of Chattanooga:

TENNESSEE AMERICAN WATER COMPANY
Docket No. 06-00290
City of Chattanooga Discovery Request No. 1

Fifth Supplemental Response

Responsible Witness: **Michael Miller or Others**

Question:

3. Provide all **Documents** reflecting, recording, referring to, reporting, or relating to plans for, projections of, recommendations for rate increases by **TAWC**, any **Operating Company**, or any **TAWC Parent or Affiliate** since January 1, 2000, including, without limitation, all **Documents** reflecting **Communications** with Goldman Sachs or any other adviser.

Response:

TAWC objects to this question on the grounds that it is overly burdensome, overly broad, not in the possession or control of TAWC, not relevant to this proceeding, subject to attorney/client privilege, and is work product prepared in anticipation of litigation. TAWC has filed its petition in this case including direct testimony, work papers, and responses to multiple data requests issued in this case. TAWC is prepared to support its positions in order that the case can be decided on the merits of the filing and support information. Documents prepared in preparation of the case relating to the filing, potential issues, expected results, etc. are subject to attorney client privilege as work products prepared in anticipation of litigation. The information requested for any other operating subsidiary of AWW and the Parent Co. are subject to the same attorney client privilege in addition to not being relevant to the TAWC filing in this case.

Supplemental Response:

TAWC provides this supplemental response to the request as it has been modified by the Hearing Officer's Order of March 1, 2007. The Goldman Sachs documents referenced below represent the entirety of information provided in each divestiture proceeding where approval of the proposed IPO has occurred. Attached are the internal planning documents prepared for the 2006, 2004 and 2002 rate cases for TAWC and copies of correspondence with the TAWC Board of Directors concerning the filing of the rate cases.

TAWC objects to providing further information concerning planning for and preparation of its rate cases on the grounds that the information was prepared under attorney-client privilege and is work product prepared in anticipation of litigation. TAWC prepares numerous documents in anticipation of rate litigation, which it has withheld on the grounds of work product privilege and/or attorney-client privilege. In particular, TAWC has withheld, pursuant to the work product privilege, the following documents which were prepared in anticipation of litigation: (1) Documents related to the 2003 rate cases, including memorandum from Chris E. Jarrett to TAWC Board of Directors, dated January 24, 2003 regarding proposal to file a rate case and supporting documentation and documents discussing the preparations for the rate litigation, projections of results from the litigation, and the issues involved in the litigation; (2) Document regarding plan and progress of 2004 rate case; and (3) Documents related to the 2003 rate cases, including memorandum from Michael A. Miller to TAWC Board of Directors, dated November 7, 2006 regarding plan to file a rate case and supporting and related documentation discussing the preparations for the rate litigation, projections of results from the litigation, and the issues involved in the litigation.

None of the parents of TAWC are regulated entities and have not filed rate cases before any regulatory commissions or authorities. The Company has reviewed

the Goldman's Sach's reports and can find no discussion of rate increases for TAWC. Please see the supplemental responses to CAD-1-questions 6 and 6(a) regarding the reports and communications with Goldman Sachs.

TENNESSEE AMERICAN WATER COMPANY
Docket No. 06-00290
City of Chattanooga Discovery Request No. 1

Fifth Supplemental Response

Responsible Witness: Michael Miller/Michael Vilbert/or Others

Question:

5. Provide all ***Documents*** reflecting, recording, referring to, reporting, or relating to bond or other indebtedness rating of any rating agency (including, without limitation Standard & Poors, Fitch's, and Moody's) of the debt of (i) ***TAWC***, (ii) ***AWCC***, (iii) or any ***TAWC Parent or Affiliate***.

Response:

TAWC objects to this question on the grounds that it is overly burdensome, overly broad, and not relevant to this proceeding. Notwithstanding this objection, we provide the following response.

- TAWC is not rated by any of the credit rating agencies.
- American Water Works Company, Inc. ("AWW") is currently rated of A-/A-2 from Standard & Poor's. AWW is not rated by either Fitch or Moody's.
- American Water Capital Corp. ("AWCC") is currently rated A-/A-2 by Standard & Poor's and Baa1/P-2 by Moody's Investors Service. Fitch does not rate AWCC.

Attached are the credit rating agencies' reports for the years 2004 to 2006. No credit rating agencies reports have been issued to date for 2007.

Supplemental Response:

TAWC provides this supplemental response to the request as it has been modified by the Hearing Officer's Order of March 1, 2007. As indicated above the S&P ratings for TAWC, AWWC and AWCC have been provided previously. Attached please find copies of the information regarding the S&P and Moody's ratings of RWE. The documents provided as attachments to the original response and those documents referenced below represent the entirety of information provided in each divestiture proceeding where approval of the proposed IPO has occurred. Attachments to this response are designated Highly Confidential, pursuant to the Supplement Protective Order of March 1, 2007, and filed under seal.