TENNESSEE-AMERICAN WATER COMPANY
CASE NO. ____________
DIRECT TESTIMONY
<u>Sheila A. Miller</u>

1. Q. WILL YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD?

A. My name is Sheila A. Miller and my business address is 1600 Pennsylvania Avenue, Charleston, WV 25302.

2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Water Works Service Company as a Senior Financial Analyst.

3. Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?

A. My responsibilities include the preparation and presentation of rate filings requested by six operating companies comprising the Southeast Region of the American Water Works Service Company. I present testimony in formal rate cases and other regulatory proceedings. I am also responsible for various accounting duties including budget preparation, account reconciliation, and financial statement analysis.

4. Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE?

A. In 1983, I graduated Summa Cum Laude with a Bachelor of Arts degree from Glenville State College with a major in Accounting and Management, and a minor in Economics. In 1988, I received

my Certified Public Accountant (CPA) license.

I have worked with the American System for 22 years and began my career in December 1984, as a Junior Accountant. In that capacity I worked in the Construction Accounting Department for American Water Works Service Company.

Throughout the years, I have moved through the ranks of the financial side of the business from Accountant in 1985, Construction Accounting Supervisor for the Southeast Region in 1988, Construction Accounting Superintendent for West Virginia American Water Company in 1992, Assistant Director of Accounting for West Virginia American in 1995, Director of Accounting for West Virginia American in 1997, Director of Accounting for the Southeast Region in 2000, and I was transferred to Senior Financial Analyst (Rates) for the Southeast Region in 2002. I have vast accounting knowledge and expertise in the financial aspects of the company. I have previously prepared testimony and rate case exhibits for Tennessee American Water, Kentucky American Water, Virginia American Water, and West Virginia American Water.

5. Q. WERE THE COMPANY'S ACCOUNTING EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

6. Q. WHAT IS THE SOURCE OF THE INFORMATION USED IN

THE COMPANY'S ACCOUNTING EXHIBITS?

A. The information contained in the Accounting Exhibits was prepared from the financial and operational records of the company.

7. Q. PLEASE EXPLAIN THE INCREASE IN RATES THAT THE COMPANY IS SEEKING IN THIS PROCEEDING.

A. The Company is seeking a rate increase that would produce additional annual revenues of $6.379 million or 19.67%. The Company last filed for a rate increase in October 2004.

8. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. My testimony will 1) sponsor the Company's Accounting Exhibits Nos. 1, 2, 3, and 4 which support the proposed revenue increase of $6,379,887 and 2) support the Company's attrition year level of Labor, Fuel and Power, Chemicals, Waste Disposal, Group Insurance, Regulatory Expense, Insurance Other than Group, Uncollectible Expense, Rents, General Office Expense, Miscellaneous Expense, Other Maintenance Expense AFUDC, General Taxes, and Rate Base. I will also address the Company's Operating Revenues per books for the test year and for the attrition year under both present and proposed rates, except for average daily usages for both the residential and commercial customer classes.

9. Q. WHO WILL ADDRESS THE COMPANY'S PROPOSED AVERAGE DAILY USAGE FOR THE RESIDENTIAL AND COMMERCIAL CUSTOMER CLASSES?

A. The Company has retained the services of Dr. Edward L. Spitznagel, Jr., Professor, Washington University in St. Louis, Missouri, to provide weather normalizations for both the residential and commercial customer classes. I will explain how Dr. Spitznagel's averages were used in the Company's bill analysis.

10. Q. WHAT IS THE TEST PERIOD REFLECTED IN THIS CASE?

A. The Company has used a historical test period of twelve months ending June 30, 2006. The Company has adjusted the test period for two levels of adjustments. The first adjustment normalizes the test year. The second level adjusts the normalized year to arrive at the attrition year which is the twelve months ended February 29, 2008.

11. Q. MS. MILLER, ARE THERE ANY EXHIBITS YOU WISH TO SPONSOR BEFORE YOU CONTINUE?

A. Yes, I would like to give a brief description of the accounting schedules which detail and support the rate base, revenues, expenses, capitalization and bill analysis for the test year and attrition year.

<u>Exhibit 1</u> is a financial summary of the filing which details how the Company arrived at the amount of the requested revenue increase. There is also a rate base summary for the test year and attrition year with supporting schedules.

<u>Exhibit 2</u> is an operating income summary for the test year and attrition year with supporting schedules broken down by major account group.

<u>Exhibit 3</u> provides a cost of capital summary for the attrition year and supporting schedules which provide detail on each component of the capital structure.

<u>Exhibit 4</u> provides a bill analysis for the attrition year at both present and proposed rates.

12. Q. HOW DID THE COMPANY DETERMINE THE OPERATING REVENUES SHOWN IN ITS ACCOUNTING EXHIBIT?

A. The Company's operating revenues are obtained from (i) metered sales, (ii) private fire service, and (iii) miscellaneous, service revenues, rents from property, and other water revenues. The Company uses a bill analysis reflecting the actual billing determinants for the test year, twelve months ended June 30, 2006. Exhibit No. 4, Schedules 1 and 2, set forth the individual bill analysis by customer class. This schedule multiplies attrition year billing determinants by present and proposed rates.

13. Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO PER BOOK REVENUES FOR THE TEST YEAR?

A. Yes, the Company made a total of five adjustments, as follows: (1) normalized test year adjustments which include eliminating the extra month of billing on Routes 262007 and 262008; and annualized the rate increase for the Town of Signal Mountain that was effective July 2006 and Fort Oglethorpe that became effective October 19, 2006; (2) weather normalization adjustment for the

residential and commercial customer classes; (3) eliminated net change in accrued revenues; (4) eliminated Walden's Ridge revenues from the filing, and (5) added revenue for the estimated number of new customers to be added during the attrition year. The estimate is based on historical results.

14. Q. HOW WERE THE OPERATING EXPENSE ADJUSTMENTS IN THE ACCOUNTING EXHIBIT CALCULATED?

A. The adjustments reflect an ongoing level of operating expenses consistent with the test year matching principles. Known and measurable price adjustments have been included to restate test year expense levels to rate year levels, the first 12 month period in which new rates will be in effect.

15. Q. WHAT METHODOLOGY DID THE COMPANY UTILIZE IN CALCULATING GOING-LEVEL LABOR EXPENSE IN ITS COST OF SERVICE?

A. The Company calculated labor expense by individual employee. Each employee's wages during the twelve months ended June 30, 2006 were adjusted to account for the wage level to be paid during the first twelve-months in which the new rates will be in effect. This is the same approach the Company has used in prior filings. Since 21.21% of the labor expense is capitalized, this amount is eliminated from the O & M expenses.

16. Q. HOW WERE THE WAGE LEVELS FOR THE ATTRITION YEAR DETERMINED?

A. **For hourly employees, the hours worked during the test year were obtained from the Company's actual payroll records. Adjustments were then made to overtime hours to restate those hours to a level equivalent to the employee's hourly pay rate. For example, the hours paid at time and a half wage rates were multiplied by 1.5 to yield hours that could be applied to the employee's hourly wage rate. Similar adjustments were made for other premium overtime hours. Each employee's equivalent hours were then applied to their average attrition year wage rate to determine going-level wages.**

17. Q. HOW WERE THE AVERAGE RATE YEAR WAGE RATES CALCULAGED?

A. **For union employees, normally the Company's existing bargaining agreements are examined. The current union contract expired November 1, 2006, but a 3% increase has been negotiated. Therefore, the current wage rate was increased by 3% to arrive at wage rates for the attrition year. The wage rates for each pay class in effect for the attrition year were pro-rated based upon the number of days in the attrition year. The result is an average attrition year wage rate for each union employee.**

For non-union hourly and clerical employees, current wage rates that became effective on April 1, 2006 were adjusted for wage increases of 3% on April 1, 2007. The test year wage rate was calculated based upon the number of days each of those wages were in effect, just as the union wage rates were calculated.

18. Q. HOW WERE THE ATTRITION YEAR WAGE LEVELS FOR SALARIED EMPLOYEES DETERMINED?

A. Salaried employees are exempt from overtime pay. For that reason, the current annual salary for each employee has been adjusted for wage increases that would become effective April 2007. Consistent with the other employee classes, the 2007 salaries were calculated based upon the number of days each of the salary amounts would be in effect.

19. Q. WHAT IS THE BASIS UPON WHICH FUEL AND POWER COST WAS CALCULATED FOR THIS RATE ADJUSTMENT?

A. Fuel and power is based upon expected water pumped to the system during the attrition year (system delivery), and its cost to pump and treat. Attrition year water sales, non-revenue usage water (which is water used for system flushing, street cleaning, sewer flushing, etc.) and an estimated unaccounted for water is combined to arrive at system delivery. Fuel and power is based on kilowatt hours (KWH's) per million gallons system delivery.

Fuel and power costs are based on estimated KWH usage and kilowatt demand (KWD) required to produce the projected system delivery and deliver the water to the customer for the attrition year. The attrition year system delivery is multiplied by the KWH's per thousand gallons to arrive at total kilowatt hours. Total kilowatt hours is priced at the rates currently being charged by the Chattanooga Electric Power Board to arrive at the attrition year energy charges. The KWH's per thousand gallons required

is based on the latest 12 months actual, with adjustments for any known changes that will affect KWH usage. KWD usage is also priced at the rates currently being charged by the Chattanooga Electric Power Board. The total energy charges plus the demand charges equate to the fuel and power cost. The total attrition year fuel and power expense is $1,734,958 which represents a decrease of $84,472 over the test year expense. This is due to the elimination of Walden's Ridge fuel & power expense from the rate filing.

20. Q. WHAT IS THE BASIS FOR THE CHEMICAL COSTS?

A. Chemical costs are based upon expected water pumped to the system (system delivery) for the attrition year and the cost to treat that water. Attrition year water sales, non-revenue usage (used for street cleaning, sewer flushing, etc.) and an estimated unaccounted for water is combined to arrive at system delivery. System delivery, plus water used at the treatment plant, is combined to produce total treatment rate. Historical chemical usage per pound is priced at the current contract chemical costs to arrive at a total chemical cost for the historical test year. The total cost of each chemical is divided by the historical system delivery to arrive at an average cost per pound of chemical per CCF. The average costs per pound of chemical are then applied to the normalized system delivery and attrition year system delivery to arrive at the appropriate adjustments for chemical expense. The total attrition year chemical expense is $952,795 which is an increase of $18,882 over the test year expense due to the increase in overall chemical prices.

21. Q. WHAT IS THE BASIS FOR THE COST OF WASTE DISPOSAL?

A. Waste disposal is based upon the 2007 budget for the cost from the City of Chattanooga Sanitary Board to treat the water plant residuals.

22. Q. PLEASE EXPLAIN THE ADJUSTMENT FOR GROUP INSURANCE.

A. The group insurance expense for the normalized test year was calculated first by determining the annualized group insurance cost. The cost is determined by applying the group insurance rates in effect at June 30, 2006 to the proforma insurance coverages based upon the employee complement and salary and wage information. From this number, an amount representing the employee contribution for their healthcare coverage is subtracted. The result is the Company's annualized group insurance cost.

Since group insurance is an employee benefit, the cost for group insurance is charged based upon direct labor charges. Since 21.21% of labor was not charged to expense (as previously explained) this percentage of group insurance cost is excluded from the Company's claim for group insurance expense.

23. Q. ARE THERE ANY OTHER PAYROLL-RELATED EXPENSES?

A. Yes, there are. The Company's claim for payroll taxes is based on historic and future test year salary and wage expense. As is the case with group insurance, 21.21% of the calculated payroll taxes are eliminated, representing the portion not charged to operations.

24. Q. MS. MILLER, YOU LISTED A NUMBER OF OTHER EXPENSE CATEGORIES THAT YOU WILL BE SUPPORTING, WOULD YOU PLEASE DISCUSS EACH ONE?

A. Yes. Each of the following expense categories were reviewed for the test year and adjusted to reflect a normalized test year and further adjusted to an appropriate level of expense for the attrition year. Some of the expense categories were adjusted for an inflation factor of 2.367%.

25. Q. HOW DID YOU ARRIVE AT THE 2.367% INFLATION FACTOR?

A. I used the Value Line Forecast for the US Economy Consumer Price Index estimated inflation rate. For the attrition year, I used 10/12 of the 2007 rate of 2.4 % and the 2/12 of the 2008 rate of 2.2% to arrive at the 2.367%.

26. Q. PLEASE CONTINUE.

A. <u>REGULATORY EXPENSE</u>

The company has estimated the cost of the preparation and presentation of this current filing to be $400,000. The Company is proposing to amortize these costs over a three year period resulting in an annual cost of $133,333. Also, included in the attrition year cost is the Cost of Service Study Expense in the

amount of $40,000 which the company is proposing an amortization period of five years resulting in an annual cost of $8,000. Total attrition year expense is $141,333 plus the balance of $127,965 resulting from the 2004 rate case that is currently being amortized.

INSURANCE OTHER THAN GROUP

The Company's proposed level for this expense for the attrition year is $523,940 and is based on the Company's 2007 budget. This expense category includes costs for general liability, workers compensation, and property insurance.

CUSTOMER ACCOUNTING EXPENSE

Customer accounting expense for the historical test year was $585,288. The Company applied the inflation factor of 2.367% to these expenses, excluding uncollectibles and postage to arrive at an increase of $7,017. The postage increase of $13,036 is largely due to an increase in postage costs as of January 2006. One additional adjustment was made to annualize the Wireless Service First billing. This resulted in an increase of $1,361 for the year. As a result, the net effect of the customer accounting expense for the attrition year is an increase of $21,414.

This category includes costs associated with the customer billing and collecting function. It includes costs for office supplies, report forms, computer supplies, postage, collection agency fees, lock box expenses, janitorial service, telephone expense, and other miscellaneous customer accounting expense.

UNCOLLECTIBLE EXPENSE

The uncollectible percentage of 1.277% was derived by taking a three year average of the net charge offs, less recoveries as a percentage of total revenues. That percentage was applied to the proposed revenue increase of $6,379,887 to arrive at the attrition year adjustment to uncollectible expense of $81,478.

RENTS

Rent expense for the historical test year was $38,043. The Company eliminated the extra quarterly payment for the easement of the Brainard Road Tank and annualized the wireless

service since the historical test year included only ten months of payments. This results in an attrition year expense of $38,011. This category includes the costs associated with the renting of mobile radios, postage equipment, copiers, and land.

GENERAL OFFICE EXPENSE

General office expense for the historical test year was $575,179. The Company made adjustments to eliminate relocation expenses, the write-off of the STEP Project, and severance pay. The inflation factor of 2.367% was applied to the remaining expenses (excluding postage) to arrive at an attrition year expense of $194,066. This expense category includes costs associated with the general expenses for the offices. These include report forms, office supplies, computer supplies, overnight mail expenses, janitorial services, telephone expense, electrical expense, employee expenses, credit line fees, bank service charges, and other miscellaneous general office expenses.

MISCELLANEOUS EXPENSE

Miscellaneous expense for the historical test year totaled $1,798,639. The Company is proposing four adjustments to this category. The first adjustment reflects the inflation factor adjustment of 2.367%. This results in an increase of $37,357. The Company did not apply the inflation factor to the 401K expense, Defined Contribution expense, or the Retiree Medical Reimbursement Plan.

The second adjustment applies to the 401K expense, Defined Contribution, and Retiree Medical Reimbursement. The net result of this adjustment is $88,951.

The third adjustment eliminated the amortization of the security costs which ended July 2006 and normalized the test year. This resulted in a decrease of $107,407. Adjustments were also made to eliminate the penalties in the amount of $57,693 and the credit to director expense of ($182) and the EIP Contributions expense of ($8,375).

The fourth adjustment includes an additional $24,000 expense for airtime of cello meter units.

The proposed miscellaneous expense for the attrition year is $1,792,405 which includes net adjustments totaling ($6,234).

MAINTENANCE EXPENSE

Maintenance expense for the historical test year was $1,110,461. One adjustment was made to eliminate the net negative salvage expense of $377,919. The inflation factor was applied to the remaining balance to arrive at an adjustment of $17,337 resulting in an attrition year balance of $749,879.

This expense category includes costs associated with maintaining the property of the Company. This would include repair parts, tools, maintenance supplies, contracted services, paving, maintenance agreements, and other miscellaneous maintenance expenses.

AFUDC

The Company's proposed amount for AFUDC is $83,747 and is based upon the 2007/2008 budget. This adjustment was made to reflect the AFUDC as an above the line item for ratemaking purposes.

TAXES OTHER THAN INCOME

PROPERTY TAXES

Property taxes for the test year were $2,368,800. This amount was actually under-accrued during the historical test year which created a normalized adjustment of $77,915. An effective property tax rate based on the latest property tax returns was applied to the mid-point of the attrition year rate base to arrive at the attrition year adjustment of $188,565.

GROSS RECEIPTS TAXES

Gross receipts tax was based on projected jurisdictional revenues for Tennessee American Water including Other Operating revenues. The revenues for the 12 month period from September 2006 to August 2007 as adjusted for the Franchise Tax, Excise Tax, a $5,000 exemption, were multiplied by the current 3% tax rate to arrive at the attrition year level.

PSC FEES

The PSC Inspection Fee was based on projected 2006 jurisdictional revenues. This was reduced by uncollectibles and a $5,000 exemption to arrive at taxable revenues. The result was multiplied by the Tennessee statutory rates that were taken from the 2006 return.

FRANCHISE TAX

Franchise tax, as imposed by the state of Tennessee, applies to the company's apportioned net worth or value of property owned and used in Tennessee, whichever is greater, as shown at the close of the corporation's fiscal year. The Franchise Tax is paid in arrears and is based on the previous years original cost of assets. For this filing, we utilized the balances as of June 30, 2006 as a basis for the tax and multiplied it by the statutory rate of $.25 per $100.

RATE BASE:

27. Q. HAS THE COMPANY CHANGED THE METHODOLOGY IN CALCULATING REQUESTED RATE BASE FROM THE APPROACH ADVOCATED IN ITS LAST CASE?

A. No. This is the same approach used and approved in Case No. 04-00288. Shown on Exhibit No.1, Schedule 2, Column No. 1 of the Company's Accounting Exhibit, is the rate base for the historical test year totaling $93,419,398. In Column No. 2, the Company has summarized its requested ratemaking adjustments to rate base totaling $7,163,794. In column 3, the Company has shown its requested rate base for the mid-point of the attrition year, aggregating $100,583,193.

28. Q. PLEASE DETAIL THE COMPONENTS THAT COMPRISE RATE BASE SHOWN ON EXHIBIT 1, SCHEDULE 2.

A. UTILITY PLANT IN SERVICE

Includes the original cost of all land, land rights, easements, structures and improvements, together with equipment in service at June 30, 2006. The budgeted net effect of additions and retirements to Utility Plant through August 31, 2007 was added to the original cost to arrive at the utility plant balance at the mid-point of the attrition year. These additions and retirements are summarized on Exhibit 1, Schedule 2, page 3 of 3 and are addressed in greater detail in Mr. Watson's direct testimony. As with the revenues and expenses, we eliminated utility plant associated with Walden's Ridge.

<u>CONSTRUCTION WORK IN PROGRESS</u>

This amount shown in Exhibit 1, Schedule 2 is the June 30, 2006 actual balance adjusted to arrive at the August 31, 2007 forecast. These amounts represent the actual or forecasted project work for utility plant that is not in service as of August 31, 2007.

<u>WORKING CAPITAL</u>

Working capital shown on Exhibit 2, Schedule 2, is further detailed on Exhibit 2, Schedule 3, and I will explain each of those components.

<u>Average Cash</u> represents a monthly average which is computed based on 12 monthly averages of daily cash balances per bank statements for the year ended June 30, 2006. The monthly average was computed by dividing the total daily balances for the month by the same month's total days.

<u>Prepaid Insurance, Prepaid Taxes, and Materials and Supplies</u>

represent an average of the thirteen month end balances for the test year ending June 30, 2006.

Deferred Regulatory Expense consists of an average of the unamortized balances at August 31, 2007, the attrition year mid-point. The amounts included in rate base include $359,133 for rate case expense and $43,869 for the cost of service study expenses.

Unamortized Debt Expense was calculated by starting with the June 30, 2006 unamortized debt expense and subtracting the cumulative amortizations to arrive at the balances of the beginning and ending of the attrition year. The average of these two balances, plus the unamortized debt expense of the proposed new debt issue, result in a $389,321 balance at the attrition year midpoint.

Other Deferred Debits consist of two items which include the unamortized transition costs of the Customer Call Center totaling $580,493 and the unamortized transition costs of the Shared Services Center in the amount of $217,504.

Lead-Lag Study – The Company is utilizing a Lead/Lag Study that was performed based on historical data for the twelve months ending July 31, 2002.

29. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

TENNESSEE REGULATORY AUTHORITY

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Sheila A. Miller, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, her testimony would set forth in the annexed transcript consisting of 17 pages.

Sheila A. Miller

Sheila A. Miller

Sworn to and subscribed before me
this 14th day of November 2006.

Robin L. Wendell

Notary Public

My commission expires Sept. 26, 2013

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
Robin L. Wendell
WV American Water
1600 Pennsylvania Ave.
Charleston, WV 25302
My Commission Expires Sept. 26, 2013

Overall Financial Summary

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 1

Line No.	Description	Reference to Supporting Exhibit	Proposed Test Year
7	Rate Base	Exhibit 1, Schedule 2	$100,583,193
9	Operating Income at Attrition Year Present Rates	Exhibit 2, Schedule 1	4,795,614
11	Earned Rate of Return		4.770%
13	Rate of Return	Exhibit 3, Schedule 1	8.466%
15	Required Operating Income		8,515,373
17	Operating Income Deficiency		3,719,759
19	Gross Revenue Deficiency Factor		1.71513466
21	Revenue Deficiency		6,379,887

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Computation of Attrition Year Rate Base

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 2

Additions	Footnote Reference	Per Books Rate Base @ 6/30/2006	Adjustments	Rate Base at Mid-Point of Attrition Year
Utility Plant in Service (UPIS)	(1)	$170,920,879	$14,084,618	$185,005,497
Construction Work in Progress	(2)	1,136,656	1,471,929	2,608,585
Utility Plant Capital Lease		1,590,500		1,590,500
Deferred Maintenance		1,346	(1,346)	0
Limited-Term Utility Plant - Net	(3)	(20,953)	0	(20,953)
Working Capital		962,583	0	962,583
Total Additions		174,591,011	15,555,201	190,146,212
Deductions				
Accumulated Provision for Depreciation UPIS	(4)	50,405,332	5,764,977	56,170,309
RWIP		0	0	0
Accumulated Amortization of Utility Plant Capital Lease	(5)	857,103	123,706	980,808
Deferred Income Taxes	(6)	17,870,833	962,536	18,833,369
Customer Advances for Construction	(7)	4,732,027	861,577	5,593,604
Contributions in Aid of Construction	(8)	7,263,938	682,224	7,946,162
Unamortized Investment Tax Credit	(9)	42,379	(3,612)	38,767
Utility Plant Acquisition Adjustment	(10)	0	0	0
Total Deductions		81,171,613	8,391,407	89,563,019
Rate Base		93,419,398	7,163,794	100,583,193

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Attrition Year Rate Base
Footnotes

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 2

FOOTNOTE REFERENCE	DESCRIPTION	AMOUNT
(1)	Net Additions to UPIS through September 30, 2003	$14,084,618
(2)	Adjustment to CWIP through September 30, 2003	1,471,929
(3)	Adjustment to Deferred Maintenance	(1,346)
(4)	Adjustment to Limited -Term Utility Plant - Net	0
(5)	Adjustment to Accumulated Provision for Depreciation of UPIS	5,764,977
(6)	Adjustment to Accumulated Amortization of Utility Plant - Capital Lease	123,706
(7)	Adjustment to Deferred Income Taxes	962,536
(8)	Change in Customer Advances	861,577
(9)	Change in Contributions in Aid of Construction	682,224
(10)	Change in Unamortized Investment Tax Credit	(3,612)
(11)	Adjustment to Utility Plant Acquisition Adjustment	0

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Net Additions to Utility Plant in Service
From End of Test Year to Mid-Point of Attrition Year

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 2

Line No.			7/1/2006 to	9/1/2006 to	7/1/2006 to	9/1/2006 to	Net Additions to Utility Plant in
1	Account	Account	8/31/2006	8/31/2007	8/31/2006	8/31/2007	Service
2	Number	Description	Additions	Additions	Retirements	Retirements	7/1/06-8/31/07
3	301000	Organization	$0	$0	$0	$0	$0
4	303000	Land & Land Rights	$0	$0	$0	$0	$0
5	339600	Comprehensive Planning Study	$0	$0	$0	$0	$0
6	304200	Pumping Structures	$94,742	$0	$0	$0	$94,742
7	304300	Water Treatment Structures	$0	$69,500	$128	$0	$69,372
8	304301	Water Treatment Structures-Painting	$0	$0	$0	$0	$0
9	304400	T & D Structures	$0	$0	$0	$0	$0
10	304600	Office Structures	$0	$0	$0	$0	$0
11	304700	Stores , Shop, & Garage Structures	$0	$0	$0	$0	$0
12	304800	Miscellaneous Structures	$0	$0	$0	$0	$0
13	306000	Lakes, Rivers, & Other Intakes	$0	$0	$0	$0	$0
14	309000	Supply Mains	$108,000	$0	$35,000	$0	$73,000
15	310100	Power Generation Equipment	$0	$0	$0	$0	$0
16	311200	Electric Pumping Equipment	$190,235	$185,500	$33,000	$38,450	$304,285
17	311300	Deisel Pumping Equipment	$0	$0	$0	$0	$0
18	311500	Other Pumping Equipment	$0	$0	$0	$0	$0
19	320100	Water Treatment Equipment	$0	$0	$0	$0	$0
20	320200	Granular Activated Carbon	$0	$0	$0	$0	$0
21	330000	T & D Reservoirs & Standpipes	$1,732,282	$0	$0	$0	$1,732,282
22	330003	T & D Reservoirs & Standpipes-Painting	$745,091	$0	$177,500	$0	$567,591
23	330400	Clearwells	$0	$0	$0	$0	$0
24	331001	T & D Mains not Classified	$138,213	$0	$46,000	$0	$92,213
25	331100	T & D Mains - Mains (4" or less)	$304,414	$45,225	$0	$55,295	$294,344
26	331200	T & D Mains - Mains (6" - 8")	$438,010	$0	$61,000	$0	$377,010
27	331210	T & D Mains - Mains (6" - 10")	$2,476,812	$2,101,109	$70,100	$118,905	$4,388,916
28	331300	T & D Mains - Mains (10" - 16")	$687,054	$0	$100,000	$81,500	$505,554
29	331350	T & D Mains - Mains (12" or More)	$1,133,972	$283,200	$0	$0	$1,417,172
30	333000	Services	$626,021	$624,685	$20,500	$16,970	$1,213,236
31	334100	Meters	$974,387	$831,000	$33,600	$99,000	$1,672,787
32	0	Meters-Metal Case/Old Style	$0	$0	$0	$0	$0
34	334120	Meters - Plastic Case	$0	$0	$0	$0	$0
35	334130	Meters - Metal Case/New Style	$0	$0	$0	$0	$0
36	334200	Meter Installations	$404,590	$450,700	$8,000	$8,000	$839,290
37	335000	Hydrants	$335,255	$63,050	$38,970	$14,600	$344,735
38	339200	Other P/E SS	$0	$0	$0	$0	$0
39	340100	Office Furniture	$94,000	$59,500	$3,000	$0	$150,500
40	340200	Computer & Peripheral Equipment	$118,900	$62,000	$17,800	$23,700	$139,400
41	340210	Computer & Mainfraim Equipment	$0	$0	$0	$0	$0
42	340220	Computer & Periph Personal	$67,000	$0	$0	$0	$67,000
43	340230	Computer & Periph Other	$0	$0	$0	$0	$0
44	340300	Computer Software	$13,304	$0	$58,355	$0	($45,051)
45	340310	Computer Software Mainframe	$0	$0	$0	$0	$0
46	340320	Computer Software Personal	$0	$0	$0	$0	$0
47	340330	Computer Software Other	$0	$0	$0	$0	$0
48	340400	Data Handling Equipment	$0	$0	$0	$0	$0
49	340500	Other Office Equipment	$0	$0	$0	$0	$0
50	341100	Light Trucks	$0	$0	$15,000	$178,900	($193,900)
51	341200	Heavy Trucks	$0	$0	$22,000	$108,850	($130,850)
52	341300	Automobiles	$0	$0	$14,000	$25,800	($39,800)
53	341400	Transportation-Other	$0	$0	$0	$0	$0
54	342000	Stores Equipment	$0	$0	$0	$0	$0
55	343000	Tools, Shop, & Garage Equipment	$100,279	$119,500	$0	$30,900	$188,879
56	344000	Laboratory Equipment	$0	$0	$0	$0	$0
57	345000	Power Operated Equipment	$0	$0	$0	$0	$0
58	346100	Communication Equipment	$0	$0	$0	$0	$0
59	346200	Communication Equipment-Telephone	$0	$0	$16,500	$38,000	($54,500)
60	347000	Miscellaneous Equipment	$13,800	$0	$0	$0	$13,800
61	348000	Other Tangible Plant	$2,611	$0	$0	$0	$2,611
62		Total Plant in Service	10,798,972	4,894,969	770,453	838,870	14,084,618

Computation of Working Capital

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Line No.	Item	Amount
7	Average Cash	185,265
9	Prepaid Insurance	58,472
11	Prepaid Taxes	168,899
13	Materials & Supplies	248,523
15	Deferred Regulatory Expenses	403,002
17	Unamortized Debt Expense	389,321
19	Other Deferred Debits	797,997
21	Lead - Lag Study	599,000
23	Total	2,850,479
25	Less:	
27	Customer Deposits	0
29	Incidental Collections	1,887,895
31	Total	1,887,895
33	Working Capital Requirement	962,583

Computation of Working Capital
Lead/Lag Study

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Line No.	Description	Days	Amount
1			
2	Description	Days	Amount
3			
4	Net Operating Funds		33,529,156
5			
6	Average Daily Operating Funds		91,861
7			
8	Composite Average Days Interval Between:		
9			
10	(A) Date Service Furnished and Date Collections Deposited	41.66	
11			
12	(B) Date Expenses Incurred and Date of Payment	35.14	
13			
14	(C) Net Interval	6.52	
15			
16	Operating Funds Advanced		598,934
17			
18	Lead/Lag Study Capital		598,934
19			
20	Use		599,000
21			
22			
23			
24			
25			
26			
27			
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45			

Composite Average Days Interval between Date Expenses are Incurred and Date of Payment

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 3

Line No.	Description	Amount	Post Payment or (Lead) Days	Dollar Days
1				
2				
3				
4	Payrolls Charged to Expense - Hourly	3,293,934	5.50	18,116,636
5	Payrolls Charged to Expense - Salary	1,331,846	14.02	18,672,479
6	Fuel and Power	1,734,958	50.65	87,875,647
7	Chemicals	952,795	28.27	26,935,501
8	Waste Disposal	174,265	31.23	5,442,296
9	AWWS Charges	4,064,421	(4.46)	(18,127,317)
10	Group Insurance	1,006,020	(1.31)	(1,317,886)
11	Pensions	595,798	0.00	0
12	Insurance Other than Group	523,940	(21.72)	(11,379,977)
13	Rents	38,043	9.24	351,517
14	Telephone Expense	72,690	(2.73)	(198,444)
15	Postage Expense	309,588	24.77	7,668,488
16	Amortizations	0	0.00	0
17	Stock E	57,599	23.77	1,369,128
18				
19				
20	Other Operating and Maintenance Expenses	4,347,125	20.51	89,159,527
21	Total O & M Expenses	18,503,021		
22				
23	Depreciation and Amortization	4,851,150	0.00	0
24	Taxes, Other than Income			
25	Payroll	456,660	10.61	4,845,157
26	Other	3,388,793	174.52	591,412,154
27	FIT-Current	346,967	37.00	12,837,779
28	SIT-Current	38,702	58.63	2,269,098
29	Deferred Taxes	1,148,249	0.00	0
30	Interest Expense	3,818,138	87.97	335,881,600
31	Preferred Dividends	70,408	89.48	6,300,108
32	Net Earnings	907,068	0.00	0
33	Net Operating Funds	33,529,156		1,178,113,491
34				
35				
36	Average Days Interval between Date Expenses are Incurred and Date of Payment		35.14	
37				
38				
39				
40				
41				
42				
43				
44				
45				

Average Days Interval between Number of Days
From Date Services are Furnished to Date Collections are Received

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 1, Schedule 3

	Revenues Amount	Median Service Days	Dollar Days
Revenues less private fire	30,793,405	15.21	468,367,690
Private Fire billed in advance	1,373,647	(45.63)	(62,679,513)
Total	32,167,052		405,688,177

Average Median Service Days	12.61
Number of Days between the Reading Date and the Date the Bills are Mailed	4.62
Number of Days between the Reading Date and the Date the Bills are paid	24.43
Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received	41.66

Notes: private fire Quarterly is billed in advance
All monthly customers are billed in arrears

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Computation of Average Materials & Supplies Paid

End of Month	
Date	Amount
Jun-05	302,529
Jul-05	262,273
Aug-05	342,094
Sep-05	275,028
Oct-05	327,956
Nov-05	304,853
Dec-05	297,113
Jan-06	303,617
Feb-06	303,442
Mar-06	301,519
Apr-06	273,360
May-06	292,350
Jun-06	300,509
Total	3,886,641
Average Balance	298,972

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Computation of Average Materials and Supplies Unpaid

Line No.	End of Month Date	End of Month Amount
5	Date	Amount
7	Jun-05	54,837
9	Jul-05	51,015
11	Aug-05	80,838
13	Sep-05	52,566
15	Oct-05	18,040
17	Nov-05	38,256
19	Dec-05	66,200
21	Jan-06	42,800
23	Feb-06	72,819
25	Mar-06	37,813
27	Apr-06	44,500
29	May-06	41,302
31	Jun-06	54,837
33	Total	655,843
39	Average Balance	50,449

Statement of Income Per Books for the Test Year and
for the Attrition Year under both Present and Proposed Rates

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 1

Line No.	Description	Adjustment Shown on Schedule No.	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1	Operating Revenues	2	$33,023,514	$183,627	$33,207,141	$225,146	$33,432,287	$6,379,887	$39,812,174
2									
3	Operation and Maintenance Expenses	3	18,552,210	(10,937)	18,541,273	(38,252)	18,503,021	81,478	18,584,499
4	Depreciation and Amortization	4	4,137,702	465,855	4,603,557	247,593	4,851,150	0	4,851,150
5	Taxes, Other than Income	5	3,466,735	102,821	3,569,556	179,028	3,748,584	179,505	3,928,089
6	Income Taxes	6	2,178,397	(568,963)	1,609,434	(75,516)	1,533,918	2,399,146	3,933,064
7									
8	Total Operating Expenses		28,335,044	(11,224)	28,323,820	312,853	28,636,673	2,660,129	31,296,802
9									
10	Utility Operating Income		4,688,470	194,851	4,883,321	(87,707)	4,795,614	3,719,758	8,515,372
11									
12	Other Income								
13	AFUDC		0	0	0	0	0	0	0
14	Income from M & J and Contract Work		(3,621)	3,621	0	0	0	0	0
15	Interest Income		0	0	0	0	0	0	0
16	Gain/Loss on Sale of Property		2,000	(2,000)	0	0	0	0	0
17									
18	Total Other Income		(1,621)	1,621	0	0	0	0	0
19									
20	Other Deductions								
21	Miscellaneous Amortization		0	0	0	0	0	0	0
22	Miscellaneous Other Deductions		53,548	(53,548)	0	0	0	0	0
23									
24	Total Other Deductions		53,548	(53,548)	0	0	0	0	0
25									
26	Taxes Applicable to Other Income and Deductions								
27	General Taxes		0	0	0	0	0	0	0
28	State Income Taxes		(3,179)	3,179	0	0	0	0	0
29	Federal Income Taxes		(17,115)	17,115	0	0	0	0	0
30									
31	Total Taxes Applicable to Other Income and Deductions		(20,294)	20,294	0	0	0	0	0
32									
33	Income before Interest Charges		4,653,595	229,726	4,883,321	(87,707)	4,795,614	3,719,758	8,515,372
34									
35	Interest Charges								
36	Interest on Long-Term Debt		2,331,292	1,282,662	3,613,954	0	3,613,954	0	3,613,954
37	Interest on Long-Term Capital Lease		116,920	(116,920)	0	0	0	0	0
38	Amortization of Debt and Discount Expense		16,243	(16,243)	0	0	0	0	0
39	Interest on Short-Term Debt		552,784	(348,600)	204,184	0	204,184	0	204,184
40	Other Interest		5,133	(5,133)	0	0	0	0	0
41	Allowance for Borrowed Funds Used During Construction		0	0	0	0	0	0	0
42	Total Interest Charges		3,022,372	795,766	3,818,138	0	3,818,138	0	3,818,138
43									
44	Net Income		1,631,223	(566,040)	1,065,183	(87,707)	977,476	3,719,758	4,697,234
45									

Operating Revenues Per Books for the Test Year and
for the Attrition Year under both Present and Proposed Rates

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 2

Line No.	Description	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1	Sales of Water							
2								
3	Metered Sales to General Customers							
4								
5	Residential	$13,410,823	$197,469	$13,608,292	$73,625	$13,681,917	$2,672,219	$16,354,136
6								
7	Commercial	10,055,048	60,258	10,115,306	114,849	10,230,155	$2,012,131	12,242,286
8								
9	Industrial	3,478,302	(49,400)	3,428,902	0	3,428,902	$674,505	4,103,407
10								
11	Other Public Authorities	2,329,280	74,896	2,404,176	0	2,404,176	$472,929	2,877,105
12								
13	Sales for Resale	1,168,613	(120,358)	1,048,255	0	1,048,255	$206,204	1,254,459
14								
15	Private Fire Service	1,326,106	15,771	1,341,877	31,770	1,373,647	270,373	1,644,020
16								
17	Public Fire Service	0	0	0	0	0	0	0
18								
19	Total Sales of Water	31,768,172	178,636	31,946,808	220,244	32,167,052	6,308,361	38,475,413
20								
21								
22	Other Operating Revenues							
23								
24	Activity / New Service Fees	173,252	0	173,252	0	173,252	0	173,252
25								
26	Late Payment Penalty	360,199	2,025	362,224	2,497	364,721	71,526	436,247
27								
28	Rents from Water Property	114,000	0	114,000	0	114,000	0	114,000
29								
30	Sewer Billing Revenues	394,084	2,966	397,050	2,405	399,455	0	399,455
31								
32	Miscellaneous	74,518	0	74,518	0	74,518	0	74,518
33								
34	Reconnection Fee	139,289	0	139,289	0	139,289	0	139,289
35								
36	Total Other Operating Revenues	1,255,342	4,991	1,260,333	4,902	1,265,235	71,526	1,336,761
37								
38								
39	Total Operating Revenues	33,023,514	183,627	33,207,141	225,146	33,432,287	6,379,887	39,812,174
40								
41								
42								
43								
44								
45								

Summary of Adjustments to Operation and Maintenance Expenses

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 3

Line No.	Adjustment Number Reference	Description	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1	1	Operation and Maintenance Labor	$4,001,878	$460,528	$4,462,406	$240,560	$4,702,966	$0	$4,702,966
2									
3	2	Purchased Water	$52,331	0	52,331	0	52,331	0	52,331
4									
5	3	Fuel and Power	$1,819,430	(89,828)	1,729,602	5,356	1,734,958	0	1,734,958
6									
7	4	Chemicals	$933,913	14,606	948,519	4,276	952,795	0	952,795
8									
9	5	Waste Disposal	$143,948	0	143,948	30,317	174,265	0	174,265
10									
11	6	Management Fees	$4,006,278	0	4,006,278	58,143	4,064,421	0	4,064,421
12									
13	7	Group Insurance	$1,543,022	171,519	1,714,541	(200,874)	1,513,667	0	1,513,667
14									
15	8	Pensions	$699,154	313,488	1,012,642	(416,844)	595,798	0	595,798
16									
17	9	Regulatory Expense	$292,095	0	292,095	(22,797)	269,298	0	269,298
18									
19	10	Insurance Other than Group	$530,011	0	530,011	(6,071)	523,940	0	523,940
20									
21	11	Customer Accounting	$585,288	14,397	599,685	7,017	606,702	0	606,702
22									
23	12	Uncollectible Expense	$616,171	2,281	618,452	2,813	621,265	81,478	702,743
24									
25	13	Rents	$38,043	(32)	38,011	0	38,011	0	38,011
26									
27	14	General Office Expense	$575,179	(387,435)	187,744	6,322	194,066	0	194,066
28									
29	15	Miscellaneous Expense	$1,798,639	(132,543)	1,666,096	126,308	1,792,405	0	1,792,405
30									
31	16	Other Maintenance Expense	$1,110,461	(377,919)	732,542	17,337	749,879	0	749,879
32									
33	17	Interest on Customer Deposits	0	0	0	0	0	0	0
34									
35	18	AFUDC	($193,631)	0	(193,631)	109,884	(83,747)	0	(83,747)
36									
37									
38									
39									
40									
41		Total Operation and Maintenance Expenses	18,552,210	(10,937)	18,541,273	(38,252)	18,503,021	81,478	18,584,499
42									
43									
44									
45									

Summary of Adjustments to Depreciation and Amortization Expenses

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 4

Line No.	Adjustment Number Reference	Description	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1	1	Depreciation Expense	$4,175,874	$470,447	$4,646,321	$261,872	$4,908,193	$0	$4,908,193
2									
3	2	Amortization of Utility Plant Acquisition Adjustment	0	0	0	0	0	0	0
4									
5	3	Amortization of Utility Capital Lease	106,033	0	106,033	0	106,033	0	106,033
6									
7	4	Amortization of Leased Alteration Expense	0	0	0	0	0	0	0
8									
9	5	Amortization of Accumulated Depreciation on CIAC	(144,205)	(4,592)	(148,797)	(14,279)	(163,076)	0	(163,076)
10									
11									
12									
13			4,137,702	465,855	4,603,557	247,593	4,851,150	0	4,851,150
14									
15									
16									
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19									
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Attrition Year Provision for Depreciation Expense
For Utility Plant in Service

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 4

Line No.	Account Number	Account Description	Depreciable Property at 6/30/2006	Normalized Test Year Depreciation Expense	ADDITIONS	RETIREMENTS	Depreciable Property at Mid-Point of Attrition Year	Depreciation Rate	Attrition Year Depreciation Expense	
1	339600	Comprehensive Planning Study	$405,132	$81,026	0	0	$405,132	20.00%	$81,026	
2	304200	Pumping Structures	3,695,488	142,646	94,742	0	3,790,230	3.86%	146,303	
3	304300	Water Treatment Structures	1,707,760	78,045	69,500	128	1,777,132	4.57%	81,215	
4	304301	Water Treatment Structures-Painting	1,553,002	155,300	0	0	1,553,002	10.00%	155,300	
5	304400	T & D Structures	510,815	17,930	0	0	510,815	3.51%	17,930	
6	304600	Office Structures	149,174	5,937	0	0	149,174	3.98%	5,937	
7	304700	Stores , Shop, & Garage Structures	312,642	14,538	0	0	312,642	4.65%	14,538	
8	304800	Miscellaneous Structures	641,625	36,188	0	0	641,625	5.64%	36,188	
9	306000	Lakes, Rivers, & Other Intakes	281,452	9,569	0	0	281,452	3.40%	9,569	
10	309000	Supply Mains	514,274	30,445	108,000	35,000	587,274	5.92%	34,767	
11	310100	Power Generation Equipment	219,335	7,545	0	0	219,335	3.44%	7,545	
12	311200	Electric Pumping Equipment	5,714,839	98,867	375,735	71,450	6,019,124	1.73%	104,131	
13	311300	Deisel Pumping Equipment	119,296	2,350	0	0	119,296	1.97%	2,350	
14	311500	Other Pumping Equipment	25,516	1,005	0	0	25,516	3.94%	1,005	
15	320100	Water Treatment Equipment	12,324,130	526,240	0	0	12,324,130	4.27%	526,240	
16	320200	Granular Activated Carbon	0	0	0	0	0	36.42%	0	
17	330000	T & D Reservoirs & Standpipes	4,840,436	87,128	1,732,282	0	6,572,718	1.80%	118,309	
18	330003	T & D Reservoirs & Standpipes-Painting	997,416	99,742	745,091	177,500	1,565,007	10.00%	156,501	
19	330100	Elevated Tanks & Standpipes	170,895	3,076	0	0	170,895	1.80%	3,076	
20	330400	Clearwells	680,784	12,254	0	0	680,784	1.80%	12,254	
21	331001	T & D Mains not Classified	1,873,752	26,420	138,213	46,000	1,965,965	1.41%	27,720	
22	331100	T & D Mains - Mains (4" or less)	4,371,540	70,819	349,639	55,295	4,665,884	1.62%	75,587	
23	331200	T & D Mains - Mains (6" - 8")	1,458	20	438,010	61,000	378,468	1.36%	5,147	
24	331210	T & D Mains - Mains (6" - 10")	55,160,835	750,187	4,577,921	189,005	59,549,751	1.36%	809,877	
25	331300	T & D Mains - Mains (10" - 16")	6,071,675	86,218	687,054	181,500	6,577,229	1.42%	93,397	
26	331350	T & D Mains - Mains (12" or More)	20,712,682	294,120	1,417,172	0	22,129,854	1.42%	314,244	
27	333000	Services	17,119,151	390,317	1,250,706	37,470	18,332,387	2.28%	417,978	
28	334100	Meters	3,531,811	34,612	1,805,387	132,600	5,204,598	0.98%	51,005	
30	334120	Meters - Plastic Case	100,793	15,472	0	0	100,793	15.35%	15,472	
31	334130	Meters - Metal Case/New Style	130,241	1,276	0	0	130,241	0.98%	1,276	
32	334200	Meter Installations	8,191,429	134,339	855,290	16,000	9,030,719	1.64%	148,104	
33	335000	Hydrants	6,851,219	151,412	398,305	53,570	7,195,954	2.21%	159,031	
34	339200	Other P/E SS	8,526	505	0	0	8,526	5.92%	505	
35	340100	Office Furniture	591,837	16,157	153,500	3,000	742,337	2.73%	20,266	
36	340200	Computer & Peripheral Equipment	240,851	38,295	180,900	41,500	380,251	15.90%	60,460	
37	340210	Computer & Mainfraim Equipment	601,115	95,577	0	0	601,115	15.90%	95,577	
38	340220	Computer & Periph Personal	487,621	77,532	67,000	0	554,621	15.90%	88,185	
39	340230	Computer & Periph Other	192,291	30,574	0	0	192,291	15.90%	30,574	
40	340300	Computer Software	362,698	57,669	13,304	58,355	317,647	15.90%	50,506	
41	340310	Computer Software Mainframe	3,535,059	562,074	0	0	3,535,059	15.90%	562,074	
42	340320	Computer Software Personal	206,245	32,793	0	0	206,245	15.90%	32,793	
43	340330	Computer Software Other	14,222	2,261	0	0	14,222	15.90%	2,261	
44	340400	Data Handling Equipment	71,496	11,368	0	0	71,496	15.90%	11,368	
45	340500	Other Office Equipment	139,827	5,691	0	0	139,827	4.07%	5,691	
46	341100	Light Trucks	967,297	90,539	0	193,900	773,397	9.36%	72,390	
47	341200	Heavy Trucks	668,809	66,814	0	130,850	537,959	9.99%	53,742	
48	341300	Automobiles	176,996	18,655	0	39,800	137,196	10.54%	14,460	
49	341400	Transportation-Other	35,388	248	0	0	35,388	0.70%	248	
50	342000	Stores Equipment	43,392	2,161	0	0	43,392	4.98%	2,161	
51	343000	Tools, Shop, & Garage Equipment	1,042,747	40,146	219,779	30,900	1,231,626	3.85%	47,418	
52	344000	Laboratory Equipment	368,088	40,931	0	0	368,088	11.12%	40,931	
53	345000	Power Operated Equipment	250,922	23,110	0	0	250,922	9.21%	23,110	
54	346100	Communication Equipment	321,298	14,233	0	0	321,298	4.43%	14,233	
55	346200	Communication Equipment-Telephone	164,690	24,555	0	54,500	110,190	14.91%	16,429	
56	347000	Miscellaneous Equipment	1,012,035	29,248	13,800	0	1,025,835	2.89%	29,647	
57	348000	Other Tangible Plant	4,918	142	0	0	4,918	2.89%	142	
58		Amortization of CIAC		(148,797)					(163,076)	
60										
61		Total Plant in Service	170,488,966	4,497,524	15,691,330	1,609,323	184,570,973		4,745,117	4,908,193
62				4,646,321						
63		Land	431,912				431,912		2.5700%	
64		Cap Lease Asset	1,590,500							
65		Total UP	172,511,379				185,002,886			
		GL Balance	176,967,198							
		Walden's Ridge	-4,455,819							

Summary of Adjustments to Taxes Other than Income

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 5

Line No.	Adjustment Number Reference	Description	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1									
2	1	Property Taxes	$2,368,800	$77,915	$2,446,715	$188,565	$2,635,280	$0	$2,635,280
3									
4	2	Other General Taxes	775,264	0	775,264	(21,751)	753,513	179,505	933,018
5									
6	3	F.U.T.A. Taxes	5,149	(252)	4,897	0	4,897	0	4,897
7									
8	4	F. I. C. A. Taxes	313,420	26,811	340,231	12,214	352,445	0	352,445
9									
10	5	S.U.T.A. Taxes	4,102	(1,653)	2,449	0	2,449	0	2,449
11									
12		Total	3,466,735	102,821	3,569,556	179,028	3,748,584	179,505	3,928,089
13									
14									
15									
16									
17									
18									
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Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Summary of Income Taxes

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 6

Line No.	Description	Per Books 12 Months Ended 6/30/2006	Test Year Adjustments Present Rates	Normalized Test Year	Attrition Year Adjustments	Attrition Year at Present Rates	Adjustments for Proposed Rates	Attrition Year at Proposed Rates
1	Federal Income Tax - Current	$883,761	($390,108)	$493,653	($146,686)	$346,967	$2,002,947	$2,349,914
2								
3	State Income Tax - Current	290,065	(223,074)	66,991	(28,289)	38,702	396,199	434,901
4								
5	Deferred Federal Income Tax	894,154		894,154	99,459	993,613	0	993,613
6								
7	Deferred State Income Tax	231,004	0	231,004	0	231,004	0	231,004
8								
9	Amortization of ITC	(76,368)	0	(76,368)	0	(76,368)	0	(76,368)
10								
11	Adjustment of Prior Years - FIT	(14,569)	14,569	0	0	0	0	0
12								
13	Adjustment of Prior Years - SIT	(29,650)	29,650	0	0	0	0	0
14								
15	Total	2,178,397	(568,963)	1,609,434	(75,516)	1,533,918	2,399,146	3,933,064
16								
17								
18								
19								
20								
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Computation of Current Federal and State Income Taxes Based on Current Rate for the Normalized and Attrition Years and Proposed Rates for the Attrition Year

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 2, Schedule 6
Page 2 of 2

Line No.		Per Books Test Year Present Rates		Normalized Year Present Rates		Attrition Year Present Rates		Attrition Year Proposed Rates	
1	Description	Federal	State	Federal	State	Federal	State	Federal	State
2	Operating Revenues	$33,023,514	$33,023,514	$33,207,141	$33,207,141	$33,432,287	$33,432,287	$39,812,174	$39,812,174
3									
4	Operation and Maintenance Expenses	18,552,210	18,552,210	18,541,273	18,541,273	18,503,021	18,503,021	18,584,499	18,584,499
5	Depreciation and Amortization	4,137,702	4,137,702	4,603,557	4,603,557	4,851,150	4,851,150	4,851,150	4,851,150
6	Taxes, Other than Income	3,466,735	3,466,735	3,569,556	3,569,556	3,748,584	3,748,584	3,928,089	3,928,089
7	State Income Taxes - Current	263,594	263,594	66,991	66,991	38,702	38,702	434,901	434,901
8	State Income Taxes - Deferred	231,004	231,004	231,004	231,004	231,004	231,004	231,004	231,004
9	Federal Income Taxes - Current	886,307	886,307	493,653	493,653	346,967	346,967	2,349,914	2,349,914
10	Federal Income Taxes - Deferred	894,154	894,154	894,154	894,154	993,613	993,613	993,613	993,613
11	Investment Tax Credit	(76,368)	(76,368)	(76,368)	(76,368)	(76,368)	(76,368)	(76,368)	(76,368)
12	Subtotal	28,355,338	28,355,338	28,323,820	28,323,820	28,636,673	28,636,673	31,296,802	31,296,802
13	Total Income Before Deductions	4,668,176	4,668,176	4,883,321	4,883,321	4,795,614	4,795,614	8,515,372	8,515,372
14									
15	Total Other Income	-1,621	-1,621						
16									
17	Total Other Deductions	53,548	53,548						
18									
19	Total Taxes Applicable to Other Income and Deductions	-20,294	-20,294						
20									
21	Total Interest Charges	3,022,372	3,022,372	3,818,138	3,818,138	3,818,138	3,818,138	3,818,138	3,818,138
22									
23	Net Income	1,610,929	1,610,929	1,065,183	1,065,183	977,476	977,476	4,697,234	4,697,234
24									
25	State Income Taxes	491,419	491,419	297,995	297,995	269,706	269,706	665,905	665,905
26	Federal Income Taxes	1,686,978	1,686,978	1,311,439	1,311,439	1,264,212	1,264,212	3,267,159	3,267,159
27									
28	Pretax Income	3,789,326	3,789,326	2,674,617	2,674,617	2,511,394	2,511,394	8,630,298	8,630,298
29	Statutory Additions (Deductions):								
30	Permanent Difference								
31	617.001 Book Over Tax Travel and Entertainment	3,820	3,820	3,820	3,820	3,820	3,820	3,820	3,820
32	618.006 Nondeductible Dues	316	316	316	316	316	316	316	316
33	618.008 Lobbying Expenses	300	300	300	300	300	300	300	300
34	638.006 Nondeductible Penalties	58,057	58,057	58,057	58,057	58,057	58,057	58,057	58,057
35									
36	Total Permanent Differences	62,493	62,493	62,493	62,493	62,493	62,493	62,493	62,493
37									
38	Financial Taxable Income	3,851,819	3,851,819	2,737,110	2,737,110	2,573,887	2,573,887	8,692,791	8,692,791
39									
40	Temporary Differences								
41	604.004 Contributions and Advances	380,385	380,385	380,385	380,385	380,385	380,385	380,385	380,385
42	606.001 Book Over Tax Depreciation	0	0	0	0	0	0	0	0
43	612.001 Book Over Tax Bad Debts	97,207	97,207	97,207	97,207	97,207	97,207	97,207	97,207
44	618.002 Amortization of Regulatory Assets - AFUDC	1,274	1,274	1,274	1,274	1,274	1,274	1,274	1,274
45	618.070 Deferred Maintenance Expense	4,295	4,295	4,295	4,295	4,295	4,295	4,295	4,295
46	618.025 Management Study Expense	0	0	0	0	0	0	0	0
47	618.028 Accrued OPEB Expense	(147,183)	(147,183)	(147,183)	(147,183)	(147,183)	(147,183)	(147,183)	(147,183)
48	618.029 Incentive Plan Expense	(80,995)	(80,995)	(80,995)	(80,995)	(80,995)	(80,995)	(80,995)	(80,995)
49	618.030 Regulatory Pension Expense	(96,034)	(96,034)	(96,034)	(96,034)	(96,034)	(96,034)	(96,034)	(96,034)
50	618.032 Miscellaneous Deferred Expenses	311	311	311	311	311	311	311	311
51	626.001 Tax Over Book Depreciation	(530,152)	(530,152)	(530,152)	(530,152)	(814,321)	(814,321)	(814,321)	(814,321)
52	638.014 Cost of Removal	676	676	676	676	676	676	676	676
53	638.015 AFUDC over Interest Capitalized for Taxes	(111,949)	(111,949)	(111,949)	(111,949)	(111,949)	(111,949)	(111,949)	(111,949)
54	638.016 Refund of Taxable Advances	(257,116)	(257,116)	(257,116)	(257,116)	(257,116)	(257,116)	(257,116)	(257,116)
55	638.022 Accrued Vacation Pay Expense	(35,732)	(35,732)	(35,732)	(35,732)	(35,732)	(35,732)	(35,732)	(35,732)
56	638.027 Abandonment Losses	(903,907)	(903,907)	(903,907)	(903,907)	(903,907)	(903,907)	(903,907)	(903,907)
57	638.040 Regulatory Pension Expense	0	0	0	0	0	0	0	0
58	638.038 Miscellaneous Deferred Expenses	156,664	156,664	156,664	156,664	156,664	156,664	156,664	156,664
	• Cost of Service Study	6,685	6,685	6,685	6,685	6,685	6,685	6,685	6,685
	• Gains and Losses	(18,127)	(18,127)	(18,127)	(18,127)	(18,127)	(18,127)	(18,127)	(18,127)
	• Rate Case Expense	274,017	274,017	274,017	274,017	274,017	274,017	274,017	274,017
59	State depreciation in excess of federal		1,544,905		(442,816)		(432,329)		(432,329)
60	Total Temporary Differences	(1,259,681)	285,224	(1,259,681)	(1,702,497)	(1,543,850)	(1,976,179)	(1,543,850)	(1,976,179)
61									
62									
63	Federal Taxable Income Before SIT	2,592,138	4,137,043	1,477,429	1,034,613	1,030,037	597,708	7,148,941	6,716,612
64	Correction to state deduction - pre books	58,457				0		0	
65	Correction to books		339,375						
66	State Income Tax	290,065		66,991		38,702		434,901	
67	Taxable Income	2,358,530	4,476,418	1,410,438	1,034,613	991,335	597,708	6,714,040	6,716,612
68									
69	Computation of Taxes:								
70	State Income Tax @ 0.00%		290,065		66,991		38,702		434,901
71	Federal Income Tax @ 35.00%	825,486		493,653		346,967		2,349,914	
72	Less: Tax Credits	(76,368)	0	(76,368)	0	(76,368)	0	(76,368)	0
73	Total Current Income Tax	749,118	290,065	417,285	66,991	270,599	38,702	2,273,546	434,901
74	Correction to books	58,276							
75		807,394							
76	Deferred SIT		201,354						
77	Deferred FIT Including ITC	803,217							

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 3, Schedule 1

Line No.	Class of Capital	Reference	Amount	Percent of Total	Cost Rate	Weighted Cost of Capital
1						
2						
3	Long-term Debt	Schedule 2	$55,759,080	53.07%	6.77%	3.593%
4						
5	Short-term Debt		3,948,000	3.76%	5.40%	0.203%
6						
7	Preferred Equity	Schedule 3	1,382,100	1.32%	5.00%	0.066%
8						
9	Common Equity					
10	Common Stock		25,043,003	23.84%	11.00%	2.622%
11	Retained Earnings		18,925,643	18.02%	11.00%	1.982%
12						
13	Total Capitalization		105,057,826	100.00%		8.466%
14						
15						
16						
17						
18	Total Common Equity Return Proposed		11.00%			
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						

Embedded Cost of Long-Term Debt
At the Mid-Point of the Attrition Year

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 3, Schedule 2

Line No.	Debt Issue Type, Coupon Rate	Interest Rate	Issue Date	Maturity Date	Principal Amount	Face Amount Outstanding	Unamortized (Issuance) Debt Exp.	Carrying Value	Annual Interest Expense	Annual Amortization of Issue Expense	Total Cost
4											
5	General Mortgage Bonds										
6											
7	9.25% Series	9.25%	01/12/90	12/01/19	**2,500,000**	2,500,000	18,685	2,481,315	231,250	1,525	232,775
8	7.84% Series	7.84%	09/04/96	09/01/26	**5,700,000**	5,700,000	43,269	5,656,731	446,880	2,278	449,158
9	6.50% Series	6.50%	05/31/98	06/01/08	**6,500,000**	6,500,000	5,569	6,494,431	422,500	7,434	429,934
10	6.87% Series	6.87%	03/31/01	03/29/11	**5,100,000**	4,080,000	17,936	4,062,064	280,296	5,004	285,300
11	6.15% Series (proposed)	6.15%	12/05/06	12/05/16	36,500,000	36,500,000	337,622	36,162,378	2,244,750	33,762	2,278,512
12											
13											
14											
15	Capital Lease 9.489%	9.489%	06/01/98	05/31/13	1,590,500	902,161		902,161	97,432	0	97,432
16											
17											
18	Total				$57,890,500	$56,182,161	$423,081	$55,759,080	$3,723,108	$50,003	$3,773,111
19											
20											
21	Embedded Cost of Long-Term Debt										6.77%
22											
23											
24											
25											
26											
27											
28											
29											
30											

Embedded Cost of Preferred Stock
At the Mid-Point of the Attrition Year

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Test Year: Twelve Months Ended: June 30, 2006
Exhibit No. 3, Schedule 3

Debt Issue Type, Coupon Rate	Issue Date	Face Amount Outstanding	Premium or Discount	Unamortized (Issuance) Pfd Stk Exp	Net Proceeds	Annual Dividends	Annual Amort. of Issuance Expense	Total Annual Cost
Cumulative Preferred								
5% Series	12/20/40	$1,382,100	$0	$0	$1,382,100	$69,105	$0	$69,105
4-1/2% Series	7/29/54	0	0	0	0	0	0	0
Total		1,382,100	0	0	1,382,100	69,105	0	69,105
Embedded Cost of Preferred Stock								5.00%

Tennessee Regulatory Authority
Summary
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 1

Line No.	Class/Description	Per Book Sales (CCF)	Per Book Total Revenues	Normalized Sales (CCF)	Normalized Total Revenues	Current Rates Sales (CCF)	Attrition Total Revenues	Proposed Rates Sales (CCF)	Total Revenues	Total Revenue Difference	Total Revenue Percent Change
1											
2											
3											
4											
5	Residential	4,551,139	13,410,823	4,547,185	13,608,292	4,575,131	13,681,917	4,575,131	16,354,136	2,672,219	19.531%
6	Commercial	4,274,865	10,055,048	4,216,842	10,115,307	4,253,671	10,230,156	4,253,671	12,242,287	2,012,131	19.669%
7	Industrial	3,199,859	3,478,302	3,092,865	3,428,902	3,092,865	3,428,902	3,092,865	4,103,407	674,505	19.671%
8	Other Public Authority	1,205,008	2,329,280	1,210,272	2,404,176	1,210,272	2,404,176	1,210,272	2,877,105	472,929	19.671%
9	Other Water Utility	1,547,422	1,168,613	1,302,516	1,048,255	1,302,516	1,048,255	1,302,516	1,254,459	206,204	19.671%
10	Private Fire Service	0	1,326,106	0	1,341,877	0	1,373,647	0	1,644,020	270,373	19.683%
11	Public Fire Service	0	0	0	0	0	0	0	-	-	
12	Subtotal	14,778,293	31,768,172	14,369,680	31,946,809	14,434,455	32,167,053	14,434,455	38,475,414	6,308,361	19.611%
13											
14	Other Operating Revenues		1,255,342		1,260,333		1,265,235		1,336,761	71,526	5.653%
15											
16	Total		33,023,514		33,207,142		33,432,288		39,812,175	6,379,887	19.083%
17											
18											
19											
20	Per book revenues include unbilled revenues.										
21											
22											
23											
24											
25											
26											
27											
28											
29											
30											
31											

ANALYSIS OF REVENUES AT PER BOOKS, NORMALIZED, AND THE ATTRITION YEAR AT PRESENT AND PROPOSED RATES

Tennessee Regulatory Authority
Residential Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No 4, Schedule 2

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1													
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Chattanooga												
6	5/8 - inch meter	709,160	9.26	$6,566,822	715,446	9.26	$6,625,030	719,813	9.26	$6,665,468	719,813	11.08	$7,976,642
7	3/4 - inch meter	1,037	15.55	16,131	1,037	15.55	16,131	1,037	15.55	16,131	1,037	18.61	19,304
8	1 - inch meter	2,053	25.88	53,129	2,051	25.88	53,077	2,051	25.88	53,077	2,051	30.97	63,518
9	1 1/2 - inch meter	232	51.79	11,991	232	51.79	11,991	232	51.79	11,991	232	61.98	14,350
10	2 - inch meter	169	82.85	13,995	169	82.85	13,995	169	82.85	13,995	169	99.15	16,748
11	3 - inch meter	9	155.35	1,367	9	155.35	1,367	9	155.35	1,367	9	185.91	1,636
12	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	712,660		6,663,435	718,944		6,721,591	723,311		6,762,029	723,311		8,092,198
16													
17	Volumetric												
18	First 400 Cubic Feet	2,288,194	0.172	393,569	2,313,420	0.172	397,908	2,330,888	0.172	400,913	2,330,888	0.206	479,777
19	Next 6,100 Cubic Feet	1,802,531	2.730	4,920,910	1,773,564	2.730	4,841,830	1,781,425	2.730	4,863,291	1,781,425	3.267	5,819,955
20	Next 43,500 Cubic Feet	58,638	1.715	100,564	58,638	1.715	100,564	58,638	1.715	100,564	58,638	2.052	120,347
21	Next 450,000 Cubic Feet	5,823	1.282	7,465	5,823	1.282	7,465	5,823	1.282	7,465	5,823	1.534	8,934
22	Next 1,000,000 Cubic Feet	131	0.980	128	131	0.980	128	131	0.980	128	131	1.173	154
23	All Over 1,500,000 Cubic Feet	0	0.582	0	0	0.582	-	-	0.582	-	-	0.696	0
24	Chattanooga Amount	4,155,317		12,086,071	4,151,576		12,069,486	4,176,905		12,134,390	4,176,905		14,521,365
25													
26	Lookout Mountain												
27	5/8 - inch meter	20,756	10.39	215,650	21,032	10.39	218,517	21,155	10.39	219,795	21,155	12.43	263,031
28	3/4 - inch meter	451	15.55	7,019	451	15.55	7,019	451	15.55	7,019	451	18.61	8,399
29	1 - inch meter	1,267	25.88	32,792	1,267	25.88	32,792	1,267	25.88	32,792	1,267	30.97	39,242
30	1 1/2 - inch meter	26	51.79	1,347	26	51.79	1,347	26	51.79	1,347	26	61.98	1,611
31	2 - inch meter	39	82.85	3,231	39	82.85	3,231	39	82.85	3,231	39	99.15	3,867
32	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
33	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
34	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
35	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
36	Total Meters	22,539		260,039	22,815		262,906	22,938		264,184	22,938		316,150
37													
38	Volumetric												
39	First 400 Cubic Feet	77,750	0.640	49,760	78,854	0.640	50,466	79,346	0.640	50,781	79,346	0.766	60,771
40	Next 6,100 Cubic Feet	165,935	3.516	583,427	165,511	3.516	581,936	166,446	3.516	585,224	166,446	4.208	700,344
41	Next 43,500 Cubic Feet	18,387	2.501	45,987	18,387	2.501	45,987	18,387	2.501	45,987	18,387	2.993	55,033
42	Next 450,000 Cubic Feet	86	1.749	150	86	1.749	150	86	1.749	150	86	2.093	180
43	Next 1,000,000 Cubic Feet	0	1.448	0	0	1.448	-	-	1.448	-	-	1.733	0
44	All Over 1,500,000 Cubic Feet	0	1.049	0	0	1.049	-	-	1.049	-	-	1.255	0
45	Lookout Mountain Amount	262,158		939,363	262,838		941,445	264,265		946,326	264,265		1,132,478
46													

Attrition Year Revenues at Current and Proposed Rates

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1		Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues
4													
5	Lakeview												
6	5/8 - inch meter	32,934	10.39	342,184	33,101	10.39	343,919	33,309	10.39	346,080	33,309	12.43	414,158
7	3/4 - inch meter	16	15.55	249	16	15.55	249	16	15.55	249	16	18.61	298
8	1 - inch meter	48	25.88	1,242	48	25.88	1,242	48	25.88	1,242	48	30.97	1,487
9	1 1/2 - inch meter	0	51.79	0	0	51.79	-	-	51.79	-	-	61.98	0
10	2 - inch meter	0	82.85	0	0	82.85	-	-	82.85	-	-	99.15	0
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	32,998		343,675	33,165		345,410	33,373		347,571	33,373		415,943
16													
17	Volumetric												
18	First 400 Cubic Feet	108,832	0.316	34,391	109,507	0.316	34,604	110,339	0.316	34,867	110,339	0.378	41,726
19	Next 6,100 Cubic Feet	83,815	3.008	252,117	82,240	3.008	247,379	82,635	3.008	248,567	82,635	3.600	297,463
20	Next 43,500 Cubic Feet	881	1.993	1,756	881	1.993	1,756	881	1.993	1,756	881	2.385	2,101
21	Next 450,000 Cubic Feet	0	1.425	0	0	1.425	-	-	1.425	-	-	1.705	0
22	Next 1,000,000 Cubic Feet	0	1.124	0	0	1.124	-	-	1.124	-	-	1.345	0
23	All Over 1,500,000 Cubic Feet	0	0.725	0	0	0.725	-	-	0.725	-	-	0.868	0
24	Lakeview Amount	193,528		631,939	192,628		629,149	193,855		632,761	193,855		757,233
25													
26	Lone Oak												
27	5/8 - inch meter	92	31.39	2,883	92	31.39	2,883	92	31.39	2,883	92	31.39	2,883
28	3/4 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
29	1 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
30	1 1/2 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
31	2 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
32	3 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
33	4 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
34	6 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
35	8 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
36	Total Meters	92		2,883	92		2,883	92		2,883	92		2,883
37													
38	Volumetric												
39	First 2.67 (100 CCF)	201	0.000	0	201	0.000	-	201	0.000	-	201	0.000	0
40	In Excess 2.67 (100 CCF)	276	3.9473	1,091	276	3.9473	1,091	276	3.9473	1,091	276	3.9473	1,091
41													0
42													0
43													0
44													0
45	Lone Oak Amount	477		3,974	477		3,974	477		3,974	477		3,974
46													

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1													
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Suck Creek												
6	5/8 - inch meter	2,602	22.85	59,446	2,602	22.85	59,446	2,602	22.85	59,446	2,602	22.85	59,446
7	3/4 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
8	1 - inch meter	13	22.85	297	13	22.85	297	13	22.85	297	13	22.85	297
9	1 1/2 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
10	2 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
11	3 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
12	4 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
13	6 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
14	8 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
15	Total Meters	2,615		59,743	2,615		59,743	2,615		59,743	2,615		59,743
16													
17	Volumetric												
18	First 2 (100 CCF)	4,831		0	4,831		-	4,831		-	4,831		0
19	Next 10.67 (100 CCF)	9,260	3.300	30,559	9,260	3.300	30,559	9,260	3.300	30,559	9,260	3.300	30,559
20	All Over 12.67 (100 CCF)	1,662	2.475	4,113	1,662	2.475	4,113	1,662	2.475	4,113	1,662	2.475	4,113
21													0
22													0
23													0
24	Suck Creek Amount	15,753		94,415	15,753		94,415	15,753		94,415	15,753		94,415
25													
26	Total Gross	4,627,233		13,755,762	4,623,272		13,738,469	4,651,255		13,811,866	4,651,255		16,509,465
27	Less: Correction & Allowances	70,144		172,363	70,144		172,363	70,144		172,363	70,144		206,027
28	Net Amount	4,557,089		13,583,399	4,553,128		13,566,106	4,581,111		13,639,503	4,581,111		16,303,438
29	Net Amt. Per Revenue Summary	4,551,139		13,625,636	4,547,185		13,608,292	4,575,131		13,681,917	4,575,131		16,354,136
30	Difference	5,950		(42,237)	5,943		(42,186)	5,980		(42,414)	5,980		(50,698)
31	Percent Difference	0.1307%		-0.3100%	0.1307%		-0.3100%	0.1307%		-0.3100%	0.1307%		-0.3100%
32													
33													
34													
35													
36													
37													
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46													

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Chattanooga												
6	5/8 - inch meter	63,928	9.26	$591,972	63,876	9.26	$591,491	63,876	9.26	$591,491	63,876	11.08	$707,843
7	3/4 - inch meter	1,459	15.55	22,687	1,457	15.55	22,656	1,457	15.55	22,656	1,457	18.61	27,113
8	1 - inch meter	15,945	25.88	412,644	16,190	25.88	418,984	17,032	25.88	440,775	17,032	30.97	527,481
9	1 1/2 - inch meter	3,870	51.79	200,427	3,861	51.79	199,961	3,861	51.79	199,961	3,861	61.98	239,296
10	2 - inch meter	12,368	82.85	1,024,661	12,306	82.85	1,019,525	12,306	82.85	1,019,525	12,306	99.15	1,220,077
11	3 - inch meter	513	155.35	79,663	513	155.35	79,663	513	155.35	79,663	513	185.91	95,334
12	4 - inch meter	243	258.92	62,918	242	258.92	62,659	242	258.92	62,659	242	309.85	74,984
13	6 - inch meter	120	517.85	62,142	120	517.85	62,142	120	517.85	62,142	120	619.72	74,366
14	8 - inch meter	12	828.55	9,943	12	828.55	9,943	12	828.55	9,943	12	991.54	11,898
15	Total Meters	98,457		2,467,057	98,576		2,467,024	99,418		2,488,815	99,418		2,978,392
16													
17	Volumetric												
18	First 400 Cubic Feet	272,842	0.172	46,929	273,447	0.172	47,033	276,815	0.172	47,612	276,815	0.206	56,978
19	Next 6,100 Cubic Feet	1,243,422	2.730	3,394,541	1,250,496	2.730	3,413,853	1,283,502	2.730	3,503,960	1,283,502	3.267	4,193,229
20	Next 43,500 Cubic Feet	1,681,937	1.715	2,884,522	1,618,685	1.715	2,776,045	1,618,685	1.715	2,776,045	1,618,685	2.052	3,322,125
21	Next 450,000 Cubic Feet	830,574	1.282	1,064,796	828,034	1.282	1,061,540	828,034	1.282	1,061,540	828,034	1.534	1,270,357
22	Next 1,000,000 Cubic Feet	127,616	0.980	125,064	127,616	0.980	125,064	127,616	0.980	125,064	127,616	1.173	149,665
23	All Over 1,500,000 Cubic Feet	93,476	0.582	54,403	93,476	0.582	54,403	93,476	0.582	54,403	93,476	0.696	65,105
24	Chattanooga Amount	4,249,867		10,037,312	4191754		9,944,962	4,228,128		10,057,439	4,228,128		12,035,851
25													
26	Lookout Mountain												
27	5/8 - inch meter	780	10.39	8,106	780	10.39	8,106	780	10.39	8,106	780	12.43	9,701
28	3/4 - inch meter	26	15.55	404	26	15.55	404	26	15.55	404	26	18.61	484
29	1 - inch meter	248	25.88	6,418	284	25.88	7,350	293	25.88	7,583	293	30.97	9,074
30	1 1/2 - inch meter	39	51.79	2,020	39	51.79	2,020	39	51.79	2,020	39	61.98	2,417
31	2 - inch meter	89	82.85	7,374	89	82.85	7,374	89	82.85	7,374	89	99.15	8,824
32	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
33	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
34	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
35	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
36	Total Meters	1,182		24,322	1218.17		25,254	1,227		25,487	1,227		30,500
37													
38	Volumetric												
39	First 400 Cubic Feet	3,481	0.640	2,228	3,625	0.640	2,320	3,661	0.640	2,343	3,661	0.766	2,804
40	Next 6,100 Cubic Feet	17,624	3.516	61,966	18,614	3.516	65,447	18,862	3.516	66,319	18,862	4.208	79,364
41	Next 43,500 Cubic Feet	13,897	2.501	34,756	13,409	2.501	33,536	13,409	2.501	33,536	13,409	2.993	40,133
42	Next 450,000 Cubic Feet	2,268	1.749	3,967	2,268	1.749	3,967	2,268	1.749	3,967	2,268	2.093	4,747
43	Next 1,000,000 Cubic Feet	0	1.448	0	0	1.448	-	-	1.448	-	-	1.733	0
44	All Over 1,500,000 Cubic Feet	0	1.049	0	0	1.049	-	-	1.049	-	-	1.255	0
45	Lookout Mountain Amount	37,270		127,239	37916		130,524	38,200		131,652	38,200		157,548
46													

Tennessee Regulatory Authority
Commercial Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2
Page No. 5 of 13

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1													
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Lakeview												
6	5/8 - inch meter	1,796	10.39	18,656	1,796	10.39	18,656	1,796	10.39	18,656	1,796	12.43	22,325
7	3/4 - inch meter	0	15.55	0	0	15.55	-	-	15.55	-	-	18.61	0
8	1 - inch meter	223	25.88	5,771	199	25.88	5,150	218	25.88	5,642	218	30.97	6,752
9	1 1/2 - inch meter	0	51.79	0	0	51.79	-	-	51.79	-	-	61.98	0
10	2 - inch meter	96	82.85	7,954	96	82.85	7,954	96	82.85	7,954	96	99.15	9,518
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	2,115		32,381	2090.53		31,760	2,110		32,252	2,110		38,595
16													
17	Volumetric												
18	First 400 Cubic Feet	5,556	0.316	1,756	5,460	0.316	1,725	5,536	0.316	1,749	5,536	0.378	2,094
19	Next 6,100 Cubic Feet	15,514	3.008	46,666	15,291	3.008	45,995	15,468	3.008	46,527	15,468	3.600	55,680
20	Next 43,500 Cubic Feet	6,954	1.993	13,859	6,586	1.993	13,126	6,586	1.993	13,126	6,586	2.385	15,708
21	Next 450,000 Cubic Feet	84	1.425	120	84	1.425	120	84	1.425	120	84	1.705	143
22	Next 1,000,000 Cubic Feet	0	1.124	0	0	1.124	-	-	1.124	-	-	1.345	0
23	All Over 1,500,000 Cubic Feet	0	0.725	0	0	0.725	-	-	0.725	-	-	0.868	0
24	Lakeview Amount	28,108		94,782	27421		92,726	27,674		93,774	27,674		112,220
25													
26	Lone Oak												
27	5/8 - inch meter	2	31.39	63	2	31.39	63	2	31.39	63	2	31.39	63
28	3/4 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
29	1 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
30	1 1/2 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
31	2 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
32	3 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
33	4 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
34	6 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
35	8 - inch meter	0	31.39	0	0	31.39	-	-	31.39	-	-	31.39	0
36	Total Meters	2		63	2		63	2		63	2		63
37													
38	Volumetric												
39	First 2.67 (100 CCF)	4	0.000	0	4	0.000	-	4	0.000	-	4	0.000	0
40	In Excess 2.67 (100 CCF)	7	3.947	29	7	3.947	29	7	3.947	29	7	3.947	29
41													
42													
43													
44													
45	Lone Oak Amount	11		92	11		92	11		92	11		92
46													

Tennessee Regulatory Authority
Commercial Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1													
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Suck Creek												
6	5/8 - inch meter	35	22.85	800	35	22.85	800	35	22.85	800	35	22.85	800
7	3/4 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
8	1 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
9	1 1/2 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
10	2 - inch meter	9	22.85	206	9	22.85	206	9	22.85	206	9	22.85	206
11	3 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
12	4 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
13	6 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
14	8 - inch meter	0	22.85	0	0	22.85	-	-	22.85	-	-	22.85	0
15	Total Meters	44		1,006	44		1,006	44		1,006	44		1,006
16													
17	Volumetric												
18	First 2 (100 CCF)	35	0.000	0	35	0.000	-	35	0.000	-	35	0.000	0
19	Next 10.67 (100 CCF)	46	3.300	152	46	3.300	152	46	3.300	152	46	3.300	152
20	All Over 12.67 (100 CCF)	20	2.475	50	20	2.475	50	20	2.475	50	20	2.475	50
21													
22													
23													
24	Suck Creek Amount	101		1,208	101		1,208	101		1,208	101		1,208
25													
26	Total Gross	4,315,357		10,260,633	4,257,203		10,169,512	4,294,114		10,284,165	4,294,114		12,306,919
27	Less: Correction & Allowances	30,928		71,441	30,928		71,441	30,928		71,441	30,928		85,493
28	Net Amount	4,284,429		10,189,192	4,226,275		10,098,071	4,263,186		10,212,724	4,263,186		12,221,426
29	Net Amt. Per Revenue Summary	4,274,865		10,206,586	4,216,842		10,115,307	4,253,671		10,230,156	4,253,671		12,242,287
30	Difference	9,564		(17,394)	9,433		(17,236)	9,515		(17,432)	9,515		(20,861)
31	Percent Difference	0.2237%		-0.1704%	0.2237%		-0.1704%	0.2237%		-0.1704%	0.2237%		-0.1704%
32													
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Tennessee Regulatory Authority
Industrial Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1		Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues
4													
5	Chattanooga												
6	5/8 - inch meter	288	9.26	$2,667	285	9.26	$2,639	285	9.26	$2,639	285	11.08	$3,158
7	3/4 - inch meter	29	15.55	451	29	15.55	451	29	15.55	451	29	18.61	540
8	1 - inch meter	323	25.88	8,359	320	25.88	8,282	320	25.88	8,282	320	30.97	9,911
9	1 1/2 - inch meter	88	51.79	4,558	87	51.79	4,506	87	51.79	4,506	87	61.98	5,392
10	2 - inch meter	1,096	82.85	90,792	1,071	82.85	88,721	1,071	82.85	88,721	1,071	99.15	106,173
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	293	258.92	75,864	283	258.92	73,274	283	258.92	73,274	283	309.85	87,688
13	6 - inch meter	65	517.85	33,660	60	517.85	31,071	60	517.85	31,071	60	619.72	37,183
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	2,182		216,351	2134.86		208,944	2,135		208,944	2,135		250,045
16													
17	Volumetric												
18	First 400 Cubic Feet	5,794	0.172	997	5,619	0.172	967	5,619	0.172	967	5,619	0.206	1,157
19	Next 6,100 Cubic Feet	58,042	2.730	158,455	55,793	2.730	152,315	55,793	2.730	152,315	55,793	3.267	182,278
20	Next 43,500 Cubic Feet	267,510	1.715	458,780	255,774	1.715	438,652	255,774	1.715	438,652	255,774	2.052	524,940
21	Next 450,000 Cubic Feet	1,029,673	1.282	1,320,041	975,267	1.282	1,250,293	975,267	1.282	1,250,293	975,267	1.534	1,496,240
22	Next 1,000,000 Cubic Feet	839,314	0.980	822,528	813,936	0.980	797,657	813,936	0.980	797,657	813,936	1.173	954,566
23	All Over 1,500,000 Cubic Feet	1,010,111	0.582	587,885	996,776	0.582	580,124	996,776	0.582	580,124	996,776	0.696	694,241
24	Chattanooga Amount	3,210,445		3,565,037	3,103,166		3,428,952	3,103,166		3,428,952	3,103,166		4,103,467
25													
26	Lookout Mountain												
27	5/8 - inch meter	0	10.39	0	0	10.39	0	-	10.39	-	-	12.43	0
28	3/4 - inch meter	0	15.55	0	0	15.55	0	-	15.55	-	-	18.61	0
29	1 - inch meter	0	25.88	0	0	25.88	0	-	25.88	-	-	30.97	0
30	1 1/2 - inch meter	0	51.79	0	0	51.79	0	-	51.79	-	-	61.98	0
31	2 - inch meter	0	82.85	0	0	82.85	0	-	82.85	-	-	99.15	0
32	3 - inch meter	0	155.35	0	0	155.35	0	-	155.35	-	-	185.91	0
33	4 - inch meter	0	258.92	0	0	258.92	0	-	258.92	-	-	309.85	0
34	6 - inch meter	0	517.85	0	0	517.85	0	-	517.85	-	-	619.72	0
35	8 - inch meter	0	828.55	0	0	828.55	0	-	828.55	-	-	991.54	0
36	Total Meters	0		0	0		0	-		-	-		0
37													
38	Volumetric												
39	First 400 Cubic Feet	0	0.640	0	0	0.640	0	-	0.640	-	-	0.766	0
40	Next 6,100 Cubic Feet	0	3.516	0	0	3.516	0	-	3.516	-	-	4.208	0
41	Next 43,500 Cubic Feet	0	2.501	0	0	2.501	0	-	2.501	-	-	2.993	0
42	Next 450,000 Cubic Feet	0	1.749	0	0	1.749	0	-	1.749	-	-	2.093	0
43	Next 1,000,000 Cubic Feet	0	1.448	0	0	1.448	0	-	1.448	-	-	1.733	0
44	All Over 1,500,000 Cubic Feet	0	1.049	0	0	1.049	0	-	1.049	-	-	1.255	0
45	Lookout Mountain Amount	0		0	0		0	-		-	-		0
46													

Attrition Year Revenues at Current and Proposed Rates

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Lakeview												
6	5/8 - inch meter	0	10.39	0	0	10.39	0	-	10.39	-	-	12.43	0
7	3/4 - inch meter	0	15.55	0	0	15.55	0	-	15.55	-	-	18.61	0
8	1 - inch meter	0	25.88	0	0	25.88	0	-	25.88	-	-	30.97	0
9	1 1/2 - inch meter	0	51.79	0	0	51.79	0	-	51.79	-	-	61.98	0
10	2 - inch meter	0	82.85	0	0	82.85	0	-	82.85	-	-	99.15	0
11	3 - inch meter	0	155.35	0	0	155.35	0	-	155.35	-	-	185.91	0
12	4 - inch meter	0	258.92	0	0	258.92	0	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	0	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	0	-	828.55	-	-	991.54	0
15	Total Meters	0		0	0		0	-		-	-		0
16													
17	Volumetric												
18	First 400 Cubic Feet	0	0.316	0	0	0.316	0	-	0.316	-	-	0.378	0
19	Next 6,100 Cubic Feet	0	3.008	0	0	3.008	0	-	3.008	-	-	3.600	0
20	Next 43,500 Cubic Feet	0	1.993	0	0	1.993	0	-	1.993	-	-	2.385	0
21	Next 450,000 Cubic Feet	0	1.425	0	0	1.425	0	-	1.425	-	-	1.705	0
22	Next 1,000,000 Cubic Feet	0	1.124	0	0	1.124	0	-	1.124	-	-	1.345	0
23	All Over 1,500,000 Cubic Feet	0	0.725	0	0	0.725	0	-	0.725	-	-	0.868	0
24	Lakeview Amount	0		0	0		0	-		-	-		0
25													
26	Total Gross	3,210,445		3,565,037	3,103,166		3,428,952	3,103,166		3,428,952	3,103,166		4,103,467
27	Less: Correction & Allowances	2,102		4,072	2,102		4,072	2,102		4,072	2,102		4,873
28	Net Amount	3,208,343		3,560,965	3,101,064		3,424,880	3,101,064		3,424,880	3,101,064		4,098,594
29	Net Amt. Per Revenue Summary	3,199,859		3,565,148	3,092,865		3,428,902	3,092,865		3,428,902	3,092,865		4,103,407
30	Difference	8,484		(4,183)	8,199		(4,022)	8,199		(4,022)	8,199		(4,813)
31	Percent Difference	0.2651%		-0.1173%	0.2651%		-0.1173%	0.2651%		-0.1173%	0.2651%		-0.1173%
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Tennessee Regulatory Authority
Other Public Authority Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2

Line No.			Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1														
2			Billing			Billing			Billing			Billing		
3			Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4														
5	Chattanooga													
6	5/8 - inch meter		1,986	9.26	$18,390	1,979	9.26	$18,326	1,979	9.26	$18,326	1,979	11.08	$21,930
7	3/4 - inch meter		132	15.55	2,053	130	15.55	2,022	130	15.55	2,022	130	18.61	2,419
8	1 - inch meter		1,572	25.88	40,683	1,694	25.88	43,841	1,694	25.88	43,841	1,694	30.97	52,465
9	1 1/2 - inch meter		794	51.79	41,121	787	51.79	40,759	787	51.79	40,759	787	61.98	48,776
10	2 - inch meter		3,251	82.85	269,345	3,219	82.85	266,694	3,219	82.85	266,694	3,219	99.15	319,156
11	3 - inch meter		49	155.35	7,612	48	155.35	7,457	48	155.35	7,457	48	185.91	8,924
12	4 - inch meter		261	258.92	67,578	256	258.92	66,284	256	258.92	66,284	256	309.85	79,322
13	6 - inch meter		12	517.85	6,214	12	517.85	6,214	12	517.85	6,214	12	619.72	7,437
14	8 - inch meter		0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters		8,057		452,996	8125		451,597	8,125		451,597	8,125		540,429
16														
17	Volumetric													
18	First	400 Cubic Feet	21,210	0.172	3,648	21,558	0.172	3,708	21,558	0.172	3,708	21,558	0.206	4,437
19	Next	6,100 Cubic Feet	169,462	2.730	462,631	176,036	2.730	480,578	176,036	2.730	480,578	176,036	3.267	575,114
20	Next	43,500 Cubic Feet	352,398	1.715	604,363	358,536	1.715	614,889	358,536	1.715	614,889	358,536	2.052	735,845
21	Next	450,000 Cubic Feet	525,785	1.282	674,056	518,335	1.282	664,505	518,335	1.282	664,505	518,335	1.534	795,221
22	Next	1,000,000 Cubic Feet	94,790	0.980	92,894	94,790	0.980	92,894	94,790	0.980	92,894	94,790	1.173	111,168
23	All Over	1,500,000 Cubic Feet	0	0.582	0	0	0.582	-	-	0.582	-	-	0.696	0
24	Chattanooga Amount		1,163,645		2,290,588	1,169,255		2,308,171	1,169,255		2,308,171	1,169,255		2,762,214
25														
26	Lookout Mountain													
27	5/8 - inch meter		153	10.39	1,590	153	10.39	1,590	153	10.39	1,590	153	12.43	1,902
28	3/4 - inch meter		0	15.55	0	0	15.55	-	-	15.55	-	-	18.61	0
29	1 - inch meter		169	25.88	4,374	157	25.88	4,063	157	25.88	4,063	157	30.97	4,862
30	1 1/2 - inch meter		13	51.79	673	13	51.79	673	13	51.79	673	13	61.98	806
31	2 - inch meter		91	82.85	7,539	91	82.85	7,539	91	82.85	7,539	91	99.15	9,022
32	3 - inch meter		0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
33	4 - inch meter		0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
34	6 - inch meter		0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
35	8 - inch meter		0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
36	Total Meters		426		14,176	414		13,865	414		13,865	414		16,592
37														
38	Volumetric													
39	First	400 Cubic Feet	870	0.640	557	822	0.640	526	822	0.640	526	822	0.766	630
40	Next	6,100 Cubic Feet	5,891	3.516	20,713	5,616	3.516	19,746	5,616	3.516	19,746	5,616	4.208	23,630
41	Next	43,500 Cubic Feet	4,714	2.501	11,790	4,714	2.501	11,790	4,714	2.501	11,790	4,714	2.993	14,109
42	Next	450,000 Cubic Feet	0	1.749	0	0	1.749	-	-	1.749	-	-	2.093	0
43	Next	1,000,000 Cubic Feet	0	1.448	0	0	1.448	-	-	1.448	-	-	1.733	0
44	All Over	1,500,000 Cubic Feet	0	1.049	0	0	1.049	-	-	1.049	-	-	1.255	0
45	Lookout Mountain Amount		11,475		47,236	11152		45,927	11,152		45,927	11,152		54,961
46														

Tennessee Regulatory Authority
Other Public Authority Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Lakeview												
6	5/8 - inch meter	48	10.39	499	48	10.39	499	48	10.39	499	48	12.43	597
7	3/4 - inch meter	0	15.55	0	0	15.55	-	-	15.55	-	-	18.61	0
8	1 - inch meter	12	25.88	311	12	25.88	311	12	25.88	311	12	30.97	372
9	1 1/2 - inch meter	12	51.79	621	12	51.79	621	12	51.79	621	12	61.98	744
10	2 - inch meter	24	82.85	1,988	24	82.85	1,988	24	82.85	1,988	24	99.15	2,380
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	96		3,419	96		3,419	96		3,419	96		4,093
16													
17	Volumetric												
18	First 400 Cubic Feet	200	0.316	63	200	0.316	63	200	0.316	63	200	0.378	76
19	Next 6,100 Cubic Feet	1,977	3.008	5,947	1,977	3.008	5,947	1,977	3.008	5,947	1,977	3.600	7,117
20	Next 43,500 Cubic Feet	1,858	1.993	3,703	1,858	1.993	3,703	1,858	1.993	3,703	1,858	2.385	4,431
21	Next 450,000 Cubic Feet	0	1.425	0	0	1.425	-	-	1.425	-	-	1.705	0
22	Next 1,000,000 Cubic Feet	0	1.124	0	0	1.124	-	-	1.124	-	-	1.345	0
23	All Over 1,500,000 Cubic Feet	0	0.725	0	0	0.725	-	-	0.725	-	-	0.868	0
24	Lakeview Amount	4,035		13,132	4035		13,132	4,035		13,132	4,035		15,717
25													
26	Total Gross	1,179,155		2,350,956	1184442		2,367,230	1,184,442		2,367,230	1,184,442		2,832,892
27	Less: Correction & Allowances	(31,185)		(37,167)	(31,185)		(37,167)	(31,185)		(37,167)	(31,185)		(44,478)
28	Net Amount	1,210,340		2,388,123	1215627		2,404,397	1,215,627		2,404,397	1,215,627		2,877,370
29	Net Amt. Per Revenue Summary	1,205,008		2,387,904	1210272		2,404,176	1,210,272		2,404,176	1,210,272		2,877,105
30	Difference	5,332		219	5355		221	5,355		221	5,355		265
31	Percent Difference	0.4425%		0.0092%	0.4425%		0.0092%	0.4425%		0.0092%	0.4425%		0.0092%
32													
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Tennessee Regulatory Authority
Other Water Utility Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
1		Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues
4													
5	Chattanooga												
6	5/8 - inch meter	0	9.26	$0	0	9.26	$0	-	9.26	$0	0	11.08	$0
7	3/4 - inch meter	0	15.55	0	0	15.55	0	-	15.55	-	-	18.61	0
8	1 - inch meter	0	25.88	0	0	25.88	-	-	25.88	-	-	30.97	0
9	1 1/2 - inch meter	0	51.79	0	0	51.79	-	-	51.79	-	-	61.98	0
10	2 - inch meter	12	82.85	994	12	82.85	994	12	82.85	994	12	99.15	1,190
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	38	258.92	9,839	36	258.92	9,321	36	258.92	9,321	36	309.85	11,155
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	50		10,833	48		10,315	48		10,315	48		12,345
16													
17	Volumetric												
18	First 400 Cubic Feet	0	0.172	0	0	0.172	-	-	0.172	-	-	0.206	0
19	Next 6,100 Cubic Feet	0	2.730	0	0	2.730	-	-	2.730	-	-	3.267	0
20	Next 43,500 Cubic Feet	0	1.715	0	0	1.715	-	-	1.715	-	-	2.052	0
21	Next 450,000 Cubic Feet	0	1.282	0	0	1.282	-	-	1.282	-	-	1.534	0
22	Next 1,000,000 Cubic Feet	0	0.980	0	0	0.980	-	-	0.980	-	-	1.173	0
23	All Over 1,500,000 Cubic Feet	0	0.582	0	0	0.582	-	-	0.582	-	-	0.696	0
24	Ft. Oglethorpe	841,021	0.766	644,222	799,363	0.796	636,293	799,363	0.796	636,293	799,363	0.9526	761,459
25	Catoosa Co	162,740	0.796	129,541	162,740	0.796	129,541	162,740	0.796	129,541	162,740	0.9526	155,023
26	Signal Mtn	334,038	0.766	255,873	304,001	0.796	241,985	304,001	0.796	241,985	304,001	0.9526	289,586
27	Walden's Ridge	173,844	0.9375	162,979	0	0.9375	-	-	0.9375	-	-	0.9375	0
28	Chattanooga Amount	1,511,643		1,203,448	1,266,104		1,018,134	1,266,104		1,018,134	1,266,104		1,218,413
29													
30	Lookout Mountain		10.39			10.39			10.39				
31	5/8 - inch meter	0	15.55	0	0	15.55	-	-	15.55	-	-	12.43	0
32	3/4 - inch meter	0	25.88	0	0	25.88	-	-	25.88	-	-	18.61	0
33	1 - inch meter	0	51.79	0	0	51.79	-	-	51.79	-	-	30.97	0
34	1 1/2 - inch meter	0	82.85	0	0	82.85	-	-	82.85	-	-	61.98	0
35	2 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	99.15	0
36	3 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	185.91	0
37	4 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	309.85	0
38	6 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	619.72	0
39	8 - inch meter	0		0	0		-	-		-	-	991.54	0
40	Total Meters	0		0	0		-	-		-	-		0
41													
42	Volumetric		0.640			0.640			0.640				
43	First 400 Cubic Feet	0	3.516	0	0	3.516	-	-	3.516	-	-	0.206	0
44	Next 6,100 Cubic Feet	0	2.501	0	0	2.501	-	-	2.501	-	-	3.267	0
45	Next 43,500 Cubic Feet	0	1.749	0	0	1.749	-	-	1.749	-	-	2.052	0
46	Next 450,000 Cubic Feet	0	1.448	0	0	1.448	-	-	1.448	-	-	1.534	0
47	Next 1,000,000 Cubic Feet	0	1.049	0	0	1.049	-	-	1.049	-	-	1.173	0
48	All Over 1,500,000 Cubic Feet	0		0	0		-	-		-	-	0.696	0
49	Lookout Mountain Amount	0		0	0		-	-		-	-		0

Tennessee Regulatory Authority
Other Water Utility Class
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2
Page No. 12 of 13

Line No.		Per books			Normalized			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
2		Billing			Billing			Billing			Billing		
3		Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues	Determinate	Rates	Revenues
4													
5	Lakeview												
6	5/8 - inch meter	0	10.39	0	0	10.39	-	-	10.39	-	-	12.43	0
7	3/4 - inch meter	0	15.55	0	0	15.55	-	-	15.55	-	-	18.61	0
8	1 - inch meter	0	25.88	0	0	25.88	-	-	25.88	-	-	30.97	0
9	1 1/2 - inch meter	0	51.79	0	0	51.79	-	-	51.79	-	-	61.98	0
10	2 - inch meter	0	82.85	0	0	82.85	-	-	82.85	-	-	99.15	0
11	3 - inch meter	0	155.35	0	0	155.35	-	-	155.35	-	-	185.91	0
12	4 - inch meter	0	258.92	0	0	258.92	-	-	258.92	-	-	309.85	0
13	6 - inch meter	0	517.85	0	0	517.85	-	-	517.85	-	-	619.72	0
14	8 - inch meter	0	828.55	0	0	828.55	-	-	828.55	-	-	991.54	0
15	Total Meters	0		0	0		-	-		-	-		0
16													
17	Volumetric												
18	First 400 Cubic Feet	0	0.316	0	0	0.316	-	-	0.316	-	-	0.378	0
19	Next 6,100 Cubic Feet	0	3.008	0	0	3.008	-	-	3.008	-	-	3.600	0
20	Next 43,500 Cubic Feet	0	1.993	0	0	1.993	-	-	1.993	-	-	2.385	0
21	Next 450,000 Cubic Feet	0	1.425	0	0	1.425	-	-	1.425	-	-	1.705	0
22	Next 1,000,000 Cubic Feet	0	1.124	0	0	1.124	-	-	1.124	-	-	1.345	0
23	All Over 1,500,000 Cubic Feet	0	0.725	0	0	0.725	-	-	0.725	-	-	0.868	0
24	Lakeview Amount	0		0	0		-	-		-	-		0
25													
26	Total Gross	1,511,643		1,203,448	1,266,104		1,018,134	1,266,104		1,018,134	1,266,104		1,218,413
27	Less: Correction & Allowances	(39,783)		(30,369)	(39,783)		(30,369)	(39,783)		(30,369)	(39,783)		(36,343)
28	Net Amount	1,551,426		1,233,817	1,305,887		1,048,503	1,305,887		1,048,503	1,305,887		1,254,756
29	Net Amt. Per Revenue Summary	1,547,422		1,233,525	1,302,516		1,048,255	1,302,516		1,048,255	1,302,516		1,254,459
30	Difference	4,004		293	3,371		248	3,371		248	3,371		297
31	Percent Difference	0.2588%		0.0237%	0.2588%		0.0237%	0.2588%		0.0237%	0.2588%		0.0237%
32							44.46						
33													
34													
35													
36													
37													
38													
39													
40													
41													
42													
43													
44													
45													
46													

Tennessee Regulatory Authority
Private and Public Fire
Company : Tennessee-American Water Company
Case No. :

Attrition Year Revenues at Current and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No. 4, Schedule 2

Line No.	Class/Description	Normalized Year at Present Rates			Attrition Year at Present Rates			Attrition Year at Proposed Rates		
		Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues	Billing Determinate	Rates	Revenues
1										
2										
3										
4										
5	Private Fire Service									
6										
7	1 - Inch Service	0	$24.12	$0	0	$24.12	$0	0	$28.86	$0
8	1 1/2 - Inch Service	1	54.40	54	1	$54.40	54	1	65.11	65
9	2 - Inch Service	13	96.75	1,258	13	$96.75	1,258	13	115.78	1,505
10	2 1/2 - Inch Service	1	147.53	148	1	$147.53	148	1	176.55	177
11	3 - Inch Service	2	217.48	435	2	$217.48	435	2	260.26	521
12	4 - Inch Service	80	435.50	34,840	81	$435.50	35,276	81	521.17	42,215
13	6 - Inch Service	794	870.32	691,034	826	$870.32	718,884	826	1,041.64	860,396
14	8 - Inch Service	292	1,742.11	508,696	294	$1,742.11	512,180	294	2,084.98	612,985
15	10 - Inch Service	15	2,613.37	39,201	15	$2,613.37	39,201	15	3,127.68	46,915
16	12 - Inch Service	19	3,484.78	66,211	19	$3,484.78	66,211	19	4,170.58	79,241
17	Total Private Fire Service	1,217		1,341,877	1,252		1,373,647	1,252		1,644,020
18										
19										
20										
21	Public Fire Service									
22										
23	Ridgeside	13	0.00	0	13	0.00	0	13	0.00	0
24	Public Fire	4,610	0.00	0	4,610	0.00	0	4,610	0.00	0
25	Total Public Fire Service	4,623		0	4,623		0	4,623		0
26										
27	Total Private and Public Fire Service Revenues			$1,341,877			$1,373,647			$1,644,020
28										
29										
30										
31										
32										
33										
34										
35										
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43										
44										
45										
46										

Tennessee Regulatory Authority
Company : Tennessee-American Water Company
Case No. :

Comparison of Present and Proposed Rates

Test Year Twelve Months Ending June 30, 2006
Exhibit No 4, Schedule 3

Line No.		Rates Effective March 9, 2005			Proposed Rates			Percent Increase		
1										
2			Lookout			Lookout			Lookout	
3		Chattanooga	Mountain	Lakeview	Chattanooga	Mountain	Lakeview	Chattanooga	Mountain	Lakeview
4										
5	5/8 - Inch meter	9.26	10.39	10.39	11.08	12.43	12.43	19.67114%	19.67114%	19.67114%
6	3/4 - Inch meter	15.55	15.55	15.55	18.61	18.61	18.61	19.67114%	19.67114%	19.67114%
7	1 - Inch meter	25.88	25.88	25.88	30.97	30.97	30.97	19.67114%	19.67114%	19.67114%
8	1 1/2 - Inch meter	51.79	51.79	51.79	61.98	61.98	61.98	19.67114%	19.67114%	19.67114%
9	2 - Inch meter	82.85	82.85	82.85	99.15	99.15	99.15	19.67114%	19.67114%	19.67114%
10	3 - Inch meter	155.35	155.35	155.35	185.91	185.91	185.91	19.67114%	19.67114%	19.67114%
11	4 - Inch meter	258.92	258.92	258.92	309.85	309.85	309.85	19.67114%	19.67114%	19.67114%
12	6 - Inch meter	517.85	517.85	517.85	619.72	619.72	619.72	19.67114%	19.67114%	19.67114%
13	8 - Inch meter	828.55	828.55	828.55	991.54	991.54	991.54	19.67114%	19.67114%	19.67114%
14										
15										
16	Volumetric									
17	First 400 Cubic Feet	0.172	0.640	0.316	0.206	0.766	0.378	19.67114%	19.67114%	19.67114%
18	Next 6,100 Cubic Feet	2.730	3.516	3.008	3.267	4.208	3.600	19.67114%	19.67114%	19.67114%
19	Next 43,500 Cubic Feet	1.715	2.501	1.993	2.052	2.993	2.385	19.67114%	19.67114%	19.67114%
20	Next 450,000 Cubic Feet	1.282	1.749	1.425	1.534	2.093	1.705	19.67114%	19.67114%	19.67114%
21	Next 1,000,000 Cubic Feet	0.980	1.448	1.124	1.173	1.733	1.345	19.67114%	19.67114%	19.67114%
22	All Over 1,500,000 Cubic Feet	0.582	1.049	0.725	0.696	1.255	0.868	19.67114%	19.67114%	19.67114%
23	Ft. Oglethorpe	0.7960			0.9526					
24										
25	Private Fire Service									
26										
27	1 - Inch Service	24.12			28.86			19.67114%		
28	1 1/2 - Inch Service	54.40			65.10			19.67114%		
29	2 - Inch Service	96.75			115.78			19.67114%		
30	2 1/2 - Inch Service	147.53			176.55			19.67114%		
31	3 - Inch Service	217.48			260.26			19.67114%		
32	4 - Inch Service	435.50			521.17			19.67114%		
33	6 - Inch Service	870.32			1,041.52			19.67114%		
34	8 - Inch Service	1,742.11			2,084.80			19.67114%		
35	10 - Inch Service	2,613.37			3,127.45			19.67114%		
36	12 - Inch Service	3,484.78			4,170.28			19.67114%		
37		830.26			993.58			19.67114%		
38										
39	Public Fire Service									
40										
41	Ridgeside	0.00			1,988.94			#DIV/0!		
42	Public Fire	0.00			186.60			#DIV/0!		
43										
44										
45										