

1 TENNESSEE-AMERICAN WATER COMPANY
2 CASE NO. _____
3 DIRECT TESTIMONY
4 JOHN S. WATSON
5
6
7

8 1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

9 A. My name is John S. Watson and my address is 1101 Broad
10 Street, Chattanooga, Tennessee, 37402.
11

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

14 A. I am employed by Tennessee-American Water Company
15 ("TAWC" or "Company") as Vice President and General
16 Network Manager.
17

18 3. Q. HOW LONG HAVE YOU HELD THIS POSITION?

19 A. I assumed this position effective July 19, 2004.
20

21 4. Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND
22 AND WORK EXPERIENCE PRIOR TO YOUR PRESENT
23 POSITION.

24 A. I hold a Bachelor of Science Degree in Management
25 Accounting with an emphasis in Computer Science from Ball
26 State University. Prior to being employed by TAWC, I was the
27 Operations Manager at Virginia American Water's Hopewell
28 facility for seven years. I also served as the Corporate Office
29 Manager for over four years at the Ohio-American Water
30 Company in Marion, Ohio. Prior to the Marion assignment, I

1 served as District Manager for Ohio-American's Tiffin District
2 for over 8 years, and as Operations Manager for Ohio-
3 American Water Company's, Lawrence County District for
4 approximately three years from 1981 to 1984. I have also held
5 a Class I Water Operators License in the State of Ohio. I
6 attended the NARUC Western Utility Rate School. I have
7 participated in and attended a number of Company training
8 and professional development programs supporting the water
9 utility industry. I have also attended various seminars on
10 management development, materials management,
11 government contracting, and water utility management.

12
13 5. Q. ARE YOU AFFILIATED WITH ANY PROFESSIONAL
14 ORGANIZATIONS?

15 A. Yes. I am a member of the American Water Works
16 Association, and an active member of the Kentucky/Tennessee
17 Section thereof, as well as the National Association of Water
18 Companies.

19
20 6. Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY
21 REGULATORY AGENCIES REGARDING WATER
22 UTILITY COMPANIES?

23 A. Yes. I testified before the Tennessee Regulatory Authority in
24 the Tennessee American Water Case Number 2004-00288. I
25 have also testified before the Public Utilities Commission of
26 Ohio and the State Corporation Commission in Virginia.

1 7. Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS
2 VICE PRESIDENT OF TAWC?

3 A. I serve as the Chief Executive Officer for the Company in
4 Tennessee. I oversee the strategic planning and local policy
5 process of the company in Tennessee.

6
7 8. Q. WHAT IS THE GENERAL AREA SERVED BY
8 TENNESSEE-AMERICAN WATER COMPANY?

9 A. Tennessee-American supplies domestic water service, and
10 public and private fire service to over 73,900 customers in the
11 City of Chattanooga and surrounding areas. We also supply
12 four large sale for resale customers: Signal Mountain, Fort
13 Oglethorpe and Catoosa Utility District, and Walden's Ridge
14 Utility District.

15
16 9. Q. WILL ALL OF THE ITEMS CONTAINED IN UTILITY
17 PLANT FOR WHICH THE COMPANY IS REQUESTING
18 RATE BASE TREATMENT BE USED AND USEFUL?

19 A. Yes.

20
21 10. Q. MR. WATSON, WHAT DOES TENNESSEE-AMERICAN
22 WATER COMPANY DO AS A PART OF ITS DAY-TO-DAY
23 OPERATIONS TO CONTROL COSTS?

24 A. The first element of cost control starts with the Operating &
25 Maintenance plan developed for the year. The Company's
26 plan is developed utilizing a zero-based approach, with
27 reliance on historical cost of service elements. The Company

1 reviews potential technology and productivity advances to
2 make value-added management decisions in order to provide
3 maximum value to our customers.

4 The plan is prepared and controlled utilizing cost center
5 concepts – thus specific, proposed expenditures can be
6 reviewed, and actual expenditures compared to those planned.
7 Each month, plans are reviewed relative to current operating
8 conditions and an appropriate forecast developed for the
9 remainder of the year regarding any expected changes in
10 revenues or expenses.

11 Other benchmarks are constantly reviewed by the company.
12 Customers served per employee provides a benchmark of
13 productivity. Based on actual employee levels in 2006, the
14 ratio has increased 2.2% since 2004---ratio of 676 customers
15 per employee in previous case compared with the current
16 historical test year ratio of 691.

17 Operation and Maintenance costs per customer are also
18 scrutinized, with our goal of keeping year to year increases at
19 or below the rate of inflation. Over the past six (6) years our
20 O&M cost per customer has increased only 1.5% per year on
21 average.

22 Capital expenditures of the Company are planned and
23 scrutinized to assure that needed facilities are identified, that
24 facilities are scheduled for construction within an acceptable
25 time frame, and that they are cost-effectively constructed. The
26 primary planning vehicle of the Company in the area is our
27 least/cost comprehensive planning study.

1 Technological advances are reviewed to improve productivity,
2 and thus add value to the service we provide our customers.

- 3 • The Production Department has added radio telemetry
4 capabilities to the production facilities in the distribution
5 system. The new addition will further enhance the
6 control and capability of the company's booster stations;
7 storage tanks and pressure control/monitoring stations.
- 8 • The Network Department has installed laptop computers
9 and wireless communication to transmit orders to and
10 from field vehicles which increases responsiveness to the
11 customer and provides real-time data from the field to
12 the operations center. The system has also improved
13 response time to customers via the Centralized Call
14 Center, while monitoring progress of field personnel
15 locations to respond to emergency work, assure their
16 safety, and capture productivity measurements for
17 planning purposes.

18
19 11. Q. WHY DOES TENNESSEE-AMERICAN WATER
20 COMPANY NEED TO FILE A RATE CASE AT THIS
21 TIME?

22 A. The primary reason for this rate request is the increase in
23 capital investment in water utility facilities across the
24 Tennessee American Water service area which represents 49%
25 of the requested increase. Increased operating costs for labor
26 and benefits, and with the production of water (i.e. fuel, power,
27 water treatment chemicals, and waste disposal expense)

1 represent approximately 37% of the requested increase.
2 Tennessee-American is under constant pressure to continue to
3 make capital investments which enhance the integrity of
4 service to its customers. This pressure comes from various
5 sources such as federal and state regulations, needed
6 infrastructure replacement, customer expectations, and the
7 water quality and service goals of the Company.

8
9 12. Q. PLEASE EXPLAIN THE COMPANY'S REDUCTION IN
10 ESTIMATED BILLS?

11 A. The Company has worked diligently to address obtaining
12 actual meter readings on customer meters. Over the past
13 eighteen months, the company has focused on leveraging the
14 use of electronic meter reading equipment and hiring
15 additional field service representatives to insure that we can
16 achieve the company goal of 98% actual meter readings.
17 During 2006, Tennessee American Water employees have
18 obtained actual meter readings on 98.0% of the company's
19 meters this year (See Exhibit JSW-1). We also have made a
20 concerted effort to reinforce the importance of the meter
21 reading function and customer service by conducting formal
22 training sessions with all our field services personnel this past
23 summer.

1 **13. Q. PLEASE EXPLAIN THE COMPANY’S SERVICE ORDER**
2 **COMPLETION METRIC AND THE USE OF SERVICE**
3 **FIRST TECHNOLOGY?**

4 **A. The Company has also invested in technology to improve**
5 **productivity through technology to provide real-time tracking**
6 **of customer service order execution. Tennessee American**
7 **Water began to utilize the Service First mobile laptop**
8 **computers in it’s service vehicles beginning in the fourth**
9 **quarter of 2004. Service First allows all service requests to be**
10 **displayed electronically in the service vehicle for the day’s**
11 **work for each field service representative (FSR), and as each**
12 **service request is completed the information is then updated**
13 **and returned to the on-line customer record. This process also**
14 **provides the ability to determine the location of each FSR**
15 **along their route, and in the event an emergency order needs to**
16 **be issued, it is immediately dispatched electronically to the**
17 **FSR that is located nearest to the location. Service requests**
18 **are scheduled based upon requested appointments for work by**
19 **the customer taking into consideration other work which is**
20 **deemed necessary to be completed that day. During 2005,**
21 **FSRs at Tennessee American Water worked and completed an**
22 **average of 5,097 service requests per month, and 99.55% of**
23 **those service requests were completed on schedule. In 2006,**
24 **the number of service requests has increased to an average of**
25 **7,061 service requests per month, 99.77% of those requests**
26 **were completed as scheduled. Each FSR is also issued a**
27 **cellular phone and is able to call ahead to the customer to**

1 make sure that if they desire to be at their premise, they can be
2 contacted when the FSR is near their location. As orders are
3 completed, the Service First technology permits FSR's to have
4 orders sent to them if they are progressing quicker than
5 expected, and likewise, orders can be moved to other FSR's if
6 an FSR is delayed due to additional work at a location that
7 might jeopardize the appointment. See Exhibit JSW-1
8 attached.

10 CAPITAL INVESTMENT

11
12 14. Q. ARE THERE CAPITAL PROJECTS DICTATED BY
13 MUNICIPALITIES, HIGHWAY DEPARTMENTS, CITIES
14 OR OTHER ENTITIES WHICH REQUIRE COMPANY
15 FUNDING FOR REPLACEMENT OR RELOCATION OF
16 EXISTING INFRASTRUCTURE?

17 A. Yes. There are now and have been for some time projects
18 involving storm water and sewer enhancement/replacement,
19 street rehabilitation including widening, sidewalks, curbs and
20 gutters, paving, etc., Several are federally funded highway
21 projects conducted by the Tennessee Department of
22 Transportation (TDOT), which require the Company to
23 relocate or move existing infrastructure within the public right
24 of way, when it conflicts with the projects. In the 2007 attrition
25 year for this case, some of these projects will be reimbursable
26 due to changes in utility relocation laws, however many
27 projects are not reimbursable as they do not meet the criteria

1 set forth by the TDOT. If a TDOT project is conducted in
2 conjunction with a participating city or municipality, the joint
3 participant must contribute matching funds to TDOT for those
4 relocations covered by the statute. If they do not contribute
5 matching funds for utilities relocations then company funding
6 becomes necessary.

7 In addition to highway projects some of the cities we serve are
8 undertaking street, sidewalk and sewer improvements which
9 require funding for relocation or renewal of our infrastructure
10 grid. As an example, we are currently spending approximately
11 \$650,000 over a two year period for facility
12 improvements/relocations for the City of Chattanooga in the
13 Shallowford Road area and the Igou Gap Road area. In
14 addition, we have been notified by TDOT regarding projects
15 requiring relocation of water mains and associated facilities
16 along Ashland Terrace and East Brainerd Road which have
17 been designed or are in design and are currently scheduled to
18 be constructed during the attrition year. Most of the areas
19 under construction are currently served by existing facilities
20 however due to the extensive nature of the construction many
21 existing water mains require replacement.

22
23 15. Q. WHAT MAJOR INVESTMENT PROJECTS HAVE BEEN
24 INSTALLED SINCE THE LAST RATE CASE?

25 A. The Company has completed in years 2005 and 2006
26 construction of (1) fire protection upgrades, (2) normal
27 reoccurring construction programs for replacing aged mains,

1 meters, services, and equipment, (3) the construction of two
2 major tank projects, the Hill City System ground storage tank
3 at \$1.583 million and the East Ridge System ground storage
4 tank and pipelines at \$2.5 million (4) the installation and
5 replacement of water meters serving customers that meet or
6 exceed a periodic meter change timeline. During 2006, (5) the
7 Company has completed the replacement of 14,424 water
8 meters as of the end of October and is continuing to replace an
9 additional 1,300 by year end 2006. Meters in sizes from 3" and
10 greater have been field tested and/or replaced as appropriate.
11 Additional projects are (6) the expenditure on the Service First
12 Project at approximately \$0.345 million, (7) TDOT relocation
13 work of approximately \$1.25 million, (8) Hill City Booster
14 Station Suction Project to reinforce the existing suction line to
15 a large booster station in North Chattanooga at a cost of
16 approximately \$0.450 million, (9) Capitalized Steel Water
17 Tank Rehabilitation and Repainting Project at a cost of
18 approximately \$0.736 million which provides for painting of
19 two (2) 800,000 gallon Alrich Units at the Citico Plant. Also,
20 the company has been focused on a water main replacement
21 program. During 2006, the Company will have spent \$3.7
22 million to replace approximately 34,600 feet of mains up to 12"
23 in diameter. This project focuses on strategically replacing
24 cast iron and steel water mains in different sections of the
25 service area as the pipelines reach the end of their economic
26 useful life and to meet the service needs of our customers.

1 In this rate increase, the company has excluded the rate base
2 assets associated directly with service to the Walden's Ridge
3 Utility District which Tennessee American installed in 2004
4 and 2005, since it is served directly by a special water purchase
5 agreement.

6
7 **16. Q. WHAT MAJOR INVESTMENT PROJECTS ARE PLANNED**
8 **FOR 2007?**

9 **A. In addition to normal reoccurring expenses for Water Main**
10 **and Fire Hydrant Replacement and Renewal, New Services,**
11 **Meters, Tools & Equipment, Vehicles and other miscellaneous**
12 **items totaling \$9.43 million, TAWC will (1) construct the East**
13 **Ridge System elevated storage tank costing \$2.4 million, (2)**
14 **continue the Capitalized Steel Water Tank Rehabilitation and**
15 **Repainting Project, and (3) have projected TDOT relocation**
16 **expenses of \$500,000.**

17
18 **Operating Expenses**

19
20 **17. Q. PLEASE EXPLAIN TENNESSEE AMERICAN WATER'S**
21 **EMPLOYEE COUNT INCLUDED IN THIS CASE?**

22 **A. Tennessee American Water as of October 24, 2006 currently**
23 **employs 107 employees directly in the daily operations. This**
24 **level of employees is one greater than the number of employees**
25 **granted in the previous rate case by the Tennessee Regulatory**
26 **Authority. In the previous rate case, the Company agreed to**

1 and has provided on a quarterly basis it's employee headcount
2 to the Authority and to the Consumer Advocate and Protective
3 Division of the Tennessee Attorney General, including an
4 update on employment of each job classification at Tennessee
5 American Water (Exhibit JSW-2). The workforce is presently
6 comprised of eighteen (18) personnel employed in the
7 Production Department. Those employees provide
8 supervision/operation/maintenance of the water pumping
9 station, filtration and treatment plant. The Water Quality
10 Group consists of three (3) personnel engaged in conducting
11 water quality wet chemistry and bacteriological sampling,
12 analysis and reporting. They also are responsible for meeting
13 the requirements of existing and future water quality
14 regulations and execution of the Company's cross connection
15 and backflow prevention program. The Distribution
16 Department is currently comprised of forty-four (44) personnel
17 responsible for the installation, maintenance, and repair of
18 water distribution facilities including repair of water mains,
19 service line installation, repair and replacement, fire hydrant
20 inspection, repair and flushing, valve inspection and repair,
21 leak detection and repair, material and supplies inventory and
22 supply ordering. In addition, the Outside Commercial
23 Department consists of twenty-nine (29) personnel responsible
24 for meter reading, customer service requests, meter
25 installation and replacement, testing and repair. The
26 Engineering Department consists of eight (8) employees that
27 supervise and provide support for capital improvement

1 projects, permits, applications for new service installations,
2 bidding, and scheduling pipeline and other construction work
3 with outside contractors and developers. Finally, the
4 Administrative Group consists of five (5) employees
5 responsible for administration and general management,
6 administrative support, human resources, budgeting, finance,
7 accounting, and communications.

8
9 18. Q. PLEASE EXPLAIN THE INCREASE IN LABOR COST FOR
10 TENNESSEE AMERICAN WATER IN THIS CASE?

11 A. Tennessee American Water continually reviews the level of
12 employees required to provide adequate service levels for the
13 customers it serves. The Company identifies any operational
14 gaps and addresses them in order to meet all laws, regulations,
15 and company policy. The Company has identified four
16 additional positions that are necessary for Tennessee American
17 to operate accordingly. The first position the company will be
18 filling in January 2007 is that of Production Superintendent.
19 Since 2004, the Company has operated with two Production
20 Supervisors. The two Production Supervisors direct the
21 hourly employees in the Department and continue to perform
22 adequately, however the Company has determined it needs to
23 hire a Production Superintendent to better address the overall
24 planning, forecasting and budgeting for the Production
25 Department. The position has been identified as critical to
26 address the increasingly complex regulatory climate associated
27 with state and federal regulations for operator certification

1 and training, and to manage upcoming water treatment plant
2 renovation design and construction which will be necessary to
3 meet the Disinfection/DBP regulations passed by the USEPA.

4 The Company has determined the need for a Loss Control
5 Specialist which is included in this rate increase. The Loss
6 Control Specialist is responsible for workers compensation,
7 general liability claims activity, as well as preparing written
8 safety programs required to comply with state and Federal
9 OSHA standards for construction, chemical hygiene, lab
10 safety, hazard communications, risk management planning,
11 emergency planning and preparedness and to interact with the
12 local emergency planning committee. This position will have
13 responsibility to provide employee safety training for all
14 aspects of the Tennessee American water safety and health
15 program.

16 The Company has determined the need for additional support
17 in water quality. The Company is hiring an additional
18 laboratory analyst, who will provide additional sampling
19 associated with growth of the water system and more stringent
20 water quality regulations, including IDSE regulations, and
21 Disinfection/DBP regulations. These new regulations require
22 additional study to determine the conditions in the distribution
23 system that impact water quality and the testing for additional
24 substances in the drinking water. The Company will fill this
25 position in January 2007.

26 Finally, the company is hiring one (1) additional Truck
27 Driver/Utility Worker. This position is being hired exclusively

1 to work in the Distribution Department to add another
2 resource to inspect fire hydrants in the distribution system.
3 There are presently 5,000 fire hydrants in the Tennessee
4 American Water distribution system, and this will permit the
5 Company to inspect all of the fire hydrants on an annual basis
6 in accordance with AWWA recommended guidelines for fire
7 hydrant maintenance of US water systems. Exhibit JSW-3
8 shows the four (4) positions which are described above within
9 the existing organizational chart by department.
10

11 19. Q. PLEASE DISCUSS THE COMPANY'S FUEL AND POWER
12 COST REQUESTED IN THIS CASE?

13 A. Tennessee American Water is provided electric service in the
14 Chattanooga area by the Electric Power Board of Chattanooga
15 (EPB). Electric power is primarily used at the treatment
16 facility known as the Citico Water Treatment and Pumping
17 Station, plus approximately 28 booster stations which provide
18 the necessary pressure to serve customers at different
19 elevations across the service area. Since TAWC's previous rate
20 case filing, the EPB of Chattanooga has received two rate
21 increases from the Tennessee Valley Authority and passed each
22 of those increases from TVA to its customers, including
23 Tennessee American Water. Based upon information provided
24 to Tennessee American Water by EPB these increases were
25 largely the result of increases in the cost of fuel for generating
26 electricity and for generating station costs. The rate increases
27 were effective October 1, 2005 increasing rates by 7.5% and

1 the second increase was effective April 1, 2006 increasing rates
2 by 9.95%. On October 1, 2006 a small decrease was passed
3 back to EPB of Chattanooga by TVA of 3.5%. The overall
4 impact of these electric rate increases has directly impacted the
5 cost of electricity to Tennessee American Water. The
6 Company is requesting in this rate increase the recovery of the
7 electric utility expense at the current EPB rates. Witness
8 Sheila Miller describes in her testimony the adjustment at
9 current electric rates necessary to recover the current
10 annualized fuel & power expense of the Company.

11
12 20. Q. PLEASE DISCUSS THE COMPANY'S CHEMICAL
13 EXPENSE INCLUDED IN THIS CASE?

14 A. The company competitively bids water treatment chemicals
15 annually to obtain the lowest possible price from suppliers.
16 The increase in energy and petroleum costs, a major
17 component of chemical production and delivery, have resulted
18 in significant increases in the unit price paid by the Company.
19 Energy cost (gasoline prices) has also had a significant impact
20 on the transportation costs that suppliers are encountering.
21 Chemical suppliers have increased their price accordingly.
22 Current chemical unit prices have increased in 2006 over 2005
23 by 21.9% for Sodium Hydroxide (Caustic Soda), by 19.77%
24 for Aluminum Chlorohydrate (PACL), by 56.5% for
25 Hydrofluosilicic Acid (Fluoride), and by 57.8% Zinc
26 Orthophosphate, while Liquid Chlorine decreased 19.2%
27 (Exhibit JSW-4). Suppliers have indicated prices will remain

1 at or above the current levels during 2007. Ms. Miller will
2 discuss in her testimony the adjustment necessary to arrive at
3 the chemical expense requested in this case.
4

5 21. Q. PLEASE DISCUSS THE COMPANY'S WASTE DISPOSAL
6 EXPENSE IN THIS CASE?

7 A. Tennessee American Water must dispose of water used for
8 filter backwash, sedimentation basin cleaning and water
9 treatment residuals to the City of Chattanooga Sewer System.
10 The City of Chattanooga bills Tennessee American Water for
11 the materials discharged to the city sewer system based upon
12 two criteria. First, (1) the quantity of water that is discharged
13 to the city sanitary sewer system, and (2) the level of Total
14 Suspended Solids (TSS) as an industrial user on the city sewer
15 system.

16 The City of Chattanooga City Council on September 12, 2006
17 approved a 16.5% increase in sewer rates citing increases in
18 electricity and other expenses.

19 Ms. Miller has provided in her testimony the necessary
20 adjustment that supports the Company's request for recovery
21 of this expense.
22

23 22. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

24 A. Yes, it does.
25

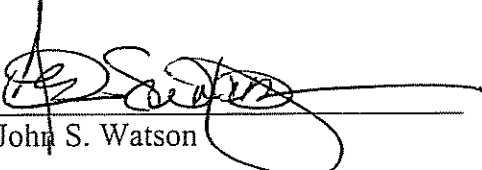
TENNESSEE REGULATORY AUTHORITY

STATE OF TENNESSEE

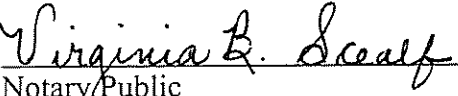
COUNTY OF HAMILTON

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

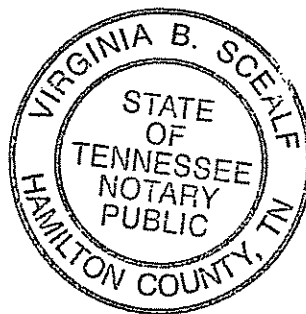
He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript consisting of 17 pages.


John S. Watson

Sworn to and subscribed before me
this 16th day of November 2006.


Notary Public

My commission expires July 30, 2008.



[illegible]

TENNESSEE AMERICAN WORKFORCE 2006

Exhibit JSW-2

DEPARTMENT

Page 1 of 4

Actual

Auth

Administrative

John Watson	Vice Pres/Gen Network Mgr	1	1	260206
Sally Thornton	Senior HR Generalist	1	1	260218
Kimberly Dalton	Communications Specialist	1	1	260205
Ginny Scealf	Executive Assistant	1	1	260206
Vicki Griffith	Administrative Assistant	1	1	260206
Mark Shadrick (eff 11-8-04)	SCADA Program Supervisor	1	1	SE Region-TN Based
Ronald Schleifer	Non-Revenue Water Supv KY-TN	1	1	SE Region-TN Based

Subtotal

7 7

Network Operations**Management**

Monty Bishop	Network Operations Supt	1	1	260206
Rachel Bartley	Network Operations Supervisor	1	1	260206
Michael Bennette	Network Operations Supervisor	1	1	260206
Pamela Cummings	Network Operations Supervisor	1	1	260206
Kevin Highsmith	Network Operations Supervisor	1	1	260206
David McBay	Network Operations Specialist	1	1	260305
Leah Morrison	Network Operations Supervisor	1	1	260206
Gary Norwood	Network Operations Supervisor	1	1	260206
Mark Turley	Network Operations Specialist	1	1	260206
		9	9	

Heavy Equipment Operator

Tad Autry (1-11-05)	Heavy Equipment Operator	1	1	260206
Stanley Bowling (eff 12-13-04)	Heavy Equipment Operator	1	1	260206
Jack Derryberry	Heavy Equipment Operator	1	1	260206
Alan Gamble	Heavy Equipment Operator	1	1	260206
Renee Grace	Heavy Equipment Operator	1	1	260206
Ed Harris	Heavy Equipment Operator	1	1	260206
James Hughes	Heavy Equipment Operator	1	1	260206
Danny Watts (eff 3-13-06)	Heavy Equipment Operator	1	1	260206
Herman Walden	Heavy Equipment Operator	1	1	260206
Billy Welch (eff 2-10-05)	Heavy Equipment Operator	1	1	260206
		10	10	

Distribution Clerk

Linda Russell	Distribution Clerk	1	1	260206
Janie Hughes	Distribution Clerk	1	1	260206
		2	2	

Truck Driver Utility Worker

Marvin Blevins	Truck Driver Utility Worker	1	1	260206
Tobey Blevins (eff 2-1-05)	Truck Driver Utility Worker	1	1	260206
Tony Borders	Truck Driver Utility Worker	1	1	260206
Steve Collins	Truck Driver Utility Worker	1	1	260206
Scott Crane	Truck Driver Utility Worker	1	1	260206
Pat Crutchfield	Truck Driver Utility Worker	1	1	260206
Jerry Haddock (eff 3-13-06)	Truck Driver Utility Worker	1	1	260206
Chris Hays	Truck Driver Utility Worker	1	1	260206
Roy Hindman (eff 2-24-05)	Truck Driver Utility Worker	1	1	260206
Sam Jenkins	Truck Driver Utility Worker	1	1	260206
Elijah King (eff 3-13-06)	Truck Driver Utility Worker	1	1	260206
Eddie Martin (eff 1-16-06)	Truck Driver Utility Worker	1	1	260206
Larry Matthews	Truck Driver Utility Worker	1	1	260206
David McNabb (eff 2-15-05)	Truck Driver Utility Worker	1	1	260206
Mike Moses	Truck Driver Utility Worker	1	1	260206
Danny Seebeck (eff 1-31-05)	Truck Driver Utility Worker	1	1	260206
Jeff Stanley	Truck Driver Utility Worker	1	1	260206
Rick Stephens	Truck Driver Utility Worker	1	1	260206
Morris Taylor	Truck Driver Utility Worker	1	1	260206
Keith Wilson	Truck Driver Utility Worker	1	1	260206
Richard Bednarski (eff 10-23-06)	Truck Driver Utility Worker	1	1	260206
		21	21	

Utility Worker

				Exhibit JSW-2			
				Page 2 of 4			
	Donald Ray Morgan (eff 4-21-06)	Utility Worker		1	1	260206	
	Shawn McGhee (eff 5-15-06)	Utility Worker		1	1	260206	
				2	2		
Meter Reader							
	Denise Hays (eff 11-22-04)	Meter Reader		1	1	260203	
	Brenda Melton	Meter Reader		1	1	260203	
				2	2		
Field Representative							
	Courtney Johnson (eff 10-24-06)	Field Representative		1	1	260203	
	Kelly Atkins (9-12-05)	Field Representative		1	1	260203	
	Herman Baggett (eff 12-13-04)	Field Representative		1	1	260203	
	Brian Billups (eff 3-13-06)	Field Representative		1	1	260203	
	Tim Blevins	Field Representative		1	1	260203	
	John Boyer (eff 2-21-05)	Field Representative		1	1	260203	
	Adam Chrnalogar	Field Representative		1	1	260203	
	Michael Griffith (eff 10-03-05)	Field Representative		1	1	260203	
	Chase Hester (eff 1-30-06)	Field Representative		1	1	260203	
	Erich Haws (eff 2-7-05)	Field Representative		1	1	260203	
	Lamar Jenkins (eff 3-27-06)	Field Representative		1	1	260203	
	Edward Johnson (eff 11-22-04)	Field Representative		1	1	260203	
	Jeffrey Jones (eff 7-25-05)	Field Representative		1	1	260203	
	Matthew Justice (eff 2-14-05)	Field Representative		1	1	260203	
	Stacy Knight (eff 10-10-05)	Field Representative		1	1	260203	
	Jason Mount (eff 4-3-06)	Field Representative		1	1	260203	
	Jeff Stafford (9-23-05)	Field Representative		1	1	260203	
	Cindy Steed (eff 12-22-04)	Field Representative		1	1	260203	
	Derick Williams (eff 9-19-05)	Field Representative		1	1	260203	
				19	19		
On/Off							
	Worn Hicks	On/Off		1	1	260203	
	James Springs	On/Off		1	1	260203	
				2	2		
Meter Repair							
	William O'Donnell (eff 3-13-06)	Meter Repair		1	1	260203	
	Rick Skiles (eff 3-13-06)	Meter Repair		1	1	260203	
				2	2		
Field Services							
	Greg Robinson	Field Services		1	1	260203	
	Glenn Eady	Field Services		1	1	260203	
				2	2		
Clerical							
	Myra Kelley	Field Service Records Clerk		1	1	260203	
	Donette Satterfield	Field Service Records Clerk		1	1	260203	
				2	2		
Sub-total Meter Shop				29	29		
Total Network				73	73		
Engineering Management							
	Kate Nartley (eff 9-10-2006)	Engineer		1	1		
	Kitty Banks (eff 7-31-06)	WQ Spec/Cross Connection		1	1		
	Steve Betty (eff 1-16-06)	WQ Spec/Cross Connection		1	1		
	Randal Taylor	Project Manager		1	1		
				4	4		
Draftsperson							
	Robbie Harvey	Drafter		1	1		
				1	1		
Clerical							
	Shirley Tucker	Engineering Clerk		1	1		
	Faye Williams (eff. 4-18-05)	Engineering Clerk		1	1		
	Deborah Wortham	Engineering Clerk		1	1		
				3	3		
Subtotal				8	8		

Production				Exhibit JSW-2	
Management				Page 3 of 4	
	Neil Bratcher	Production Supervisor		1	1
	Mark Zinnanti	Production Supervisor		1	1
				2	2
Process Technician					
	Terry Cordell	Process Technician		1	1
	Gary Odmann	Process Technician		1	1
	Ben Pitman	Process Technician		1	1
	David Worrell	Process Technician		1	1
				4	4
Laborer/Relief Process Tech in Training					
	Bennie Davis (eff 11-7-05)	Laborer/Relief Proc Tech/Training		1	1
	Randee Scruggs	Laborer/Relief Proc Tech/Training		1	1
				2	2
Master Maintenance Mechanic					
	Melvin Walker	Master Maintenance Mechanic		1	1
	Dale Burrell (eff 6-13-05)	Master Maintenance Mechanic		1	1
	Jason Ha (eff 12-13-04)	Master Maintenance Mechanic		1	1
	Ken Hughes (eff 12-13-04)	Master Maintenance Mechanic		1	1
				4	4
Maintenance Mechanic					
	David Coates	Maintenance Mechanic		1	1
	Jack Cooke	Maintenance Mechanic		1	1
	Ed Weathers	Maintenance Mechanic		1	1
				3	3
Laborer/Relief Process Technician					
	Debbie Camp	Laborer/Relief Process Tech		1	1
	Charlotte Hutsell	Laborer/Relief Process Tech		1	1
				2	2
Production Clerk					
	Diana Vaughn	Production Clerk		1	1
				1	1
	Subtotal			18	18
Service Delivery/Environmental Management					
	Susan Holmes	Water Quality Superintendent		1	1
	Adrian Partridge (eff. 10-11-06)	Lab Analyst		1	1
				2	2
Lab Worker					
	Barbara Upshaw	Lab Worker		1	1
				1	1
	Subtotal			3	3
	Total			109	109
Non-Union Employees				24	24
Union Employees				65	65
2006 Vacancies - Non-Union				0	0
2006 Vacancies - Union				0	0

TENNESSEE AMERICAN WATER COMPANY

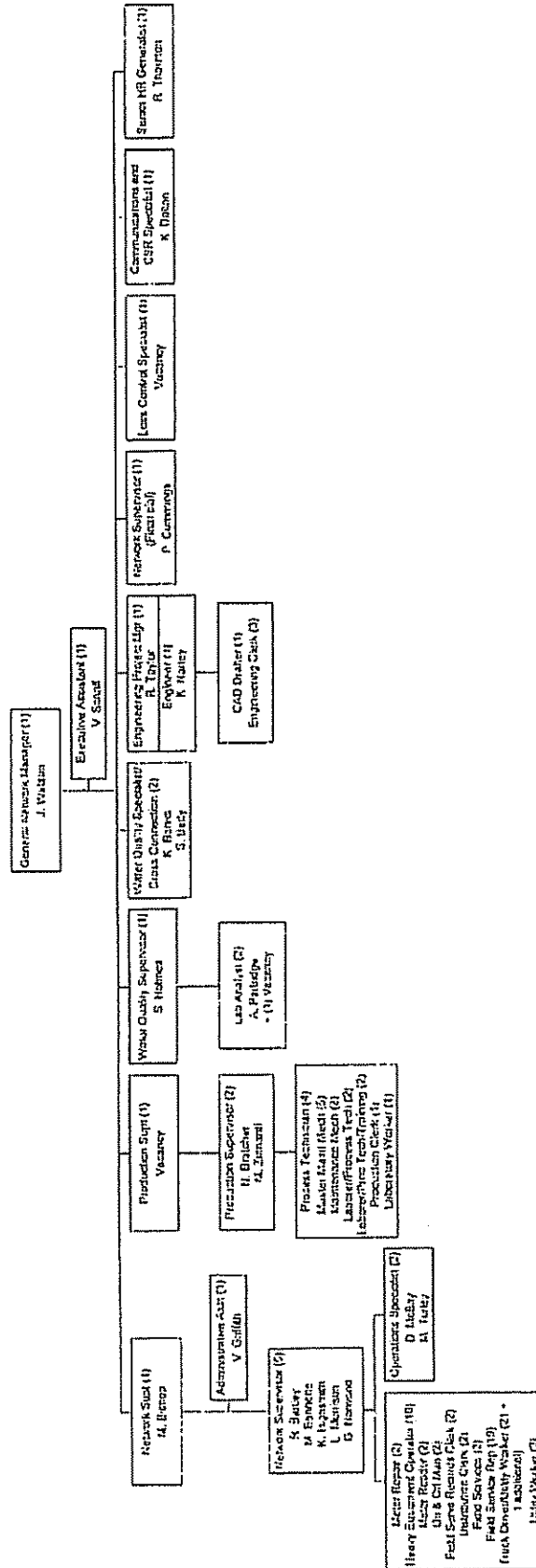
Report of Total Employees

Exhibit JSW-2
Page 4 of 4

Report for Period Ending			10/31/2006
Current			
Job Position	Number of Employees	Comments	
MGMT Vice President and General Manager	1	Position Filled	
MGMT Communications Specialist	1	Position Filled	
MGMT Executive Assistant	1	Position Filled	
MGMT Senior Secretary	1	Position Filled	
MGMT SCADA Program Supervisor-SER KY/TN	1	Position Filled	
MGMT Network Operations Superintendent	1	Position Filled	
MGMT Network Operations Supervisor	6	Position Filled	
MGMT Network Operations Specialist	2	Position Filled	
MGMT Non-Revenue Water Supervisor-SER KY/TN	1	Position Filled	
MGMT Project Manager	1	Position Filled	
Union Heavy Equipment Operator	10	Position Filled	
Union Distribution Clerk	2	Position Filled	
Union Truck Driver Utility Worker	21	Position Filled, 1 additional position filled 10/23/2006	
Union Utility Worker	2	Position Filled	
Union Meter Reader	2	Position Filled	
Union Field Representative	19	Position Filled, 1 additional position filled 10/24/2006	
Union On/Off Worker	2	Position Filled	
Union Meter Repair	2	Position Filled	
Union Field Service Records Clerk	2	Position Filled	
Union Field Services	2	Position Filled	
MGMT WQ Specialist - Cross Connection	2	1 Position Filled, 1 additional position filled 7/31/2006	
Union Drafter	1	Position Filled	
Union Engineering Clerk	3	Position Filled	
MGMT Production Supervisor	2	Position Filled	
Union Process Technician	4	Position Filled	
Union Master Maintenance Mechanic	4	Position Filled	
Union Maintenance Mechanic	3	Position Filled	
Union Laborer/Relief Process Relief in Training	2	Position Filled	
Union Laborer/Relief Process Tech	2	Position Filled	
Union Production Clerk	1	Position Filled	
MGMT Water Quality Superintendent	1	Position Filled	
MGMT Lab Analyst	1	Position Filled 10/11/2006	
Union Lab Worker	1	Position Filled	
MGMT Sr. Human Resource Generalist	1	Position Filled	
MGMT Operations Engineer	1	Position Filled	
Current Employment at 10/31/2006	109		
Comments Regarding Vacancies:			
Lab Analyst			0 Filled 10/11/2006 above
Field Service Representative			0 Existing employee retired 8/1/06, filled position 10/24/2006
Truck Driver/Utility Worker			0 New employee hired 10/23/2006
Total Employees			109
Union			85
Management			24

Alton Call Center Employees Supporting Tennessee American Water Company = 12.6

**American Water
Southern Region
Tennessee**



Chemical Unit Price 2005 to 2006 Comparison

Price Index	Bid Index	State	Location	Chemical		Estimated Annual Volume	Unit of Measure	Container Type	Shipment Quantity	Shipment Type	2005 Unit Price	2005 Estimate	2006 Unit Price	% Inc
868	967	TN	Chattanooga	Sodium Hydroxide 0.5	50%	380,000	wet lbs	Bulk	4,000	Gal	\$ 0.1153	\$ 44,194.00	\$ 0.1418	21.93%
864	1	TN	Chattanooga	Aluminum Chlorohydrate	23-24% Aluminum oxide, 82% basicity	1,300,000	wet lbs	Bulk	4,000	GAL	\$ 0.1811	\$ 235,430.00	\$ 0.2169	19.77%
866	583	TN	Chattanooga	Chlorine	100%	580,000	wet lbs	Ton Cylinders	6	Cylinder	\$ 0.3340	\$ 193,728.00	\$ 0.2700	-19.16%
867	800	TN	Chattanooga	Hydrofluosillicic Acid	23%	590,000	wet lbs	Bulk	4,000	Gals	\$ 0.0687	\$ 40,533.00	\$ 0.1075	56.48%
332	n/a	TN	Chattanooga	Zinc Orthophosphate (Sulfate based) (12Zn : 10 PO4)		540,000	wet lbs	Bulk	4,000	Gal	\$ 0.1586	\$ 85,644.00	\$ 0.2503	57.82%
865	1052	TN	Chattanooga	Carbon - Powdered, Activated	Lignite	0	dry lbs	Bulk	30,000	lbs	\$ 0.3700	-	\$ 0.3900	5.41%

Polymer is not bid thru NJ