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January 11, 2007

VIA HAND-DELIVERY

Chairman Sara Kyle
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Petition Of Tennessee American Water Company To Change And Increase Certain Rates And Charges So As To Permit It To Earn A Fair And Adequate Rate Of Return On Its Property Used And Useful In Furnishing Water Service To Its Customers; Docket No. 06-00290

Dear Chairman Kyle:

Enclosed please find an original and sixteen (16) copies of Supplemental Statement of Tennessee American Water Company in Opposition to Chattanooga Manufacturers Association's and City of Chattanooga's Request that Contested Case Hearing be Conducted in Chattanooga Tennessee.

Please return two copies of the Responses, which I would appreciate your stamping as "filed," and returning to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG/ms
Enclosures

Chairman Sara Kyle
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cc: Michael A. McMahon (*w/enclosure*)
Timothy C. Phillips, Esq. (*w/enclosure*)
Henry Walker, Esq. (*w/enclosure*)
David C. Higney, Esq. (*w/enclosure*)
J. Richard Collier, Esq. (*w/enclosure*)
Mr. John Watson (*w/enclosure*)
Mr. Michael A. Miller (*w/enclosure*)

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

IN RE:

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

Docket No. 06-00290

Original

**SUPPLEMENTAL STATEMENT OF TENNESSEE AMERICAN
IN OPPOSITION TO CHATTANOOGA MANUFACTURERS
CITY OF CHATTANOOGA'S REQUEST THAT CONTESTE
CONDUCTED IN CHATTANOOGA TENNE**

Petitioner Tennessee American Water Company ("Tennessee American Water") respectfully submits this supplemental statement in order to place in the written record the statements it made at the Status Conference on Monday, January 8, 2007, and to respond to the subsequent written Request filed by the City of Chattanooga ("City") on January 10, 2007. In short, Tennessee American Water continues to believe that moving the entire multi-day evidentiary rate case hearing to Chattanooga, as requested by the Chattanooga Manufacturers Association ("CMA"), will cause a costly, unnecessary, and unjustified burden on Chattanooga ratepayers and state taxpayers. The sole basis for CMA's request is to provide the public an opportunity to give the TRA input at a Chattanooga location and Tennessee American Water's proposal to the Hearing Officer that the TRA conduct a public input meeting at a convenient time and place in Chattanooga fully serves this purpose. A public input meeting involving several TRA representatives would be dramatically less costly than moving much of the TRA to

Chattanooga for the better part of a week. Of course, all TRA hearings in Nashville are open to the press and public.

Tennessee American's opposition to the request to hold the evidentiary hearing in Chattanooga rests on very practical grounds. It is not disputed by any party that such a move will increase the costs of this case, not only for the parties but for the Authority itself. Those costs include the expense of essentially moving a division of state government to another city. In some ways, moving the evidentiary hearings to Chattanooga is the same thing as moving a significant portion of Chattanooga's local government to Nashville for three or four days. This would be a waste of the water company's and TRA resources that will ultimately be paid for by local water ratepayers and state taxpayers.

It is also conceded by the CMA and the City that the TRA has never held an evidentiary hearing away from its agency offices in Nashville. Moreover, the CMA and the City also admitted that even though they have made repeated requests of the Authority to move Tennessee American Water cases to Chattanooga in recent years, they have never made a single such request in the multiple Chattanooga Gas rate cases that have been heard by the TRA during that same time period. When questioned by the Hearing Officer about this discrepancy, the CMA was unable to give any justification for why Tennessee American, or this particular case, should be singled out for special treatment. The City likewise has yet to offer any significant reason to grant this extraordinary request. After the Status Conference, the City submitted a filing that claimed it was worth spending additional ratepayer and state taxpayer funds so that the TRA can receive "free" local publicity and see Chattanooga's latest tourist attractions. Clearly, these are not responsible grounds for the City's request.

While moving the multi-day evidentiary hearing to Chattanooga is unjustified, Tennessee American supports and recommends having the TRA hold a public meeting there for input from its customers. This will allow the public every opportunity to express their views to the TRA in Chattanooga. Consumers are unlikely to want to spend significant sums of ratepayer and taxpayer money so that days of testimony about rates of return on equity or capital expenditure details can occur in Chattanooga instead of in an open hearing at the TRA's designated seat in Nashville. A public input meeting conducted before a TRA Director, the Hearing Officer, or Consumer Services Division staff, with Company and Intervenor representatives on hand, accomplishes the task far more efficiently. It also meets the City's stated desire to have the local media educate the public on what the TRA does. Holding such meetings is not an unusual procedure around the country, and Tennessee American Water would welcome such a forum. When asked by the Hearing Officer at the Status Conference, neither the CMA nor the City could explain why having the public meeting proposed by Tennessee American Water would not satisfy the need for local customer input.

In the final analysis, however, the unique request to relocate the entire evidentiary hearing to Chattanooga will result in significant increased costs, which will have to be borne by the ratepayers of Tennessee American and the taxpayers of the entire state. But no one has been able to explain why these increased costs should be incurred and shouldered by the public. The high visibility of CMA representatives in the local Chattanooga press making inflammatory comments about Tennessee American Water suggests there are other reasons for the continued insistence that the evidentiary hearing be moved to Chattanooga. But the TRA should not allow itself to be drawn into the middle of a local political scuffle unrelated to the merits of this rate case.

Tennessee American Water respectfully requests that the TRA adopt the proposal of holding a public meeting in Chattanooga where anyone with a concern may come forward and state it on the record. There is no legitimate justification, however, for undertaking the unusual, wasteful, and unwieldy process of uprooting the entire regulatory agency – Directors, staff, and all -- as well as the many other necessary participants in the process, and relocating them to Chattanooga for a case that the CMA and City have conceded is not materially different than any other case filed before the Authority.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", is written over a horizontal line.

R. Dale Grimes (#6223)
J. Davidson French (#15442)
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*Counsel for Petitioner
Tennessee American Water Company*

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 11 day of January, 2007, upon the following:

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<input checked="" type="checkbox"/> Hand	Timothy C. Phillips, Esq.
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