

**BASS, BERRY & SIMS PLC**

*Attorneys at Law*

A PROFESSIONAL LIMITED LIABILITY COMPANY

**Erin Massey Everitt**

PHONE: (615) 742-7997

FAX: (615) 248-4242

E-MAIL: eeveritt@bassberry.com

315 Deaderick Street, Suite 2700

Nashville, Tennessee 37238-3001

(615) 742-6200

OTHER OFFICES

KNOXVILLE  
MEMPHIS

June 27, 2008

**VIA E-MAIL AND HAND DELIVERY**

Chairman Eddie Roberson, PhD

c/o Ms. Sharla Dillon

Tennessee Regulatory Authority

460 James Robertson Parkway

Nashville, Tennessee 37243

filed electronically in docket office on 06/27/08

**Re: *Petition of Tennessee American Water Company To Change And Increase Certain Rates And Charge 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. 08-00039***

Dear Chairman Roberson:

Enclosed please find an original and seven (7) sets of copies of Tennessee American Water Company's Supplemental Response to Discovery Requests by the Office of Attorney General, Consumer Advocate and Protection Division. In addition, TAWC includes two compact disks. The first compact disk contains TAWC's Supplemental Responses in their native Word, Excel, or Adobe format. The second compact disk contains a pdf image of TAWC's Supplemental Response.

Please return three (3) copies of this Supplemental Response to me by way of our courier, which I would appreciate your stamping as "filed."

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,



Erin Massey Everitt

Enclosures

Chairman Eddie Roberson, PhD

June 27, 2008

Page 2

cc: Hon. Ron Jones (*w/o enclosure*)  
Hon. Sara Kyle (*w/o enclosure*)  
Hon. Tre Hargett (*w/o enclosure*)  
Ms. Darlene Standley, Chief of Utilities Division (*w/o enclosure*)  
Richard Collier, Esq. (*w/o enclosure*)  
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)  
Ms. Pat Murphy (*w/o enclosure*)  
Timothy C. Phillips, Esq. (*w/enclosure*)  
David C. Higney, Esq. (*w/enclosure*)  
Henry M. Walker, Esq. (*w/enclosure*)  
Michael A. McMahan, Esq. (*w/enclosure*)  
Frederick L. Hitchcock, Esq. (*w/enclosure*)  
Mr. John Watson (*w/o enclosure*)  
Mr. Michael A. Miller (*w/o enclosure*)

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Others

**PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL  
& MISCELLANEOUS**

**Question:**

3 (a). In TRA Docket No. 06-00119, TAWC received the Tennessee Regulatory Authority's approval for a change of control. In that Docket, TAWC stated on pg. 8 of the Petition for Approval of Change of Control filed on 4/21/2006 that "The Proposed Transaction will not impair the ability of the Petitioner to maintain a reasonable capital structure that is representative of other utilities." Also, on May 6, 2009 American Water Works filed with the SEC a Registration Statement stating that the Company may issue \$750 million of debt. Included in the filing was Exhibit 23.1, a consent statement by Price Waterhouse Coopers: Consent of Independent Registered Public Accounting Firm. We hereby consent to the use in this Registration Statement on Amendment No. 1 to Form S-4 (No. 333-148284) of our report dated February 28, 2008 relating to the consolidated financial statements of American Water Works Company, Inc. and Subsidiary Companies (formerly Thames Water Aqua US Holdings, Inc. and Subsidiary Companies), which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

a. Provide the consolidated financial statements prepared by Price Water House Coopers and all American Water Work's workpapers relied on by Price Water House Coopers to prepare the consolidated financial statements.

**June 27, 2008 Supplemental Response:**

Pursuant to an agreement between the CAPD and the Company, the Company hereby produces a document tracing the changes in equity in American Water Works from 2001-2007. Please see attached schedule.

**American Water Works Company, Inc.**

**Statement of Common Stockholder's Equity**

	<u>Common Stock</u> Shares	<u>Par Value</u>	<u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Accum. Other</u> <u>Comp. Income</u>	<u>Unearned</u> <u>Compensation</u>	<u>Treasury Stock</u> <u>Shares</u> <u>At Cost</u>	<u>Common</u> <u>Stockholder's</u> <u>Equity</u>
Balance at December 31, 2001	100,016,273	125,020	489,868	1,137,772	5,958	(539)	1,891 (61)	1,758,018
Net Income								
Incentive Plan				147,064				1,466
Unrealized gain (loss) on securities, net					1,138			1,138
Treasury Stock	74,783	94	833			539	14,220 (621)	(621)
Preferred stock redemption premium				(62)				(62)
Additional minimum pension liability, net					(7,136)			(7,136)
Foreign currency translation					241			241
Dividends:								
Preferred Stock				(146)				(146)
Common Stock				(98,041)				(98,041)
Balance at December 31, 2002	100,091,056	125,114	490,701	1,186,587	201	0	16,111 (682)	1,801,921
Net Income				57,559				
Cancel outstanding stock at time of RWE acquisition					(201)			(1,801,921)
Equity Investment by RWE			(490,701)	(1,186,587)			(16,111)	3,000,000
Unrealized gain (loss) on securities, net					(6,261)			(6,261)
Additional minimum pension liability, net			2,999,999		(27)			(27)
Foreign currency translation					2,718			2,718
Dividends:								
Preferred Stock				(53,181)				(53,181)
Common Stock				0				0
Balance at December 31, 2003	1,000	1	2,999,999	4,378	(3,570)	0	0	3,000,808
Net Income								
Market Value adjustments of investments, net of tax of \$1,381				(64,918)				(64,918)
Additional minimum pension liability, net					(2,565)			(2,565)
Foreign currency translation					267			267
Dividends:					(1,373)			(1,373)
Preferred Stock				0				0
Common Stock				0				0
Balance at December 31, 2003 (See Note 1)	1,000	1	2,999,999	(60,540)	(7,241)	0	0	2,932,219
Post Closing Audit Adjustments (per 2006 AWW/TWAUSHI Annual Report)			378,001	(123,551)	11,475			265,925
Revised Balance at December 31, 2003	1,000	1	3,378,000	(184,091)	4,234	0	0	3,198,144

Net Income (Loss)			(64,918)			(64,918)
Market Value Adjustment for investments, net of tax of \$1,381				(2,565)		(2,565)
Additional minimum pension liability, net of tax \$171				267		267
Foreign currency translation				(1,373)		(1,373)
Dividends:						
Preferred Stock			0			
Common Stock			0			
2007 Annual Report restatement			(1,599)			0
Balance at December 31, 2004	159,000	1,599				
	160,000	1,600	3,376,401	(249,009)	563	0
						0
						0
Balance at December 31, 2004	160,000	1,600	3,376,401	(249,009)	563	0
						3,129,555
Net Income (Loss)						
Market Value Adjustment for investments, net of tax of \$1,381				(233)		(233)
Additional minimum pension liability, net of tax \$302				(472)		(472)
Foreign currency translation				906		906
Dividends:						
Preferred Stock			0			
Common Stock			0			
Balance at December 31, 2005	160,000	1,600	3,376,401	(574,049)	764	0
						0
						0
Balance at December 31, 2005	160,000	1,600	3,376,401	(574,049)	764	0
						2,804,716
Net Income (Loss)						
Equity Investment by RWE						
Market Value Adjustment for investments, net of tax of \$1,381				(162,243)		(162,243)
Additional minimum pension liability, net of tax \$1,115			1,194,454			1,194,454
Recognition of employee benefit plan underfunded status						
Foreign currency translation				471		471
Dividends:				1,744		1,744
Preferred Stock				(21,919)		(21,919)
Common Stock				174		174
Balance at December 31, 2006	160,000	1,600	4,570,855	(736,292)	(18,766)	0
						0
						0
Balance at December 31, 2006	160,000	1,600	4,570,855	(736,292)	(18,766)	0
						3,817,397
Net Income (Loss)						
Equity Investment by RWE						
Change in employee benefit plan funded status						
Pension plan amortized to periodic benefit cost:						
Prior Service Costs			1,067,092	(342,826)	924	(342,826)
Actuarial loss						1,067,092
Foreign currency translation						924
Dividends:						
Preferred Stock			0		36	36
Common Stock			0		72	72
Balance at December 31, 2007	160,000	1,600	5,637,947	(1,079,118)	(649)	(649)
Balance at December 31, 2007	160,000	1,600	5,637,947	(1,079,118)	(18,383)	0
						0
						4,542,046

Note 1: Per the 2003 AWW Annual Report - Subsequent years audits impacted this balance as selected in audit adjustments included in this analysis.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Others

**PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL  
& MISCELLANEOUS**

**Question:**

7. In its S-1 Registration statement filed May 6 with the SEC, American Water Works stated: "RWE intends to fully divest its ownership of American Water through the consummation of one or more public offerings of common stock of American Water as soon as reasonably practicable, subject to market conditions." Provide any study, document, emails and all written material where RWE or RWE Aqua Holdings GmbH consider what circumstances financial, and otherwise, constitute conditions that "are reasonably practicable, subject to market conditions" for the public offerings of common stock.

**June 27, 2008 Supplemental Response:**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, the Company states that RWE is no longer the sole shareholder of American Water Works (AWW). Further, TAWC is not in possession, custody or control of information held by RWE. American Water Works has not performed or caused to be performed a study regarding which market conditions on which RWE would sell their stock.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Others

**PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL  
& MISCELLANEOUS**

**Question:**

8. Provide any study, document, emails and all written material where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study of American Water Works' expected market value between now and 2010.

**June 27, 2008 Supplemental Response:**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, the Company states that RWE is no longer the sole shareholder of American Water Works (AWW). TAWC is not in possession, custody or control of information held by RWE. American Water Works has not performed or caused to be performed a study regarding the expected market value of its common stock between now and 2010.



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Others

**PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL  
& MISCELLANEOUS**

**Question:**

9. Provide any study, document, emails and all written material where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study where a second class of stock is, has, would be or will be issued for American Water Works.

**June 27, 2008 Supplemental Response:**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, the Company states that RWE is no longer the sole shareholder of American Water Works (AWW). Further, TAWC is not in possession, custody, or control of information held by RWE. American Water Works has not performed or caused to be performed a study regarding the creation of a second class of stock.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Others

**PART III: QUESTIONS & REQUESTS REGARDING COST OF CAPITAL  
& MISCELLANEOUS**

**Question:**

10. Provide any study, document, emails and all written material where RWE, RWE Aqua Holdings GmbH, or American Water Works has performed or caused to be performed a study of the dividends which American Water Works should, will or consider paying to its stockholders.

**June 27, 2008 Supplemental Response:**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, the Company states that RWE is no longer the parent of American Water Works (AWW). Further, TAWC is not in possession, custody or control of information held by RWE. American Water Works has not performed or caused to be performed a study regarding a change in the dividend policy for American Water Works (AWW) contained in the S-1 statement and prospectus, reference previously in this response.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Michael Miller/Sheila Miller

**PART IV: QUESTIONS & REQUESTS REGARDING REVENUES, EXPENSES,  
TAXES, RATE BASE & MISCELLANEOUS**

**Question:**

3. Provide the number of meters by meter type, by customer class, by location and the volume usage by usage rate schedule, by customer class, by location for the years ended December 31, 2003-2007 and the twelve months ended March 31, 2008.

**June 27, 2008 Supplemental Response:**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, the Company states that the information requested for the year ended December 2003 is not available. The Company did not maintain monthly bill analysis data during 2003 and, as a result, this information cannot be retroactively obtained from the customer service system for that year. Beginning in 2004, bill analysis data was provided to the TRA on a monthly basis.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 08-00039  
FIRST DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Sheila Miller/Michael Miller

**PART IV: QUESTIONS & REQUESTS REGARDING REVENUES, EXPENSES,  
TAXES, RATE BASE & MISCELLANEOUS**

**Question: RATE BASE**

62. Provide the information for Plant in Service and Accumulated Depreciation by JDE account in the following format as of July 2002, March 2004, June 30, 2006:

(1)	(2)	(3)	(4)	(5)	(6)
<b>JDE Acct #</b>	<b>Account Description</b>	<b>Plant in Service Balance</b>	<b>Acc. Deprec. Balance</b>	<b>Current Deprec. Rate</b>	<b>Net Book Value</b>

The response should incorporate the format and subsidiary accounts of the Company's Accounting Exhibit No. 2, Schedule 4.

**Supplemental Response (June 27, 2008):**

The Company reserves and incorporates its prior responses and all objections previously set forth in its responses. Subject to and without waiving its objections, please see the attached schedule detailing the plant in service and accumulated depreciation by JDE account as of June 30, 2006. Please note that this balance varies from the one provided by NARUC account due to this schedule correctly restating the net negative salvage.

Tennessee American Water Company  
CAPD-01-Part IV-Q 62

JDE Object	JDE Subsidiary	Account Description	Current Depreciation Rate	June 2006 Plant Balance	June 2006 Accum Depr Balance	June 2006 Net Book Value
101000	301000	Organization	0.00%	0	0	0
101000	303300	Land & Ld Rights P	0.00%	73,444	0	73,444
101000	303400	Land & Ld Rights WT	0.00%	18,009	0	18,009
101000	303500	Land & Ld Rights TD	0.00%	55,450	0	55,450
101000	303501	Land TD	0.00%	127,324	0	127,324
101000	303502	Rights of Way TD	0.00%	132,664	0	132,664
101000	303600	Land & Land Rights AG	0.00%	25,022	0	25,022
101000	304100	Struct & Imp SS	0.00%	0	0	0
101000	304200	Struct & Imp P	3.86%	3,695,488	865,861	2,829,627
101000	304300	Struct & Imp WT	4.57%	1,707,760	993,985	713,775
101000	304301	Struct & Imp WT Depr Pntn	10.00%	1,553,002	822,826	730,177
101000	304400	Struct & Imp TD	3.51%	510,815	361,455	149,360
101000	304500	Struct & Imp AG	3.98%	0	0	0
101000	304510	Struct & Imp AG Cap Lease	0.00%	1,590,500	0	1,590,500
101000	304600	Struct & Imp Offices	3.98%	149,174	120,811	28,363
101000	304700	Struct & Imp Store,Shop,G	4.65%	312,642	252,152	60,491
101000	304800	Struct & Imp Misc	5.64%	641,625	527,346	114,280
101000	306000	Lake, River & Other Intak	3.40%	281,452	140,768	140,684
101000	309000	Supply Mains	5.92%	514,274	6,592	507,682
101000	310100	Power Generation Equip	3.44%	219,335	17,306	202,029
101000	311200	Pump Equip Electric	1.73%	5,714,839	2,305,684	3,409,155
101000	311300	Pump Equip Diesel	1.97%	119,296	47,622	71,675
101000	311500	Pump Equip Other	3.94%	25,516	70,133	(44,616)
101000	311520	Pumping Equipment SS	1.73%	0	0	0
101000	311530	Pumping Equipment WT	0.00%	0	0	0
101000	320100	WT Equip Non-Media	4.27%	12,324,130	8,645,464	3,678,667
101000	330000	Dist Reservoirs & Standpi	1.80%	6,196,734	1,615,170	4,581,564
101000	330003	Dist Res & Stand Orig Rep	10.00%	997,416	218,141	779,275
101000	330100	Elevated Tanks & Standpip	1.80%	170,895	470,482	(299,586)
101000	330400	Clearwell	1.80%	680,784	175,841	504,942
101000	331001	TD Mains Not Classified b	1.41%	1,873,752	436,631	1,437,121
101000	331100	TD Mains 4in & Less	1.62%	4,371,540	872,669	3,498,871
101000	331200	TD Mains 6in to 8in	1.36%	1,458	390	1,068
101000	331210	TD Mains 6in to 10in (TN)	1.36%	55,160,835	10,838,766	44,322,069
101000	331300	TD Mains 10in to 16in	1.42%	9,141,006	1,766,309	7,374,696
101000	331350	TD Mains 12in & Grtr (TN)	1.42%	20,470,716	3,992,325	16,478,391
101000	331400	TD Mains 18in & Grtr	1.42%	241,966	120,565	121,401
101000	333000	Services	2.28%	17,119,151	6,713,188	10,405,963
101000	334100	Meters	0.98%	3,531,811	465,943	3,065,868
101000	334110	Meters Bronze Case	2.45%	9,173	795	8,378
101000	334120	Meters Plastic Case	15.35%	91,620	2,036	89,584
101000	334130	Meters Other	2.45%	130,241	11,293	118,947
101000	334131	Meters Other-Rem Rdr Unts	0.98%	0	0	0
101000	334200	Meter Installations	1.64%	8,191,429	852,672	7,338,756
101000	335000	Hydrants	2.21%	6,851,516	1,520,607	5,330,909
101000	339200	Other P/E SS	5.92%	8,526	167,599	(159,072)
101000	339500	Other P/E TD	0.00%	0	1,213	(1,213)
101000	339600	Other P/E CPS	20.00%	405,132	190,989	214,143
101000	340100	Office Furniture & Equip	2.73%	591,837	467,116	124,721
101000	340200	Comp & Periph Equip	15.90%	240,851	228,904	11,947

Tennessee American Water Company  
CAPD-01-Part IV-Q 62

JDE Object	JDE Subsidiary	Account Description	Current Depreciation Rate	June 2006 Plant Balance	June 2006 Accum Depr Balance	June 2006 Net Book Value
101000	340210	Comp & Periph Mainframe	15.90%	601,115	433,224	167,891
101000	340220	Comp & Periph Personal	15.90%	487,621	386,030	101,591
101000	340230	Comp & Periph Other	15.90%	192,291	132,067	60,224
101000	340300	Computer Software	15.90%	392,592	316,564	76,028
101000	340310	Comp Software Mainframe	15.90%	3,535,059	2,547,720	987,339
101000	340320	Comp Software Personal	15.90%	206,245	148,641	57,604
101000	340330	Comp Software Other	15.90%	14,222	9,123	5,099
101000	340400	Data Handling Equipment	15.90%	71,496	72,285	(789)
101000	340500	Other Office Equipment	4.07%	139,827	114,877	24,950
101000	341100	Trans Equip Lt Duty Trks	9.36%	967,297	282,243	685,054
101000	341200	Trans Equip Hvy Duty Trks	9.99%	668,809	93,738	575,071
101000	341300	Trans Equip Autos	10.54%	176,996	51,911	125,084
101000	341400	Trans Equip Other	0.70%	35,388	32,821	2,567
101000	342000	Stores Equipment	4.98%	43,392	44,144	(752)
101000	343000	Tools,Shop,Garage Equip	3.85%	1,042,747	300,002	742,745
101000	344000	Laboratory Equipment	11.12%	368,088	275,955	92,133
101000	345000	Power Operated Equipment	9.21%	250,922	284,837	(33,915)
101000	346100	Comm Equip Non-Telephone	4.43%	321,298	236,016	85,282
101000	346190	Remote Control & Instrume	4.43%	0	0	0
101000	346200	Comm Equip Telephone	14.91%	164,690	104,297	60,393
101000	347000	Misc Equipment	2.89%	1,012,035	130,344	881,691
101000	348000	Other Tangible Property	2.89%	4,918	10,769	(5,851)
101100		Reg Asset-AFUDC-Debt	0.00%	46,099	0	46,099
Total				177,013,297	52,315,255	124,698,042

### 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 27th day of June, 2008, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Timothy C. Phillips, Esq.
<input type="checkbox"/> U.S. Mail	Consumer Advocate and Protection Division
<input type="checkbox"/> Facsimile	Office of Attorney General
<input type="checkbox"/> Overnight	2nd Floor
<input checked="" type="checkbox"/> Email	425 5th Avenue North
	Nashville, TN 37243-0491
<input type="checkbox"/> Hand-Delivery	David C. Higney, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Grant, Konvalinka & Harrison, P.C.
<input checked="" type="checkbox"/> Overnight	633 Chestnut Street, 9th Floor
<input checked="" type="checkbox"/> Email	Chattanooga, TN 37450
<input checked="" type="checkbox"/> Hand-Delivery	Henry M. Walker, Esq.
<input type="checkbox"/> U.S. Mail	Counsel for Chattanooga Manufacturers Association
<input type="checkbox"/> Facsimile	Boult, Cummings, Conners & Berry, PLC
<input type="checkbox"/> Overnight	Suite 700
<input checked="" type="checkbox"/> Email	1600 Division Street
	Nashville, TN 37203
<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
<input type="checkbox"/> U.S. Mail	Special Counsel
<input type="checkbox"/> Facsimile	City of Chattanooga (Hamilton County)
<input checked="" type="checkbox"/> Overnight	Office of the City Attorney
<input checked="" type="checkbox"/> Email	Suite 400
	801 Broad Street
	Chattanooga, TN 37402
<input type="checkbox"/> Hand-Delivery	Frederick L. Hitchcock, Esq.
<input type="checkbox"/> U.S. Mail	Harold L. North, Jr., Esq.
<input type="checkbox"/> Facsimile	Counsel for City of Chattanooga
<input checked="" type="checkbox"/> Overnight	Chambliss, Bahner & Stophel, P.C.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
	Two Union Square
	Chattanooga, TN 37402

