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*Attorneys at Law*

A PROFESSIONAL LIMITED LIABILITY COMPANY

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OTHER OFFICES

KNOXVILLE  
MEMPHIS

August 5, 2008

**VIA HAND DELIVERY**

Chairman Tre Hargett  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

**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 Hargett:

Enclosed please find an original and seven (7) sets of copies of Tennessee American Water Company's Responses to the Data Request by the Tennessee Regulatory Authority, dated July 29, 2008. In addition, two compact disks have been provided. The first disk contains all of the Company's responses in Word or Excel to data requests filed July 29, 2008. The second disk contains all such responses in PDF format.

Please return three (3) copies of these Responses to me, which I would appreciate your stamping as "filed," 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

Chairman Tre Hargett  
August 5, 2008  
Page 2

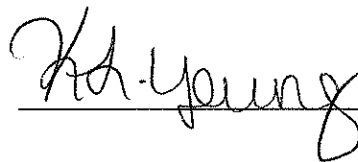
Enclosures

cc: Hon. Ron Jones (*w/o enclosure*)  
Hon. Sara Kyle (*w/o enclosure*)  
Hon. Eddie Roberson, PhD (*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*)

## 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 5th day of August, 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.
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	Two Union Square
	Chattanooga, TN 37402



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

**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. 08-00039**

**AFFIDAVIT**

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL A. MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing responses to the Data Requests from the Tennessee Regulatory Authority were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 5<sup>th</sup> day of August, 2008.

Michael A. Miller  
(signature)

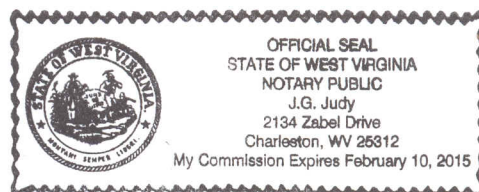
Michael A. Miller  
(printed name)

Sworn to and subscribed before me this 5<sup>th</sup> day of August, 2008.

J.G. Judy  
NOTARY PUBLIC

My Commission Expires:

February 10, 2015



**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

**Responsible Witness:** Sheila Miller

**Question:**

1. The Authority issued a Data Request on May 12, 2008 that Tennessee American Water Company (TAWC) responded to on May 28, 2008. The Data Request sought detailed calculations of both expenses and revenues based on Exhibit No. 2, Schedule 3 (*Summary of Adjustments to Operation and Maintenance Expenses*) and Exhibit No. 2, Schedule 2 (*Operating Revenues Per Books for the Test Year and for the Attrition Year Under Both Present and Proposed Rates*) respectively. The detailed calculations were provided; however, the accounting exhibit/schedules that were originally provided have not been filed with updated information to include the adjustments reflected in the Data Response of May 28, 2008. The following adjustments were provided:

- Customer Accounting: \$ 6,403
- General Office Expense: 3,825
- Other Maintenance Expense: 14,773
- Miscellaneous Expense: 38, 556

Please provide all accounting exhibits/schedules with the new updated information based on the calculations provided in the Data Response of May 28, 2008.

**Response:**

Attached are the following amended Accounting Exhibits/schedules detailing the adjustment for the inflation factor included in the data response of May 28, 2008 which are also included on the enclosed CD on the excel file labeled as TN-TRA-05-Q01.xls:

Amended Exhibit No. 1, Schedule 1 – Overall Financial Summary (See tab labeled as Exh 1 Sch 2 on the CD)

Amended Exhibit No. 2, Schedule 2, Pages 1 – 3 – Computation of Attrition Year Rate Base (page 3 Net Additions did not change) (See tab labeled as Exh 2 Sch 2 pg 1; Exh 2 Sch 2 pg 2; Exh 2 Sch 2 pg 3 on the CD)

Exhibit No. 2, Schedule 2 – Operating Revenues (new tariffs were not calculated and as a result this exhibit was not amended) (See tab labeled as Exh 2 Sch 2 on the CD)

Amended Exhibit No. 1, Schedule 3, Pages 1 – 6 – Computation of Working Capital (pages 4-6 did not change) (See tab labeled as Exh 1 Sch 3 pg 1; Exh 1 Sch 3 pg 2; Exh 1 Sch 3 pg 3; Exh 1 Sch 3 pg 4; & Exh 1 Sch 5 & 6 on the CD)

Amended Exhibit No. 2, Schedule 1 – Statement of Income (See tab labeled as Exh 2 Sch 1 on the CD)

Exhibit No. 2, Schedule 2 Operating Revenues (The Company did not change the tariffs or bill analysis from the original filing and as a result this schedule did not change) (See tab labeled as Exh 2 Sch 2 on the CD)

Amended Exhibit No. 2, Schedule 3 – Summary of Adjustments to Operation & Maintenance Expenses (See tab labeled as Exh 2 Sch 3 on the CD)

Exhibit No. 2, Schedule 4 – Pages 1 & 2 – Summary of Adjustments to Depreciation and Amortization Expenses (this Exhibit did not change) (See tab labeled as Exh 2 Sch 4 pg 1 & 2 on the CD)

Amended Exhibit No. 2, Schedule 5 – Summary of Adjustments to Taxes Other than Income (See tab labeled as Exh 2 Sch 5 on the CD)

Amended Exhibit No. 2, Schedule 6, Pages 1 & 2 – Summary of Income Taxes (See tab labeled as Exh 2 Sch 5 pg 1 & 2 on the CD)

The original capital structure and bill analysis were not amended.

The original excel files in response to TN-TRA-01-Q01 detailing the adjustments to customer accounting, general office, miscellaneous expense, and

maintenance expense are also included on the enclosed CD. The details of each adjustment to the inflation factor are highlighted in yellow for easy reference. The Company originally filed using an inflation factor of 2.3%, but this only included the month of the attrition period beginning in September 2008 through August 2009. The months from our historical test period ending November 30, 2007 through August 2008 were not included in the inflationary adjustment. The inflation factor was recalculated to include the entire twenty-one month period from the end of the historical test year to the end of the attrition period. This inflation factor calculates to 3.94% as shown on attachment 1. The calculation is also included on the enclosed CD on the tab labeled as "Inflation factor".

There is one correction to the inflation adjustment on the miscellaneous expense line. Originally the new inflation factor of 3.94% was applied to an ending balance that had also included the inflationary increase of the 2.3%. This has been corrected and reduces the adjustment of the inflation factor from \$38,556 to \$28,419. See this correction on the excel file included on the enclosed CD under the "Misc detail" tab.

Corrected schedules for each inflationary adjustment are attached and labeled as follows:

Customer Accounting Amended – an increase to expense of \$6,403

General Office Expense Amended – an increase to expense of \$3,825

Miscellaneous Expense Amended – an increase to expense of \$28,419

Maintenance Expense Amended – an increase to expense of 14,773

The attached exhibits also include adjustments for the following items to correct for more current chemical contract prices, more current EPB tariffs, and errors or omissions in the Company's original filing that have become apparent during this case:

- CWIP adjusted to a 13 month average (decrease to rate base of \$1,086,539). See attachment 2. The Company originally filed using the CWIP balance at the end of the attrition period. See the adjustment on the enclosed CD under the “CWIP” tab.
- Fuel & Power adjusted to current tariff rates as of April 1, 2008, and the fuel cost adjustment (FCA) effective July 1, 2008 plus an average increase to the FCA for the attrition period (decrease expense of \$64,216). See attachments 3 and 4.

This variance is due to using actual tariff rates as of April 1, 2008 and the current fuel cost adjustment (FCA) as of July 1, 2008 plus an average percentage increase for the FCA for the attrition period. The average FCA of 30.89% was calculated on the change over the last three quarters beginning with the decrease from October 31, 2007 to January 1, 2008, the increase from January 1, 2008 to April 1, 2008, and the increase from April 1, 2008 to July 1, 2008. Due to the fluctuations in this fuel cost adjustment over the last two years, as indicated on attachment 5, the Company used the conservative approach by utilizing an average over the last three quarters. The FCA is embedded in the EPB usage charge tariff amount. To arrive at the new usage charge, the prior FCA amount must be subtracted from the current tariff “usage charge” and the new FCA added. See attachment 5 and the “FCA” tab on the enclosed excel file. The tariff rates that were used by the Company in making this adjustment are blocked on the Fuel and Power schedule as shown on attachment 6.

- Chemicals adjusted for 2009 contract prices for January – August 2009 (increase to expense \$509,950)

The chemical adjustment was amended to reflect the new 2009 contract chemical prices. The cost was prorated by multiplying the historical test year usage by the 2008 contract prices and utilizing 5/12's of that cost and multiplying the historical test year usage by the 2009 contract prices and utilizing 8/12's of that cost. An average cost per CCF is then calculated on the test year system

delivery. That average cost per CCF is then applied to the normalized system delivery to arrive at the normalized chemical cost and attrition year system delivery to arrive at the attrition year chemical cost.

The Company received bids for a one-year contract and a 90-day contract. Due to the fluctuations in pricing over time, the Company will accept the 1-year bid prices. See attachment 7 for the 2009 chemical contract prices. Also refer to the excel file on the enclosed CD under tab "chemical bids 2009". The chemical adjustment is detailed on attachment 8. Also refer to the excel file on the enclosed CD under tab "chemical adj".

The last three adjustments reduce working capital by eliminating the following items that the Company originally included in error:

- Eliminated average cash from working capital schedule (decrease in working capital of \$214,257)
- Eliminated prepaid insurance from working capital schedule (decrease in working capital of \$97,506)
- Eliminated unamortized debt expense from working capital schedule (decrease in working capital of \$290,559)

Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 1  
Page 1 of 1

Overall Financial Summary

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

Line No.	Description	Reference to Supporting Exhibit	Proposed Test Year
1	Rate Base	Exhibit 1, Schedule 2	\$118,199,645
2	Operating Income at Attrition Year Present Rates	Exhibit 2, Schedule 1	5,452,341
3	Earned Rate of Return		4.610%
4	Rate of Return	Exhibit 3, Schedule 1	8.514%
5	Required Operating Income		10,063,518
6	Operating Income Deficiency		4,611,177
7	Gross Revenue Deficiency Factor		1.71974555
8	Revenue Deficiency		7,930,051
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Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 2  
Page 1 of 3

Computation of Attrition Year Rate Base

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

Line No.	Additions	Footnote Reference	Per Books Rate Base @ 11/30/07	Adjustments	Rate Base 13 mo average @ 08/31/09
1	Utility Plant in Service (UPIS)	(1)	\$191,067,259	\$12,931,133	\$203,998,392
2	Construction Work in Progress	(2)	2,829,032	5,167,429	7,996,461
3	Utility Plant Capital Lease		1,590,500		1,590,500
4	Deferred Maintenance	(3)	0	0	0
5	Limited-Term Utility Plant - Net	(4)	0	0	0
6	Working Capital		1,396,084	0	1,396,084
7	Total Additions		196,882,875	18,098,563	214,981,438
8	Deductions				
9	Accumulated Provision for Depreciation UPIS	(5)	58,457,113	5,106,092	63,563,205
10	RWIP		(151,351)	0	(151,351)
11	Accumulated Amortization of Utility Plant Capital Lease	(6)	1,007,317	132,542	1,139,858
12	Deferred Income Taxes	(7)	15,511,634	1,420,137	16,931,771
13	Customer Advances for Construction	(8)	5,750,627	1,043,308	6,793,935
14	Contributions in Aid of Construction	(9)	8,258,501	140,515	8,399,016
15	Unamortized Investment Tax Credit	(10)	37,993	0	37,993
16	Utility Plant Acquisition Adjustment	(11)	74,850	(7,485)	67,365
17	Total Deductions		86,946,634	7,835,109	96,781,792
18	Rate Base		107,936,191	10,263,454	118,199,645

Attrition Year Rate Base  
Footnotes

Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 2  
Page 2 of 3

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

Line No.	FOOTNOTE REFERENCE	DESCRIPTION	AMOUNT
1			
2			
3			
4			
5			
6	(1)	Net Additions to UPIS through August 2009	\$12,931,133
7	(2)	Adjustment to CWIP through August 2009	5,167,429
8	(3)	Adjustment to Deferred Maintenance	0
9	(4)	Adjustment to Limited -Term Utility Plant - Net	0
10	(5)	Adjustment to Accumulated Provision for Depreciation of UPIS	5,106,092
11	(6)	Adjustment to Accumulated Amortization of Utility Plant - Capital Lease	132,542
12	(7)	Adjustment to Deferred Income Taxes	1,420,137
13	(8)	Change in Customer Advances	1,043,308
14	(9)	Change in Contributions in Aid of Construction	140,515
15	(10)	Change in Unamortized Investment Tax Credit	0
16	(11)	Adjustment to Utility Plant Acquisition Adjustment	(7,485)
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Test Year: Twelve Months Ended: November 30, 2007  
Exhibit No. 1, Schedule 2  
Page 3 of 3

Net Additions to Utility Plant in Service & 13 Month Average  
From End of Test Year to End of Forecasted Period

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

Line No.	Account Number	Account Description	2007 Net Additions	2008 Net Additions	2,009 Net Additions	13 month average Utility Plant In Service @ 09/31/09
1	301000	Organization	\$0	\$0	\$0	\$0
2	301000	Land & Land Rights	\$0	\$240,000	\$0	\$0
3	303000	Comprehensive Planning Study	\$13,000	\$0	\$0	\$253,000
4	303000	Pumping Structures	(\$405,132)	\$0	\$0	(\$405,132)
5	304200	Water Treatment Structures	\$53,033	\$855,000	\$1,146,500	\$53,033
6	304300	Water Treatment Structures-Painting	(\$467)	\$0	\$0	\$2,004,033
7	304300	T & D Structures	\$0	\$0	\$0	\$0
8	304301	Office Structures	\$157,455	\$0	\$0	\$0
9	304400	Stores, Shop, & Garage Structures	\$0	\$0	\$0	\$157,455
10	304500	Miscellaneous Structures	\$0	\$0	\$0	\$0
11	304700	Lakes, Rivers, & Other Intakes	\$0	\$0	\$0	\$0
12	304800	Supply Mains	\$1,171	\$0	\$0	\$1,171
13	305000	Power Generation Equipment	\$0	\$30,000	\$65,000	\$0
14	309000	Electric Pumping Equipment	\$0	\$0	\$0	\$0
15	310100	Diesel Pumping Equipment	\$49,049	\$0	\$0	\$0
16	311200	Other Pumping Equipment	\$91,217	\$188,000	\$260,000	\$49,049
17	311500	Water Treatment Equipment	\$0	\$0	\$0	\$539,217
18	320100	Granular Activated Carbon	\$97,768	\$362,000	\$605,000	\$1,064,769
19	320200	T & D Reservoirs & Standpipes	\$284,443	\$0	\$0	\$284,443
20	330000	T & D Reservoirs & Standpipes-Painting	\$0	\$0	\$0	\$0
21	330003	Cleanwells	\$0	\$0	\$0	\$0
22	330400	T & D Mains not Classified	\$241,103	\$30,000	\$0	\$221,781
23	331001	T & D Mains - Mains (4" - 6")	\$47,298	(\$88,319)	(\$36,544)	4,678,232
24	331100	T & D Mains - Mains (6" - 8")	\$278,065	\$0	\$0	1,458
25	331200	T & D Mains - Mains (8" - 10")	\$0	\$3,087,512	\$1,864,303	64,141,552
26	331210	T & D Mains - Mains (10" - 16")	\$651,976	\$0	\$0	6,745,591
27	331300	T & D Mains - Mains (16" - 24")	\$145,881	\$1,875,075	\$1,548,782	23,916,874
28	331350	Services	\$58,120	\$1,162,451	\$787,888	20,333,945
29	333000	Meeters	\$1,511,374	\$0	\$0	4,681,223
30	334000	Meeters-Metal Cases/Old Style	\$0	\$0	\$0	1,324,025
31	334100	Meeters - Plastic Case	\$183	\$0	\$0	\$0
32	334120	Meeters - Metal Cases/New Style	(\$1,153,462)	\$687,600	\$526,300	833,022
33	334200	Meeter Installations	\$207,822	\$880,500	\$598,500	10,810,746
34	335000	Hydrants	\$0	\$372,345	\$328,887	8,077,845
35	339200	Other P/E SS	(\$101,349)	\$0	\$0	8,526
36	340100	Office Furniture	\$0	\$71,500	\$67,000	607,584
37	340200	Computer & Peripheral Equipment	\$0	\$77,900	\$45,900	308,231
38	340210	Computer & Mainframe Equipment	(\$311,724)	\$0	\$0	603,486
39	340220	Computer & Periph Personal	(\$65,989)	\$17,600	\$17,600	412,863
40	340230	Computer Software	\$0	\$0	\$0	130,983
41	340300	Computer Software Mainframe	(\$14,760)	\$14,000	\$16,500	388,963
42	340310	Computer Software Personal	\$0	\$0	\$0	3,635,059
43	340320	Computer Software Other	(\$44,519)	\$0	\$0	191,484
44	340330	Data Handling Equipment	(\$43,739)	\$0	\$0	14,222
45	340400	Other Office Equipment	\$58,422	\$261,900	\$323,100	15,284
46	341100	Light Trucks	\$0	\$34,200	\$34,200	92,891
47	341200	Heavy Trucks	\$0	\$0	\$0	1,381,608
48	341300	Automobiles	\$0	\$34,200	\$34,200	953,058
49	341400	Transportation-Other	(\$2,843)	\$0	\$0	299,015
50	342000	Stores Equipment	(\$1,884)	\$89,200	\$151,300	237,242
51	342000	Tools, Shop, & Garage Equipment	\$0	\$0	\$0	43,392
52	343000	Laboratory Equipment	\$35,535	\$0	\$0	1,315,016
53	344000	Power Operated Equipment	(\$70,027)	\$5,400	\$5,400	381,626
54	345000	Communication Equipment	\$0	\$0	\$0	332,767
55	346100	Communication Equipment-Telephone	\$9,753	\$5,400	\$5,400	390,366
56	346200	Miscellaneous Equipment	\$0	\$0	\$0	92,350
57	347000	Other Tangible Plant	\$0	\$8,000	\$11,000	1,037,181
58	348000	Total Plant in Service	1,576,771	10,409,144	8,478,466	203,989,392
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Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 3  
Page 1 of 6

Computation of Working Capital

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

Line No.	Item	Amount
1		
2		
3		
4		
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6		
7		
8	Average Cash	0
9	Prepaid Insurance	0
10		
11	Prepaid Taxes	168,877
12		
13	Materials & Supplies	204,853
14		
15	Deferred Regulatory Expenses	1,020,269
16		
17	Unamortized Debt Expense	0
18		
19	Other Deferred Debits	852,184
20		
21	Lead - Lag Study	611,000
22		
23	Total	2,857,183
24		
25	Less:	
26		
27	Customer Deposits	0
28		
29	Incidental Collections	1,461,089
30		
31	Total	1,461,089
32		
33	Working Capital Requirement	1,396,084
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Computation of Working Capital  
Lead/Lag Study

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

Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 3  
Page 2 of 6

Line No.	Description	Days	Amount
1			
2			
3			
4	Net Operating Funds		37,240,793
5			
6	Average Daily Operating Funds		102,030
7			
8	Composite Average Days Interval Between:		
9			
10	(A) Date Service Furnished and Date Collections Deposited	42	
11			
12	(B) Date Expenses Incurred and Date of Payment	36	
13			
14	(C) Net Interval	6	
15			
16	Operating Funds Advanced		611,160
17			
18	Lead/Lag Study Capital		611,160
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20	Use		611,000
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Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 1, Schedule 3  
Page 3 of 6

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

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

Line No.	Description	Amount	Post Payment or (Lead) Days	Dollar Days
1	Payrolls Charged to Expense - Hourly	3,388,686	5.50	18,637,774
2	Payrolls Charged to Expense - Salary	1,581,955	14.02	22,179,015
3	Fuel and Power	1,986,259	50.65	100,604,007
4	Chemicals	1,559,222	28.27	44,079,203
5	Waste Disposal	179,088	31.23	5,592,917
6	AWWS Charges	4,335,190	(4.46)	(19,334,948)
7	Group Insurance	1,082,191	(1.31)	(1,417,671)
8	Pensions	1,161,108	0.00	0
9	Insurance Other than Group	583,492	(21.72)	(12,673,446)
10	Rents	11,336	9.24	104,741
11	Telephone Expense	111,452	(2.73)	(304,264)
12	Postage Expense	330,315	24.77	8,181,897
13	Amortizations	0	0.00	0
14	Stock E	142,602	23.77	3,389,850
15				
16				
17				
18				
19				
20	Other Operating and Maintenance Expenses	4,561,418	20.51	93,554,683
21	Total O & M Expenses	21,014,314		
22				
23	Depreciation and Amortization	4,730,347	0.00	0
24	Taxes, Other than Income			
25	Payroll	484,884	10.61	5,144,818
26	Other	3,789,872	174.52	661,408,461
27	FIT-Current	882,654	37.00	32,658,198
28	SIT-Current	155,311	58.63	9,105,884
29	Deferred Taxes	731,069	0.00	0
30	Interest Expense	4,024,698	87.97	354,052,683
31	Preferred Dividends	68,556	89.48	6,134,391
32	Net Earnings	1,389,087	0.00	0
33	Net Operating Funds	37,240,793		1,331,097,793
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				

Average Days Interval between Date Expenses are incurred and Date of Payment

35.74

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

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

Test Year: Twelve Months Ended: November 30, 2007  
Exhibit No. 1, Schedule 3  
Page 4 of 6

Line No.	Revenues Amount	Median Service Days	Dollar Days
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12	Revenues less private fire 34,283,659	15.21	521,454,457
13			
14	Private Fire billed in advance 1,489,608	(45.63)	(67,970,813)
15			
16	Total 35,773,267		453,483,644
17			
18			
19			
20			
21			
22			
23			
24	Average Median Service Days	12.68	
25			
26	Number of Days between the Reading Date and the Date the Bills are Mailed	4.62	
27			
28	Number of Days between the Reading Date and the Date the Bills are paid	24.43	
29			
30	Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received	41.73	
31			
32			
33			
34			
35			
36			
37			
38			
39	Notes: private fire Quarterly is billed in advance		
40	All monthly customers are billed in arrears		
41			
42			
43			
44			
45			

Test Year: Twelve Months Ended: November 30, 2007  
Exhibit No. 1, Schedule 3  
Page 5 of 6

Computation of Average Materials & Supplies Paid

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

Line No.	Date	End of Month	Amount
1	Nov-06		581,029
2	Dec-06		229,357
3	Jan-07		195,445
4	Feb-07		233,008
5	Mar-07		224,864
6	Apr-07		270,637
7	May-07		291,693
8	Jun-07		294,104
9	Jul-07		213,158
10	Aug-07		230,819
11	Sep-07		302,090
12	Oct-07		245,557
13	Nov-07		230,169
14	Total		3,541,929
15		Average Balance	272,456

Computation of Average Materials and Supplies Unpaid

Line No.	Date	End of Month	Amount
1	Nov-06		65,592
2	Dec-06		62,794
3	Jan-07		77,330
4	Feb-07		76,101
5	Mar-07		70,975
6	Apr-07		71,313
7	May-07		74,198
8	Jun-07		76,903
9	Jul-07		61,895
10	Aug-07		52,926
11	Sep-07		52,775
12	Oct-07		52,123
13	Nov-07		83,918
14	Total		878,843
15	Average Balance		67,603



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

Test Year: Twelve Months Ended: November 30, 2007  
Exhibit No. 2, Schedule 2  
Page 1 of 1

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

Line No.	Description	Per Books 12 Months Ended 11/30/07	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	\$15,183,550	(\$286,909)	\$14,896,641	\$98,315	\$14,994,956	\$3,190,566	\$18,185,522
6	Commercial	11,084,750	246,854	11,331,604	128,661	11,460,265	\$2,464,930	13,925,195
7								
8	Industrial	3,834,564	80,169	3,914,733	0	3,914,733	\$848,260	4,762,993
9								
10	Other Public Authorities	2,482,512	120,566	2,603,078	0	2,603,078	\$561,216	3,164,294
11								
12	Sales for Resale	1,717,504	(406,877)	1,310,627	0	1,310,627	\$194,851	1,505,478
13								
14	Private Fire Service	1,438,263	51,345	1,489,608	0	1,489,608	320,857	1,810,465
15								
16	Miscellaneous	0	0	0	0	0	0	0
17								
18								
19	Total Sales of Water	35,741,144	(194,853)	35,546,291	228,976	35,775,267	7,580,680	43,353,947
20								
21	Other Operating Revenues							
22								
23	Activity / New Service Fees	290,095	0	290,095	0	290,095	0	290,095
24								
25	Late Payment Penalty	302,740	(1,650)	301,090	1,923	303,013	64,211	367,224
26								
27	Rents from Water Property	125,563	0	125,563	0	125,563	0	125,563
28								
29	Sewer Billing Revenues	442,596	(1,752)	440,844	2,718	443,562	0	443,562
30								
31	Miscellaneous	25,492	0	25,492	0	25,492	0	25,492
32								
33	Reconnection Fee	181,468	0	181,468	0	181,468	0	181,468
34								
35	Total Other Operating Revenues	1,367,954	(3,402)	1,364,552	4,641	1,369,193	64,211	1,433,404
36								
37								
38	Total Operating Revenues	37,109,098	(198,255)	36,910,843	231,617	37,142,460	7,644,891	44,787,351
39								
40								
41								
42								
43								
44								
45								

Did not revise this schedule or original tariffs.

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

Summary of Adjustments to Operation and Maintenance Expenses

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

Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 2, Schedule 3  
Page 1 of 1

Line No.	Adjustment Number Reference	Description	Per Books 12 Months Ended 11/30/07	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	\$4,641,480	\$372,181	\$5,013,641	\$45,346	\$5,058,987	\$0	\$5,058,987
2	2	Purchased Water	\$58,216	0	58,216	(6,106)	52,110	0	52,110
3	3	Fuel and Power	\$2,274,868	(359,197)	1,915,671	6,372	1,922,043	0	1,922,043
4	4	Chemicals	\$1,075,171	478,489	1,551,661	7,561	1,559,222	0	1,559,222
5	5	Waste Disposal	\$161,721	0	161,721	17,367	179,088	0	179,088
6	6	Management Fees	\$4,789,601	(729,713)	4,059,888	275,302	4,335,190	0	4,335,190
7	7	Group Insurance	\$1,596,405	136,797	1,733,202	(18,652)	1,714,550	0	1,714,550
8	8	Pensions	\$726,428	(44,427)	682,001	479,107	1,161,108	0	1,161,108
9	9	Regulatory Expense	\$508,129	0	508,129	35,255	543,384	0	543,384
10	10	Insurance Other than Group	\$559,655	0	559,655	23,837	583,492	0	583,492
11	11	Customer Accounting	\$704,362	19,101	723,464	15,381	738,845	0	738,845
12	12	Uncollectible Expense	\$417,277	(2,901)	414,376	3,380	417,756	114,118	531,875
13	13	Rents	\$30,037	(18,701)	11,336	0	11,336	0	11,336
14	14	General Office Expense	\$244,966	(11,748)	233,217	12,708	245,926	0	245,926
15	15	Miscellaneous Expense	\$1,931,046	(198,102)	1,732,944	285,679	2,018,623	0	2,018,623
16	16	Other Maintenance Expense	\$1,211,604	(310,752)	900,852	35,493	936,345	0	936,345
17	17	Interest on Customer Deposits	0	0	0	0	0	0	0
18	18	AFUDC	(\$110,499)	0	(110,499)	(353,191)	(463,690)	0	(463,690)
19	19								
20	20								
21	21								
22	22								
23	23								
24	24								
25	25								
26	26								
27	27								
28	28								
29	29								
30	30								
31	31								
32	32								
33	33								
34	34								
35	35								
36	36								
37	37								
38	38								
39	39								
40	40								
41	41	Total Operation and Maintenance Expenses	20,820,445	(670,972)	20,149,474	864,841	21,014,314	114,119	21,128,433
42	42								
43	43								
44	44								
45	45								



Attn: 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: November 30, 2007  
Exhibit No. 2, Schedule 4  
Page 2 of 2

Line No.	Account Number	Account Description	Depreciable Property at 11/30/07	Depreciation Rate	Normalized Ten-Year Depreciation Expense	13 Month Avg. Depreciable Property at End of Attn Year	New Depreciation Rates	Attn Year Depreciation Expense
1	336900	Comprehensive Planning Study	\$405,132	20.00%	\$81,026	0	0.00%	\$0
2	342000	Pumping Structures	3,810,529	3.86%	\$147,086	3,863,562	1.98%	76,499
3	304300	Water Treatment Structures	2,013,177	4.57%	\$92,002	2,964,941	4.11%	121,859
4	304301	Water Treatment Structures-Painting	1,694,808	10.00%	\$169,481	1,694,808	12.06%	204,394
5	304400	T & D Structures	524,790	3.51%	\$18,420	524,790	2.13%	11,178
6	304600	Office Structures	146,174	3.88%	\$5,937	306,629	1.13%	3,465
7	304700	Stores, Shop, & Garage Structures	312,642	4.85%	\$14,538	312,642	0.73%	2,282
8	304800	Miscellaneous Structures	657,573	5.84%	\$37,087	657,573	0.45%	3,222
9	306000	Lakes, Rivers, & Other Intakes	486,123	3.40%	\$16,630	486,123	0.83%	4,060
10	309000	Supply Mains	602,664	5.92%	\$35,678	603,834	1.87%	11,292
11	310100	Power Generation Equipment	227,422	3.44%	\$7,823	227,422	12.33%	28,041
12	311200	Electric Pumping Equipment	5,662,338	1.73%	\$97,955	5,717,338	2.45%	140,076
13	311300	Diesel Pumping Equipment	119,296	1.97%	\$2,350	119,296	2.50%	2,982
14	311500	Other Pumping Equipment	268,063	3.94%	\$10,562	317,113	1.83%	5,803
15	320100	Water Treatment Equipment	12,378,400	4.27%	\$528,668	12,726,963	1.69%	138,724
16	320200	Granular Activated Carbon	0	36.42%	\$0	0	0.00%	0
17	330000	T & D Reservoirs & Standpipes	5,137,849	1.80%	\$92,481	5,564,977	2.08%	115,752
18	330003	T & D Reservoirs & Standpipes-Painting	1,710,126	10.00%	\$171,013	1,994,569	11.08%	220,998
19	330100	Elevated Tanks & Standpipes	1,780,709	1.80%	\$32,053	1,890,119	2.74%	51,789
20	330400	Cleavelands	680,784	1.80%	\$12,254	680,784	1.65%	11,233
21	331001	T & D Mains not Classified	1,950,624	1.41%	\$27,504	2,217,881	1.50%	33,268
22	331100	T & D Mains - Mains (4" or less)	4,718,972	1.62%	\$76,447	4,678,232	1.50%	70,173
23	331200	T & D Mains - Mains (6" - 8")	1,458	1.36%	\$20	1,458	1.50%	22
24	331210	T & D Mains - Mains (8" - 10")	60,996,292	1.36%	\$824,110	64,141,552	1.50%	982,123
25	331250	T & D Mains - Mains (10" - 16")	6,745,591	1.42%	\$95,787	6,745,591	1.50%	101,184
26	331300	T & D Mains - Mains (16" - 18")	23,881,824	1.42%	\$344,862	25,916,974	1.50%	388,755
27	331500	T & D Mains - Mains (12" or More)	18,858,849	2.28%	\$429,982	20,333,945	1.64%	333,477
28	332000	Services	4,623,103	0.98%	\$45,306	4,681,223	6.91%	323,473
29	334100	Meter's Metal Case/Old Style	12,681	2.45%	\$310	1,324,025	6.81%	91,490
30	334110	Meter's Metal Case	0	15.35%	\$0	0	6.91%	0
31	334131	Meter's Metal Case for	16,786	0.98%	\$165	833,022	6.91%	57,562
32	334200	Meter installations	10,950,252	1.64%	\$179,584	10,810,746	3.23%	349,187
33	335000	Hydrants	7,420,822	2.21%	\$163,989	8,077,845	2.63%	212,447
34	339200	Other P.E. SS	8,866	5.92%	\$505	8,526	0.00%	0
35	340100	Office Furniture	626,117	12.73%	\$77,112	607,584	1.39%	8,445
36	340200	Computer & Peripheral Equipment	309,231	16.00%	\$49,009	306,231	2.19%	6,760
37	340210	Computer & Mainframe Equipment	509,236	15.00%	\$76,394	603,486	2.19%	13,216
38	340220	Computer & Periph. Personal	619,597	15.00%	\$92,934	412,863	9.042	9,042
39	340230	Computer & Periph. Other	255,972	15.00%	\$38,855	190,983	2.19%	4,163
40	340300	Computer Software	382,233	15.00%	\$57,335	388,963	1.85%	7,301
41	340310	Computer Software Mainframe	3,535,059	15.00%	\$530,274	3,535,059	1.85%	64,692
42	340320	Computer Software Personal	205,245	15.00%	\$30,783	191,744	1.85%	3,504
43	340330	Computer Software Other	14,222	15.00%	\$2,133	14,222	1.85%	280
44	340400	Date Handling Equipment	137,210	15.00%	\$20,581	137,210	4.54%	1,385
45	341100	Light Trucks	1,074,347	4.07%	\$43,584	92,691	1.39%	1,385
46	341200	Automobiles	733,952	9.39%	\$109,559	1,381,608	16.00%	221,057
47	341300	Heavy Trucks	254,777	10.54%	\$26,853	299,016	16.00%	159,399
48	341400	Transportation-Other	237,242	0.70%	\$1,661	237,242	11.38%	34,028
49	342000	Stores Equipment	43,392	4.98%	\$2,161	43,392	0.00%	0
50	343000	Tools, Shop, & Garage Equipment	1,182,044	3.86%	\$45,509	1,315,016	6.89%	90,605
51	343000	Laboratory Equipment	370,126	11.12%	\$41,158	381,626	1.01%	3,854
52	344000	Power Operated Equipment	332,767	9.21%	\$30,646	332,767	0.00%	0
53	345000	Communication Equipment	354,831	4.43%	\$16,719	390,366	0.00%	16,434
54	346200	Communication Equipment-Telephone	155,731	14.91%	\$23,219	92,350	3.51%	3,241
55	347000	Miscellaneous Equipment	1,075,581	2.88%	\$31,054	1,097,181	6.33%	69,452
56	348000	Other Tangible Plant	4,918	2.89%	\$142	4,918	5.10%	251
57	348000	Amortization of CIAC			(168,437)			(168,437)
58		Total Plant in Service	150,634,917		4,941,471	203,326,896		4,810,741
59		Land			5,110,903			-317,157
60		Cap. Lease Asset	432,342.41		2.55%	671,496.2562		
61		Total UP	162,657,759			159,050		2.27%
62		GL Balance	197113578.5			205368892.4		432342.41
63		Walden's Ridge	-4455819.47					432342.41

Line No.	Adjustment Number Reference	Description	Per Books 12 Months Ended 11/30/07	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	Property Taxes	\$2,901,497	(\$317,200)	\$2,584,297	\$240,675	\$2,824,972	\$0	\$2,824,972
2	3								
3			878,223	0	878,223	86,677	964,900	217,142	1,182,042
4	2	Other General Taxes							
5									
6	3	F.U.T.A. Taxes	5,136	(47)	5,089	0	5,089	0	5,089
7									
8	4	F. I. C. A. Taxes	345,822	30,140	375,962	2,955	378,917	0	378,917
9									
10	5	S.U.T.A. Taxes	2,597	(52)	2,545	0	2,545	0	2,545
11									
12									
13									
14									
15									
16									
17									
18									
19									
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43									
44									
45									
		Total	4,133,274	(287,158)	3,846,116	330,307	4,176,423	217,142	4,393,565

Summary of Income Taxes

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

Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 2, Schedule 6  
Page 1 of 2

Line No.	Description	Per Books 12 Months Ended 11/30/07	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	\$2,115,677	(\$880,700)	\$1,234,977	(\$352,323)	\$882,654	\$2,486,703	\$3,369,357
2								
3	State Income Tax - Current	(37,777)	252,581	214,804	(59,493)	155,311	493,922	649,233
4								
5	Deferred Federal Income Tax	(372,909)	782,057	409,148	146,915	556,063	0	556,063
6								
7	Deferred State Income Tax	428,593	(177,219)	251,374	0	251,374	0	251,374
8								
9	Amortization of ITC	(76,368)	0	(76,368)	0	(76,368)	0	(76,368)
10								
11	Adjustment of Prior Years - FIT	(11,247)	11,247	0	0	0	0	0
12								
13	Adjustment of Prior Years - SIT	4,072	(4,072)	0	0	0	0	0
14								
15	Total	2,050,040	(16,105)	2,033,935	(264,901)	1,769,034	2,980,625	4,749,659
16								
17								
18								
19								
20								
21								
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Test Year: Twelve Months Ended: November 30, 2007  
Amended Exhibit No. 2, Schedule 6  
Page 2 of 2

**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**

Line Item	Description	Pre-Event Test-Year Project Basis		Normalized Year Percent Basis		Million Year Present Basis		Million Year Proposed Basis	
		Federal	State	Federal	State	Federal	State	Federal	State
1	Operating Revenue	\$37,160,040	\$37,160,040	\$39,910,643	\$39,910,643	\$37,142,480	\$37,142,480	\$45,072,511	\$45,072,511
2									
3	Operation and Maintenance Expenses	20,920,445	20,820,445	20,149,474	20,149,474	21,014,314	21,014,314	21,128,433	21,128,433
4	Depreciation and Amortization	4,816,850	4,816,850	5,047,504	5,047,504	4,720,347	4,720,347	4,730,347	4,730,347
5	Other Income	4,133,274	3,846,116	3,846,116	3,846,116	4,178,423	4,178,423	4,393,566	4,393,566
6	State Income Taxes - Current	440,489	440,489	211,374	211,374	251,374	251,374	251,374	251,374
7	State Income Taxes - Deferred	2,087,769	2,087,769	1,234,877	1,234,877	882,654	882,654	3,369,357	3,369,357
8	Federal Income Taxes - Current	(336,249)	(336,249)	401,148	401,148	556,063	556,063	556,063	556,063
9	Federal Income Taxes - Deferred	31,819,410	31,819,410	31,077,259	31,077,259	31,599,311	31,599,311	35,020,869	35,020,869
10	Subtotal	5,189,658	5,189,658	6,533,814	6,533,814	5,452,341	5,452,341	10,076,506	10,076,506
11	Total Income Before Deductions	79,250	79,250						
12									
13	Total Other Income	61,880	61,880						
14									
15	Total Other Deductions	9,937	9,937						
16									
17	Total Taxes Applicable to Other Income and Deductions	3,776,937	3,776,937	4,024,688	4,024,688	4,024,688	4,024,688	4,024,688	4,024,688
18									
19	Total Interest Charges	1,492,214	1,492,214	1,609,118	1,609,118	1,427,643	1,427,643	6,045,868	6,045,868
20									
21	Net Income	922,037	922,037	468,179	468,179	408,665	408,665	930,607	930,607
22	State Income Taxes	1,855,153	1,855,153	1,597,757	1,597,757	1,362,349	1,362,349	3,549,052	3,549,052
23	Federal Income Taxes	3,697,403	3,697,403	3,843,861	3,843,861	3,168,677	3,168,677	10,795,467	10,795,467
24	Protest Income								
25	Statutory Additions (Deductions):								
26	Permanent Differences	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
27	617,001 Book Over Tax Travel and Entertainment	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
28	617,001 Book Over Tax Bad Debts	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
29	617,001 Book Over Tax Depreciation	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
30	617,001 Amortization of Regulatory Assets - AF/DC	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
31	617,001 Management Study Expense	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
32	617,001 Accrued OPEB Expense	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
33	617,001 Incentive Plan Expense	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
34	617,001 Other Income	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
35	617,001 Miscellaneous Deferred Expenses	617,001	617,001	4,287	4,287	4,287	4,287	4,307	4,307
36	617,001 Tax Over Book Depreciation	(697,568)	(697,568)	(697,568)	(697,568)	(1,107,326)	(1,107,326)	(1,107,326)	(1,107,326)
37	617,001 Cost of Removal	(7,212)	(7,212)	(7,212)	(7,212)	(7,212)	(7,212)	(7,212)	(7,212)
38	617,001 Cost of Removal Capitalized for Taxes	(101,868)	(101,868)	(101,868)	(101,868)	(101,868)	(101,868)	(101,868)	(101,868)
39	617,001 Accrued Vacation Pay Expense	(38,774)	(38,774)	(38,774)	(38,774)	(38,774)	(38,774)	(38,774)	(38,774)
40	617,001 Abandonment Losses	(182,249)	(182,249)	(182,249)	(182,249)	(182,249)	(182,249)	(182,249)	(182,249)
41	617,001 Miscellaneous Deferred Expenses	345,085	345,085	345,085	345,085	345,085	345,085	345,085	345,085
42	617,001 Miscellaneous Deferred Expenses	(16,349)	(16,349)	(16,349)	(16,349)	(16,349)	(16,349)	(16,349)	(16,349)
43	617,001 Cost of Service Study	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
44	617,001 Gains and Losses	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)
45	617,001 Rate Case Expense	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)	(1,271,232)
46	617,001 State Depreciation	(79,837)	(79,837)	(79,837)	(79,837)	(79,837)	(79,837)	(79,837)	(79,837)
47	Total Temporary Differences								
48	Federal Taxable Income Before SIT	3,597,692	2,765,015	3,743,310	3,304,677	2,897,178	2,386,407	9,668,197	9,668,197
49	Correction to books	378,654	159,387			0	0	0	0
50	State Income Tax	189,372	189,372	214,804	3,304,677	165,311	2,389,407	648,233	9,986,197
51	Taxable Income	3,786,544	2,913,412	3,958,566	3,304,677	2,521,867	2,389,407	9,668,197	9,668,197
52	Computation of Taxes:								
53	State Income Tax @								
54	Federal Income Tax @	6.50%	188,372	1,234,977	214,804	155,311	3,369,357	648,233	648,233
55	State Current Income Tax	55.00%	1,325,221	0	0	0	0	0	0
56			1,325,221	1,234,977	214,804	155,311	3,369,357	648,233	648,233
57									
58	Deferred SIT (as (other differences))		58,441.48	as calc on reason from Jean					
59	Deferred SIT Reg (non-deductibilities)		53,628	per books					
60	Deferred SIT Other		138,905	as calc on reason from Jean					
61	Deferred FIT (on timing differences) Including ITC		(179,873)	per books					
62	Deferred FIT Reg (non-deductibilities)		138,905	per books					
63	Deferred FIT Other		138,905	per books					
64	Total Income Taxes		1,734,368	440,746					
65									
66	Per Books Income Taxes		1,665,551	354,397					
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Change due to this actual tax return for the twelve months ended 11/07

TENNESSEE AMERICAN WATER COMPANY  
CALCULATION OF INFLATION FACTOR

Attachment 1

TEST YEAR ENDED: 11/30/2007  
ATTRITION YEAR: 09/01/08 08/31/09

INFLATION FACTOR

2.300%

Consumer Price Index 2008	2.1	0.700
Consumer Price Index 2009	2.4	<u>1.600</u>
		2.300

\*Based upon the Value Line Forecast for the US Economy

**Adjusted Inflation factor:**

Calculation of inflation factor to be used to adjust historical year ended November 30, 2007 to end of attrition year at August 2009.

	<u>Annual</u>	<u>Forecast</u>
Consumer Price Index 2007 (December 2007)	2.9	0.24
Consumer Price Index 2008 (Jan-Dec 2008)	2.1	2.1
Consumer Price Index 2009 (Jan-Aug 2009)	2.4	<u>1.6</u>
		3.94

ADJUSTED INFLATION FACTOR

**3.940%**

**Tennessee American Water Company**  
**CWIP**

**Attachment 2**

	Net Additions	Capital Spending	Cont/adv	CWIP Bal	
				4,829,032	Bal @ 7/08
7-Dec	1,576,771	1,219,809	133,000	4,339,070	
8-Jan	293,798	249,893	93	4,295,072	
8-Feb	537,801	669,252	74,652	4,351,871	
8-Mar	401,549	650,721	91,021	4,510,022	
8-Apr	591,738	845,842	57,152	4,706,974	
8-May	779,284	1,048,144	61,044	4,914,790	
8-Jun	944,816	1,469,100	300,000	5,139,074	
8-Jul	960,959	1,973,100	300,000	5,851,215	
8-Aug	1,675,075	1,429,000	300,000	5,305,140	
8-Sep	838,875	1,428,100	250,000	5,644,365	
8-Oct	859,962	1,306,700	250,000	5,841,103	
8-Nov	612,445	1,821,100	215,000	6,834,758	
8-Dec	1,912,842	797,676	101,038	5,618,554	
9-Jan	316,035	1,664,500	166,667	6,800,352	
9-Feb	534,901	1,664,500	166,667	7,763,284	
9-Mar	492,522	1,681,166	166,667	8,785,261	
9-Apr	641,186	1,681,166	166,667	9,658,574	
9-May	802,284	1,706,166	166,667	10,395,789	
9-Jun	964,560	1,706,170	166,667	10,970,732	
9-Jul	1,071,903	1,564,500	166,667	11,296,662	
9-Aug	3,655,075	1,564,500	166,667	9,039,420	Bal @ 8/09
				103,953,999	
			13 mo avg	7,996,461	
		Original filing amount		9,083,000	
		variance		(1,086,539)	

# EPB Retail Rate Summary

Effective April 1, 2008

Customer Rate Class	Charge Type	Monthly Rate
<b>Residential Customer</b>	Customer Charge	\$7.25
	Usage Charge (per Kilowatt Hour)	7.608c*
<b>Small Commercial (GSA1)</b> Demand of 50 kW or less		
Metered Accounts	Customer Charge	\$9.90
	Usage Charge (per Kilowatt Hour)	\$0.08575*
Non-Metered Accounts	Customer Charge	\$2.94
	Usage Charge (per Kilowatt Hour)	\$0.08575*
<b>Commercial (GSA2)</b> Demand greater than 50 kW, but not more than 1,000 kW	Customer Charge	\$9.90
	Kilowatt Demand Charge above 50 kW	\$12.79
	Usage Charge (per Kilowatt Hour)—1 <sup>st</sup> 15,000 kWh	\$0.08575*
	Usage Charge (per Kilowatt Hour)—above 15,000 kWh	\$0.04459*
	Seasonal Demand Charge above 50 kW (not to exceed 2,500 kW)	\$15.88
	Seasonal Usage Charge (per Kilowatt Hour)—up to 15,000 kWh	\$0.09605*
<b>Commercial/Manufacturing (GSA3)</b> Demand greater than 1,000 kW, but not more than 5,000 kW	Customer Charge	\$160.63
	Kilowatt Demand Charge for the first 1,000 kW	\$12.51
	Kilowatt Demand Charge above 1,000 kW	\$14.38
	Usage Charge (per Kilowatt Hour)	\$0.04459*
	<i>SIC Codes 20 – 39 receive a Manufacturing Credit</i>	
<b>Large Commercial (GSB)</b> Demand greater than 5,000 kW, but not more than 15,000 kW	Customer Charge	\$1560.00
	Demand Charge—Actual for all Firm kW Demand	\$14.03
	Excess Demand Charge—(based on customer's contract amount)	\$14.03
	Usage Charge, Block 1—first 620 hours x peak Demand kW	\$0.03804*
	Usage Charge, Block 2—all additional Kilowatt Hours	\$0.03104*
	Facilities Rental Charge at 12 kV:	
	• First 10,000 kW Demand	\$0.93
	• Over 10,000 kW Demand	\$0.73
	Facilities Rental Charge at 46 kV:	\$0.36
<b>Very Large Commercial (GSC)</b> Demand greater than 15,000 kW, but not more than 25,000 kW	Customer Charge	\$1560.00
	Demand Charge—Actual for all Firm kW Demand	\$13.70
	Excess Demand Charge—(based on customer's contract amount)	\$13.70
	Usage Charge, Block 1—first 620 hours x peak Demand kW	\$0.03804*
	Usage Charge, Block 2—all additional Kilowatt Hours	\$0.03104*
	Facilities Rental Charge at 12 kV:	
	• First 10,000 kW Demand	\$0.93
	• Over 10,000 kW Demand	\$0.73
	Facilities Rental Charge at 46 kV:	\$0.36

incl. FCA  
8/4/08

\* Subject to current fuel cost adjustment.  
Current fuel cost adjustment available at [www.epb.net](http://www.epb.net)

### Fuel Cost Adjustment

Rate Class	FCA 01/01/08	FCA 04/01/08	FCA 07/01/08	
<b>Residential</b>	\$0.00282	\$0.00580	\$0.00723	All kWh
<b>GSA-1</b>	\$0.00278	\$0.00573	\$0.00715	All kWh
<b>GSA-2</b>	\$0.00278	\$0.00573	\$0.00715	First 15,000 kWh
	\$0.0274	\$0.00565	\$0.00705	Additional kWh
<b>GSA-3</b>	\$0.00274	\$0.00565	\$0.00705	All kWh
<b>GSB</b>	\$0.00275	\$0.00567	\$0.00707	All kWh, Block 1 & 2
<b>GSC</b>	\$0.00275	\$0.00567	\$0.00707	All kWh, Block 1 & 2
<b>GSD</b>	\$0.00275	\$0.00567	\$0.00707	All kWh
<b>MSB Part 1</b>	\$0.00275	\$0.00567	\$0.00707	All kWh, Block 1 & 2
<b>MSB Part 2</b>	\$0.00275	\$0.00567	\$0.00707	All kWh, Block 1 & 2
<b>MSC</b>	\$0.00275	\$0.00567	\$0.00707	All kWh, Block 1 & 2
<b>MSD</b>	\$0.00275	\$0.00567	\$0.00707	All kWh
<b>OL</b>	\$0.00282	\$0.00580	\$0.00723	All kWh
<b>DPS</b>	\$0.00278	\$0.00573	\$0.00715	All kWh

Tennessee American Water  
Fuel & Power  
Fuel Cost Adjustment

Attachment 5

	1/1/07	4/1/07	7/1/07	10/1/07	1/1/08	4/1/08	7/1/08	2007 avg	2008 avg
GSA-2									
1st 15,000 kWh	0.00010	0.00088	0.00091	0.00450	0.00278	0.00573	0.00715		
chg in rate		0.00078	0.00003	0.00359	-0.00172	0.00295	0.00142		
% change		780.00%	3.41%	394.51%	-38.22%	106.12%	24.78%	392.64%	30.89%
add'l kWh	0.00010	0.00088	0.00089	0.00444	0.00274	0.00565	0.00705		
chg in rate		0.00078	0.00001	0.00355	-0.00170	0.00291	0.00140		
% change		780.00%	1.14%	398.88%	-38.29%	106.20%	24.78%	393.34%	30.90%
GSA-3	0.00010	0.00086	0.00089	0.00444	0.00274	0.00565	0.00705		
chg in rate		0.00076	0.00003	0.00355	-0.00170	0.00291	0.00140		
% change		760.00%	3.49%	398.88%	-38.29%	106.20%	24.78%	387.46%	30.90%

**GSA-2 Rate**

Customer Charge	9.9	tariff rate		
Kilowatt Demand Charge above 50 kW	12.79	tariff rate		
Usage charge (per kWh - 1st 15,000 KW)	0.08575	tariff rate	includes FCA @ 4/1/08 in tariff rate	
Fuel cost adjustment 4/1/08	0.00573	tariff rate		
Fuel cost adjustment 7/1/08	0.00715	tariff rate	July-Sept	9-Oct
Fuel cost adjustment w/ 30.89% avg inc	0.009359	est	0.0872	0.0894
Usage chg - Tariff (incl FCA @ 4/1/08)			0.08575	
Less FCA @ 4/1/08			-0.00573	
Plus FCA @ 7/1/08			0.00715	
Revised usage charge @ 7/1/08			0.08717	
Usage charge (per kWh - above 15,000 KW)	0.04459	tariff rate		
Fuel cost adjustment 4/1/08	0.00565	tariff rate		
Fuel cost adjustment 7/1/08	0.00705	tariff rate	July-Sept	9-Oct
Fuel cost adjustment w/ 30.90% avg inc	0.009228	est	0.0460	0.0482

**GSA-3 Rate**

Customer Charge	160.63			
Kilowatt Demand Charge 1st 1,000 kW	12.51			
Kilowatt Demand Charge above 1,000 kW	14.38			
Usage charge (per kWh)	0.04459			
Fuel cost adjustment 4/1/08	0.00565			
Fuel cost adjustment 7/1/08	0.00705		July-Sept	9-Oct
Fuel cost adjustment w/ 30.90% avg inc	0.009228		0.0460	0.0482

TENNESSEE - AMERICAN WATER COMPANY  
FUEL & POWER  
ATTRIBUTION TEST YEAR

TENNESSEE - AMERICAN WATER COMPANY													
FUEL & POWER													
ATTRITION TEST YEAR													
	2009	2009	2009	2009	2009	2009	2009	2009	2009	2008	2008	2008	2008
CITICO STATION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
GSA-3													
SYSTEM DELIVERY - '08 BUDGET	1,113,930	1,063,715	1,118,604	1,071,300	1,164,174	1,266,267	1,221,993	1,287,449	1,270,718	1,339,641	1,365,066	1,338,483	14,641,340
ADJUSTMENT FOR ATTRITION YEAR	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611
ADJUSTED SYSTEM DELIVERY	1,043,319	996,287	1,047,697	1,003,391	1,090,378	1,186,000	1,144,532	1,205,839	1,190,168	1,254,722	1,278,536	1,272,370	13,713,239
KWH PER THOUSAND GALLON	1.261	1.075	1.251	1.202	1.248	1.224	1.265	1.227	1.237	1.118	1.221	1.172	
TOTAL KWH'S	1,315,625	1,071,009	1,310,669	1,206,076	1,360,792	1,451,664	1,447,833	1,479,564	1,472,238	1,402,779	1,561,092	1,491,218	16,570,559
RATES													
CUSTOMER CHARGE	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161	\$161
FIRST 15,000 KWH IN CENTS	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.60	\$4.82	\$4.82	\$4.82	\$4.82
OVER 15,000 KWH IN CENTS	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.82	\$4.60	\$4.82	\$4.82	\$4.82	\$4.82
CALCULATED BILL													
CUSTOMER CHARGE	161	161	161	161	161	161	161	161	161	161	161	161	1,928
FIRST 15,000 KWH IN CENTS	723	723	723	723	723	723	723	723	690	723	723	723	8,643
OVER 15,000 KWH IN CENTS	62,690	50,900	62,451	57,410	64,867	69,247	69,063	70,592	67,033	66,891	74,522	71,154	786,819
TOTAL	63,574	51,783	63,335	58,293	65,751	70,131	69,946	71,476	67,884	67,775	75,405	72,037	797,390
TAX AT 1.5 %	954	777	950	874	986	1,052	1,049	1,072	1,018	1,017	1,131	1,081	11,961
TOTAL COST	\$64,528	\$52,560	\$64,285	\$59,167	\$66,737	\$71,183	\$70,995	\$72,548	\$68,902	\$68,792	\$76,536	\$73,118	\$809,351
TOTAL DEMAND - '08 BUDGET	2,129	2,129	2,160	2,236	2,399	2,399	2,399	2,399	2,310	2,285	2,206	2,129	27,180
RATES													
FIRST 50 KWD	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51
NEXT 950 KWD	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51
NEXT 1500 KWD	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38
OVER 2500 KWD	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38
CALCULATED BILL													
FIRST 50 KWD	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	7,506
NEXT 950 KWD	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	142,614
NEXT 1500 KWD	16,235	16,235	16,681	17,774	20,118	20,118	20,118	20,118	18,838	18,478	17,342	16,235	218,288
OVER 2500 KWD	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	28,745	28,745	29,191	30,284	32,628	32,628	32,628	32,628	31,348	30,988	29,852	28,745	368,408
TAX AT 1.5 %	431	431	438	454	489	489	489	489	470	465	448	431	5,524
TOTAL COST	\$29,176	\$29,176	\$29,629	\$30,738	\$33,117	\$33,117	\$33,117	\$33,117	\$31,818	\$31,453	\$30,300	\$29,176	\$373,932
GRAND TOTAL	\$93,704	\$81,736	\$93,914	\$89,905	\$99,853	\$104,299	\$104,112	\$105,664	\$100,719	\$100,245	\$106,837	\$102,294	\$1,183,283
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TENNESSEE - AMERICAN WATER COMPANY  
FUEL & POWER  
ATTRITION TEST YEAR

	ATTRITION YEAR	
TOTAL BOOSTER STATION FUEL & POWER COST	\$738,760 \$ 762,057	
CITICO STATION POWER COST	1,183,283 \$ 1,224,202	
	<u>\$1,922,043 \$ 1,986,259</u>	
		-\$64,216

\* \* \*

TENNESSEE - AMERICAN WATER COMPANY  
FUEL & POWER  
ATTRITION TEST YEAR

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
BOOSTER STATIONS													
KWH'S '08 BUDGET	787,312	689,204	819,410	769,478	702,740	853,656	895,170	864,234	1,101,009	770,043	799,828	582,307	9,634,391
ADJUSTMENT FOR ATTRITION`	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	0.936611	
ADJUSTED KWH	737,405	645,516	767,468	720,702	658,194	799,544	838,426	809,451	1,031,217	721,231	749,128	545,395	9,023,677
COSTS PER KWH PER THE 2008 BUDGET	\$0.0571	\$0.0384	\$0.0570	\$0.0574	\$0.0581	\$0.0570	\$0.0564	\$0.0569	\$0.0552	\$0.0574	\$0.0569	\$0.0595	
TOTAL KWH COST	\$42,069	\$37,696	\$43,763	\$41,391	\$38,235	\$45,584	\$47,277	\$46,031	\$56,937	\$41,391	\$42,652	\$32,473	\$515,499
TOTAL KWD	1,755	1,792	1,808	1,765	1,854	1,904	1,880	1,926	2,051	1,905	1,884	1,788	22,312
COSTS PER KWD PER THE 2008 BUDGET	\$9.7191	\$9.7500	\$9.8175	\$9.7552	\$9.8927	\$9.8713	\$9.9612	\$10.0483	\$10.0819	\$9.9921	\$9.9920	\$9.7992	
TOTAL KWD COST	\$17,057	\$17,472	\$17,750	\$17,218	\$18,341	\$18,795	\$18,727	\$19,353	\$20,678	\$19,035	\$18,825	\$17,521	\$220,772
TOTAL ELECTRIC COST	\$59,126	\$55,168	\$61,513	\$58,609	\$56,576	\$64,379	\$66,004	\$65,384	\$77,615	\$60,426	\$61,477	\$49,994	\$736,271
DIESEL FUEL PER THE 2007 BUDGET	\$211	\$260	\$279	\$182	\$172	\$161	\$208	\$212	\$179	\$203	\$226	\$196	\$2,489
TOTAL BOOSTER STATION FUEL & POWER COST	\$59,337	\$55,428	\$61,792	\$58,791	\$56,748	\$64,540	\$66,212	\$65,596	\$77,794	\$60,629	\$61,703	\$50,190	\$738,760
TOTAL STATION DELIVERY - BU	580,174	539,309	599,955	575,249	516,423	649,270	674,557	669,180	780,081	634,784	591,886	414,726	7,225,594
TOTAL KWH'S - BUDGET	787,312	689,204	819,410	769,478	702,740	853,656	895,170	864,234	1,101,009	770,043	799,828	582,307	9,634,391
BOOSTER COSTS PER '08 BUDGE	44,916	40,247	46,725	44,192	40,823	48,669	50,477	49,146	60,790	44,192	45,539	34,671	550,387
KWH COST PER '08 BUDGET	\$0.0571	\$0.0584	\$0.0570	\$0.0574	\$0.0581	\$0.0570	\$0.0564	\$0.0569	\$0.0552	\$0.0574	\$0.0569	\$0.0595	
KW DEMAND - BUDGET	1,755	1,792	1,808	1,765	1,854	1,904	1,880	1,926	2,051	1,905	1,884	1,788	22,312
KWD COST PER '08 BUDGET	17,057	17,472	17,750	17,218	18,341	18,795	18,727	19,353	20,678	19,035	18,825	17,521	220,772
KWH COST PER KWD	\$9.7191	\$9.7500	\$9.8175	\$9.7552	\$9.8927	\$9.8713	\$9.9612	\$10.0483	\$10.0819	\$9.9921	\$9.9920	\$9.7992	
	\$ 17,057	\$ 17,472	\$ 17,750	\$ 17,218	\$ 18,341	\$ 18,795	\$ 18,727	\$ 19,353	\$ 20,678	\$ 19,035	\$ 18,825	\$ 17,521	\$ 220,771

TENNESSEE - AMERICAN WATER COMPANY  
FUEL & POWER  
ATTRITION TEST YEAR

SYSTEM DELIVERY - '08 BUDGET	14,641,340	
SYSTEM DELIVERY - ATTRITION YEAR	13,713,242	Adj Factor 93.661100%
SALES - ATTRITION YEAR	10,773,534	
SALES - TEST YEAR	11,509,823	
SYSTEM DELIVERY - TEST YEAR	14,650,394	
RATIO - SALES / SYSTEM DELIVERY	78.563%	

TENNESSEE - AMERICAN WATER COMPANY  
FUEL & POWER  
NORMALIZED TEST YEAR

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
CITICO STATION													
SYSTEM DELIVERY - '08 BUDGET	1,113,930	1,063,715	1,118,604	1,071,300	1,164,174	1,266,267	1,221,993	1,287,449	1,270,718	1,339,641	1,365,066	1,358,483	14,641,340
ADJUSTMENT TO NORMALIZE TEST YEAR	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069	0.932069
ADJUSTED SYSTEM DELIVERY	1,038,260	991,456	1,042,616	998,526	1,085,090	1,180,248	1,138,982	1,199,991	1,184,397	1,248,638	1,272,336	1,266,200	13,646,740
KWH PER THOUSAND GALLON	1.261	1.075	1.251	1.202	1.248	1.224	1.265	1.227	1.237	1.118	1.221	1.172	1.172
TOTAL KWHs	1,309,246	1,063,815	1,304,313	1,200,228	1,354,192	1,444,624	1,440,812	1,472,389	1,465,099	1,395,977	1,553,522	1,483,986	16,490,203
RATES													
CUSTOMER CHARGE	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63	\$160.63
FIRST 15,000 KWH IN CENTS	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820
OVER 15,000 KWH IN CENTS	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820	\$4.820
CALCULATED BILL													
CUSTOMER CHARGE	161	161	161	161	161	161	161	161	161	161	161	161	1,928
FIRST 15,000 KWH IN CENTS	723	723	723	723	723	723	723	723	690	723	723	723	8,643
OVER 15,000 KWH IN CENTS	62,383	50,649	62,145	57,128	64,549	68,908	68,724	70,246	66,705	66,563	74,157	70,805	782,962
TOTAL	63,266	51,533	63,029	58,012	65,433	69,792	69,008	71,130	67,555	67,447	75,040	71,689	793,532
TAX AT 1.5 %	949	773	945	870	981	1,047	1,044	1,067	1,013	1,012	1,126	1,075	11,902
TOTAL COST	\$64,215	\$52,306	\$63,974	\$58,882	\$66,414	\$70,839	\$70,652	\$72,197	\$68,568	\$68,459	\$76,166	\$72,764	\$805,434
TOTAL DEMAND - '03 BUDGET	2,129	2,129	2,160	2,236	2,399	2,399	2,399	2,399	2,310	2,285	2,206	2,129	27,180
RATES													
FIRST 50 KWD	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51	\$12.51
NEXT 950 KWD	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51
NEXT 1500 KWD	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38
OVER 2500 KWD	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38	14.38
CALCULATED BILL													
FIRST 50 KWD	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	\$626	7,506
NEXT 950 KWD	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	11,885	142,614
NEXT 1500 KWD	16,235	16,235	16,681	17,774	20,118	20,118	20,118	20,118	18,838	18,478	17,342	16,235	218,288
OVER 2500 KWD	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	28,745	28,745	29,191	30,284	32,628	32,628	32,628	32,628	31,348	30,988	29,852	28,745	368,408
TAX AT 1.5 %	431	431	438	454	489	489	489	489	470	465	448	431	5,524
TOTAL COST	\$29,176	\$29,176	\$29,629	\$30,738	\$33,117	\$33,117	\$33,117	\$33,117	\$31,818	\$31,453	\$30,300	\$29,176	\$373,932
GRAND TOTAL	\$93,391	\$81,482	\$93,602	\$89,619	\$99,530	\$103,955	\$103,768	\$105,313	\$100,386	\$99,912	\$106,467	\$101,940	\$1,179,567

\* \* \* \* \*

TENNESSEE - AMERICAN WATER COMPANY	
FUEL & POWER	
NORMALIZED TEST YEAR	
	NORMALIZED YEAR
TOTAL BOOSTER STATION FUEL & POWER COST	\$736,304
CITICO STATION POWER COST	1,179,367
	<u>\$1,915,671</u>

## Attachment 6

[illegible]

Tennessee American Water		Attachment 7										
Business Unit/Location	Sum of Quantity Received	Part Number	Part Description	Product Code	Product Code Descrip	07	08	09	10	11	12	Grand Total
260201-CHAT-Production		200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated					38,660		38,660
260201-CHAT-Production		220A-2000LB	Chlorine ,100%-2000LB	BC73	HTH	56,000	74,000	54,000	52,000	50,000	38,000	616,000
260201-CHAT-Production		300A-BULK	HFS Acid,23%-Bulk	BC81	Hydrofluosilicic Acid	37,240	80,860			171,800	43,640	612,782
260201-CHAT-Production		380E-BULK	PACL,80% basicity-Bulk	BC47	Polyaluminum Chloride	90,900	91,500	90,260	90,560	89,440	136,480	1,448,920
260201-CHAT-Production		420E-50LB	Polymr,Non,Pol- EZ 652 50LB	BC52	Polymer - Nonionic							2,000
260201-CHAT-Production		560A-BULK	Sodium Hydrox,50%-Bulk	BC93	Sodium Hydroxide 0.50	92,780	45,640		41,960			315,440
260201-CHAT-Production		680C-BULK	Zn Ortho(Sulfate)1(1:10)-Bulk	BC60	Zinc Orthophosphate	43,060	41,660	88,060	45,640	44,440		528,100
Grand Total						319,980	333,660	232,320	230,260	394,340	218,120	3,561,902

Tennessee American Water				Attachment 7		Tennessee Delivery Address		Tennessee Special Delivery Requirement	
Sum of Quantity Received									
Business Unit/Location		Part Number	Part Description	Product Code	Product Code Descrip	Physical Delivery Address	Special Delivery Requirement		
260201-CHAT-Production		200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		220A-2000LB	Chlorine 100%-2000LB	BC73	HTH	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		300A-BULK	HFS Acid 23%-Bulk	BC81	Hydrofluosilicic Acid	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		380E-BULK	PACL 80% basicity-Bulk	BC47	Polyaluminum Chloride	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		420E-50LB	Polymr,Non,Pol- EZ 652 50LB	BC52	Polymer - Nonionic	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		560A-BULK	Sodium Hydrox 50%-Bulk	BC93	Sodium Hydroxide 0.50	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
260201-CHAT-Production		680C-BULK	Zn Ortho(Sulfate) ,(1:10)-Bulk	BC60	Zinc Orthophosphate	1003 Riverside Drive, Chattanooga, TN., 37406	Truck Supplied Air Required, Deliveries Accepted 7:00AM to 1:00PM Eastern Time.		
Grand Total									

Tennessee American Water		Attachment 7										
Sum of Quantity Received	Business Unit/Location	Part Number	Part Description	Product Code	Product Code Descrip	Basic Chemical		Basic Chemical				
260201-CHAT-Production	200A-BULK	Carbon - PAC, Lignite-Bulk	BC97	Carbon - Powdered Activated	No Bid	No Bid		No Bid				
260201-CHAT-Production	220A-2000LB	Chlorine 100%-2000LB	BC73	HTH	No Bid	No Bid		No Bid				
260201-CHAT-Production	300A-BULK	HFS Acid 23%-Bulk	BC81	Hydrofluosillic Acid	No Bid	No Bid		No Bid				
260201-CHAT-Production	380E-BULK	PACL 80% basicity-Bulk	BC47	Polyaluminum Chloride	No Bid	No Bid		No Bid				
260201-CHAT-Production	420E-50LB	Polymr, Non, Pol- EZ 652 50LB	BC52	Polymer - Nonionic	No Bid	No Bid		No Bid				
260201-CHAT-Production	560A-BULK	Sodium Hydrox, 50%-Bulk	BC93	Sodium Hydroxide 0.50	No Bid	No Bid		No Bid				
260201-CHAT-Production	680C-BULK	Zn Ortho(Sulfate) (1:10)-Bulk	BC60	Zinc Orthophosphate	No Bid	No Bid		No Bid				
Grand Total												

Tennessee American Water										Attachment 7											
Sum of Quantity Received																					
Business Unit/Location										Part Number		Part Description		Product Code		Product Code Descrip		Brenntag		Brenntag	
260201-CHAT-Production										200A-BULK		Carbon - PAC Lignite-Bulk		BC97		Carbon - Powdered Activated					
260201-CHAT-Production										220A-2000LB		Chlorine ,100%-2000LB		BC73		HTH		\$		0.2230 \$	
260201-CHAT-Production										300A-BULK		HFS Acid,23%-Bulk		BC81		Hydrofluosillicic Acid					
260201-CHAT-Production										380E-BULK		PACL,80% basicity-Bulk		BC47		Polyaluminum Chloride					
260201-CHAT-Production										420E-50LB		Polymr,Non,PoL- EZ 652 50LB		BC52		Polymer - Nonionic					
260201-CHAT-Production										560A-BULK		Sodium Hydrox,50%-Bulk		BC93		Sodium Hydroxide 0.50		\$0.411/ wet lb		\$0.411/ wet lb	
260201-CHAT-Production										680C-BULK		Zn Ortho(Sulfate)_(1:10)-Bulk		BC60		Zinc Orthophosphate					
Grand Total																					

<b>Tennessee American Water</b>						<b>Attachment 7</b>					
Sum of Quantity Received											
Business Unit/Location		Part Number		Part Description		Product Code		Product Code Descrip		Naico	
260201-CHAT-Production		200A-BULK		Carbon - PAC_Lignite-Bulk		BC97		Carbon - Powdered Activated		Naico	
260201-CHAT-Production		220A-2000LB		Chlorine ,100%-2000LB		BC73		HTH			
260201-CHAT-Production		300A-BULK		HFS Acid,23%-Bulk		BC81		Hydrofluosillicic Acid			
260201-CHAT-Production		380E-BULK		PACL,80% basicity-Bulk		BC47		Polyaluminum Chloride			
260201-CHAT-Production		420E-50LB		Polymr,Non,Poi- EZ 652 50LB		BC52		Polymer - Nonionic		\$ 2,9900	\$ 3,1500
260201-CHAT-Production		560A-BULK		Sodium Hydrox,50%-Bulk		BC93		Sodium Hydroxide 0.50			
260201-CHAT-Production		680C-BULK		Zn Ortho(Sulfate) ,(1:10)-Bulk		BC60		Zinc Orthophosphate			
Grand Total											

Tennessee American Water						Attachment 7										
Sum of Quantity Received																
Business Unit/Location						Part Number	Part Description	Product Code	Product Code Descrip					Carus		Carus
260201-CHAT-Production						200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated							
260201-CHAT-Production						220A-2000LB	Chlorine ,100%-2000LB	BC73	HTH							
260201-CHAT-Production						300A-BULK	HFS Acid,23%-Bulk	BC81	Hydrofluosillicic Acid							
260201-CHAT-Production						380E-BULK	PACL,80% basicity-Bulk	BC47	Polyaluminum Chloride							
260201-CHAT-Production						420E-50LB	Polymr,Non,Poi- EZ 652 50LB	BC52	Polymer - Nonionic							
260201-CHAT-Production						560A-BULK	Sodium Hydrox,50%-Bulk	BC93	Sodium Hydroxide 0.50							
260201-CHAT-Production						680C-BULK	Zn Ortho(Sulfate) ,(1:10)-Bulk	BC60	Zinc Orthophosphate					\$	1.3100	\$ 0.9400
Grand Total																

Tennessee American Water									
Attachment 7									
Business Unit/Location	Part Number	Part Description	Product Code	Product Code Descrip	LCI	LCI			
260201-CHAT-Production	200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated	NO BID				NO BID
260201-CHAT-Production	220A-2000LB	Chlorine ,100%-2000LB	BC73	HTH	NO BID				NO BID
260201-CHAT-Production	300A-BULK	HFS Acid,23%-Bulk	BC81	Hydrofluosillicic Acid	***\$0.3075/LB,45,000 LB Minimum F				***\$0.3075/LB, 45,000 LB Minimum
260201-CHAT-Production	380E-BULK	PACI,,80% basicity-Bulk	BC47	Polyaluminum Chloride	NO BID				NO BID
260201-CHAT-Production	420E-50LB	Polymr,Non,PoI- EZ 652 50LB	BC52	Polymer - Nonionic	NO BID				NO BID
260201-CHAT-Production	560A-BULK	Sodium Hydrox,50%-Bulk	BC93	Sodium Hydroxide 0.50	NO BID				NO BID
260201-CHAT-Production	680C-BULK	Zn Ortho(Sulfate)_(1:10)-Bulk	BC60	Zinc Orthophosphate	NO BID				NO BID
Grand Total									

[illegible]

Tennessee American Water						
Attachment 7						
Sum of Quantity Received						
Business Unit/Location	Part Number	Part Description	Product Code	Product Code Descrip	Univar	Univar
260201-CHAT-Production	200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated	No Bid	No Bid
260201-CHAT-Production	220A-2000LB	Chlorine ,100%-2000LB	BC73	HTH	No Bid	No Bid
260201-CHAT-Production	300A-BULK	HFS Acid,23%-Bulk	BC81	Hydrofluosillicic Acid	No Bid	No Bid
260201-CHAT-Production	380E-BULK	PACL,80% basicity-Bulk	BC47	Polyaluminum Chloride	No Bid	No Bid
260201-CHAT-Production	420E-60LB	Polymr,Non,PoL- EZ 652 50LB	BC52	Polymer - Nonionic	No Bid	No Bid
260201-CHAT-Production	560A-BULK	Sodium Hydrox,50%-Bulk	BC93	Sodium Hydroxide 0.50	No Bid	No Bid
260201-CHAT-Production	680C-BULK	Zn Ortho(Sulfate)_(1:10)-Bulk	BC60	Zinc Orthophosphate	No Bid	No Bid
Grand Total						

<b>Tennessee American Water</b>						
<b>Attachment 7</b>						
Business Unit/Location	Part Number	Part Description	Product Code	Product Code Descrip	Norit	Norit
260201-CHAT-Production	200A-BULK	Carbon - PAC,Lignite-Bulk	BC97	Carbon - Powdered Activated	\$	0.6500 \$ 0.6000
260201-CHAT-Production	220A-2000LB	Chlorine ,100%-2000LB	BC73	HTH	No Bid	No Bid
260201-CHAT-Production	300A-BULK	HFS Acid,23%-Bulk	BC81	Hydrofluosilicic Acid	No Bid	No Bid
260201-CHAT-Production	380E-BULK	PACL,80% basicity-Bulk	BC47	Polyaluminum Chloride	No Bid	No Bid
260201-CHAT-Production	420E-50LB	Polymr,Non,Poi- EZ 652 50LB	BC52	Polymer - Nonionic	No Bid	No Bid
260201-CHAT-Production	560A-BULK	Sodium Hydrox,50%-Bulk	BC93	Sodium Hydroxide 0.50	No Bid	No Bid
260201-CHAT-Production Grand Total	680C-BULK	Zn Ortho(Sulfate) ,(1:10)-Bulk	BC60	Zinc Orthophosphate	No Bid	No Bid

Attachment 8

Tennessee-American Water Company  
Chemical Usage and Costs:

Pounds	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Total
Polyaluminum Chloride	110486	126626	121998	164483	116555	110108	107186	92745	100900	88066	94395	104686	1,338,234
Chlorine	42250	40000	35440	46037	44221	56312	60990	60300	67878	60788	52637	44871	611,724
Fluoride	42347	43071	41173	43453	42373	57286	51313	51568	55950	50765	51538	44704	575,541
Caustic				5520	20369	63383	93929	56222	31114	26977	3073		300,587
Corrosion Inhibitor	37359	33623	35616	40749	44453	49118	56160	52742	57531	50411	55705	39501	552,968
Filter Aid	628	647	600	753	668	106	0	0	0	5	95	221	3,723
Powdered Carbon	0	0	0	0	0	0	0	21101	11384	7615	0	0	40,100
GAC													

Cost

Polyaluminum Chloride	\$26,903	\$30,833	\$31,885	\$47,093	\$32,027	\$30,538	\$28,420	\$23,923	\$26,139	\$19,217	\$24,248	\$26,485	\$347,712
Chlorine	\$10,875	\$12,910	\$10,563	\$13,599	\$12,937	\$16,502	\$17,296	\$15,170	\$19,734	\$13,571	\$14,092	\$12,122	\$169,371
Fluoride	\$4,218	\$5,302	\$5,472	\$5,929	\$6,190	\$8,260	\$7,146	\$7,120	\$7,688	\$6,990	\$7,097	\$6,156	\$77,568
Caustic	\$0	\$0	\$0	\$672	\$2,898	\$8,534	\$11,458	\$7,549	\$3,447	\$2,090	\$185	\$0	\$36,833
Corrosion Inhibitor	\$11,312	\$13,097	\$5,310	\$15,903	\$16,130	\$18,649	\$20,038	\$20,082	\$20,711	\$15,641	\$20,080	\$13,978	\$190,931
Filter Aid	\$1,338	\$1,298	\$1,266	\$1,776	\$774	\$238	\$0	\$0	\$0	\$36	\$79	\$460	\$7,265
Powdered Carbon	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,514	\$5,340	\$2,876	\$0	\$0	\$18,730
GAC	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$22,438	\$269,251
Total	\$77,084	\$85,878	\$76,934	\$107,410	\$93,394	\$105,159	\$106,796	\$106,796	\$105,497	\$82,859	\$88,218	\$81,638	\$1,117,661

Cost/Lb

Polyaluminum Chloride	\$0.2435	\$0.2435	\$0.2614	\$0.2863	\$0.2748	\$0.2773	\$0.2651	\$0.2579	\$0.2591	\$0.2182	\$0.2569	\$0.2530	\$0.2581
Chlorine	\$0.2574	\$0.3228	\$0.2981	\$0.2954	\$0.2926	\$0.2930	\$0.2836	\$0.2516	\$0.2907	\$0.2233	\$0.2677	\$0.2702	\$0.2789
Fluoride	\$0.0996	\$0.1231	\$0.1329	\$0.1364	\$0.1461	\$0.1442	\$0.1393	\$0.1381	\$0.1374	\$0.1377	\$0.1377	\$0.1377	\$0.1342
Caustic				\$0.1217	\$0.1423	\$0.1346	\$0.1220	\$0.1343	\$0.1108	\$0.0775	\$0.0602		\$0.1129
Corrosion Inhibitor	\$0.3028	\$0.3895	\$0.1491	\$0.3903	\$0.3629	\$0.3797	\$0.3568	\$0.3808	\$0.3600	\$0.3103	\$0.3605	\$0.3539	\$0.3414
Filter Aid	\$1.6000	\$1.6000	\$1.6000	\$2.3586	\$1.1587	\$2.2453				\$7.2000	\$0.8316	\$2.0814	\$2.2973
Powdered Carbon*													
GAC								\$0.4983	\$0.4691	\$0.3777			

Average  
Cost/lb

All chemical contracts run from January 1, 2009 through December 31, 2009. The current rates are listed below:

2008 Contract

2009 Contract

09 K 1 yr

Chemical	Cost/lb	
Polyaluminum Chloride	0.2550	0.2748
Chlorine	0.2300	0.223
Fluoride	0.1860	0.3075
Caustic	0.0770	0.411
Corrosion Inhibitor	0.3800	1.31
Filter Aid	1.9000	2.0000 last purchase price-not a contract price
Powdered Carbon	0.5600	0.650
GAC		

The GAC costs are monthly lease which is adjusted annually based on the filters that are regenerated.

Tennessee-American Water Company		Attachment 8		
Chemical Usage and Costs:				
<u>Chemical</u>	<u>Test Yr</u> <u>Usage</u>	<u>Current</u> <u>Price/Lb.</u>	<u>2009 Contract</u> <u>Price/Lb.</u>	<u>Cost</u>
Polyaluminum Chloride	1,338,234	\$0.2550	\$0.2748	387,352
Chlorine	611,724	0.2300	0.2230	149,567
Fluoride	575,541	0.1860	0.3075	162,590
Caustic	300,587	0.0770	0.4110	92,005
Corrosion Inhibitor	552,968	0.3800	1.3100	570,479
Filter Aid	3,723	1.9000	2.0000	7,911
Powdered Carbon	40,100	0.5600	0.6500	26,733
GAC				269,251
Total	3,422,877			1,665,888

Tennessee American Water Company  
Chemicals  
Test Year Ended 11/30/07

Attachment 8

	12 Months ended 11/30/2007 (CCF)	Normalized Year (CCF)	Attrition Year (CCF)
Water Sales	15,346,430	14,295,052	14,364,712
Non-Revenue Usage	-	-	-
Unaccounted For	4,221,849	3,931,458	3,950,616
Total	19,568,279	18,226,510	18,315,328

Chemical Name	Cost at Current Prices Based on Test Year Sys Delivery	Average Cost Per CCF	Cost Based on Average Cost per CCF on Normalized Sys Delivery	Cost Based on Average Cost per CCF on Attrition Year Sys Delivery
Polyaluminum Chloride	387,352	0.01979	360,792	362,550
Chlorine	149,567	0.00764	139,311	139,990
Fluoride	162,590	0.00831	151,441	152,179
Caustic	92,005	0.00470	85,696	86,114
Corrosion Inhibitor	570,479	0.02915	531,362	533,951
Filter Aid	7,911	0.00040	7,369	7,404
Powdered Carbon	26,733	0.00137	24,900	25,021
GAC	269,251	0.01376	250,789	252,011
Total	1,665,888		1,551,661	1,559,222

Tennessee American Water Company  
Chemicals  
Test Year Ended 11/30/07

Attachment 8

Chemical Name	Cost Based on Average Cost per CCF on Attrition Year Sys Delivery	ATTRITION YEAR ADJUSTMENTS	Adjusted Attrition Year Cost
Polyaluminum Chloride	362,550		362,550
Chlorine	139,990		139,990
Fluoride	152,179		152,179
Caustic	86,114		86,114
Corrosion Inhibitor	533,951		533,951
Filter Aid	7,404		7,404
Powdered Carbon	25,021		25,021
GAC	252,011		252,011
Total	1,559,222	0	1,559,222 revised filing
			1,049,272 original filing
			509,950 variance

Tennessee American Water Company  
Customer Accounting Amended  
ATTRITION YEAR ENDED: 08/31/09

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Year Ending 11/30/2007	Normalized Adjustments	Normalized Year	Uncollectibles Customer Billing	Net Subject to Inflation	3.940% Inflation Adjustment	Add Postage & Customer Billing	Add Misc Adjustments	Total Customer Acct Exp For Attrition Year
6757 METER READING EXPENSES	5,133		5,133		5,133	202			5,335
6757 COLLECTING EXPENSES	22,239		22,239		22,239	876			23,115
6757 BANK SERVICE CHARGES	247,959		247,959		247,959	9,770			257,729
6757 CUST ACCTG-BILLING/TELEPHONE	7		7		7	-			7
6757 CUST ACCTG-BILLING/POSTAGE	311,949	21,131	333,080	333,080	0	-	333,080		333,080
6757 MISC CUST ACCTG EXPENSES	105,521	-	105,521		105,521	4,158			109,679
6757 MISC OPER CA CUST SERV	11,554	(2,029)	9,525		9,525	375			9,900
	704,362	19,101	723,464	333,080	390,383	15,381	333,080	0	738,845
Inflation adjustment original filing									
See adjustment detail on Customer Accounting Tab (line 53-55)									
						8,978			
						6,403			

Tennessee American Water Company  
General Office Expense Amended  
ATTRITION YEAR ENDED: 08/31/09

	For Yr Ending 11/30/2007 Amount	Less: Postage	Normalized Adjustments	Net Subject to Inflation	3.940% Inflation Adjustment	Total Add: Postage	General Office Expense for the Attrition Year
6758 EXPENSES OF EMPLOYEES	34,347		2,559	36,906	1,454		38,360
6758 EXPENSES OF EMPLOYEES-TAXAB	-			0	-		0
6758 DUES & MEMBERSHIPS	2,428		-	2,428	96		2,524
6758 MISC OFFICE EXPENSES	101,145	(3,118)	(11,189)	86,838	3,421	3,520	93,780
6758 MISC OFFICE EXP TEL	86,915			86,915	3,424		90,339
6758 MISC OFFICE EXP SUP	12,488			12,488	492		12,980
6758 SUBSCRIPTIONS	-			0	-		0
6758 OFFICE BUILDING OPERATION	3,799			3,799	150		3,949
6758 MEAL & ENTERTAINMENT EXPENSE	3,845			3,845	151		3,996
	244,966	(3,118)	(9,630)	233,217	9,188	3,520	245,926
Inflation adjustment original filing							
See adjustment detail on General Office Tab (line 58-60)							
					5,363		
					3,825		

Tennessee American Water Company  
Maintenance Expense Amended  
Attrition year ending: 08/31/09

	(A) Year Ending 11/30/2007 Amount	(B) Normalized Adjustments	(C) Normalized year	(D) 3.940% Inflation Adjustment	Total Maintenance Other Expense for the Attrition Year
6202					
6204-6754	143,462		143,462	5,652	149,114
6758	97,246	50,000	147,246	5,801	153,047
6756	367,615	(367,615)	0	0	0
6206-6756	0		0	-	0
6756	494,751	12,267	507,018	19,976	526,994
6208-6758	8,519		8,519	336	8,855
	100,011	(5,404)	94,608	3,728	98,336
	1,211,604	(310,752)	900,852	35,493	936,345

Inflation year adjustment-column © multiplied by the inflation factor of 2.3% to arrive at the adjustment of \$12,860  
inflation adjustment original filing  
See adjustment detail on Maintenance Tab (line 43-45)

20,720  
14,773

ENDED  
8/31/09

Account Number	Description	Year End 11/30/2007 Amount	Normalized Adjustment	Normalized Amount	Less: 401 (K), DCP Retiree Med Rai Postage & Trans	Net Subject to Inflation	3.940% Inflation Adjustment	Add Back: leased vehicles ESOP 401 (K) Postage 643.1	Add: Miscellaneous Expenses *	Total
6201-6751	SS OPERATION EXPENSE	0		0		0	0			0
6201	MISC PUMPING EXPENSES-CURRENT	0		0		0				0
6751	PUMPING EXPENSES ELECTRIC	(104)	104	(0)		(0)				(0)
6751	MISC PUMPING EXP ELECTRIC	0		0		0				0
6753	GENERAL WT EXPENSES	132,516	22,645	155,161		155,161	6,113			161,274
6753	MISC WT EXPENSES-CURRENT	62,381		62,381		62,381	2,458			64,839
6755	T&D LINES EXPENSE	208		208		208	8			216
6755	MISC METER EXPENSES	0		0		0				0
6755	MISC T&D EXPENSES-CURRENT	113,455		113,455		113,455	4,470			117,925
6328	AUDITING SERVICES	69,094		69,094		69,094	2,722			71,816
6338	LEGAL SERVICES	68,304		68,304		68,304	2,691			70,995
6364-6355	OTHER SERVICES-CURRENT	205,434		205,434		205,434	8,594			213,528
6758	INJURIES & DAMAGES EXP	13,402		13,402		13,402	528			13,930
6048	OTHER WELFARE EXPENSES	43,901		43,901		43,901	1,730			45,631
6048	401 - K CONTRIBUTIONS EXPENSE	87,627		87,627	(87,627)	0		87,627	6,579	94,206
6048	DCP	70,567		70,567	(70,567)	0		70,567	45,129	115,696
6048	RETIREE MED REIMBURSEMENT	6,259		6,259	(6,259)	0		6,259	1,241	7,500
6048	INSUIT & GOODWILL AD EXP	55,808		55,808		55,808	2,199			58,007
6758	MISC GENERAL EXP-CURRENT	355,809	57,195	413,005		413,005	16,272			429,277
6758	OPERATN AG MISC GEN AMORTZ (SCH M)	3,620		3,620		3,620	143			3,763
6758	RESEARCH & DEV-SERVICE CO	11,653		11,653		11,653	459			12,112
6758	OPERATN AG MISC LOBBYING EXPENSE	15,801	(15,601)	0		0				0
6801-6508	TRANSPORTATION	447,257	27,000	474,257		474,257	18,686			492,943
6758	MISC GEN EXP-DIRECTORS FEES	11,500		11,500		11,500	453			11,953
6758	MISC GEN EXP-DIRECTORS EXPENSES	0		0		0				0
6758	MISC GENERAL - CO DUES & MEMB	31,761		31,761		31,761	1,251			33,012
6758	PENALTIES NONDEDUCT	124,992	(124,992)	0		0				0
6758	MISC GENERAL - TAXABLE CO	0		0		0				0
		1,931,046	(33,649)	1,897,397	(164,453)	1,732,944	68,277	164,453	52,949	2,016,623
Inflation adjustment original filing										
See adjustment detail on Misc detail Tab (line 112-115)										
* Orig from original estimate due to inflation being calculated on incorrect totals.										

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

**Responsible Witness:** John Watson

**Question:**

2. Please provide copies of all previous and current contracts with Walden Ridge.

**Response:**

See attached contract included with the response to question 6.

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

**Responsible Witness:** Michael A. Miller

**Question:**

3. Why did TAWC eliminate Walden's Ridge revenue from the filing as stated in Sheila Miller's Direct Testimony, page 6?

**Response:**

The Water Purchase Agreement with Walden's Ridge Utility District approved by the TRA by Order dated March 16, 2004 in docket number 03-00452 states at page 4, "The rate is guaranteed for three (3) years from the Date of Service." The initial date of service was March 2006. Because the Walden's Ridge rate is not subject to increase in this case, per the approved contract, the Company believes it is proper to eliminate the cost of service elements related to providing service to Walden's Ridge in this proceeding as indicated in the Company's filing in this case.

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

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

**Question:**

4. Has TAWC included any revenues, expenses or investments in rate base relating to Walden's Ridge? If so, please identify all revenues (type of revenues), expenses (by account) or investments in rate base relating to Walden's Ridge.

**Response:**

No. TAWC has eliminated those items from this rate filing related to Walden's Ridge. This includes sale for resale revenues in the amount of \$434,810, utility plant in the amount of \$4,455,819, accumulated depreciation in the amount of \$187,014, chemical cost of \$33,790, fuel and power cost of \$44,342, and depreciation expense \$74,806.

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

**Responsible Witness:** Sheila Miller

**Question:**

5. Explain Account #510100 (Purchased Water – Outside). Specifically, explain what is meant by “Outside.”

**Response:**

This account includes water purchased from other municipalities or water authorities that are not affiliates of American Water Works Company, Inc.

**TENNESSEE AMERICAN WATER COMPANY**  
**Docket No. 08-00039**  
**Tennessee Regulatory Authority Staff Data Request No. 5**

**Responsible Witness:** John Watson

**Question:**

6. Please provide us with a copy of the special contracts with Walden's Ridge, Signal Mountain, Fort Oglethorpe, and Catoosa.

**Response:**

See attached.

WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 14<sup>th</sup> day of July 2003 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee

and

Walden's Ridge Utility District ("Walden's Ridge"), located at 3900 Taft Highway, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Walden's Ridge wishes to purchase all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American has the capability to provide all of the water supply currently required by Walden's Ridge and is willing to construct a water supply pipeline and booster station, which will provide a sufficient volume of water in order to serve as WRUD's sole source of supply; and

WHEREAS, Walden's Ridge and Tennessee-American are desirous of establishing an Agreement for the purchase and sale of water for a fixed period of time; and

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

**SECTION I**  
**EXCLUSIVE SUPPLIER**

Tennessee-American agrees to sell and Walden's Ridge agrees to buy, during the term of this Agreement and any extension hereof, all of the potable and raw water requirements of Walden's Ridge, as it now exists or may hereafter be expanded, in conformity with the provisions hereof.

**SECTION II**  
**CONSTRUCTION OF FACILITIES**

(A) Tennessee-American shall construct, at an estimated cost of \$2.4 million, a water supply pipeline and booster station from its existing distribution system to the Walden's Ridge water tank near Taft Highway, which will provide a sufficient volume of water in order to serve as Walden's Ridge sole source of supply. This water supply pipeline will be capable of delivering up to 2.9 million gallons of water per day at the top of the mountain. The estimated construction time, from the time of a final non-appealable order from the Tennessee Regulatory Authority ("TRA") granting approval of the project, until the connection to the system and delivery of water, is eighteen (18) months. In the event that the construction bid price exceeds \$2.4 million by 5% or more, Tennessee-American shall have the right to negotiate an adjustment in the price for the sale of water as provided in Section III hereof or terminate this Agreement.

(B) If any conditions or requirements are imposed by any regulatory authority, or court, which make this project economically unfeasible, Tennessee-American has the right to withdraw and terminate the Agreement.

(C) As part of this consideration, Walden's Ridge agrees that Tennessee-American will be the sole and exclusive supplier of potable and raw water to Walden's Ridge, as it now exists or

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

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(B) If any conditions or requirements are imposed by any regulatory authority, or court, which make this project economically unfeasible, Tennessee-American has the right to withdraw and terminate the Agreement.

(C) As part of this consideration, Walden's Ridge agrees that Tennessee-American will be the sole and exclusive supplier of potable and raw water to Walden's Ridge, as it now exists or

hereafter be changed, except as noted below in this Section, and that Walden's Ridge will not, without prior written consent of Tennessee-American, receive potable or raw water service from any person or entity (including Walden's Ridge and its own customers), for the period of time under the Agreement including any extensions or renewals. The parties agree that the approximately eighty (80) current Walden's Ridge customers in the Falling Water Community located on Levi Road, Ferry Road, Pickett Gulf Road, Levi Cemetery Road, Courtney Road and Godsey Road, will be an exception, which allows Walden's Ridge to seek an alternative source for these customers.

(D) In the event Walden's Ridge terminates the Agreement prior to the expiration of forty (40) years from the Date of Service, as defined below, or fails to renew the agreement for a period of time adequate to allow Tennessee-American an opportunity to recover its investment, or if Tennessee-American is no longer the sole and exclusive provider of potable and raw water to Walden's Ridge, or fails to pay Tennessee-American as provided herein, then Walden's Ridge, and its successors and assigns, agree to pay Tennessee-American, within thirty (30) days following such termination or event, the balance of the undepreciated costs, on a straight-line basis, of Tennessee-American's pipeline and all other facilities that are constructed to serve Walden's Ridge.

(E) Walden's Ridge will decommission and terminate its existing source of supply and treatment facilities upon completion of the Tennessee-American water supply pipeline extension and connection to the Walden's Ridge system and no later than ninety (90) days following the Date of Service, as defined below. As part of this consideration, and upon completion of the Tennessee-American water supply pipeline and booster station, Walden's Ridge agrees to exclusively lease to Tennessee-American, for a period of forty (40) years from the Date of Service as defined below, the 6" and 8" welded steel water supply lines, along with perpetual easements, from its Mountain Station at the end of Levi Cemetery Road to top of the mountain.

**SECTION III**  
**SALE OF WATER**

(A) The water from the Tennessee-American pipeline shall be provided to Walden's Ridge at a rate of \$1.25/1000 gallons, except for the pass-through cost as identified in Section III (B) herein, for the first three (3) years, beginning with the date that water service is first taken from these facilities ("Date of Service"). Any proposed change in the rate after this initial period will be accompanied by supporting data and computations, which will be based on industry accepted cost of service methodology. Walden's Ridge has the right to agree to this rate or to propose an alternative rate with the understanding that the TRA will be the ultimate authority in determining the rate.

(B) From the date this Agreement is executed and during the first three (3) years from the Date of Service under this Agreement, in the event that electric costs, which can be directly identified with this project, increase, Walden's Ridge agrees to meet with Tennessee-American to discuss an equitable pass-through of those cost increases if so requested by Tennessee-American.

(C) Walden's Ridge will permit Tennessee-American to use the Walden's Ridge distribution system as a conduit through which Tennessee-American may wheel water to other water utility districts and other customers as agreed to by the parties, which agreement by Walden's Ridge shall not be unreasonably withheld. The parties agree to meet within ninety (90) days after execution of this Agreement to define the territory that will be served by Walden's Ridge. The wheeling charge from Walden's Ridge to Tennessee-American shall be at a rate of \$.39/1000 gallons. This rate is guaranteed for three (3) years from the Date of Service. Any proposed change in the rate after this initial period will be accompanied by supporting data and computations, which will be based on industry accepted

cost of service methodology. Tennessee-American has the right, within ninety (90) days, to agree to this rate or to propose an alternative rate. If the Parties do not agree on the rate change, then the Parties will refer the matter to a neutral mediator. If mediation does not resolve the matter, either of the Parties may take the matter to the TRA, if applicable, or Utility Management Review Board or seek Judicial Review as necessary for resolution. As part of the consideration under this agreement, Tennessee-American shall have the right, at the cost specified above or at a rate that may change from time to time as agreed by the parties, even after termination of the agreement, to transfer water through Walden's Ridge facilities.

(D) Walden's Ridge will not be charged by Tennessee-American for any water supplied through its system that is transferred to other water utility districts and/or customers outside the Walden's Ridge service area. Tennessee-American shall install a meter or meters on the Walden's Ridge distribution system where appropriate in order to measure the volume of water that is transferred. Walden's Ridge will have reasonable access to such meters at all times.

#### **SECTION IV** **FLUORIDATION OF WATER SUPPLY**

Tennessee-American will fluoridate the water supply to Walden's Ridge, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable law or regulations.

#### **SECTION V** **OPERATIONAL REQUIREMENTS**

(A) In order to minimize utilization of the peaking capacity of Tennessee-American, Walden's Ridge will provide, by the Date of Service, adequate storage to provide for its own

maximum hour needs. Walden's Ridge shall maintain a minimum of one-day of water supply storage on its distribution system.

(B) Walden's Ridge agrees to cooperate with Tennessee-American in making improvements as needed to its distribution system in order to efficiently facilitate the wheeling of water through its system to other water utility district customers of Tennessee-American or other customers of Tennessee-American outside the Walden's Ridge service area. Any such improvements, which are deemed necessary by Tennessee-American to adequately wheel water through the Walden's Ridge system for the benefit of Tennessee-American, shall be done at Tennessee American's expense.

(C) Tennessee-American will conduct a one-time comprehensive leak survey along Walden's Ridge transmission mains that are located in Taft Highway between Walden's Ridge twin storage tanks (located at the old Walden's Ridge office) and the end of the line near Grandview subdivision. This leak survey will be at no cost to Walden's Ridge. However, Walden's Ridge will be responsible for uncovering and repairing any identified leaks. The purpose of the survey will be to identify and locate leaks to help Walden's Ridge reduce its unaccounted for water.

#### **SECTION VI** **CUSTOMERS AT BOTTOM OF MOUNTAIN**

In the event that Walden's Ridge, at any time in the future, decides to divest itself of the approximately eighty (80) customers, and as that number of customers may change from time to time, at the base of the mountain near the Soddy-Daisy system, Tennessee-American will be granted the right of first refusal to purchase from Walden's Ridge the facilities necessary to serve these customers at a price not to exceed the actual, bona fide offer made to Walden's Ridge for the facilities.

**SECTION VII**  
**METERING**

Metering of the water sold under this Agreement shall be at the point where Tennessee-American's water supply pipeline is connected to the Walden's Ridge water tank near Taft Highway.

**SECTION VIII**  
**BILLING**

During its normal billing cycle each month, Tennessee-American will issue an invoice to Walden's Ridge for Walden's Ridge metered usage during the prior month. Payment of such invoice will be made by Walden's Ridge on or before eighteen (18) days after receipt of the invoice. Interest and penalties shall accrue on the unpaid balance at the rate and amounts provided in Tennessee-American's filed tariff for its customers.

**SECTION IX**  
**APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the TRA. Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval. Service provided hereunder will be pursuant to the rules and regulations of the TRA as may be changed from time to time during the term of this Agreement. Walden's Ridge agrees to provide all reasonable support for such regulatory approval.

**SECTION X**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of forty (40) years, beginning on the Date of Service. In consideration of the requirement for Walden's Ridge to have a

reliable source of supply at all times, if the Company should desire to terminate this Agreement after the Date of Service and prior to the end of the term, except for breach of this Agreement by Walden's Ridge, the Company will provide Walden's Ridge with three (3) years advance written notice of such desire to terminate.

**SECTION XI**  
**FORCE MAJEURE**

Neither Walden's Ridge or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, acts of terrorism, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Walden's Ridge from its obligation to make payment of amounts due hereunder.

**SECTION XII**  
**RENEWAL OF AGREEMENT**

This agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement.

However, the rates to be charged during any renewal period shall also be subject to prior approval by the Tennessee Regulatory Authority.

**SECTION XIII**  
**MISCELLANEOUS PROVISIONS**

**(A) Assignment**

This Agreement shall be binding on the successors and assigns of Tennessee-American. Upon obtaining written approval from Tennessee-American, which will not be unreasonably withheld, this Agreement may be assigned by Walden's Ridge to any successor in the operation of the distribution facilities currently owned by Walden's Ridge.

**(B) Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338,  
Chattanooga, Tennessee 37377  
Attn: President

Walden's Ridge Utility District  
3900 Taft Highway  
Signal Mountain, Tennessee 37377  
Attn: General Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(C) Governing Law

This Agreement shall be governed by the laws of the State of Tennessee.

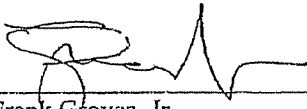
(D) Severability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from the Agreement.

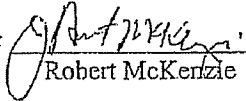
(E) Entire Agreement

This Agreement constitutes the entire Agreement between Walden's Ridge and Tennessee-American with respect to the subject matter contained in the Agreement, except that Walden's Ridge is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the Tennessee Regulatory and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

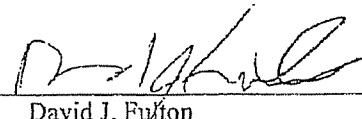
WALDEN'S RIDGE UTILITY DISTRICT

By:   
Frank Groves, Jr.

Its: President

By:   
Robert McKenzie

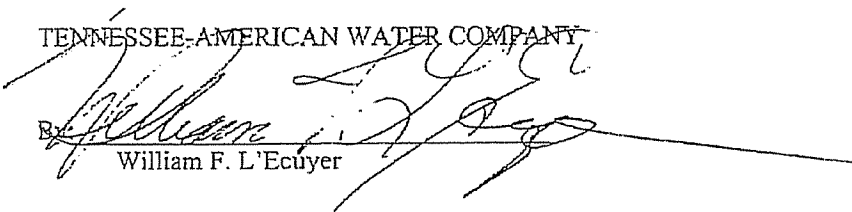
Its: Treasurer

By:   
David J. Fulton

Its: Secretary

District Seal Here

TENNESSEE-AMERICAN WATER COMPANY

By:   
William F. L'Ecuier

Its: President

ACKNOWLEDGEMENT  
FOR WALDEN'S RIDGE UTILITY DISTRICT

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14 day of July, 2003, by Frank Groves, Jr., as President of Walden's Ridge Utility District.

My Commission expires: July 11, 2005  
Katherine Lonergan  
NOTARY PUBLIC, Chattanooga, TN

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 2003, by Robert McKenzie, as Treasurer of Walden's Ridge Utility District.

My Commission expires: March 11, 2006  
Nancy A. King  
NOTARY PUBLIC, Chattanooga, TN

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 2003, by David J. Fulton, as Secretary of Walden's Ridge Utility District.

My Commission expires: March 11, 2006  
Nancy A. King  
NOTARY PUBLIC, Chattanooga, TN

ACKNOWLEDGEMENT  
FOR TENNESSEE-AMERICAN WATER COMPANY

STATE OF TENNESSEE                    )  
  )  
COUNTY OF Hamilton                    )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July  
      , 2003, by William F. L'Ecuier, as President, of Tennessee-American Water Company.

My Commission expires: April 7, 2004

Virginia B. Searcy  
NOTARY PUBLIC, Chattanooga, TN

**RESOLUTION  
of the  
COMMISSIONERS  
for the  
WALDEN'S RIDGE UTILITY DISTRICT**

A resolution ratifying Tennessee – American Water Company and  
Walden's Ridge Utility District Contract for the Water Source Agreement

**WHEREAS**, Walden's Ridge Utility District deemed it necessary to seek a new source for water;


**WHEREAS**, WRUD considered all options available including drilling additional wells and plant expansion and purchase proposal from Soddy Daisy-Falling Water Utility, Hixson Utility District and Tennessee-American Water Company;

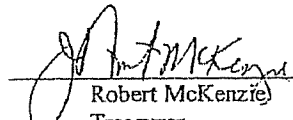
**WHEREAS**, after many years of researching all options available and an engineering cost analysis study, it has been decided to enter a purchase agreement with Tennessee-American Water Company;

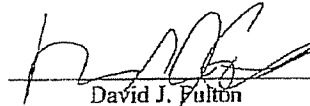
**WHEREAS**, with increased demand, our Board was faced with a large expenditure to modernize and expand our production facilities to meet new and more stringent governmental regulations. After much study, we found it more economical to purchase water from Tennessee-American Water Company.

**NOW THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF THE WALDEN'S RIDGE UTILITY DISTRICT:**

That contingent upon Tennessee-American Water Company signing the Water Purchase Agreement, this resolution shall take effect upon its passage, the public welfare requiring it and passage occurred this 22<sup>nd</sup> day of July 2003.

  
\_\_\_\_\_  
Frank Groves, Jr.  
President

  
\_\_\_\_\_  
Robert McKenzie  
Treasurer

  
\_\_\_\_\_  
David J. Fulton  
Secretary

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

WATER PURCHASE AGREEMENT  
AMENDMENT A

This is an amendment to the Water Purchase Agreement between Tennessee-American Water Company and Walden's Ridge Utility District signed the 14<sup>th</sup> day of July 2003. This Amendment (the "Amendment") to the Agreement is, made this 14<sup>th</sup> day of January, 2004, between and among WALDEN'S RIDGE UTILITY DISTRICT (hereinafter "WRUD"), and TENNESSEE-AMERICAN WATER COMPANY (hereinafter "TAWC")

Upon reviewing our records, it appears that WRUD and TAWC did not formally recognize the renegotiated purchase rate for which WRUD will charge TAWC for water purchased by TAWC from WRUD during the interim period (approximately 18 months) until TAWC has the new water transmission main installed to deliver water to WRUD.

At this time, the only detail found omitted is that WRUD will charge \$2.05 per 1000 gallons for all water sold to TAWC to supply the Lone Oak and Suck Creek Utility District areas and other areas as TAWC may expand its system in the future.

If for any reason TAWC exercises their option to withdraw from the planned water transmission main installation, then, WRUD reserves the right to bill at the original \$2.98 per 1000 gallons retroactive to the activation of water supply to the Lone Oak and Suck Creek Utility District areas and other areas as TAWC may have expanded its system up to the time of withdrawal.

IN WITNESS WHEREOF, WRUD and TAWC, have agreed to this Amendment A to be signed by the proper officers thereunto duly authorized, all as of the day and year first above written.

(423) 886-2683 OFFICE • (423) 886-1940 FAX  
OFFICE HOURS: 8:00 A.M. - 12:00 NOON AND 12:45 - 4:30 P.M. MONDAY THROUGH FRIDAY

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

TENNESSEE-AMERICAN WATER COMPANY

BY: David B. Schultz  
David Schultz  
Its: President

Acknowledgment for Tennessee-American Water Company

STATE OF TENNESSEE       )  
  )  
COUNTY OF Hamilton       )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of January, 2004, by David Schultz, as President of Tennessee-American Water Company.

My Commission expires: April 7, 2007

Virginia B. Scoep  
NOTARY PUBLIC, Chattanooga, TN

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

WALDEN'S RIDGE UTILITY DISTRICT

BY: [Signature]  
Frank Groves, Jr.  
Its: President

WITNESS:

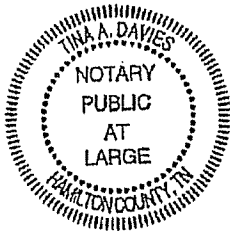
BY: [Signature]  
David Streeter  
Its: General Manager

Acknowledgment for Walden's Ridge Utility District

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 09 day of January 2004, by  
Frank Groves, Jr., as President of Walden's Ridge Utility District.

My Commission expires: 12 August 2007.



Tina A Davies  
NOTARY PUBLIC, Chattanooga, TN

(423) 886-2683 OFFICE • (423) 886-1940 FAX  
OFFICE HOURS: 8:00 A.M. - 12:00 NOON AND 12:45 - 4:30 P.M. MONDAY THROUGH FRIDAY

MAR 17 2004 1:37PM BASS BERRY AND SINS

NO. 678 P 2/4

To: Pappas, Ted CSID: 253-6056 03/18/2004, 15:17, p 2

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 16, 2004

IN RE:

TENNESSEE-AMERICAN WATER COMPANY -  
APPROVAL OF SPECIAL CONTRACT WITH WALDEN'S  
RIDGE UTILITY DISTRICT

DOCKET NO.  
03-00452

ORDER APPROVING SPECIAL CONTRACT

This matter came before Chairman Deborah Taylor Tate, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority ("TRA" or "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 21, 2003, for consideration of a petition filed by Tennessee-American Water Company ("Tennessee-American") seeking approval of an agreement for Tennessee-American to provide water for resale to Walden's Ridge Utility District ("Walden's Ridge").

Background

On July 24, 2003, Tennessee-American petitioned the Authority for approval of a Water Purchase Agreement ("Special Contract") with Walden's Ridge. This Special Contract was negotiated by the parties and submitted to the Authority for approval pursuant to Tenn. Comp. R. & Regs. 1220-4-1-.07, which states:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules or rules filed by such utilities are subject to supervision, regulation and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

No other interested party requested intervention in this matter.

MAR. 17. 2004 1:37PM BASS BERRY AND SIMS

NO 670 P. 3/4

To: Pappas, Ted CSID: 253-6058 03/16/2004, 15:17, p 3

Terms of the Special Contract

The term of the Special Contract is for forty (40) years from the "date of service," defined as the date that water is first taken from the Tennessee-American pipeline. As part of the agreement, Tennessee-American will construct a water supply pipeline and booster station from its existing distribution system to the Walden's Ridge water tank at an estimated cost of \$2.4 million. If the construction bid price exceeds \$2.4 million by five percent (5%) or more, Tennessee-American has the right under the Special Contract to negotiate an adjustment in the price for the sale of water or terminate the contract.<sup>1</sup> In return, Tennessee-American will be the sole and exclusive provider of potable and raw water to Walden's Ridge, and Walden's Ridge will decommission and terminate its water supply and treatment facilities within ninety (90) days following the date of service.

The agreement provides for the sale of water by Tennessee-American to Walden's Ridge at a rate of one dollar and twenty-five cents (\$1.25) per one thousand (1,000) gallons for the first three (3) years of the contract, plus a negotiable pass-through of any increased electric costs identified with the project. After the initial three-year period, if Tennessee-American proposes a rate change, Walden's Ridge can agree to the new rate or propose an alternative rate with the understanding that the TRA will be the ultimate authority in determining the rate.

The agreement also stipulates that Tennessee-American can use Walden Ridge's distribution system to resell (or "wheel") water to other neighboring utilities. The resale (or "wheeling") rate under the terms of the agreement will be thirty-nine cents (\$0.39) per one thousand (1,000) gallons and will be fixed for the first three (3) years of the agreement. If any proposed change to the wheeling rate after the initial three-year period cannot be agreed upon by the parties, the contract

<sup>1</sup> At the Authority Conference on October 21, 2003, Mr. Coleman Bush of Tennessee-American committed to the panel that if Tennessee-American petitions the TRA in future rate cases for a rate adjustment to permit full recovery of the \$2.4 million construction costs, the rate adjustment will apply only to Tennessee-American's Walden's Ridge customers and not to other customers of Tennessee-American. See Transcript of Authority Conference, pp. 44-45 (October 21, 2003).

MAR. 17, 2004 1:38PM BASS BERRY AND SIKS

NO. 678 P. 4/4

To: Pappas, Ted CSID: 253-6056 03/16/2004, 15:17, p 4

requires mediation. If mediation is unsuccessful, pursuant to the contract either of the parties may take the matter to the TRA, the Utility Management Review Board or the courts.<sup>2</sup>

Findings and Conclusions

Based upon the terms of the Water Purchase Agreement previously set forth, the Authority finds the agreement justifies a departure from Tennessee-American's tariff through a special contract. The Special Contract will enable Tennessee-American to generate additional revenues that will help offset future rate increases for existing customers and benefit its ratepayers.

October 21, 2003 Authority Conference

The Directors of this voting panel considered Tennessee-American's petition for approval of the Special Contract at the regularly scheduled Authority Conference held on October 21, 2003. During the Conference, the panel found that the Special Contract was in the public interest and after careful consideration voted unanimously to approve the petition.

**IT IS THEREFORE ORDERED THAT:**

The Special Contract by and between Tennessee-American Water Company and Walden's Ridge Utility District is hereby approved.

  
Deborah Taylor Tate, Chairman

  
Sara Kyle, Director

  
Ron Jones, Director

<sup>2</sup> This particular provision of the contract was discussed at the Authority Conference on October 21, 2003 by Mr. George Masterson of Tennessee-American Water, who told the voting panel the contract states that if the parties "can't agree after mediation, that either party can bring the matter to the TRA on the wheeling charge." *Transcript of Authority Conference*, p. 44 (October 21, 2003)

WILLIAM O. LEONARD, III  
Mayor

PHILLIP A. NOBLETT  
Town Attorney

DIANA CAMPBELL  
Town Manager



STEPHEN RUFFIN  
Vice Mayor

ROBERT E. WHITE, II  
Councilmember

LIZETTA PATURALSKI  
Councilmember

ROBERT V. LINEHART, JR.  
Councilmember

## Town of Signal Mountain

1111 RIDGEWAY AVENUE  
SIGNAL MOUNTAIN, TENNESSEE 37377  
423-886-2177

April 19, 2006

Mr. John S. Watson  
Vice-President and General Network Manager  
Tennessee American Water  
1101 Broad Street  
P.O. Box 6338  
Chattanooga, TN 37401

Dear Mr. Watson:

Enclosed please find the signed "Extension of Water Purchase Agreement" effective as of July 1, 2006 by and between Tennessee American Water and The Town of Signal Mountain.

Yours truly,

THE TOWN OF SIGNAL MOUNTAIN

Diana Campbell  
Town Manager

DC/sm

Enclosure



**John S. Watson**  
**Vice-President &**  
**General Network Manager**

March 14, 2006

Mr. William O. Leonard III, Mayor  
Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377

Dear Mayor Leonard:

Enclosed for your review is a proposed agreement in which we are requesting a third extension to the water purchase agreement dated July 1, 1997 between the Town of Signal Mountain and Tennessee-American Water. The extension agreement will be effective July 1, 2006 and will extend for an additional three years the same terms and conditions as the original contract, and the proposed rate will increase to \$1.061 per 1000 gallons, or \$.796 per CCF.

If the agreement meets with your approval, please sign on behalf of the Town of Signal Mountain and return to my attention so that I may submit it for approval by the Tennessee Regulatory Authority. We appreciate the opportunity to continue to work with you in providing water service to the residents of Signal Mountain.

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Watson", with a long horizontal flourish extending to the right.

John S. Watson  
Vice-President and  
General Network Manager

JSW/s  
Enc.

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA  
T +1 423 755 9307  
F +1 423 755 7634  
I www.tawc.com



EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2006, by and between Tennessee American Water ("Tennessee American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1111 Ridgeway Avenue, Signal Mountain, Tennessee,

WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), and agreement dated as being effective July 1, 2003 ("Second Extension Agreement"), copies of which are attached hereto and incorporated herein by reference, for an additional term of three years as provided herein,

NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First and Second Extension Agreements are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2006 and ending July 1, 2009.
2. Effective July 1, 2006 and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First and Second Extension Agreements, is hereby amended to state that Signal Mountain will purchase water at the rate of exactly \$0.796 per hundred cubic feet (CCF), which is approximately \$1.061 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of Tennessee American Water and the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By Mona Campbell

Title: Town Manager

Date: 4-10-2006

TENNESSEE AMERICAN WATER

By [Signature]

Title: VICE-PRESIDENT & GENERAL NETWORK MANAGER

Date: APRIL 4, 2006

EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2003, by and between Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1101 Ridgeway Avenue, Signal Mountain, Tennessee.


WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement"), as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), copies of both are attached hereto and incorporated herein by reference, for an additional term of three years as provided herein,

NOW, THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

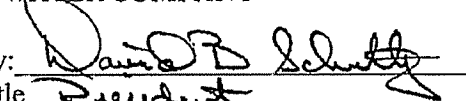
1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First Extension Agreement, are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2003 and ending July 1, 2006.
2. Effective August 7, 2003, and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First Extension Agreement, is hereby amended to state that Signal Mountain will purchase water at the rate of \$1.02 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of the Tennessee-American Water Company and the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By:   
Title: (President)  
Date: 1-29-04

TENNESSEE-AMERICAN  
WATER COMPANY

By:   
Title: President  
Date: 2/20/04

EXTENSION OF WATER  
PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of  
July 1, 2000, by and between:

Tennessee-American Water Company ("Tennessee-  
American"), located at 1101  
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at  
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to  
extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original  
Agreement") for an additional period of time under the same terms and conditions,  
except as herein specified.

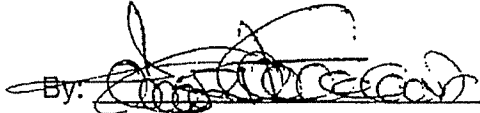
NOW THEREFORE, in consideration of the mutual covenants and promises  
herein and other good and valuable consideration, the receipt and sufficiency of which  
is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original Agreement, except as specifically otherwise stated herein, are hereby extended for a term of three (3) years (or thirty-six [36] monthly billing periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any notice to Tennessee-American be sent to the attention of the President of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By: 

Title: \_\_\_\_\_

Date: \_\_\_\_\_

TENNESSEE-AMERICAN WATER CO.

By: 

Title: \_\_\_\_\_

Date: August 19, 2000

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g.p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

#### **SECTION IV METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

#### **SECTION V BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

#### **SECTION VI APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee.


(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By:   
James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By:   
Richard T. Sullivan

Its: Vice-President and Manager

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 2

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**June 27, 2005**

**IN RE:**

**PETITION FOR APPROVAL OF THE EXTENSION  
OF WATER PURCHASE AGREEMENT BETWEEN  
TENNESSEE AMERICAN WATER COMPANY AND  
THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE**

**DOCKET NO.  
04-00088**

---

**ORDER APPROVING EXTENSION OF WATER PURCHASE AGREEMENT**

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This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority ("Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on April 26, 2004 for consideration of the *Extension of Water Purchase Agreement* ("*Special Contract*") between Tennessee American Water Company ("TAWC" or "Company") and the Town of Signal Mountain, Tennessee ("Town")

The Authority approved the original water purchase agreement ("Agreement") between the Company and the Town by Order dated August 18, 1997 in TRA Docket No. 97-01305. The Agreement is a sale-for-resale agreement. As stated in the Authority's Order of August 18, 1997, under the terms of the Agreement, the Town agreed to purchase a minimum of 273,750,000 gallons per year for three (3) years at a cost of ninety-five cents (\$0.95) per 1,000 gallons and to pay an additional charge if the Town's usage is below that amount. The Authority also approved a three year extension of this Agreement lasting until July 1, 2003 in Docket No. 00-00745, under the same terms and conditions.

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 3

The Authority has jurisdiction over this matter pursuant to Tenn. Code Ann. § 65-5-101 *et seq* and Authority Rule 1220-4-1-07, which states.

**SPECIAL CONTRACTS.** Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules or rules filed by such utilities are subject to supervision, regulation and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

The *Special Contract* was filed with the Authority on March 15, 2004. The *Special Contract* seeks to extend the Agreement an additional three (3) years beginning July 1, 2003 and ending July 1, 2006. The rate charged for water service will increase from ninety-five cents (\$0.95) per 1000 gallons to one dollar and two cents (\$1.02) per 1000 gallons. The new rate represents a price increase of approximately seven percent (7%) and is approximately the same increase established for the Company's other customers in TAWC's most recent rate case before the Authority which was considered in TRA Docket No. 03-00118.<sup>1</sup> All other terms, conditions, privileges, and obligations set forth in the Agreement remain unchanged.

The Company's estimated annual revenues under the *Special Contract* will be three hundred thirty thousand dollars (\$330,000) as compared with approximately three hundred seven thousand dollars (\$307,000) under the existing contract. In addition, the estimated annual revenue of three hundred thirty thousand dollars (\$330,000) represents a discount of ten thousand dollars (\$10,000) from the Company's regular tariff rates.

The terms of the Agreement and of the *Special Contract*, which distinguish the Town from the Company's tariff customers, justify a departure from the Company's tariff through a special contract. The Agreement is a sale-for-resale agreement, a category that does not exist

<sup>1</sup> See *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. 03-00118, *Final Order Approving Rate Increase and Rate Design and Approving Rates Filed by Tennessee American Water Company* (June 25, 2004) and *Concurrence and Dissent of Director Pat Miller* (June 25, 2004).

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 4

under TAWC's current tariff.<sup>2</sup> The inclusion of a three (3) year term of service and a minimum usage requirement further distinguishes the Town from the Company's tariff customers. The Agreement also requires the Town to maintain storage capacity equal to one (1) day's water supply, which allows the Company to provide water to the Town during non-peak periods, thereby avoiding higher on-peak operating costs.

The use of a special contract in dealing with large-usage customers such as the Town serves the public interest because it provides greater flexibility to the Company than is available under its tariff. The unique terms and conditions of the Agreement and the *Special Contract* benefit the Company and its ratepayers by providing the Company a long-term source of revenue and by helping control the Company's production costs during peak usage periods. Through the use of a special contract, the Company can attract the Town and other large-use customers and collect additional revenues to the benefit of the Company and ratepayers without the burden of undergoing a full-scale rate review in order to revise its tariff. In addition, the Agreement provides the Town and its residents with a dependable supply of water at fair and affordable prices.

No party has intervened in this docket or otherwise objected to the Authority's approval of the *Special Contract*. After careful review of the *Special Contract* and of the entire record in this matter and based on the foregoing findings and conclusions, the panel voted unanimously at the April 26, 2004 Authority Conference to approve the *Special Contract* extending the water purchase agreement.

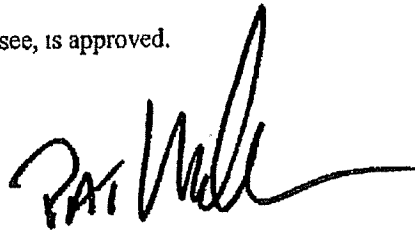
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<sup>2</sup> The Company is provided the opportunity, through special contracts, to secure new business and pursue new prospects in instances where an approved, tariffed rate does not currently exist. Absent the flexibility to negotiate special contracts and submit such contracts to the Authority for approval, the Company would be faced with potential forfeiture of its ability to generate additional revenues that inure to the benefit of its ratepayers. Each special contract is evaluated on its own merits given the circumstances existing at the time of consideration. Notwithstanding the entry of this Order, the Company has the continuing responsibility to acknowledge new customer classes and amend its existing tariff accordingly.

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 5

**IT IS THEREFORE ORDERED THAT:**

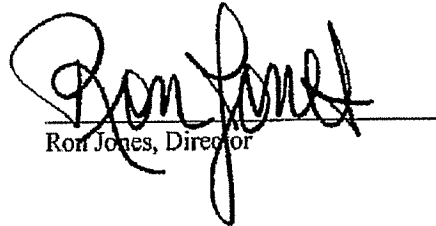
The *Extension of Water Purchase Agreement* between Tennessee American Water Company and the Town of Signal Mountain, Tennessee, is approved.



Pat Miller, Director



Sara Kyle, Director



Ron Jones, Director

**BASS, BERRY & SIMS PLC**  
*Attorneys at Law*

A PROFESSIONAL LIMITED LIABILITY COMPANY

**George H. Masterson**

PHONE: (615) 742-6263  
FAX: (615) 742-2763  
E-MAIL: gmasterson@bassberry.com

AmSouth Center  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
(615) 742-6200

June 9, 2006

The Honorable Ron Jones,  
Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Dear Chairman Jones:

06-00154

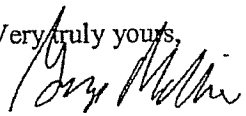
On behalf of our client, Tennessee-American Water Company, enclosed are an original and thirteen copies of an Extension of Water Purchase Agreement (the "Special Contract") between Tennessee-American and the Town of Signal Mountain, Tennessee, which we are submitting for approval by the Tennessee Regulatory Authority pursuant to Rule 1220-4-1-.07 relating to special contracts.

As you will notice, the enclosed agreement extends an agreement previously approved by the TRA (Order dated August 18, 1997, Docket No. 97-01305), which has been heretofore extended twice, with TRA approval (Order dated June 21, 2001, Docket No. 00-00745; Order dated June 27, 2005, Docket No. 04-00088). A copy of the original agreement and the previous extensions are also enclosed. As you can see, the terms of the agreement, as heretofore extended and approved by the TRA, will not be materially modified by the proposed extension.

The approval of the extension to the Special Contract would allow Tennessee-American to continue furnishing water to the Town of Signal Mountain for resale to its customers at the non-discriminatory tariff price of 0.796 per hundred cubic feet and under the same conditions as it has in the past and would benefit the Town of Signal Mountain and its residents by providing a good, clean, dependable water supply at fair and affordable prices.

If you have any questions concerning this matter, please call John Watson, General Manager of Tennessee-American (423-755-9307), or me.

Very truly yours,

  
George H. Masterson

GHM/ch  
Enclosures  
cc: John Watson

6105276.1

### EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2006, by and between Tennessee American Water ("Tennessee American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1111 Ridgeway Avenue, Signal Mountain, Tennessee,

WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), and agreement dated as being effective July 1, 2003 ("Second Extension Agreement"), copies of which are attached hereto and incorporated herein by reference, for an additional term of three years as provided herein,

NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First and Second Extension Agreements are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2006 and ending July 1, 2009.
2. Effective July 1, 2006 and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First and Second Extension Agreements, is hereby amended to state that Signal Mountain will purchase water at the rate of exactly \$0.796 per hundred cubic feet (CCF), which is approximately \$1.061 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of Tennessee American Water and the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By M. M. Campbell

Title: Town Manager

Date: 4-10-2006

TENNESSEE AMERICAN WATER

By [Signature]

Title: VICE PRESIDENT GENERAL NETWORK MANAGER

Date: APRIL 4, 2006

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g.p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

**SECTION IV**  
**METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

**SECTION V**  
**BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

**SECTION VI**  
**APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

**(1) Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

**(2) Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee.

(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By: 

James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By: 

Richard T. Sullivan

Its: Vice-President and Manager

EXTENSION OF WATER  
PURCHASE AGREEMENT

REC'D TN  
REGULATORY AUTH.

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of  
July 1, 2000, by and between:

00 AUG 22 PM 3 5  
OFFICE OF THE  
EXECUTIVE SECRETARY

Tennessee-American Water Company ("Tennessee-  
American"), located at 1101  
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at  
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") for an additional period of time under the same terms and conditions, except as herein specified.

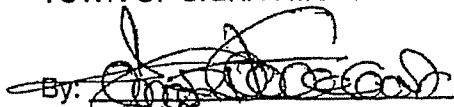
NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original Agreement, except as specifically otherwise stated herein, are hereby extended for a term of three (3) years (or thirty-six [36] monthly billing periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any notice to Tennessee-American be sent to the attention of the President of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

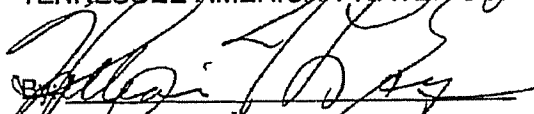
TOWN OF SIGNAL MOUNTAIN

By: 

Title: MAYOR

Date: 6/15/00

TENNESSEE-AMERICAN WATER CO.

By: 

Title: Rep. H. H. H.

Date: August 19, 2000

EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2003, by and between Tennessee-American Water Company (Tennessee-American), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1101 Ridgeway Avenue, Signal Mountain, Tennessee.


WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement"), as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), copies of both are attached hereto and incorporated herein by reference. for an additional term of three years as provided herein,

NOW, THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

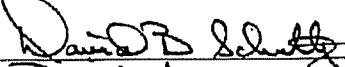
1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First Extension Agreement, are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2003 and ending July 1, 2006.
2. Effective August 7, 2003, and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First Extension Agreement, is hereby amended to state that Signal Mountain will purchase water at the rate of \$1.02 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of the Tennessee-American Water Company and the Tennessee Regulatory Authority ("TRA") Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands

TOWN OF SIGNAL MOUNTAIN

By:   
Title: President  
Date: 1-29-04

TENNESSEE-AMERICAN  
WATER COMPANY

By:   
Title: President  
Date: 2/20/04

SEP 08 '97 11:41AM TN AMERICAN WATER CO



## Tennessee-American Water Company

P.O. Box 6338 • 1101 South Broad Street • Chattanooga, TN 37401

Richard T. Sullivan  
Vice President and Manager

(423) 755-7620  
Fax (423) 755-7634  
<http://www.tawc.com>

July 30, 1997

Mr. Rick Sonnenburg  
Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377

Dear Mr. Sonnenburg:

This is to advise that the Tennessee Regulatory Authority unanimously approved the special Water Purchase Agreement between Tennessee-American Water Company and the Town of Signal Mountain at their regular conference yesterday, July 29, 1997. Therefore, I am enclosing a copy of the fully executed agreement for your files. As soon as I receive a copy of the official order of the Tennessee Regulatory Authority, which should follow in about two weeks, I will send you a copy. The next billing to the town will reflect the new rate of \$.95 per 1,000 gallons.

We are pleased that we are able to offer the Town of Signal Mountain this special sale for resale rate, and look forward to continuing our long-standing relationship with the Town, and providing excellent water service to your fine community.

Sincerely,

R. T. Sullivan  
Vice-President and Manager

RTS/lvbs  
Enclosure

c: Hershel Dick  
W. H. Novak  
T. G. Pappas, Esq.  
D. R. Bailey  
R. J. Gallo  
B. E. Tillotson  
J. E. Salser

SEP 08 '97 11:41AM TN AMERICAN WATER CO

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

August 18, 1997

**NASHVILLE, TENNESSEE**

In Re:      Application for Approval of Special      )  
             Contract Between Tennessee American      ) Docket No.  
             Water Company and the Town of Signal      ) 97-01305  
             Mountain      )

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**ORDER APPROVING WATER PURCHASE AGREEMENT.**

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This matter is before the Tennessee Regulatory Authority ("Authority") upon the application of Tennessee American Water Company ("Tenn. American") for approval of a Water Purchase Agreement ("Special Contract") entered into between Tenn. American and the Town of Signal Mountain, Tennessee ("Signal Mountain"). The Directors of the Authority considered approval of this Special Contract at a regularly scheduled conference held on July 29, 1997. Upon consideration of this matter, the Authority finds the following:

1. The Authority has jurisdiction over this matter pursuant to Tenn. Code Ann. § 65-4-101 et. seq. and Authority Rules 1220-4-1-.07, (Special Contracts), and 1220-4-1-.08, (Resale of Water).

2. On July 2, 1997, Tenn. American filed its application for approval of the Special Contract with the Authority's Executive Secretary.

3. The Town Council of Signal Mountain unanimously approved this Special Contract at a special meeting of the Council held on June 2, 1997. However, Section VI of the Special Contract is conditioned upon subsequent approval of the contract by the Authority.

However, Section VI of the Special Contract is conditioned upon subsequent approval of the contract by the Authority.

4. The Town of Signal Mountain has been a purchaser of water for resale from Tenn. American since the town was incorporated more than 50 years ago. Tenn. American's only other customer of water for resale is the City of Fort Oglethorpe, Georgia.<sup>1</sup>

5. This Special Contract contains identical financial terms to those that were approved by the Authority for the City of Fort Oglethorpe. That is to say that Signal Mountain will be required to purchase 273,750,000 gallons of water per year at a cost of ninety-five cents (\$0.95) per thousand gallons ("pmg") for three (3) years. Further, the contract price of ninety-five cents (\$0.95) pmg is a nine cent (\$0.09) rate reduction from current rates.

6. No party has petitioned for intervention in this matter or has raised objection to the Authority's approval of the terms of this Special Contract.

7. After careful review of this contract, the Directors of the Authority find that this contract would permit the company to furnish water for resale to its only two resale customers at the same non-discriminatory price and under the same conditions. Further, the Authority finds that this contract is in the public interest as it enures to the benefit of Signal Mountain and its residents by providing a dependable supply of water at fair and affordable prices.

**IT IS THEREFORE ORDERED THAT:**

1. The application for approval of the Special Contract entered into

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<sup>1</sup> A Water Purchase Agreement was entered into by the company and the City of Fort Oglethorpe as of March 1, 1997 and was approved by the Authority on March 4, 1997, Docket No. 97-00223.

SEP 08 '97 11:42AM TN AMERICAN WATER CO

between Tennessee American Water Company and the Town of Signal Mountain, Tennessee is hereby approved;

2. That any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order; and

3. That any party aggrieved by the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Division, within sixty (60) days from and after the date of this Order.

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

ATTEST:

  
EXECUTIVE SECRETARY

# **WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

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Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

#### **SECTION IV** **METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

#### **SECTION V** **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

#### **SECTION VI** **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

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Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) Governing Law

This Agreement shall be governed by the laws of the State of Tennessee.


(4) Enforceability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) Entire Agreement

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By:   
James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By:   
Richard T. Sullivan

Its: Vice-President and Manager



John S. Watson  
Vice-President &  
General Network Manager

May 30, 2007

The Honorable Judd Burkhart  
Mayor, City of Fort Oglethorpe  
Post Office Drawer 5509  
Fort Oglethorpe, GA 30742

Dear Mayor Burkhart:

It is the goal of Tennessee American Water to provide the highest quality of water service at the lowest possible price. We have worked diligently to control operational expenses and have succeeded in keeping them at one-half of the annual rate of inflation. While doing so, the company has continued to make the necessary investments to maintain the quality of the water system.

To continue to provide the best product possible, it has become necessary for Tennessee American to increase water rates to the customers in our general service area. That rate increase was granted by the Tennessee Regulatory Authority and became effective May 22, 2007.

As a result of that increase, we have reviewed the Water Purchase Agreement that we currently have with your organization. It stipulates that we must provide a written notice twelve months prior to any such increase. The purpose of this letter is to serve as that notice. The rate that Tennessee American Water will place in effect on May 30, 2008 will be \$0.8961 per CCF (hundred cubic feet). Your current rate is \$0.796 per CCF.

Tennessee American appreciates the partnership we share with your organization. Please call me personally should you have any questions or want to discuss this matter. You may reach me at 755-7607.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Watson", written over a horizontal line.

John S. Watson  
Vice President & General  
Network Manager

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA

T +1 423 755 9307  
F +1 423 755 7634  
I [www.tawc.com](http://www.tawc.com)

BASS, BERRY & SIMS PLC  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

T. G. PAPPAS  
TEL: (615) 742-6242  
FAX: (615) 742-6293

315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TENNESSEE 37238-0002  
(615) 742-6200

KNOXVILLE OFFICE:  
1700 RIVERVIEW TOWER  
KNOXVILLE, TN 37901-1509  
(423) 521-6200

MEMPHIS OFFICE:  
100 PEABODY STREET, SUITE 950  
MEMPHIS, TN 38103  
(901) 312-9100

December 12, 2000

VIA HAND DELIVERY

Mr. K. David Waddell  
Executive Secretary  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

**RE: Special Contract Water Purchase Agreement Between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia**

Dear Mr. Waddell:

Enclosed please find original and 13 copies of a Water Purchase Agreement dated October 23, 2000 by and between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia for approval of the Directors of the Tennessee Regulatory Authority pursuant to Rules 1220-4-1-07 Special Contracts and 1220-4-1-08 Resale of Water of the Rules of the Authority.

As you will notice this is an extension of a previous agreement between the parties that was approved by the Authority in Docket No. 97-00223 by Order dated March 10, 1997. The terms and conditions as to the water are practically the same, but there is a Schedule A attached to the contract and made a part thereof, which is a description of certain non-regulated services which the City may purchase and the terms and conditions and hourly rates of those services.

We are also attaching a copy of Page 5 of the October 23, 2000 minutes of the City Council of Fort Oglethorpe. Item 4 recites that the City Council is approving this contract unanimously. Also I am enclosing a copy of a unanimous Consent by the Board of Directors of Tennessee American Water Company, without a meeting, dated as of November 1, 2000 approving the Contract.

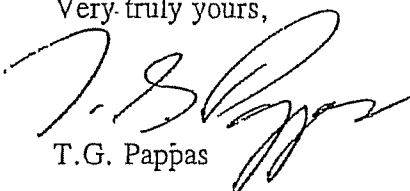
The approval of this Extension Agreement and Service Agreement would allow the Company to continue furnishing water to the City of Oglethorpe, Georgia for resale to its customers at the same and non-discriminatory price and under the same conditions as it has in the past and it would benefit the town of Fort Oglethorpe, Georgia and its residents by providing a good, clean, dependable water

Mr. K. David Waddell  
December 12, 2000  
Page 2

supply at fair and affordable prices. If you have any questions concerning this contract, do not hesitate to call me or Mr. Bill L'Ecuyer at (423) 755-9307.

With kindest regards, I remain,

Very truly yours,

  
T.G. Pappas

Enclosures

cc: William F. L'Ecuyer  
Herbert A. Miller, Jr., Esq.  
Roy Ferrell  
Daniel R. Bailey  
Cynthia Kinser, Esq.  
Richard Collier, Esq.(w/o enclosures)

TGP2161281.1

WATER PURCHASE AGREEMENT

THIS WATER PURCHASE AGREEMENT ("Agreement"), made this 23RD day of \_\_\_\_\_  
OCT., 2000 by and between

Tennessee-American Water Company ("Tennessee-American"),  
located at 1101 Broad Street, P.O. Box 6338, Chattanooga,  
Tennessee

and

City of Fort Oglethorpe, Georgia ("Ft. Oglethorpe"), located at  
500 City Hall Drive, Fort Oglethorpe, Georgia

WHEREAS, Tennessee-American, a Tennessee corporation is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Ft. Oglethorpe wishes to continue to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies substantially all of the water to Ft. Oglethorpe and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Ft. Oglethorpe; and

WHEREAS, Ft. Oglethorpe and Tennessee-American are desirous of extending its existing agreement for the purchase of water for a fixed period of time and amending said agreement for the purchase of certain services from Tennessee-American; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water and services which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## SECTION I

### SALE OF WATER

Ft. Oglethorpe agrees to purchase from Tennessee-American, a minimum of 273,750,000 gallons per year. Ft. Oglethorpe agrees to pay \$.95 per one-thousand gallons (the "\$.95 Rate") for the first 35,000,000 gallons each month. Water purchased in excess of 35,000,000 gallons per month shall be paid at the rate of \$0.74 per one-thousand gallons. Such rates shall not be increased during the initial term of the Agreement.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Ft. Oglethorpe during the prior twelve-month period year. Should Ft. Oglethorpe's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at the \$.95 Rate.

## SECTION II

### FLUORIDATION AND TREATMENT OF WATER SUPPLY

The Company will fluoridate the water supplied to the City of Fort Oglethorpe, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-17(20), which requires the maintenance of a monthly average concentration of fluoride at the Point of Delivery between 0.9 mg/1 and 1.3 mg/1, unless required to do otherwise by applicable Tennessee state law or regulations. Any treatment of the water after the Point of Delivery shall

be the responsibility of Ft. Oglethorpe, unless otherwise agreed to in writing between the parties.  
Upon request, the Company will provide documentation as to water quality.

### SECTION III

#### METERING

Metering of the water sold under this Agreement shall be at the Point of Delivery. Meters shall be installed by Tennessee-American that will allow for the flow of water into Ft. Oglethorpe's water distribution system for ease of controlling/operating the pumping facilities providing water to Ft. Oglethorpe.

### SECTION IV

#### BILLING

On or before the tenth day of each month, Tennessee-American will issue an invoice to Ft. Oglethorpe for Ft. Oglethorpe's metered usage during the prior month. Payment of such invoice must be made by Ft. Oglethorpe within eighteen days after receipt of the invoice. Late fees shall be imposed pursuant to the tariff filed with the Tennessee Regulatory Authority, as amended from time to time.

### SECTION V

#### APPROVALS

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA") and the Tennessee-American Board of Directors. Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

## SECTION VI

### INITIAL TERM OF AGREEMENT AND RENEWAL PERIODS

The initial term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods with three (3) optional three (3) year renewal periods. This Agreement will automatically renew on the same terms and conditions unless Ft. Oglethorpe notifies Tennessee American in writing that it affirmatively elects to not renew the Agreement no later than six (6) months prior to the termination date of the initial terms or any renewal term thereafter.

The water rates set forth in Section I are subject to increase during any renewal period as may be approved by the TRA. Tennessee-American will give Ft. Oglethorpe twelve (12) months prior written notice of any such rate increase and said rates are only subject to increase once per each renewal period.

The initial term shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA. Tennessee American shall notify Ft. Oglethorpe in writing of the date constituting the effective date of the purchase of water under this Agreement, once said date is established. No later than nine (9) months prior to the termination date of the initial terms or any renewal term thereafter, Tennessee-American shall notify Fort Oglethorpe in writing of the upcoming termination date.

## SECTION VII

### FORCE MAJEURE

Neither Ft. Oglethorpe or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, droughts, washouts, civil disturbances, explosions, defects, leakage, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Ft. Oglethorpe from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of complete interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

In the event of any type of water curtailment or interruption event, or any procedure, regulation or law for curtailment or interruption is utilized by, or imposed upon, Tennessee-American, then Ft. Oglethorpe shall abide by such curtailment or interruption procedures so as to restrict its customers in a fashion similar to affected customers of Tennessee-American.

## SECTION VIII

### EXTENSION OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the initial term of this Agreement and the renewal periods set forth in Section VI. Negotiations to extend the term of this Agreement beyond the last renewal period shall commence no later than six (6) months prior to the expiration date. However, the rates to be charged during any extension period and any renegotiated conditions shall be subject to prior approval by TRA.

## SECTION IX

### REPRESENTATIONS, COVENANTS AND INDEMNITY

#### (1) Authority

Ft. Oglethorpe represents and covenants that, at all times, it has the authority to enter into this Agreement, that no other requirements exist for this Agreement to be enforceable and that nothing in this Agreement is in violation, or will cause a violation, of any other contract, obligation or law to which Ft. Oglethorpe is subject.

#### (2) Resale

Ft. Oglethorpe may resell to another water re-seller any water purchased from Tennessee-American, provided Ft. Oglethorpe gives Tennessee-American ninety (90) days prior written notice. If Fort Oglethorpe enters an agreement to resell water purchased from Tennessee-American to another water re-seller, Fort Oglethorpe remains responsible for compliance with Section IX(3).

(3) Inter-basin Transfer

Ft. Oglethorpe acknowledges that none of the water it receives from Tennessee-American may be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by the Tennessee Department of Environment and Conservation ("TDEC"), unless Tennessee-American first obtains a permit for such transfer from TDEC.

Ft. Oglethorpe certifies and agrees that none of the water it receives from Tennessee-American will be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC, unless: (1) Ft. Oglethorpe provides Tennessee-American with 90-days prior notice of its intent to transfer such water outside the above-named basin, and (2) Ft. Oglethorpe receives notification from Tennessee-American that the proposed transfer has been approved by TDEC through the requisite permitting process.

Ft. Oglethorpe agrees to cooperate fully with Tennessee-American and TDEC and provide any documentation, records, or other assistance requested by Tennessee-American or TDEC throughout any required permitting process.

Ft. Oglethorpe agrees to indemnify Tennessee-American for the amount of any permit application fee Tennessee-American is assessed as a result of Ft. Oglethorpe's intent to transfer any water it received from Tennessee-American outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC.

Ft. Oglethorpe agrees to indemnify Tennessee-American for any fines, fees, or penalties Tennessee-American is assessed, or any costs Tennessee-American incurs due to any action on the part of Ft. Oglethorpe that results in a violation of any permitting requirement.

On September 1 of each year, Ft. Oglethorpe agrees to provide Tennessee-American with a statement, signed under oath, certifying that during the previous calendar year, Ft. Oglethorpe

has not directly or indirectly transferred any of the water it receives from Tennessee-American outside the Lower Tennessee-Hiwassee River basin, as that basin is defined by TDEC.

(4) Indemnification

Ft. Oglethorpe hereby indemnifies and holds Tennessee-American harmless from and against any claim, demands, penalties, actions, judgments, and losses or liabilities whatsoever, arising from or in connection with its breach or violation of this Agreement.

**SECTION X**

**AFFIDAVITS**

Prior to the effective date of this Agreement, and at any time during this Agreement upon reasonable notice, Ft. Oglethorpe agrees to provide an affidavit (or certificate, at the discretion of Tennessee-American) which represents and covenants that it is not in breach or any violation of this Agreement, nor has it any knowledge of any fact which, by the passage of time, will cause it to be in breach or violation of this Agreement.

**SECTION XI**

**SERVICES**

During the term of this Agreement, Tennessee-American may provide to Ft. Oglethorpe, certain non-regulated services ("Services") which are set forth in Schedule A, which is attached hereto and incorporated herein by reference. In the event such Services are provided, Ft. Oglethorpe agrees to pay Tennessee-American for such Services at the rates and charges set forth in Schedule A, as such may be amended from time to time by Tennessee-American upon giving Ft. Oglethorpe sixty (60) days advance notice.

Tennessee-American may add or discontinue Services to be offered under this Agreement upon written notice to Ft. Oglethorpe.

Tennessee-American reserves the right to enter into such separate agreements, contracts, work orders or other arrangement with Ft. Oglethorpe in order to adequately address the scope and performance of the specific Services to be provided to Ft. Oglethorpe.

Charges and rates for the Services shall be billed and paid, at the determination of Tennessee-American, either monthly along with Ft. Oglethorpe's metered usage according to Section V above, or on such other terms and conditions as directed by Tennessee-American.

## SECTION XII

### MISCELLANEOUS PROVISIONS

#### (1) Assignment

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Ft. Oglethorpe to any successor in the operation of the facilities currently owned by Ft. Oglethorpe.

#### (2) Notices

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

City of Ft. Oglethorpe, Georgia  
500 City Hall Drive  
Ft. Oglethorpe, Georgia 30742  
Attn: City Manager

Tennessee-American Water Company  
1101 Broad Street  
P.O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: President

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) Governing Law And Venue

This Agreement shall be governed by the laws of the State of Tennessee, which state shall also be the venue for any actions arising under this Agreement.

(4) Enforceability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement. Titles to any section or subsection in this Agreement are for assistance in identification only and shall not be used to determine the enforceability of any provision of this Agreement.

(5) Entire Agreement

This Agreement constitutes the entire Agreement between Ft. Oglethorpe and Tennessee-American with respect to the subject matter contained in the Agreement, except that Ft. Oglethorpe is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No

modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

CITY OF FORT OGLETHORPE, GEORGIA

TENNESSEE-AMERICAN WATER CO.

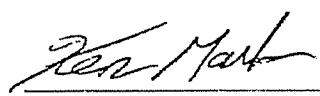
By: 

Its: MAYOR

By: 

Its: President

ATTEST:



Its: City Clerk

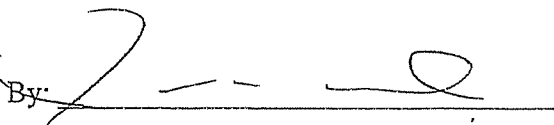
## SCHEDULE A

The following Schedule of Services is a general description of non-regulated Services which may be purchased on the terms and conditions, including hourly rate, which may be stated below. The actual scope of any Services to be performed and charges thereon may vary with the facts of each engagement. Therefore, each Service to be provided may be delineated in a specific contract, work order or other agreement.

<u>General Type of Service</u>	<u>Fee</u>
1. System Flushing	\$400 per hour
2. Leak Detection	\$121 per hour
3. Valve Maintenance	\$121 per hour
4. Identification of Operation and Maintenance Problems	\$ 62 per hour
5. Fire hydrant flow-testing and maintenance	\$ 87 per hour
6. Water Quality Sampling for bacteria & chlorine analysis	\$ 41 per hour
7. Repair of Main Breaks	\$175 per hour, plus materials
8. Back Flow Valve Testing	\$ 41 per hour
9. Construction Inspection Services	\$ 51 per hour
10. Field Estimations for Main Extensions	\$ 61 per hour
11. Loss Control Services	\$ 64 per hour
12. Meter Testing (larger than 2-inch)	\$117 per hour, plus materials
13. Meter Change-out	\$ 68 per hour, plus materials
14. Meter Reading	\$ 35 per hour
15. Monthly Billing Services	\$0.405 per bill
16. Customer Services for Telephone Inquiries for Name Changes, Turn-Ons, Turn-Offs, Balance Inquiries, etc.	\$ 30 per hour

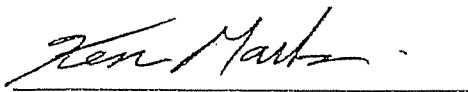
Some minimum charges per Service may exist and will set forth with each specific contract or work order.

City of Ft. Oglethorpe, Georgia

By: 

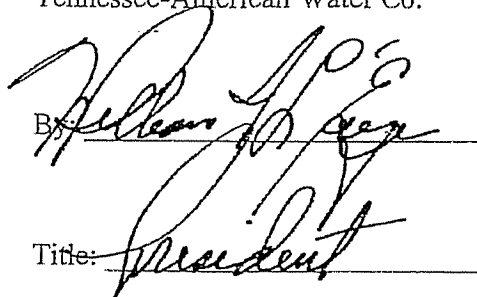
Title: MAYOR

ATTEST:



Its: City Clerk

Tennessee-American Water Co.

By: 

Title: President

Water Rate Schedule D  
DSMC  
DSMCM



John S. Watson  
Vice-President &  
General Network Manager

May 30, 2007

Mr. Jerry Lee, Chairman  
Catoosa Utility District  
Post Office Box 750  
Ringgold, GA 30736

Dear Mr. Lee:

It is the goal of Tennessee American Water to provide the highest quality of water service at the lowest possible price. We have worked diligently to control operational expenses and have succeeded in keeping them at one-half of the annual rate of inflation. While doing so, the company has continued to make the necessary investments to maintain the quality of the water system.

To continue to provide the best product possible, it has become necessary for Tennessee American to increase water rates to the customers in our general service area. That rate increase was granted by the Tennessee Regulatory Authority and became effective May 22, 2007.

As a result of that increase, we have reviewed the Water Purchase Agreement that we currently have with your organization. As a courtesy, we are providing written notice thirty days prior to any such increase. The purpose of this letter is to serve as that notice. The rate that Tennessee American Water will place in effect on June 29, 2007 will be \$0.8961 per CCF (hundred cubic feet). Your current rate is \$0.796 per CCF.

Tennessee American appreciates the partnership we share with your organization. Please call me personally should you have any questions or want to discuss this matter. You may reach me at 755-7607.

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Watson", written over the word "Sincerely,".

John S. Watson  
Vice President & General  
Network Manager

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA  
T +1 423 755 9307  
F +1 423 755 7634  
I www.tawc.com



## Tennessee-American Water Company

P.O. Box 6338 - 1101 South Broad Street - Chattanooga, TN 37401

Richard T. Sullivan  
Vice President and Manager

(423) 755-7620  
Fax (423) 755-7634  
<http://www.tawc.com>

December 1, 1998

T. G. Pappas, Esq.  
Bass, Berry & Sims  
2700 First American Center  
315 Deaderick Street  
Nashville, TN 37238

Dear Ted:

Enclosed find a Water Purchase Agreement between Tennessee-American Water Company and the Catoosa Utility District, which has been executed on behalf of both the utility district and Tennessee-American. As you will note, this is a ten-year agreement effective January 1, 1999, and is now ready to be submitted to the Tennessee Regulatory Authority for approval.

I will appreciate your taking the necessary steps for filing. Should you have any questions or need any further information, please let me know.

Sincerely yours,

R. T. Sullivan  
Vice-President and Manager

RTS/vbs  
Enclosure

c: Hal Novak  
R. J. Gallo



# *Catoosa Utility District*

*Managed By  
Catoosa County Board of Utilities Commissioners*

P. O. DRAWER 750  
RINGGOLD, GEORGIA 30736-0750  
PHONE: 706-937-4121

November 30, 1998

DEC 01 1998

**Mr. Richard T. Sullivan  
Vice President and Manager  
Tennessee-American Water Company  
P. O. box 6338  
Chattanooga, Tennessee 37402**

**Re: Tennessee-American Water Purchase Agreement**

**Please find three signed copies of the above referenced agreement.**

**You will find one change on the first page of the contract, which is the District's physical and mailing address.**

**Please forward a copy to me, when you have signed, for our files.**

**Thank you for your cooperation. I look forward to a long and prosperous relationship with Tennessee-American Water Company.**

**Sincerely,  
CATOOSA UTILITY DISTRICT**

**Deirdre A. Hullender  
Secretary/Treasurer**

**DAH/dah**

**Enclosures - 3 copies of Water Purchase Agreement**


**c: Board of Utilities Commissioners**

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 24<sup>th</sup> day of November, 1998 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, P. O. Box 6338, Chattanooga, Tennessee

and

Catoosa Utility District, located at ~~Highway 41 North~~  
Ringgold, Georgia 1058 OLD HILL RD P.O. Box 750 

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Catoosa Utility District wishes to purchase a portion of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies a minimal amount of water to Catoosa Utility District and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Catoosa Utility District; and

WHEREAS, Catoosa Utility District and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## SECTION I

### SALE OF WATER

During a ten (10) year period, Catoosa Utility District agrees to purchase a minimum of water from Tennessee-American Water Company as follows:

- Year 1: First six (6) months (January 1, 1999 through June 30, 1999) No minimum requirement to allow for the District to complete the necessary improvements to their system.
- Year 1: Second six (6) months (July 1, 1999 through December 31, 1999) 45,625,000 gallons (250,000 gallons per day average)
- Year 2 - 5: 182,500,000 gallons per year (500,000 gallons per day average)
- Year 6 - 10: 273,750,000 gallons per year (750,000 gallons per day average)

During the first three (3) years of this agreement, all water sold to the Catoosa Utility District will be at the rate of \$.95 per 1,000 gallons for the first 35 million gallons per month. All water purchased over 35 million gallons per month will be at the rate of \$.74 per 1,000 gallons. Any increase in rates approved by the Tennessee Regulatory Authority for Tennessee-American Water Company during the remaining seven (7) years of this agreement will be applied to the rates charged to the Catoosa Utility District.

## **SECTION II**

### **FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Catoosa Utility District, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

## **SECTION III**

### **OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Catoosa Utility District will provide adequate storage to provide for its own maximum hour needs. Catoosa Utility District shall maintain a minimum of one day of water supply storage on their distribution system.

## **SECTION IV**

### **METERING**

Metering of the water sold under this Agreement shall be at the existing meter settings located at Highway 27 at Cloud Springs Road and along Scruggs Road.

## **SECTION V**

### **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Catoosa Utility District for Catoosa Utility District's metered usage during the prior month.

Payment of such invoice will be made by Catoosa Utility District eighteen days after receipt of the invoice.

## **SECTION VI**

### **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

## **SECTION VII**

### **TERM OF AGREEMENT**

The term of this Agreement shall be for a period of ten (10) years. The ten (10) year period shall commence on the first day of the month following approval of the agreement by the Tennessee Regulatory Authority.

## **SECTION VIII**

### **FORCE MAJEURE**

Neither Catoosa Utility District nor Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides,

lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Catoosa Utility District from its obligations to make payment of amounts due hereunder.

#### SECTION IX

#### RENEWAL OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than sixty (60) days prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

CATOOSA UTILITY DISTRICT

By: R. F. Pierce  
R. FRANK PIERCE

Its: CHAIRMAN

TENNESSEE-AMERICAN WATER COMPANY

By: R. T. Sullivan  
Richard T. Sullivan

Its: Vice-President and Manager

**TENN-AMERICAN  
WATER COMPANY**

*Vicki Griffith  
Senior Secretary  
Tennessee-American Water Company  
Phone: 423/755-7614  
FAX: 423/755-7636  
email: vgriffit@amwater.com*

---

***Facsimile***

*To: Shelia Valentine  
Fax #: 304-353-6308  
From: Vicki  
Date: January 27, 2003  
Re: Catoosa County Utility Contract  
Pages: 8 pages ( including cover page)*

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WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 14<sup>th</sup> day of July 2003 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee

and

Walden's Ridge Utility District ("Walden's Ridge"), located at 3900 Taft Highway, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Walden's Ridge wishes to purchase all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American has the capability to provide all of the water supply currently required by Walden's Ridge and is willing to construct a water supply pipeline and booster station, which will provide a sufficient volume of water in order to serve as WRUD's sole source of supply; and

WHEREAS, Walden's Ridge and Tennessee-American are desirous of establishing an Agreement for the purchase and sale of water for a fixed period of time; and

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

**SECTION I**  
**EXCLUSIVE SUPPLIER**

Tennessee-American agrees to sell and Walden's Ridge agrees to buy, during the term of this Agreement and any extension hereof, all of the potable and raw water requirements of Walden's Ridge, as it now exists or may hereafter be expanded, in conformity with the provisions hereof.

**SECTION II**  
**CONSTRUCTION OF FACILITIES**

(A) Tennessee-American shall construct, at an estimated cost of \$2.4 million, a water supply pipeline and booster station from its existing distribution system to the Walden's Ridge water tank near Taft Highway, which will provide a sufficient volume of water in order to serve as Walden's Ridge sole source of supply. This water supply pipeline will be capable of delivering up to 2.9 million gallons of water per day at the top of the mountain. The estimated construction time, from the time of a final non-appealable order from the Tennessee Regulatory Authority ("TRA") granting approval of the project, until the connection to the system and delivery of water, is eighteen (18) months. In the event that the construction bid price exceeds \$2.4 million by 5% or more, Tennessee-American shall have the right to negotiate an adjustment in the price for the sale of water as provided in Section III hereof or terminate this Agreement.

(B) If any conditions or requirements are imposed by any regulatory authority, or court, which make this project economically unfeasible, Tennessee-American has the right to withdraw and terminate the Agreement.

(C) As part of this consideration, Walden's Ridge agrees that Tennessee-American will be the sole and exclusive supplier of potable and raw water to Walden's Ridge, as it now exists or

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

**SECTION I**  
**EXCLUSIVE SUPPLIER**

Tennessee-American agrees to sell and Walden's Ridge agrees to buy, during the term of this Agreement and any extension hereof, all of the potable and raw water requirements of Walden's Ridge, as it now exists or may hereafter be expanded, in conformity with the provisions hereof.

**SECTION II**  
**CONSTRUCTION OF FACILITIES**

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(B) If any conditions or requirements are imposed by any regulatory authority, or court, which make this project economically unfeasible, Tennessee-American has the right to withdraw and terminate the Agreement.

(C) As part of this consideration, Walden's Ridge agrees that Tennessee-American will be the sole and exclusive supplier of potable and raw water to Walden's Ridge, as it now exists or

hereafter be changed, except as noted below in this Section, and that Walden's Ridge will not, without prior written consent of Tennessee-American, receive potable or raw water service from any person or entity (including Walden's Ridge and its own customers), for the period of time under the Agreement including any extensions or renewals. The parties agree that the approximately eighty (80) current Walden's Ridge customers in the Falling Water Community located on Levi Road, Ferry Road, Pickett Gulf Road, Levi Cemetery Road, Courtney Road and Godsey Road, will be an exception, which allows Walden's Ridge to seek an alternative source for these customers.

(D) In the event Walden's Ridge terminates the Agreement prior to the expiration of forty (40) years from the Date of Service, as defined below, or fails to renew the agreement for a period of time adequate to allow Tennessee-American an opportunity to recover its investment, or if Tennessee-American is no longer the sole and exclusive provider of potable and raw water to Walden's Ridge, or fails to pay Tennessee-American as provided herein, then Walden's Ridge, and its successors and assigns, agree to pay Tennessee-American, within thirty (30) days following such termination or event, the balance of the undepreciated costs, on a straight-line basis, of Tennessee-American's pipeline and all other facilities that are constructed to serve Walden's Ridge.

(E) Walden's Ridge will decommission and terminate its existing source of supply and treatment facilities upon completion of the Tennessee-American water supply pipeline extension and connection to the Walden's Ridge system and no later than ninety (90) days following the Date of Service, as defined below. As part of this consideration, and upon completion of the Tennessee-American water supply pipeline and booster station, Walden's Ridge agrees to exclusively lease to Tennessee-American, for a period of forty (40) years from the Date of Service as defined below, the 6" and 8" welded steel water supply lines, along with perpetual easements, from its Mountain Station at the end of Levi Cemetery Road to top of the mountain.

**SECTION III**  
**SALE OF WATER**

(A) The water from the Tennessee-American pipeline shall be provided to Walden's Ridge at a rate of \$1.25/1000 gallons, except for the pass-through cost as identified in Section III (B) herein, for the first three (3) years, beginning with the date that water service is first taken from these facilities ("Date of Service"). Any proposed change in the rate after this initial period will be accompanied by supporting data and computations, which will be based on industry accepted cost of service methodology. Walden's Ridge has the right to agree to this rate or to propose an alternative rate with the understanding that the TRA will be the ultimate authority in determining the rate.

(B) From the date this Agreement is executed and during the first three (3) years from the Date of Service under this Agreement, in the event that electric costs, which can be directly identified with this project, increase, Walden's Ridge agrees to meet with Tennessee-American to discuss an equitable pass-through of those cost increases if so requested by Tennessee-American.

(C) Walden's Ridge will permit Tennessee-American to use the Walden's Ridge distribution system as a conduit through which Tennessee-American may wheel water to other water utility districts and other customers as agreed to by the parties, which agreement by Walden's Ridge shall not be unreasonably withheld. The parties agree to meet within ninety (90) days after execution of this Agreement to define the territory that will be served by Walden's Ridge. The wheeling charge from Walden's Ridge to Tennessee-American shall be at a rate of \$.39/1000 gallons. This rate is guaranteed for three (3) years from the Date of Service. Any proposed change in the rate after this initial period will be accompanied by supporting data and computations, which will be based on industry accepted

cost of service methodology. Tennessee-American has the right, within ninety (90) days, to agree to this rate or to propose an alternative rate. If the Parties do not agree on the rate change, then the Parties will refer the matter to a neutral mediator. If mediation does not resolve the matter, either of the Parties may take the matter to the TRA, if applicable, or Utility Management Review Board or seek Judicial Review as necessary for resolution. As part of the consideration under this agreement, Tennessee-American shall have the right, at the cost specified above or at a rate that may change from time to time as agreed by the parties, even after termination of the agreement, to transfer water through Walden's Ridge facilities.

(D) Walden's Ridge will not be charged by Tennessee-American for any water supplied through its system that is transferred to other water utility districts and/or customers outside the Walden's Ridge service area. Tennessee-American shall install a meter or meters on the Walden's Ridge distribution system where appropriate in order to measure the volume of water that is transferred. Walden's Ridge will have reasonable access to such meters at all times.

#### **SECTION IV** **FLUORIDATION OF WATER SUPPLY**

Tennessee-American will fluoridate the water supply to Walden's Ridge, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable law or regulations.

#### **SECTION V** **OPERATIONAL REQUIREMENTS**

(A) In order to minimize utilization of the peaking capacity of Tennessee-American, Walden's Ridge will provide, by the Date of Service, adequate storage to provide for its own

maximum hour needs. Walden's Ridge shall maintain a minimum of one-day of water supply storage on its distribution system.

(B) Walden's Ridge agrees to cooperate with Tennessee-American in making improvements as needed to its distribution system in order to efficiently facilitate the wheeling of water through its system to other water utility district customers of Tennessee-American or other customers of Tennessee-American outside the Walden's Ridge service area. Any such improvements, which are deemed necessary by Tennessee-American to adequately wheel water through the Walden's Ridge system for the benefit of Tennessee-American, shall be done at Tennessee American's expense.

(C) Tennessee-American will conduct a one-time comprehensive leak survey along Walden's Ridge transmission mains that are located in Taft Highway between Walden's Ridge twin storage tanks (located at the old Walden's Ridge office) and the end of the line near Grandview subdivision. This leak survey will be at no cost to Walden's Ridge. However, Walden's Ridge will be responsible for uncovering and repairing any identified leaks. The purpose of the survey will be to identify and locate leaks to help Walden's Ridge reduce its unaccounted for water.

#### **SECTION VI** **CUSTOMERS AT BOTTOM OF MOUNTAIN**

In the event that Walden's Ridge, at any time in the future, decides to divest itself of the approximately eighty (80) customers, and as that number of customers may change from time to time, at the base of the mountain near the Soddy-Daisy system, Tennessee-American will be granted the right of first refusal to purchase from Walden's Ridge the facilities necessary to serve these customers at a price not to exceed the actual, bona fide offer made to Walden's Ridge for the facilities.

**SECTION VII**  
**METERING**

Metering of the water sold under this Agreement shall be at the point where Tennessee-American's water supply pipeline is connected to the Walden's Ridge water tank near Taft Highway.

**SECTION VIII**  
**BILLING**

During its normal billing cycle each month, Tennessee-American will issue an invoice to Walden's Ridge for Walden's Ridge metered usage during the prior month. Payment of such invoice will be made by Walden's Ridge on or before eighteen (18) days after receipt of the invoice. Interest and penalties shall accrue on the unpaid balance at the rate and amounts provided in Tennessee-American's filed tariff for its customers.

**SECTION IX**  
**APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the TRA. Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval. Service provided hereunder will be pursuant to the rules and regulations of the TRA as may be changed from time to time during the term of this Agreement. Walden's Ridge agrees to provide all reasonable support for such regulatory approval.

**SECTION X**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of forty (40) years, beginning on the Date of Service. In consideration of the requirement for Walden's Ridge to have a

reliable source of supply at all times, if the Company should desire to terminate this Agreement after the Date of Service and prior to the end of the term, except for breach of this Agreement by Walden's Ridge, the Company will provide Walden's Ridge with three (3) years advance written notice of such desire to terminate.

**SECTION XI**  
**FORCE MAJEURE**

Neither Walden's Ridge or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, acts of terrorism, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Walden's Ridge from its obligation to make payment of amounts due hereunder.

**SECTION XII**  
**RENEWAL OF AGREEMENT**

This agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement.

However, the rates to be charged during any renewal period shall also be subject to prior approval by the Tennessee Regulatory Authority.

**SECTION XIII**  
**MISCELLANEOUS PROVISIONS**

**(A) Assignment**

This Agreement shall be binding on the successors and assigns of Tennessee-American. Upon obtaining written approval from Tennessee-American, which will not be unreasonably withheld, this Agreement may be assigned by Walden's Ridge to any successor in the operation of the distribution facilities currently owned by Walden's Ridge.

**(B) Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338,  
Chattanooga, Tennessee 37377  
Attn: President

Walden's Ridge Utility District  
3900 Taft Highway  
Signal Mountain, Tennessee 37377  
Attn: General Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(C) Governing Law

This Agreement shall be governed by the laws of the State of Tennessee.

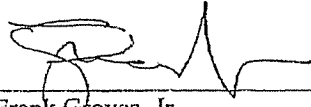
(D) Severability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from the Agreement.

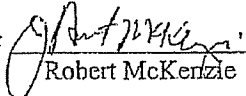
(E) Entire Agreement

This Agreement constitutes the entire Agreement between Walden's Ridge and Tennessee-American with respect to the subject matter contained in the Agreement, except that Walden's Ridge is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the Tennessee Regulatory and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

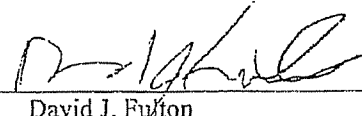
WALDEN'S RIDGE UTILITY DISTRICT

By:   
Frank Groves, Jr.

Its: President

By:   
Robert McKenzie

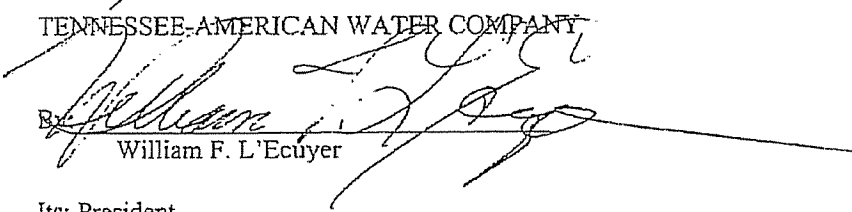
Its: Treasurer

By:   
David J. Fulton

Its: Secretary

District Seal Here

TENNESSEE-AMERICAN WATER COMPANY

By:   
William F. L'Ecuier

Its: President

ACKNOWLEDGEMENT  
FOR WALDEN'S RIDGE UTILITY DISTRICT

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14 day of July, 2003, by **Frank Groves, Jr.**, as President of Walden's Ridge Utility District.

My Commission expires: July 11, 2005  
Katherine Lonergan  
NOTARY PUBLIC, Chattanooga, TN

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 2003, by **Robert McKenzie**, as Treasurer of Walden's Ridge Utility District.

My Commission expires: March 11, 2006  
Nancy A. King  
NOTARY PUBLIC, Chattanooga, TN

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 2003, by **David J. Fulton**, as Secretary of Walden's Ridge Utility District.

My Commission expires: March 11, 2006  
Nancy A. King  
NOTARY PUBLIC, Chattanooga, TN

ACKNOWLEDGEMENT  
FOR TENNESSEE-AMERICAN WATER COMPANY

STATE OF TENNESSEE                    )  
  )  
COUNTY OF Hamilton                    )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July  
      , 2003, by William F. L'Ecuier, as President, of Tennessee-American Water Company.

My Commission expires: April 7, 2004

Virginia B. Searcy  
NOTARY PUBLIC, Chattanooga, TN

**RESOLUTION  
of the  
COMMISSIONERS  
for the  
WALDEN'S RIDGE UTILITY DISTRICT**

A resolution ratifying Tennessee – American Water Company and  
Walden's Ridge Utility District Contract for the Water Source Agreement

**WHEREAS**, Walden's Ridge Utility District deemed it necessary to seek a new source for water;


**WHEREAS**, WRUD considered all options available including drilling additional wells and plant expansion and purchase proposal from Soddy Daisy-Falling Water Utility, Hixson Utility District and Tennessee-American Water Company;

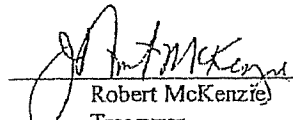
**WHEREAS**, after many years of researching all options available and an engineering cost analysis study, it has been decided to enter a purchase agreement with Tennessee-American Water Company;

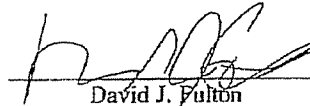
**WHEREAS**, with increased demand, our Board was faced with a large expenditure to modernize and expand our production facilities to meet new and more stringent governmental regulations. After much study, we found it more economical to purchase water from Tennessee-American Water Company.

**NOW THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF THE WALDEN'S RIDGE UTILITY DISTRICT:**

That contingent upon Tennessee-American Water Company signing the Water Purchase Agreement, this resolution shall take effect upon its passage, the public welfare requiring it and passage occurred this 22<sup>nd</sup> day of July 2003.

  
\_\_\_\_\_  
Frank Groves, Jr.  
President

  
\_\_\_\_\_  
Robert McKenzie  
Treasurer

  
\_\_\_\_\_  
David J. Fulton  
Secretary

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

WATER PURCHASE AGREEMENT  
AMENDMENT A

This is an amendment to the Water Purchase Agreement between Tennessee-American Water Company and Walden's Ridge Utility District signed the 14<sup>th</sup> day of July 2003. This Amendment (the "Amendment") to the Agreement is, made this 14<sup>th</sup> day of January, 2004, between and among WALDEN'S RIDGE UTILITY DISTRICT (hereinafter "WRUD"), and TENNESSEE-AMERICAN WATER COMPANY (hereinafter "TAWC")

Upon reviewing our records, it appears that WRUD and TAWC did not formally recognize the renegotiated purchase rate for which WRUD will charge TAWC for water purchased by TAWC from WRUD during the interim period (approximately 18 months) until TAWC has the new water transmission main installed to deliver water to WRUD.

At this time, the only detail found omitted is that WRUD will charge \$2.05 per 1000 gallons for all water sold to TAWC to supply the Lone Oak and Suck Creek Utility District areas and other areas as TAWC may expand its system in the future.

If for any reason TAWC exercises their option to withdraw from the planned water transmission main installation, then, WRUD reserves the right to bill at the original \$2.98 per 1000 gallons retroactive to the activation of water supply to the Lone Oak and Suck Creek Utility District areas and other areas as TAWC may have expanded its system up to the time of withdrawal.

IN WITNESS WHEREOF, WRUD and TAWC, have agreed to this Amendment A to be signed by the proper officers thereunto duly authorized, all as of the day and year first above written.


(423) 886-2683 OFFICE • (423) 886-1940 FAX  
OFFICE HOURS: 8:00 A.M. - 12:00 NOON AND 12:45 - 4:30 P.M. MONDAY THROUGH FRIDAY

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

TENNESSEE-AMERICAN WATER COMPANY

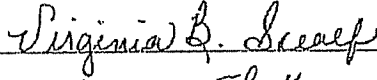
BY:   
David Schultz  
Its: President

Acknowledgment for Tennessee-American Water Company

STATE OF TENNESSEE       )  
  )  
COUNTY OF Hamilton       )

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of January, 2004, by David Schultz, as President of Tennessee-American Water Company.

My Commission expires: April 7, 2007

  
NOTARY PUBLIC, Chattanooga, TN

WALDEN'S RIDGE UTILITY DISTRICT  
3900 TAFT HIGHWAY  
SIGNAL MOUNTAIN, TENNESSEE 37377

COMMISSIONERS:  
FRANK GROVES, JR., PRESIDENT  
ROBERT MCKENZIE, TREASURER  
DAVID J. FULTON, SECRETARY

DAVID STREETER, MANAGER  
DEE HOBBS, ATTORNEY

WALDEN'S RIDGE UTILITY DISTRICT

BY: [Signature]  
Frank Groves, Jr.  
Its: President

WITNESS:

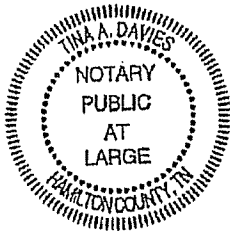
BY: [Signature]  
David Streeter  
Its: General Manager

Acknowledgment for Walden's Ridge Utility District

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

The foregoing instrument was acknowledged before me this 09 day of January 2004, by  
Frank Groves, Jr., as President of Walden's Ridge Utility District.

My Commission expires: 12 August 2007.



Tina A Davies  
NOTARY PUBLIC, Chattanooga, TN

(423) 886-2683 OFFICE • (423) 886-1940 FAX  
OFFICE HOURS: 8:00 A.M. - 12:00 NOON AND 12:45 - 4:30 P.M. MONDAY THROUGH FRIDAY

MAR 17 2004 1:37PM BASS BERRY AND SINS

NO. 678 P 2/4

To: Pappas, Ted CSID: 253-6056 03/18/2004, 15:17, p 2

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 16, 2004

IN RE:

TENNESSEE-AMERICAN WATER COMPANY -  
APPROVAL OF SPECIAL CONTRACT WITH WALDEN'S  
RIDGE UTILITY DISTRICT

DOCKET NO.  
03-00452

ORDER APPROVING SPECIAL CONTRACT

This matter came before Chairman Deborah Taylor Tate, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority ("TRA" or "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 21, 2003, for consideration of a petition filed by Tennessee-American Water Company ("Tennessee-American") seeking approval of an agreement for Tennessee-American to provide water for resale to Walden's Ridge Utility District ("Walden's Ridge").

Background

On July 24, 2003, Tennessee-American petitioned the Authority for approval of a Water Purchase Agreement ("Special Contract") with Walden's Ridge. This Special Contract was negotiated by the parties and submitted to the Authority for approval pursuant to Tenn. Comp. R. & Regs. 1220-4-1-.07, which states:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules or rules filed by such utilities are subject to supervision, regulation and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

No other interested party requested intervention in this matter.

MAR. 17. 2004 1:37PM BASS BERRY AND SIMS

NO 670 P. 3/4

To: Pappas, Ted CSID: 253-6058 03/16/2004, 15:17, p 3

Terms of the Special Contract

The term of the Special Contract is for forty (40) years from the "date of service," defined as the date that water is first taken from the Tennessee-American pipeline. As part of the agreement, Tennessee-American will construct a water supply pipeline and booster station from its existing distribution system to the Walden's Ridge water tank at an estimated cost of \$2.4 million. If the construction bid price exceeds \$2.4 million by five percent (5%) or more, Tennessee-American has the right under the Special Contract to negotiate an adjustment in the price for the sale of water or terminate the contract.<sup>1</sup> In return, Tennessee-American will be the sole and exclusive provider of potable and raw water to Walden's Ridge, and Walden's Ridge will decommission and terminate its water supply and treatment facilities within ninety (90) days following the date of service.

The agreement provides for the sale of water by Tennessee-American to Walden's Ridge at a rate of one dollar and twenty-five cents (\$1.25) per one thousand (1,000) gallons for the first three (3) years of the contract, plus a negotiable pass-through of any increased electric costs identified with the project. After the initial three-year period, if Tennessee-American proposes a rate change, Walden's Ridge can agree to the new rate or propose an alternative rate with the understanding that the TRA will be the ultimate authority in determining the rate.

The agreement also stipulates that Tennessee-American can use Walden Ridge's distribution system to resell (or "wheel") water to other neighboring utilities. The resale (or "wheeling") rate under the terms of the agreement will be thirty-nine cents (\$0.39) per one thousand (1,000) gallons and will be fixed for the first three (3) years of the agreement. If any proposed change to the wheeling rate after the initial three-year period cannot be agreed upon by the parties, the contract

<sup>1</sup> At the Authority Conference on October 21, 2003, Mr. Coleman Bush of Tennessee-American committed to the panel that if Tennessee-American petitions the TRA in future rate cases for a rate adjustment to permit full recovery of the \$2.4 million construction costs, the rate adjustment will apply only to Tennessee-American's Walden's Ridge customers and not to other customers of Tennessee-American. See Transcript of Authority Conference, pp. 44-45 (October 21, 2003).

MAR. 17, 2004 1:38PM BASS BERRY AND SIKS

NO. 678 P. 4/4

To: Pappas, Ted CSID: 253-6056 03/16/2004, 15:17, p 4

requires mediation. If mediation is unsuccessful, pursuant to the contract either of the parties may take the matter to the TRA, the Utility Management Review Board or the courts.<sup>2</sup>

Findings and Conclusions

Based upon the terms of the Water Purchase Agreement previously set forth, the Authority finds the agreement justifies a departure from Tennessee-American's tariff through a special contract. The Special Contract will enable Tennessee-American to generate additional revenues that will help offset future rate increases for existing customers and benefit its ratepayers.

October 21, 2003 Authority Conference

The Directors of this voting panel considered Tennessee-American's petition for approval of the Special Contract at the regularly scheduled Authority Conference held on October 21, 2003. During the Conference, the panel found that the Special Contract was in the public interest and after careful consideration voted unanimously to approve the petition.

**IT IS THEREFORE ORDERED THAT:**

The Special Contract by and between Tennessee-American Water Company and Walden's Ridge Utility District is hereby approved.

  
Deborah Taylor Tate, Chairman

  
Sara Kyle, Director

  
Ron Jones, Director

<sup>2</sup> This particular provision of the contract was discussed at the Authority Conference on October 21, 2003 by Mr. George Masterson of Tennessee-American Water, who told the voting panel the contract states that if the parties "can't agree after mediation, that either party can bring the matter to the TRA on the wheeling charge." *Transcript of Authority Conference*, p. 44 (October 21, 2003)

WILLIAM O. LEONARD, III  
Mayor

PHILLIP A. NOBLETT  
Town Attorney

DIANA CAMPBELL  
Town Manager



STEPHEN RUFFIN  
Vice Mayor

ROBERT E. WHITE, II  
Councilmember

LIZETTA PATURALSKI  
Councilmember

ROBERT V. LINEHART, JR.  
Councilmember

## Town of Signal Mountain

1111 RIDGEWAY AVENUE  
SIGNAL MOUNTAIN, TENNESSEE 37377  
423-886-2177

April 19, 2006

Mr. John S. Watson  
Vice-President and General Network Manager  
Tennessee American Water  
1101 Broad Street  
P.O. Box 6338  
Chattanooga, TN 37401

Dear Mr. Watson:

Enclosed please find the signed "Extension of Water Purchase Agreement" effective as of July 1, 2006 by and between Tennessee American Water and The Town of Signal Mountain.

Yours truly,

THE TOWN OF SIGNAL MOUNTAIN

Diana Campbell  
Town Manager

DC/sm

Enclosure



**John S. Watson**  
**Vice-President &**  
**General Network Manager**

March 14, 2006

Mr. William O. Leonard III, Mayor  
Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377

Dear Mayor Leonard:

Enclosed for your review is a proposed agreement in which we are requesting a third extension to the water purchase agreement dated July 1, 1997 between the Town of Signal Mountain and Tennessee-American Water. The extension agreement will be effective July 1, 2006 and will extend for an additional three years the same terms and conditions as the original contract, and the proposed rate will increase to \$1.061 per 1000 gallons, or \$.796 per CCF.

If the agreement meets with your approval, please sign on behalf of the Town of Signal Mountain and return to my attention so that I may submit it for approval by the Tennessee Regulatory Authority. We appreciate the opportunity to continue to work with you in providing water service to the residents of Signal Mountain.

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Watson", with a long horizontal flourish extending to the right.

John S. Watson  
Vice-President and  
General Network Manager

JSW/s  
Enc.

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA  
T +1 423 755 9307  
F +1 423 755 7634  
I www.tawc.com



EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2006, by and between Tennessee American Water ("Tennessee American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1111 Ridgeway Avenue, Signal Mountain, Tennessee,

WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), and agreement dated as being effective July 1, 2003 ("Second Extension Agreement"), copies of which are attached hereto and incorporated herein by reference, for an additional term of three years as provided herein,

NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First and Second Extension Agreements are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2006 and ending July 1, 2009.
2. Effective July 1, 2006 and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First and Second Extension Agreements, is hereby amended to state that Signal Mountain will purchase water at the rate of exactly \$0.796 per hundred cubic feet (CCF), which is approximately \$1.061 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of Tennessee American Water and the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By Mona Campbell

Title: Town Manager

Date: 4-10-2006

TENNESSEE AMERICAN WATER

By [Signature]

Title: VICE-PRESIDENT & GENERAL NETWORK MANAGER

Date: APRIL 4, 2006

EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2003, by and between Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1101 Ridgeway Avenue, Signal Mountain, Tennessee.


WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement"), as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), copies of both are attached hereto and incorporated herein by reference, for an additional term of three years as provided herein,

NOW, THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

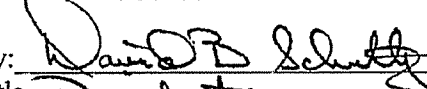
1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First Extension Agreement, are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2003 and ending July 1, 2006.
2. Effective August 7, 2003, and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First Extension Agreement, is hereby amended to state that Signal Mountain will purchase water at the rate of \$1.02 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of the Tennessee-American Water Company and the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By:   
Title: (Manager)  
Date: 1-29-04

TENNESSEE-AMERICAN  
WATER COMPANY

By:   
Title: President  
Date: 2/20/04

EXTENSION OF WATER  
PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of  
July 1, 2000, by and between:

Tennessee-American Water Company ("Tennessee-  
American"), located at 1101  
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at  
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to  
extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original  
Agreement") for an additional period of time under the same terms and conditions,  
except as herein specified.

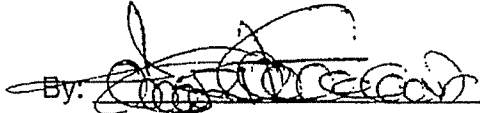
NOW THEREFORE, in consideration of the mutual covenants and promises  
herein and other good and valuable consideration, the receipt and sufficiency of which  
is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original  
Agreement, except as specifically otherwise stated herein, are hereby  
extended for a term of three (3) years (or thirty-six [36] monthly billing  
periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated  
herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any  
notice to Tennessee-American be sent to the attention of the President  
of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By: 

Title: \_\_\_\_\_

Date: \_\_\_\_\_

TENNESSEE-AMERICAN WATER CO.

By: 

Title: \_\_\_\_\_

Date: August 19, 2000

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g.p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

#### **SECTION IV** **METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

#### **SECTION V** **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

#### **SECTION VI** **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee.


(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By:   
James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By:   
Richard T. Sullivan

Its: Vice-President and Manager

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 2

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**June 27, 2005**

**IN RE:**

**PETITION FOR APPROVAL OF THE EXTENSION  
OF WATER PURCHASE AGREEMENT BETWEEN  
TENNESSEE AMERICAN WATER COMPANY AND  
THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE**

**DOCKET NO.  
04-00088**

---

**ORDER APPROVING EXTENSION OF WATER PURCHASE AGREEMENT**

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This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority ("Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on April 26, 2004 for consideration of the *Extension of Water Purchase Agreement* ("*Special Contract*") between Tennessee American Water Company ("TAWC" or "Company") and the Town of Signal Mountain, Tennessee ("Town")

The Authority approved the original water purchase agreement ("Agreement") between the Company and the Town by Order dated August 18, 1997 in TRA Docket No. 97-01305. The Agreement is a sale-for-resale agreement. As stated in the Authority's Order of August 18, 1997, under the terms of the Agreement, the Town agreed to purchase a minimum of 273,750,000 gallons per year for three (3) years at a cost of ninety-five cents (\$0.95) per 1,000 gallons and to pay an additional charge if the Town's usage is below that amount. The Authority also approved a three year extension of this Agreement lasting until July 1, 2003 in Docket No. 00-00745, under the same terms and conditions.

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 3

The Authority has jurisdiction over this matter pursuant to Tenn. Code Ann. § 65-5-101 *et seq* and Authority Rule 1220-4-1-07, which states.

**SPECIAL CONTRACTS.** Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules or rules filed by such utilities are subject to supervision, regulation and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

The *Special Contract* was filed with the Authority on March 15, 2004. The *Special Contract* seeks to extend the Agreement an additional three (3) years beginning July 1, 2003 and ending July 1, 2006. The rate charged for water service will increase from ninety-five cents (\$0.95) per 1000 gallons to one dollar and two cents (\$1.02) per 1000 gallons. The new rate represents a price increase of approximately seven percent (7%) and is approximately the same increase established for the Company's other customers in TAWC's most recent rate case before the Authority which was considered in TRA Docket No. 03-00118.<sup>1</sup> All other terms, conditions, privileges, and obligations set forth in the Agreement remain unchanged.

The Company's estimated annual revenues under the *Special Contract* will be three hundred thirty thousand dollars (\$330,000) as compared with approximately three hundred seven thousand dollars (\$307,000) under the existing contract. In addition, the estimated annual revenue of three hundred thirty thousand dollars (\$330,000) represents a discount of ten thousand dollars (\$10,000) from the Company's regular tariff rates.

The terms of the Agreement and of the *Special Contract*, which distinguish the Town from the Company's tariff customers, justify a departure from the Company's tariff through a special contract. The Agreement is a sale-for-resale agreement, a category that does not exist

<sup>1</sup> See *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. 03-00118, *Final Order Approving Rate Increase and Rate Design and Approving Rates Filed by Tennessee American Water Company* (June 25, 2004) and *Concurrence and Dissent of Director Pat Miller* (June 25, 2004).

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 4

under TAWC's current tariff.<sup>2</sup> The inclusion of a three (3) year term of service and a minimum usage requirement further distinguishes the Town from the Company's tariff customers. The Agreement also requires the Town to maintain storage capacity equal to one (1) day's water supply, which allows the Company to provide water to the Town during non-peak periods, thereby avoiding higher on-peak operating costs.

The use of a special contract in dealing with large-usage customers such as the Town serves the public interest because it provides greater flexibility to the Company than is available under its tariff. The unique terms and conditions of the Agreement and the *Special Contract* benefit the Company and its ratepayers by providing the Company a long-term source of revenue and by helping control the Company's production costs during peak usage periods. Through the use of a special contract, the Company can attract the Town and other large-use customers and collect additional revenues to the benefit of the Company and ratepayers without the burden of undergoing a full-scale rate review in order to revise its tariff. In addition, the Agreement provides the Town and its residents with a dependable supply of water at fair and affordable prices.

No party has intervened in this docket or otherwise objected to the Authority's approval of the *Special Contract*. After careful review of the *Special Contract* and of the entire record in this matter and based on the foregoing findings and conclusions, the panel voted unanimously at the April 26, 2004 Authority Conference to approve the *Special Contract* extending the water purchase agreement.

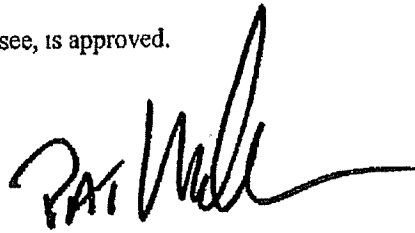
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<sup>2</sup> The Company is provided the opportunity, through special contracts, to secure new business and pursue new prospects in instances where an approved, tariffed rate does not currently exist. Absent the flexibility to negotiate special contracts and submit such contracts to the Authority for approval, the Company would be faced with potential forfeiture of its ability to generate additional revenues that inure to the benefit of its ratepayers. Each special contract is evaluated on its own merits given the circumstances existing at the time of consideration. Notwithstanding the entry of this Order, the Company has the continuing responsibility to acknowledge new customer classes and amend its existing tariff accordingly.

To: Misty Kelley CSID: 532-7479 06/27/2005, 14:12, p 5

**IT IS THEREFORE ORDERED THAT:**

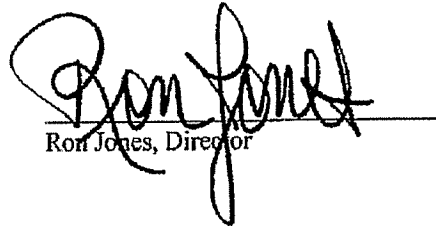
The *Extension of Water Purchase Agreement* between Tennessee American Water Company and the Town of Signal Mountain, Tennessee, is approved.



Pat Miller, Director



Sara Kyle, Director



Ron Jones, Director

**BASS, BERRY & SIMS PLC**  
*Attorneys at Law*

A PROFESSIONAL LIMITED LIABILITY COMPANY

George H. Masterson

PHONE: (615) 742-6263  
FAX: (615) 742-2763  
E-MAIL: gmasterson@bassberry.com

AmSouth Center  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
(615) 742-6200

June 9, 2006

The Honorable Ron Jones,  
Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Dear Chairman Jones:

06-00154

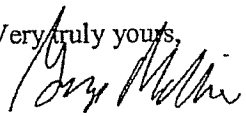
On behalf of our client, Tennessee-American Water Company, enclosed are an original and thirteen copies of an Extension of Water Purchase Agreement (the "Special Contract") between Tennessee-American and the Town of Signal Mountain, Tennessee, which we are submitting for approval by the Tennessee Regulatory Authority pursuant to Rule 1220-4-1-.07 relating to special contracts.

As you will notice, the enclosed agreement extends an agreement previously approved by the TRA (Order dated August 18, 1997, Docket No. 97-01305), which has been heretofore extended twice, with TRA approval (Order dated June 21, 2001, Docket No. 00-00745; Order dated June 27, 2005, Docket No. 04-00088). A copy of the original agreement and the previous extensions are also enclosed. As you can see, the terms of the agreement, as heretofore extended and approved by the TRA, will not be materially modified by the proposed extension.

The approval of the extension to the Special Contract would allow Tennessee-American to continue furnishing water to the Town of Signal Mountain for resale to its customers at the non-discriminatory tariff price of 0.796 per hundred cubic feet and under the same conditions as it has in the past and would benefit the Town of Signal Mountain and its residents by providing a good, clean, dependable water supply at fair and affordable prices.

If you have any questions concerning this matter, please call John Watson, General Manager of Tennessee-American (423-755-9307), or me.

Very truly yours,

  
George H. Masterson

GHM/ch  
Enclosures  
cc: John Watson

6105276.1

Date: APRIL 4, 2006

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g.p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

**SECTION IV**  
**METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

**SECTION V**  
**BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

**SECTION VI**  
**APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

**(1) Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

**(2) Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee.


(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By:   
James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By:   
Richard T. Sullivan

Its: Vice-President and Manager

EXTENSION OF WATER  
PURCHASE AGREEMENT

REC'D TN  
REGULATORY AUTH.

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of  
July 1, 2000, by and between:

00 AUG 22 PM 3 5  
OFFICE OF THE  
EXECUTIVE SECRETARY

Tennessee-American Water Company ("Tennessee-  
American"), located at 1101  
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at  
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") for an additional period of time under the same terms and conditions, except as herein specified.

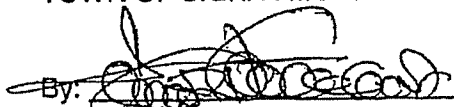
NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original Agreement, except as specifically otherwise stated herein, are hereby extended for a term of three (3) years (or thirty-six [36] monthly billing periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any notice to Tennessee-American be sent to the attention of the President of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

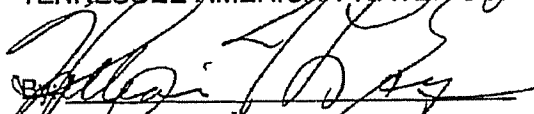
TOWN OF SIGNAL MOUNTAIN

By: 

Title: MAYOR

Date: 6/15/00

TENNESSEE-AMERICAN WATER CO.

By: 

Title: Rep. H. H. H.

Date: August 19, 2000

EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of July 1, 2003, by and between Tennessee-American Water Company (Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1101 Ridgeway Avenue, Signal Mountain, Tennessee.


WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement"), as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), copies of both are attached hereto and incorporated herein by reference. for an additional term of three years as provided herein,

NOW, THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

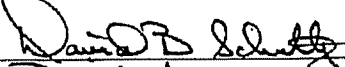
1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First Extension Agreement, are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2003 and ending July 1, 2006.
2. Effective August 7, 2003, and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First Extension Agreement, is hereby amended to state that Signal Mountain will purchase water at the rate of \$1.02 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of the Tennessee-American Water Company and the Tennessee Regulatory Authority ("TRA") Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands

TOWN OF SIGNAL MOUNTAIN

By:   
Title: President  
Date: 1-29-04

TENNESSEE-AMERICAN  
WATER COMPANY

By:   
Title: President  
Date: 2/20/04

SEP 08 '97 11:41AM TN AMERICAN WATER CO



## Tennessee-American Water Company

P.O. Box 6338 • 1101 South Broad Street • Chattanooga, TN 37401

Richard T. Sullivan  
Vice President and Manager

(423) 755-7620  
Fax (423) 755-7634  
<http://www.tawc.com>

July 30, 1997

Mr. Rick Sonnenburg  
Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377

Dear Mr. Sonnenburg:

This is to advise that the Tennessee Regulatory Authority unanimously approved the special Water Purchase Agreement between Tennessee-American Water Company and the Town of Signal Mountain at their regular conference yesterday, July 29, 1997. Therefore, I am enclosing a copy of the fully executed agreement for your files. As soon as I receive a copy of the official order of the Tennessee Regulatory Authority, which should follow in about two weeks, I will send you a copy. The next billing to the town will reflect the new rate of \$.95 per 1,000 gallons.

We are pleased that we are able to offer the Town of Signal Mountain this special sale for resale rate, and look forward to continuing our long-standing relationship with the Town, and providing excellent water service to your fine community.

Sincerely,

R. T. Sullivan  
Vice-President and Manager

RTS/lvbs  
Enclosure

c: Hershel Dick  
W. H. Novak  
T. G. Pappas, Esq.  
D. R. Bailey  
R. J. Gallo  
B. E. Tillotson  
J. E. Salser

SEP 08 '97 11:41AM TN AMERICAN WATER CO

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

August 18, 1997

**NASHVILLE, TENNESSEE**

In Re:	Application for Approval of Special Contract Between Tennessee American Water Company and the Town of Signal Mountain	) ) ) ) )	Docket No. 97-01305
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**ORDER APPROVING WATER PURCHASE AGREEMENT.**


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This matter is before the Tennessee Regulatory Authority ("Authority") upon the application of Tennessee American Water Company ("Tenn. American") for approval of a Water Purchase Agreement ("Special Contract") entered into between Tenn. American and the Town of Signal Mountain, Tennessee ("Signal Mountain"). The Directors of the Authority considered approval of this Special Contract at a regularly scheduled conference held on July 29, 1997. Upon consideration of this matter, the Authority finds the following:

1. The Authority has jurisdiction over this matter pursuant to Tenn. Code Ann. § 65-4-101 et. seq. and Authority Rules 1220-4-1-.07, (Special Contracts), and 1220-4-1-.08, (Resale of Water).

2. On July 2, 1997, Tenn. American filed its application for approval of the Special Contract with the Authority's Executive Secretary.

3. The Town Council of Signal Mountain unanimously approved this Special Contract at a special meeting of the Council held on June 2, 1997. However, Section VI of the Special Contract is conditioned upon subsequent approval of the contract by the Authority.

However, Section VI of the Special Contract is conditioned upon subsequent approval of the contract by the Authority.

4. The Town of Signal Mountain has been a purchaser of water for resale from Tenn. American since the town was incorporated more than 50 years ago. Tenn. American's only other customer of water for resale is the City of Fort Oglethorpe, Georgia.<sup>1</sup>

5. This Special Contract contains identical financial terms to those that were approved by the Authority for the City of Fort Oglethorpe. That is to say that Signal Mountain will be required to purchase 273,750,000 gallons of water per year at a cost of ninety-five cents (\$0.95) per thousand gallons ("pmg") for three (3) years. Further, the contract price of ninety-five cents (\$0.95) pmg is a nine cent (\$0.09) rate reduction from current rates.

6. No party has petitioned for intervention in this matter or has raised objection to the Authority's approval of the terms of this Special Contract.

7. After careful review of this contract, the Directors of the Authority find that this contract would permit the company to furnish water for resale to its only two resale customers at the same non-discriminatory price and under the same conditions. Further, the Authority finds that this contract is in the public interest as it enures to the benefit of Signal Mountain and its residents by providing a dependable supply of water at fair and affordable prices.

**IT IS THEREFORE ORDERED THAT:**

1. The application for approval of the Special Contract entered into

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<sup>1</sup> A Water Purchase Agreement was entered into by the company and the City of Fort Oglethorpe as of March 1, 1997 and was approved by the Authority on March 4, 1997, Docket No. 97-00223.

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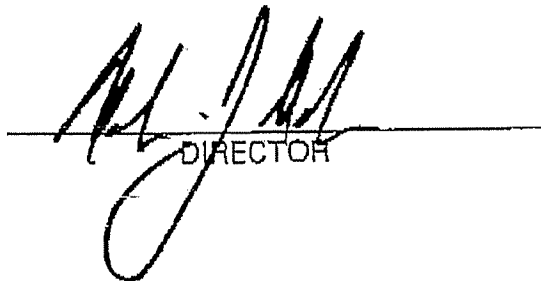
between Tennessee American Water Company and the Town of Signal Mountain, Tennessee is hereby approved;

2. That any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order; and

3. That any party aggrieved by the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Division, within sixty (60) days from and after the date of this Order.

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

ATTEST:

  
EXECUTIVE SECRETARY

# WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

SEP 08 '97 11:42AM TN AMERICAN WATER CO

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I**  
**SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

**SECTION II**  
**FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

**SECTION III**  
**OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

SEP 08 '97 11:42AM TN AMERICAN WATER CO

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

#### **SECTION IV** **METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

#### **SECTION V** **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

#### **SECTION VI** **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

**SECTION VII**  
**TERM OF AGREEMENT**

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

**SECTION VIII**  
**FORCE MAJEURE**

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

**SECTION IX**  
**RENEWAL OF AGREEMENT**

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

**SECTION X**  
**MISCELLANEOUS PROVISIONS**

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain  
1100 Ridgeway Avenue  
Signal Mountain, TN 37377  
Attn: Town Manager

Tennessee-American Water Company  
1101 Broad Street  
P. O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: Vice-President and Manager

SEP 08 '97 11:43AM TN AMERICAN WATER CO

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) Governing Law

This Agreement shall be governed by the laws of the State of Tennessee.


(4) Enforceability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) Entire Agreement

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

By:   
James H. Althaus

Its: Mayor

TENNESSEE-AMERICAN WATER COMPANY

By:   
Richard T. Sullivan

Its: Vice-President and Manager



John S. Watson  
Vice-President &  
General Network Manager

May 30, 2007

The Honorable Judd Burkhart  
Mayor, City of Fort Oglethorpe  
Post Office Drawer 5509  
Fort Oglethorpe, GA 30742

Dear Mayor Burkhart:

It is the goal of Tennessee American Water to provide the highest quality of water service at the lowest possible price. We have worked diligently to control operational expenses and have succeeded in keeping them at one-half of the annual rate of inflation. While doing so, the company has continued to make the necessary investments to maintain the quality of the water system.

To continue to provide the best product possible, it has become necessary for Tennessee American to increase water rates to the customers in our general service area. That rate increase was granted by the Tennessee Regulatory Authority and became effective May 22, 2007.

As a result of that increase, we have reviewed the Water Purchase Agreement that we currently have with your organization. It stipulates that we must provide a written notice twelve months prior to any such increase. The purpose of this letter is to serve as that notice. The rate that Tennessee American Water will place in effect on May 30, 2008 will be \$0.8961 per CCF (hundred cubic feet). Your current rate is \$0.796 per CCF.

Tennessee American appreciates the partnership we share with your organization. Please call me personally should you have any questions or want to discuss this matter. You may reach me at 755-7607.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Watson", written over a horizontal line.

John S. Watson  
Vice President & General  
Network Manager

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA

T +1 423 755 9307  
F +1 423 755 7634  
I [www.tawc.com](http://www.tawc.com)

**BASS, BERRY & SIMS PLC**  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

T. G. PAPPAS  
TEL: (615) 742-6242  
FAX: (615) 742-6293

315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TENNESSEE 37238-0002  
(615) 742-6200

KNOXVILLE OFFICE:  
1700 RIVERVIEW TOWER  
KNOXVILLE, TN 37901-1509  
(423) 521-6200

MEMPHIS OFFICE:  
100 PEABODY STREET, SUITE 950  
MEMPHIS, TN 38103  
(901) 312-9100

December 12, 2000

**VIA HAND DELIVERY**

Mr. K. David Waddell  
Executive Secretary  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

**RE: Special Contract Water Purchase Agreement Between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia**

Dear Mr. Waddell:

Enclosed please find original and 13 copies of a Water Purchase Agreement dated October 23, 2000 by and between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia for approval of the Directors of the Tennessee Regulatory Authority pursuant to Rules 1220-4-1-07 Special Contracts and 1220-4-1-08 Resale of Water of the Rules of the Authority.

As you will notice this is an extension of a previous agreement between the parties that was approved by the Authority in Docket No. 97-00223 by Order dated March 10, 1997. The terms and conditions as to the water are practically the same, but there is a Schedule A attached to the contract and made a part thereof, which is a description of certain non-regulated services which the City may purchase and the terms and conditions and hourly rates of those services.

We are also attaching a copy of Page 5 of the October 23, 2000 minutes of the City Council of Fort Oglethorpe. Item 4 recites that the City Council is approving this contract unanimously. Also I am enclosing a copy of a unanimous Consent by the Board of Directors of Tennessee American Water Company, without a meeting, dated as of November 1, 2000 approving the Contract.

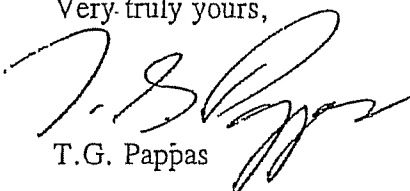
The approval of this Extension Agreement and Service Agreement would allow the Company to continue furnishing water to the City of Oglethorpe, Georgia for resale to its customers at the same and non-discriminatory price and under the same conditions as it has in the past and it would benefit the town of Fort Oglethorpe, Georgia and its residents by providing a good, clean, dependable water

Mr. K. David Waddell  
December 12, 2000  
Page 2

supply at fair and affordable prices. If you have any questions concerning this contract, do not hesitate to call me or Mr. Bill L'Ecuyer at (423) 755-9307.

With kindest regards, I remain,

Very truly yours,

  
T.G. Pappas

Enclosures

cc: William F. L'Ecuyer  
Herbert A. Miller, Jr., Esq.  
Roy Ferrell  
Daniel R. Bailey  
Cynthia Kinser, Esq.  
Richard Collier, Esq.(w/o enclosures)

TGP2161281.1

WATER PURCHASE AGREEMENT

THIS WATER PURCHASE AGREEMENT ("Agreement"), made this 23RD day of \_\_\_\_\_  
OCT., 2000 by and between

Tennessee-American Water Company ("Tennessee-American"),  
located at 1101 Broad Street, P.O. Box 6338, Chattanooga,  
Tennessee

and

City of Fort Oglethorpe, Georgia ("Ft. Oglethorpe"), located at  
500 City Hall Drive, Fort Oglethorpe, Georgia

WHEREAS, Tennessee-American, a Tennessee corporation is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Ft. Oglethorpe wishes to continue to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies substantially all of the water to Ft. Oglethorpe and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Ft. Oglethorpe; and

WHEREAS, Ft. Oglethorpe and Tennessee-American are desirous of extending its existing agreement for the purchase of water for a fixed period of time and amending said agreement for the purchase of certain services from Tennessee-American; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water and services which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## SECTION I

### SALE OF WATER

Ft. Oglethorpe agrees to purchase from Tennessee-American, a minimum of 273,750,000 gallons per year. Ft. Oglethorpe agrees to pay \$.95 per one-thousand gallons (the "\$.95 Rate") for the first 35,000,000 gallons each month. Water purchased in excess of 35,000,000 gallons per month shall be paid at the rate of \$0.74 per one-thousand gallons. Such rates shall not be increased during the initial term of the Agreement.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Ft. Oglethorpe during the prior twelve-month period year. Should Ft. Oglethorpe's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at the \$.95 Rate.

## SECTION II

### FLUORIDATION AND TREATMENT OF WATER SUPPLY

The Company will fluoridate the water supplied to the City of Fort Oglethorpe, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-17(20), which requires the maintenance of a monthly average concentration of fluoride at the Point of Delivery between 0.9 mg/1 and 1.3 mg/1, unless required to do otherwise by applicable Tennessee state law or regulations. Any treatment of the water after the Point of Delivery shall

be the responsibility of Ft. Oglethorpe, unless otherwise agreed to in writing between the parties.  
Upon request, the Company will provide documentation as to water quality.

### SECTION III

#### METERING

Metering of the water sold under this Agreement shall be at the Point of Delivery. Meters shall be installed by Tennessee-American that will allow for the flow of water into Ft. Oglethorpe's water distribution system for ease of controlling/operating the pumping facilities providing water to Ft. Oglethorpe.

### SECTION IV

#### BILLING

On or before the tenth day of each month, Tennessee-American will issue an invoice to Ft. Oglethorpe for Ft. Oglethorpe's metered usage during the prior month. Payment of such invoice must be made by Ft. Oglethorpe within eighteen days after receipt of the invoice. Late fees shall be imposed pursuant to the tariff filed with the Tennessee Regulatory Authority, as amended from time to time.

### SECTION V

#### APPROVALS

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA") and the Tennessee-American Board of Directors. Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

## SECTION VI

### INITIAL TERM OF AGREEMENT AND RENEWAL PERIODS

The initial term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods with three (3) optional three (3) year renewal periods. This Agreement will automatically renew on the same terms and conditions unless Ft. Oglethorpe notifies Tennessee American in writing that it affirmatively elects to not renew the Agreement no later than six (6) months prior to the termination date of the initial terms or any renewal term thereafter.

The water rates set forth in Section I are subject to increase during any renewal period as may be approved by the TRA. Tennessee-American will give Ft. Oglethorpe twelve (12) months prior written notice of any such rate increase and said rates are only subject to increase once per each renewal period.

The initial term shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA. Tennessee American shall notify Ft. Oglethorpe in writing of the date constituting the effective date of the purchase of water under this Agreement, once said date is established. No later than nine (9) months prior to the termination date of the initial terms or any renewal term thereafter, Tennessee-American shall notify Fort Oglethorpe in writing of the upcoming termination date.

## SECTION VII

### FORCE MAJEURE

Neither Ft. Oglethorpe or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, droughts, washouts, civil disturbances, explosions, defects, leakage, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Ft. Oglethorpe from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of complete interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

In the event of any type of water curtailment or interruption event, or any procedure, regulation or law for curtailment or interruption is utilized by, or imposed upon, Tennessee-American, then Ft. Oglethorpe shall abide by such curtailment or interruption procedures so as to restrict its customers in a fashion similar to affected customers of Tennessee-American.

## SECTION VIII

### EXTENSION OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the initial term of this Agreement and the renewal periods set forth in Section VI. Negotiations to extend the term of this Agreement beyond the last renewal period shall commence no later than six (6) months prior to the expiration date. However, the rates to be charged during any extension period and any renegotiated conditions shall be subject to prior approval by TRA.

## SECTION IX

### REPRESENTATIONS, COVENANTS AND INDEMNITY

#### (1) Authority

Ft. Oglethorpe represents and covenants that, at all times, it has the authority to enter into this Agreement, that no other requirements exist for this Agreement to be enforceable and that nothing in this Agreement is in violation, or will cause a violation, of any other contract, obligation or law to which Ft. Oglethorpe is subject.

#### (2) Resale

Ft. Oglethorpe may resell to another water re-seller any water purchased from Tennessee-American, provided Ft. Oglethorpe gives Tennessee-American ninety (90) days prior written notice. If Fort Oglethorpe enters an agreement to resell water purchased from Tennessee-American to another water re-seller, Fort Oglethorpe remains responsible for compliance with Section IX(3).

(3) Inter-basin Transfer

Ft. Oglethorpe acknowledges that none of the water it receives from Tennessee-American may be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by the Tennessee Department of Environment and Conservation ("TDEC"), unless Tennessee-American first obtains a permit for such transfer from TDEC.

Ft. Oglethorpe certifies and agrees that none of the water it receives from Tennessee-American will be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC, unless: (1) Ft. Oglethorpe provides Tennessee-American with 90-days prior notice of its intent to transfer such water outside the above-named basin, and (2) Ft. Oglethorpe receives notification from Tennessee-American that the proposed transfer has been approved by TDEC through the requisite permitting process.

Ft. Oglethorpe agrees to cooperate fully with Tennessee-American and TDEC and provide any documentation, records, or other assistance requested by Tennessee-American or TDEC throughout any required permitting process.

Ft. Oglethorpe agrees to indemnify Tennessee-American for the amount of any permit application fee Tennessee-American is assessed as a result of Ft. Oglethorpe's intent to transfer any water it received from Tennessee-American outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC.

Ft. Oglethorpe agrees to indemnify Tennessee-American for any fines, fees, or penalties Tennessee-American is assessed, or any costs Tennessee-American incurs due to any action on the part of Ft. Oglethorpe that results in a violation of any permitting requirement.

On September 1 of each year, Ft. Oglethorpe agrees to provide Tennessee-American with a statement, signed under oath, certifying that during the previous calendar year, Ft. Oglethorpe

has not directly or indirectly transferred any of the water it receives from Tennessee-American outside the Lower Tennessee-Hiwassee River basin, as that basin is defined by TDEC.

(4) Indemnification

Ft. Oglethorpe hereby indemnifies and holds Tennessee-American harmless from and against any claim, demands, penalties, actions, judgments, and losses or liabilities whatsoever, arising from or in connection with its breach or violation of this Agreement.

**SECTION X**

**AFFIDAVITS**

Prior to the effective date of this Agreement, and at any time during this Agreement upon reasonable notice, Ft. Oglethorpe agrees to provide an affidavit (or certificate, at the discretion of Tennessee-American) which represents and covenants that it is not in breach or any violation of this Agreement, nor has it any knowledge of any fact which, by the passage of time, will cause it to be in breach or violation of this Agreement.

**SECTION XI**

**SERVICES**

During the term of this Agreement, Tennessee-American may provide to Ft. Oglethorpe, certain non-regulated services ("Services") which are set forth in Schedule A, which is attached hereto and incorporated herein by reference. In the event such Services are provided, Ft. Oglethorpe agrees to pay Tennessee-American for such Services at the rates and charges set forth in Schedule A, as such may be amended from time to time by Tennessee-American upon giving Ft. Oglethorpe sixty (60) days advance notice.

Tennessee-American may add or discontinue Services to be offered under this Agreement upon written notice to Ft. Oglethorpe.

Tennessee-American reserves the right to enter into such separate agreements, contracts, work orders or other arrangement with Ft. Oglethorpe in order to adequately address the scope and performance of the specific Services to be provided to Ft. Oglethorpe.

Charges and rates for the Services shall be billed and paid, at the determination of Tennessee-American, either monthly along with Ft. Oglethorpe's metered usage according to Section V above, or on such other terms and conditions as directed by Tennessee-American.

## SECTION XII

### MISCELLANEOUS PROVISIONS

#### (1) Assignment

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Ft. Oglethorpe to any successor in the operation of the facilities currently owned by Ft. Oglethorpe.

#### (2) Notices

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

City of Ft. Oglethorpe, Georgia  
500 City Hall Drive  
Ft. Oglethorpe, Georgia 30742  
Attn: City Manager

Tennessee-American Water Company  
1101 Broad Street  
P.O. Box 6338  
Chattanooga, Tennessee 37401  
Attn: President

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) Governing Law And Venue

This Agreement shall be governed by the laws of the State of Tennessee, which state shall also be the venue for any actions arising under this Agreement.

(4) Enforceability

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement. Titles to any section or subsection in this Agreement are for assistance in identification only and shall not be used to determine the enforceability of any provision of this Agreement.

(5) Entire Agreement

This Agreement constitutes the entire Agreement between Ft. Oglethorpe and Tennessee-American with respect to the subject matter contained in the Agreement, except that Ft. Oglethorpe is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No

modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

CITY OF FORT OGLETHORPE, GEORGIA

TENNESSEE-AMERICAN WATER CO.

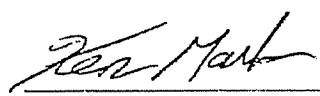
By: 

Its: MAYOR

By: 

Its: President

ATTEST:



Its: City Clerk

## SCHEDULE A

The following Schedule of Services is a general description of non-regulated Services which may be purchased on the terms and conditions, including hourly rate, which may be stated below. The actual scope of any Services to be performed and charges thereon may vary with the facts of each engagement. Therefore, each Service to be provided may be delineated in a specific contract, work order or other agreement.

<u>General Type of Service</u>	<u>Fee</u>
1. System Flushing	\$400 per hour
2. Leak Detection	\$121 per hour
3. Valve Maintenance	\$121 per hour
4. Identification of Operation and Maintenance Problems	\$ 62 per hour
5. Fire hydrant flow-testing and maintenance	\$ 87 per hour
6. Water Quality Sampling for bacteria & chlorine analysis	\$ 41 per hour
7. Repair of Main Breaks	\$175 per hour, plus materials
8. Back Flow Valve Testing	\$ 41 per hour
9. Construction Inspection Services	\$ 51 per hour
10. Field Estimations for Main Extensions	\$ 61 per hour
11. Loss Control Services	\$ 64 per hour
12. Meter Testing (larger than 2-inch)	\$117 per hour, plus materials
13. Meter Change-out	\$ 68 per hour, plus materials
14. Meter Reading	\$ 35 per hour
15. Monthly Billing Services	\$0.405 per bill
16. Customer Services for Telephone Inquiries for Name Changes, Turn-Ons, Turn-Offs, Balance Inquiries, etc.	\$ 30 per hour

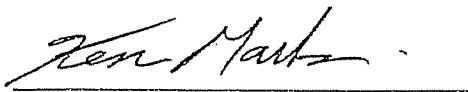
Some minimum charges per Service may exist and will set forth with each specific contract or work order.

City of Ft. Oglethorpe, Georgia

By: 

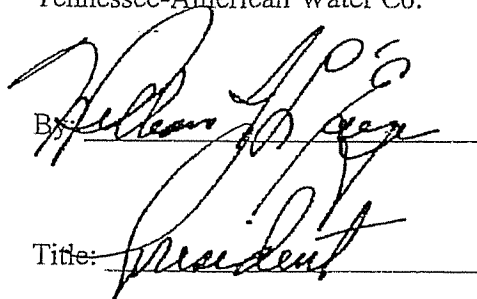
Title: MAYOR

ATTEST:



Its: City Clerk

Tennessee-American Water Co.

By: 

Title: President

Water Rate Schedule D  
DSMC  
DSMCM



John S. Watson  
Vice-President &  
General Network Manager

May 30, 2007

Mr. Jerry Lee, Chairman  
Catoosa Utility District  
Post Office Box 750  
Ringgold, GA 30736

Dear Mr. Lee:

It is the goal of Tennessee American Water to provide the highest quality of water service at the lowest possible price. We have worked diligently to control operational expenses and have succeeded in keeping them at one-half of the annual rate of inflation. While doing so, the company has continued to make the necessary investments to maintain the quality of the water system.

To continue to provide the best product possible, it has become necessary for Tennessee American to increase water rates to the customers in our general service area. That rate increase was granted by the Tennessee Regulatory Authority and became effective May 22, 2007.

As a result of that increase, we have reviewed the Water Purchase Agreement that we currently have with your organization. As a courtesy, we are providing written notice thirty days prior to any such increase. The purpose of this letter is to serve as that notice. The rate that Tennessee American Water will place in effect on June 29, 2007 will be \$0.8961 per CCF (hundred cubic feet). Your current rate is \$0.796 per CCF.

Tennessee American appreciates the partnership we share with your organization. Please call me personally should you have any questions or want to discuss this matter. You may reach me at 755-7607.

Sincerely,  
A handwritten signature in black ink, appearing to read "John S. Watson".

John S. Watson  
Vice President & General  
Network Manager

American Water  
1101 Broad Street  
Post Office Box 6338  
Chattanooga, TN 37401  
USA  
T +1 423 755 9307  
F +1 423 755 7634  
I www.tawc.com



## Tennessee-American Water Company

P.O. Box 6338 - 1101 South Broad Street - Chattanooga, TN 37401

Richard T. Sullivan  
Vice President and Manager

(423) 755-7620  
Fax (423) 755-7634  
<http://www.tawc.com>

December 1, 1998

T. G. Pappas, Esq.  
Bass, Berry & Sims  
2700 First American Center  
315 Deaderick Street  
Nashville, TN 37238

Dear Ted:

Enclosed find a Water Purchase Agreement between Tennessee-American Water Company and the Catoosa Utility District, which has been executed on behalf of both the utility district and Tennessee-American. As you will note, this is a ten-year agreement effective January 1, 1999, and is now ready to be submitted to the Tennessee Regulatory Authority for approval.

I will appreciate your taking the necessary steps for filing. Should you have any questions or need any further information, please let me know.

Sincerely yours,

R. T. Sullivan  
Vice-President and Manager

RTS/vbs  
Enclosure

c: Hal Novak  
R. J. Gallo



# *Catoosa Utility District*

*Managed By  
Catoosa County Board of Utilities Commissioners*

P. O. DRAWER 750  
RINGGOLD, GEORGIA 30736-0750  
PHONE: 706-937-4121

November 30, 1998

DEC 01 1998

**Mr. Richard T. Sullivan  
Vice President and Manager  
Tennessee-American Water Company  
P. O. box 6338  
Chattanooga, Tennessee 37402**

**Re: Tennessee-American Water Purchase Agreement**

**Please find three signed copies of the above referenced agreement.**

**You will find one change on the first page of the contract, which is the District's physical and mailing address.**

**Please forward a copy to me, when you have signed, for our files.**

**Thank you for your cooperation. I look forward to a long and prosperous relationship with Tennessee-American Water Company.**

**Sincerely,  
CATOOSA UTILITY DISTRICT**

**Deirdre A. Hullender  
Secretary/Treasurer**

**DAH/dah**

**Enclosures - 3 copies of Water Purchase Agreement**


**c: Board of Utilities Commissioners**

**WATER PURCHASE AGREEMENT**

THIS AGREEMENT, made this 24<sup>th</sup> day of November, 1998 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, P. O. Box 6338, Chattanooga, Tennessee

and

Catoosa Utility District, located at ~~Highway 41 North~~  
Ringgold, Georgia 1058 OLD HILL RD P.O. Box 750 

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Catoosa Utility District wishes to purchase a portion of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies a minimal amount of water to Catoosa Utility District and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Catoosa Utility District; and

WHEREAS, Catoosa Utility District and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## SECTION I

### SALE OF WATER

During a ten (10) year period, Catoosa Utility District agrees to purchase a minimum of water from Tennessee-American Water Company as follows:

- Year 1: First six (6) months (January 1, 1999 through June 30, 1999) No minimum requirement to allow for the District to complete the necessary improvements to their system.
- Year 1: Second six (6) months (July 1, 1999 through December 31, 1999) 45,625,000 gallons (250,000 gallons per day average)
- Year 2 - 5: 182,500,000 gallons per year (500,000 gallons per day average)
- Year 6 - 10: 273,750,000 gallons per year (750,000 gallons per day average)

During the first three (3) years of this agreement, all water sold to the Catoosa Utility District will be at the rate of \$.95 per 1,000 gallons for the first 35 million gallons per month. All water purchased over 35 million gallons per month will be at the rate of \$.74 per 1,000 gallons. Any increase in rates approved by the Tennessee Regulatory Authority for Tennessee-American Water Company during the remaining seven (7) years of this agreement will be applied to the rates charged to the Catoosa Utility District.

## **SECTION II**

### **FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Catoosa Utility District, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

## **SECTION III**

### **OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Catoosa Utility District will provide adequate storage to provide for its own maximum hour needs. Catoosa Utility District shall maintain a minimum of one day of water supply storage on their distribution system.

## **SECTION IV**

### **METERING**

Metering of the water sold under this Agreement shall be at the existing meter settings located at Highway 27 at Cloud Springs Road and along Scruggs Road.

## **SECTION V**

### **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Catoosa Utility District for Catoosa Utility District's metered usage during the prior month.

Payment of such invoice will be made by Catoosa Utility District eighteen days after receipt of the invoice.

## **SECTION VI**

### **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

## **SECTION VII**

### **TERM OF AGREEMENT**

The term of this Agreement shall be for a period of ten (10) years. The ten (10) year period shall commence on the first day of the month following approval of the agreement by the Tennessee Regulatory Authority.

## **SECTION VIII**

### **FORCE MAJEURE**

Neither Catoosa Utility District nor Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides,

lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Catoosa Utility District from its obligations to make payment of amounts due hereunder.

#### SECTION IX

#### RENEWAL OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than sixty (60) days prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

CATOOSA UTILITY DISTRICT

By: R. F. Pierce  
R. FRANK PIERCE

Its: CHAIRMAN

TENNESSEE-AMERICAN WATER COMPANY

By: R. T. Sullivan  
Richard T. Sullivan

Its: Vice-President and Manager

**TENN-AMERICAN  
WATER COMPANY**

*Vicki Griffith  
Senior Secretary  
Tennessee-American Water Company  
Phone: 423/755-7614  
FAX: 423/755-7636  
email: vgriffit@amwater.com*

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***Facsimile***

*To: Shelia Valentine  
Fax #: 304-353-6308  
From: Vicki  
Date: January 27, 2003  
Re: Catoosa County Utility Contract  
Pages: 8 pages ( including cover page)*

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