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A PROFESSIONAL LIMITED LIABILITY COMPANY

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August 7, 2008

VIA HAND DELIVERY

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

filed electronically in docket office on 08/07/08

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. 08-00039

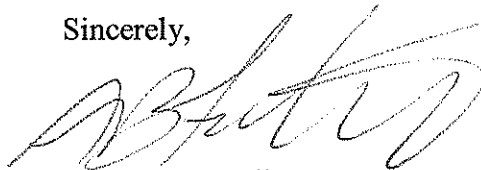
Dear Chairman Hargett:

Enclosed for filing, please find an original and seven (7) copies of Tennessee American Water Company's responsive letter dated July 30, 2008 to a concerned customer.

Please stamp three (3) of these copies "filed" and return them to me by way of our courier.

Should you have any questions, please do not hesitate to contact me.

Sincerely,



Adam B. Futrell

ABF:jgl
Enclosures

Chairman Tre Hargett
August 7, 2008
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cc: Hon. Eddie Roberson, PhD (*w/o enclosure*)
Hon. Mary Freeman (*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*)
Timothy C. Phillips, Esq. (*w/enclosure*)
David C. Higney, Esq. (*w/enclosure*)
Henry M. Walker, Esq. (*w/enclosure*)
Michael A. McMahan, Esq. (*w/enclosure*)
Ryan McGehee, Esq. (*w/enclosure*)
Frederick L. Hitchcock, Esq., (*w/enclosure*)
Mr. John Watson (*w/enclosure*)
Mr. Michael A. Miller (*w/enclosure*)

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TENNESSEE
AMERICAN WATER

John Watson, President

P 423-755-7607

P.O. Box 5338

F 423-755-7634

Chattanooga, TN 37401

www.tawc.com

July 30, 2008

Ms. Karen Davis
7621 Austin Drive
Chattanooga, TN 37416-3504

Dear Ms. Davis:

First of all, I would like to thank you for your patronage and continued good standing as a residential water customer of Tennessee American Water. We appreciate your business.

I have taken notice of your recent concern about the water rate increase and I have personally made a review of your account for your service at 7621 Austin Drive so that I could offer some additional information to you about the monthly billing you receive from Tennessee American Water.

I want to make sure you understand how the monthly bill you receive from Tennessee American Water includes both water service from Tennessee American Water, as well as sewer service, which is a service from the City of Chattanooga for which Tennessee American bills and collects on behalf of the City. Sewer service is based upon the gallons of water you are billed from Tennessee American, and is in fact, not based upon the dollar amount of the water service.

In your particular case, the water service for your residence has been ranging between \$20.42 and \$26.57 per month from October 2007 through May 2008 and is the portion of the bill that Tennessee American Water relies upon to cover the costs of water service. In June and July 2008, the water service portion of your bill has increased slightly to \$32.71 per month, due to increased water usage, which is often attributable to summer activities or other changes in the home, or is related to the number of days of service in the billing period (typically ranging from 27 to 33 days).

Tennessee American Water's rate request currently before the Tennessee Regulatory Authority is to consider a rate change for the water portion only of the bill you receive each month. On average, if approved in full based upon requested amount, a residential user that consumes 4,305 gallons per month would be paying an additional \$3.65 over the current amount each month. Until the rate request is decided by our regulator, the Tennessee Regulatory Authority, your water service rates will remain at the current level.

By comparison, the sewer service portion of the bill has been running between \$22.16 and \$28.49 per month between October 2007 and May 2008 and is the portion of the bill which is returned to the City of Chattanooga to provide you with sewer service. In June and July 2008, the sewer portion of your service did increase slightly to \$35.86 per month, due to increased water usage and may be related to the reasons stated above. Again, this charge is based upon the gallons of water billed and the rates for sewer service that are set by city ordinance and approved

Ms. Karen Davis
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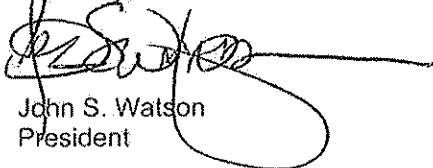
by Chattanooga City Council. There have been two sewer rate increases which have occurred during that period, one on October 1, 2007 and one on April 1, 2008.

As a result, the water service portion on the billing paid to Tennessee American Water is *only approximately 48% of the total amount you pay*. The remaining amounts you are paying are for sewer service to the city and sales tax to the state and the municipality where you live, which we have remitted to those governmental entities involved in those activities and that we have an obligation to collect on their behalf.

It is my hope that I have helped explain what Tennessee American Water is doing regarding water rates and that an explanation of the bill has been helpful for your understanding.

Finally, please again accept my thanks for your business and the opportunity to provide high quality water service to you and your household. If there is anything else we can do to serve you or if we could answer any further questions you might have, please contact my office at your convenience.

Sincerely,



John S. Watson
President

/s