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August 15, 2008

**VIA E-MAIL AND 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 Response to the Chattanooga Manufacturers Association's Motion to Strike from the Record and/or Exclude as Evidence the Supplemental Testimony of Tennessee American Water Company Witnesses Related to Increased Expenses.

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

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

Sincerely



Erin M. Everitt

Enclosures

Chairman Tre Hargett  
August 15, 2008  
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cc: Hon. Mary W. Freeman (*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*)

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

**IN RE:**

**PETITION OF TENNESSEE AMERICAN )  
WATER COMPANY TO CHANGE AND )  
INCREASE CERTAIN RATES AND )  
CHARGES SO AS PERMIT IT TO EARN )  
A FAIR AND ADEQUATE RATE OF )  
RETURN ON ITS PROPERTY USED AND ) Docket No. 08-00039  
USEFUL IN FURNISHING WATER )  
SERVICE TO ITS CUSTOMERS )**

**TENNESSEE AMERICAN WATER COMPANY'S RESPONSE TO CHATTANOOGA  
MANUFACTURERS ASSOCIATION'S MOTION TO STRIKE FROM THE RECORD  
AND/OR TO EXCLUDE AS EVIDENCE THE SUPPLEMENTAL TESTIMONY OF  
TENNESSEE AMERICAN WATER COMPANY WITNESSES, INCLUDING BUT NOT  
LIMITED TO JOHN WATSON, SHEILA MILLER AND MICHAEL MILLER,  
RELATED TO ALLEGED INCREASED EXPENSES**

Tennessee American Water Company ("TAWC") hereby provides its response (the "Response") to the *Motion to Strike and/or Exclude the Testimony of TAWC Witnesses, including John Watson, Sheila Miller and Michael Miller, Related to Alleged Increased Expenses* (the "Motion") filed by the Chattanooga Manufacturers Association ("CMA").

The Motion accuses TAWC of introducing late-filed evidence of its increased operational expenses in an effort to enlarge the rate increase for which it has petitioned the TRA. These accusations are baseless and inaccurate for several reasons.<sup>1</sup> First, TAWC has not petitioned in this case to recover additional expenses in this docket nor does it intend to do so. TAWC continues to request a revenue increase of \$7.645 million in spite of costs which continue to rise.<sup>2</sup>

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<sup>1</sup> As an initial matter, CMA's Motion fails even to disclose what lines of testimony and which exhibits the CMA claims are objectionable. The vagueness of CMA's Motion alone is grounds for its denial.

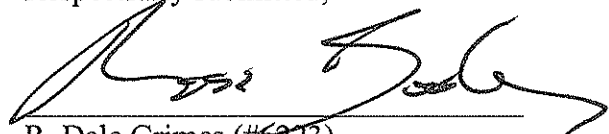
<sup>2</sup> On the afternoon of August 14, TAWC received additional data requests from the TRA on this subject. TAWC is preparing responses and will file them soon.

Second, the additional expenses TAWC has filed were disclosed in direct response to a data request issued to TAWC by the TRA on July 29, 2008. TAWC did not “cherry-pick” expenses as CMA alleges; rather, TAWC simply timely responded to the inquiries issued by the TRA.<sup>3</sup>

Finally, the evidence of TAWC’s additional expenses (while not being offered to increase TAWC’s requested tariffs) is relevant to this matter and is appropriate to reference in rebuttal testimony. Throughout these proceedings, TAWC has offered an abundance of proof demonstrating that its requested rate increase is both reasonable and necessary in light of rising expenses. In response, the Intervenor’s witnesses have questioned the validity of the requested rate increases and challenged TAWC’s assertion that its operational costs continue to rise. The data produced to the TRA in response to the July 29 request, and the references made to that data by TAWC’s witnesses, rebut testimony offered by the Intervenor, undermine the Intervenor’s claims and further support TAWC’s petition.

For all the foregoing reasons, TAWC respectfully requests that CMA’s Motion be denied.

Respectfully submitted,



R. Dale Grimes (#6223)

Ross I. Booher (#019304)

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*Tennessee American Water Company*

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<sup>3</sup> TAWC only received the chemical costs documents August 4-11, 2008. See TAWC’s Supplemental Response to the TRA’s Data Request No. 5.

### 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 15<sup>th</sup> 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
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<input type="checkbox"/> Hand-Delivery	Michael A. McMahan, Esq.
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