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August 15, 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 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 please find an original and seven (7) copies of Tennessee American Water Company's letter dated August 7, 2008, addressed to Mr. John Gilbert and signed by John S. Watson, President of TAWC.

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

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

Yours very truly,



Erin M. Everitt

MEE/lfr
Enclosures

Chairman Tre Hargett

August 15, 2008

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cc: Hon. Mary Freeman (*w/o enclosure*)
Hon. Sara Kyle (*w/o enclosure*)
Hon. Eddie Roberson (*w/o enclosure*)
Richard Collier, Esq. (*w/o enclosure*)
Ms. Shilina Chatterjee (*w/o enclosure*)
Ms. Kelly Grams (*w/o enclosure*)
Ms. Emily Knight (*w/enclosure*)
Ryan McGehee, Esq. (*w/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*)

6961125.1



Tennessee American Water
1101 Broad Street
Chattanooga, TN 37402
amwater.com

P 423-755-7607
F 423-755-7634

August 7, 2008

Mr. John Gilbert
3219 Alta Vista Drive
Chattanooga, TN 37411

Dear Mr. Gilbert:

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 3219 Alta Vista 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 that the monthly bill you receive from Tennessee American Water includes both water service from Tennessee American Water, as well as sewer service, a service provided by the City of Chattanooga which Tennessee American Water bills and collects on behalf of the City. Sewer service is based upon the gallons of water you are billed from Tennessee American Water, and, in fact, is not based upon the dollar amount of the water service.

In your particular case, the water service for your residence has been ranging between \$9.78 and \$35.71 per month for the period September 2006 through July 2008 and is the portion of the bill that Tennessee American Water relies upon to cover the costs of water service. In July 2008, the water service portion of your bill has increased slightly to \$35.71 per month, due to increased water usage, which I understand is attributable to summer activities such as outdoor watering of your lawn. Other reasons that our customers often see a fluctuation in water use in the home is due to additional people visiting or being away from the residence for extended periods, plumbing repair such as a toilet leak, or faucet drip, or is related to the number of days of service in the billing period (typically ranging from 27 to 33 days). The water service period in July was for 33 days of service. Since the service is based upon metered use, you pay for the water measured which has passed through the water meter located in the yard near the property line.

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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 \$8.73 and \$39.12 per month between September 2006 and July 2008 and is the portion of the bill labeled "Chatt. Sewer" that is billed and collected on behalf of the City of Chattanooga and which is returned to the City as revenue to provide you with sewer service. In July 2008, the sewer portion of your service did increase slightly to \$39.12 per month, due to increased water usage and is related to the increased water usage from your summer lawn watering. 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 by Chattanooga City Council. Four sewer rate increases have occurred during that same period, and were effective on October 1, 2006, April 1, 2007, October 1, 2007 and April 1, 2008. These sewer rate increases have been the source of a portion of the increase you have seen in your monthly bill. By comparison, there has been only one water service rate increase which was granted on May 22, 2007.

My analysis indicates that there has been a long-term trend over the past 3-1/2 years toward a slight increase in water use most noticeably in September 2007 through December 2007 and again in July 2008. However, it also appears that in other periods of time your water use has been highly stable when compared in the same month one year to the next year.

As a result, the water service portion on the billing paid to Tennessee American Water is ***only approximately 48-50% of the total amount you pay***, the remaining amounts you are paying are for the benefit of sewer service from the City and sales tax which is required to be paid to the state and also benefits the county where you live, which we regularly remit as required, to governmental entities involved in those activities and that we have an obligation to collect on their behalf.

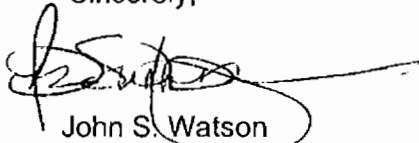
Finally, I appreciate that most customers would wish that utility rates remain flat. However, the economic pressure related to increases in many of the products and services which are necessary to provide the water service you receive each day, as well as replacement of water system components and improvements to serve our customers, which is what all water utilities need to do to maintain high-quality water and reliable service is also required. Please let me assure you, that I am confident that Tennessee American Water employees are making the appropriate infrastructure improvements, although costly, and at the same time containing the operating and maintenance costs of the business, given the rising costs of doing so that we face.

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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

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 15th 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.
<input checked="" type="checkbox"/> Email	1000 Tallan Building
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