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APR 30 2009 PM 12:18
T.R.A. DOCKET ROOM
April 30, 2009

Via Hand-Delivery

Hon. Eddie Roberson
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 Roberson:

Enclosed please find an original and six (6) copies of Tennessee American Water Company's response to the letter dated April 23, 2009, from Darlene Standley, Chief, Utilities Division, with respect to the draft Request for Proposal filed by the company in this docket on March 23, 2009.

Please return two (2) copies of this, which I would appreciate your stamping as "filed," and returning to me by way of our courier.

An electronic copy of this filing has also been transmitted to Sharla Dillon, Docket Manager.

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

RDG/lfr
Enclosures

Chairman Eddie Roberson

April 30, 2009

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cc: Hon. Sara Kyle
Hon. Mary W. Freeman
Ms. Darlene Standley, Chief of Utilities Division
Kelly Cashman-Grams, Esq.
Rebecca Montgomery, Esq.
Richard Collier, Esq.
Timothy C. Phillips, Esq.
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April 30, 2009

Darlene Standley
Tennessee Regulatory Authority – Chief Utilities Division
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: DOCKET NO. 08-00039 – PETITION OF TENNESSEE AMERICAN
WATER COMPANY TO CHANGE AND INCREASE CERTAIN RATES
AND CHARGES – REQUEST FOR PROPOSAL.

Dear Ms. Standley:

The Company does not know exactly what timeframe it will take the successful bidder on the RFP to complete the contemplated Management Audit and submit the Final Audit Report. As indicated in the Authority's Order and the draft RFP, the Management Audit will not commence until the Authority ratifies the selection of the auditor. There has been no procedural indication from the Authority on when it expects to act on the RFP or the ratification of the contract contemplated to be developed with the successful bidder once the RFP responses are reviewed and acted upon. The Company expects the Management Audit to take anywhere from six months to one year to complete based on the scope of the audit described in the Authority's Order and included in the RFP, the size of American Water Works Service Company, and the time to complete similar management audits of other AWW subsidiaries. The timeframe and cost of the Management Audit of AWWSC will also depend on the size of the successful bidder, the level of resources available to the successful bidder and the extent to which the successful bidder can rely on the work of AWW's independent financial auditor (Pricewaterhouse Coopers) and the Sarbanes-Oxley compliance work for AWW performed by Ernst & Young.

The Company had contemplated that the responses to the RFP would include a work plan that would outline the timeframe on which to provide the services requested in the RFP. The work plan was discussed in the RFP at Section B, subparagraph 3. The Company proposes to amend Section B, subparagraph 3 of the RFP as follows to make

it clear to the bidders that a timeframe for completion of the work should be included in the work plan. The Company and Authority will then be able to consider the work plan and timeframe proposed by the bidders in the Selection Process described in Section C of the RFP

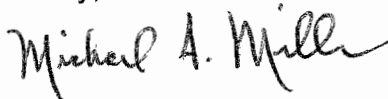
PROPOSED RFP LANGUAGE CHANGE:

SECTION B: RESPONSE TO THE RFP

3. An outline and narrative discussion of the scope of the services that will be provided in order to satisfy the project's requirements. The proposal should set forth a work plan, ~~to perform~~ **including an estimated timeframe to complete** the services required of this RFP **and to issue the final Management Audit Report and work papers**. In developing the work plan, reference should be made to such sources of information as enabling legislation, bylaws, interviews, prior management audits, organizational charts, manuals and programs, financial and other management information systems and other related materials. The work plan should identify any proposed segmentation or phasing of the project and the level of staff and number of hours to be assigned to each proposed segment of the engagement.

If the suggested language change is acceptable to the Authority, please notify the Company and a revised RFP will be completed and submitted to the Authority if required.

Sincerely,



Michael A. Miller
Treasurer and Comptroller
Tennessee American Water Company