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May 28, 2009

Via Hand Delivery

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

*In Re: Petition Of Tennessee-American Water Company For Approval Of And Authority To  
Borrow Up To \$45,000,000 To Refinance Outstanding Indebtedness And Finance  
Additions And Improvements To Facilities And Acquisitions And To Repay Short-  
Term Indebtedness Pursuant To T.C.A. § 65-4-109*  
Docket No. 09-00073

Dear Chairman Roberson:

Enclosed please find an original and six (6) copies of a Petition to be filed on behalf of our client, Tennessee American Water Company, along with our check in the amount of \$25.00, payable to the Tennessee Regulatory Authority for the filing fee.

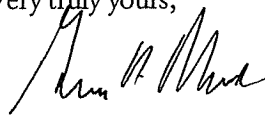
This document also is being filed electronically today with the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please stamp two (2) copies of this document as "filed" and return them to me 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,



George H. Masterson

GHN/lfr  
Enclosures

Chairman Eddie Roberson

May 28, 2009

Page 2

cc: Hon. Sara Kyle (w/o enclosure)  
Hon. Mary Freeman (w/o enclosure)  
Ms. Darlene Standley, Chief of Utilities Division (w/o enclosure)  
Ms. Pat Murphy (w/o enclosure)  
Mr. John Watson (w/ enclosure)  
Mr. Michael A. Miller (w/enclosure)  
A. W. Turner, Esq. (w/ enclosure)

7843813.1

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

Nashville, Tennessee

IN RE:	PETITION OF TENNESSEE-AMERICAN )	
	WATER COMPANY FOR APPROVAL OF )	
	AND AUTHORITY TO BORROW UP TO )	
	\$45,000,000 TO REFINANCE OUTSTANDING )	Docket No. _____
	INDEBTEDNESS AND FINANCE ADDITIONS )	
	AND IMPROVEMENTS TO FACILITIES )	
	AND ACQUISITIONS AND TO REPAY )	
	SHORT-TERM INDEBTEDNESS PURSUANT )	
	TO T.C.A. § 65-4-109 )	

PETITION

Comes the Petitioner, Tennessee-American Water Company ("Company") and respectfully represents and shows to the Tennessee Regulatory Authority ("Authority") as follows:

1. The Company is a Tennessee corporation with its principal office and place of business in the City of Chattanooga, Hamilton County, Tennessee. It is a public utility as defined in T.C.A. § 65-4-101 and is engaged in the business of rendering water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas in Catoosa, Dade and Walker Counties, Georgia. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC").

2. The Company owns, operates, manages and controls plants, property, equipment and facilities having an original cost of \$210,435,849 as of March 31, 2009 within and adjacent to the City of Chattanooga which are used and useful in the collection, purification, pumping, distribution and furnishing of potable water for residential, commercial, industrial and governmental users in service territory. The Company currently serves approximately 75,000 customers in Tennessee and Georgia. The Company is subject to the jurisdiction, regulation and supervision of the Authority pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. The capitalization of the Company at March 31, 2009 is shown on Exhibit 1, attached hereto.

4. The long-term debt of the Company at March 31, 2009 includes two outstanding series of general mortgage bonds ("General Mortgage Bonds") issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from The City Water Company of Chattanooga (now the Company) to The Fidelity Bank (now U.S. Bank, National Association), as Trustee ("Trustee"), as supplemented and amended by thirteen supplemental indentures thereto dated, respectively, as of February 1, 1971; August 1, 1972; November 1, 1975; June 1, 1978; October 1, 1979; March 1, 1982; January 1, 1983; May 1, 1988; December 1, 1989; September 1, 1990; June 1, 1992; June 1, 1993; and September 1, 1996 (hereinafter collectively the Indenture), as follows:

<u>LONG-TERM DEBT</u>	<u>MATURITY DATE</u>	<u>AMOUNT OUTSTANDING</u>
9.25% Series	December 1, 2019	\$2,500,000
7.84% Series	September 1, 2026	\$5,700,000
		<u>\$8,200,000</u>

5. All series of General Mortgage Bonds and all classes of capital stock of the Company outstanding at March 31, 2009 were duly authorized by Orders of the Authority (or its predecessor, the Tennessee Public Service Commission) heretofore entered on the basis of previous proceedings conducted by it relative thereto.

6. As an alternative to the General Mortgage Bond financing described above, on June 15, 2000, the Company entered into a nonexclusive Financial Services Agreement (the "Services Agreement") with American Water Capital Corp. ("AWCC"), also a wholly-owned subsidiary of AWWC, subject to Authority approval, in the form attached hereto as Exhibit 2. Pursuant to the Services Agreement, AWCC periodically solicits from the Company and each of

AWWC's other utility subsidiaries estimates of their needs for short-term and long-term financing. On the basis of that information, AWCC registers its own debt securities (the "AWCC Securities") for sale in the U.S. public/private capital markets. These debt securities are obligations of AWCC, but AWWC issues a "support letter" for the benefit of the holders of such debt securities. From time to time thereafter, as the Company needs additional long-term financing, AWCC sells portions of the AWCC Securities in the U.S. public/private capital markets, or to an investor or lender, and loans the proceeds of the sale of those AWCC Securities to the Company. The loans from AWCC to the Company are on terms (e.g., interest rate, redemption premium, sinking fund requirement, maturity) identical to the terms of the securities sold in the public/private markets by AWCC and will be evidenced by a written note. In addition, the Services Agreement obligates the Company to pay all of its allocated portion of AWCC's costs related to the AWCC Securities issued to fund the loan to the Company, plus, along with the other participating operation subsidiaries, its proportionate share of AWCC's overhead.

7. The Services Agreement also provides that the Company may utilize AWCC to meet its short-term (maturity of less than one-year) borrowing requirements through advances funded by a syndicated credit facility arranged by AWCC and its cash management needs.

8. The Company's participation in the AWCC borrowing program does not preclude it from borrowing from third parties. The Company is not required to borrow any amount from AWCC. Further, the Company may terminate its participation in the AWCC borrowing program upon ten day's written notice.

9. Pursuant to the Company's petition, by order dated October 10, 2000, in Docket No. 00-00637, a copy of which is attached hereto as Exhibit 3 (the "Original Authority Order"), the Authority approved the issuance by the Company to AWCC of notes or debentures (the

“Company Securities”) in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which were used to (a) refinance outstanding General Mortgage Bonds, (b) finance additions and improvements to the Company’s plants, property, equipment and facilities and acquisitions and (c) to repay short-term borrowings.

10. Subsequent to the Authority’s Original Authority Order in Docket No. 00-00637, the Company in Docket No. 06-00305 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$44,900,000 between January 1, 2007 and December 31, 2008. The Authority authorized the Company’s request in its Order dated June 14, 2007 (“2007 Long-Term Debt Financing Order”), a copy of which is attached hereto as Exhibit 4.

11. Pursuant to the Original Authority Order and the 2007 Long-Term Debt Order, the Company has heretofore issued the following long-term Company Securities to AWCC:

<u>DATE OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>AMOUNT OUTSTANDING</u>
March 29, 2001	6.87%	March 29, 2011	\$ 2,040,000
March 1, 2004	4.75%	March 1, 2014	\$19,000,000*
February 5, 2007	5.39%	December 21, 2013	\$15,000,000
March 29, 2007	5.62%	March 29, 2013	\$19,000,000

\*This issue was refinanced on 3/29/07.

12. Subject to the authorization of the Authority, the Company proposes to continue its participation in the AWCC program and to issue Company Securities in an aggregate principal amount of up to \$45,000,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities. The terms of the Company Securities will include the following:

- a. Title of the Securities: AWCC Securities.
- b. Aggregate Principal Amount to be Issued: Up to an aggregate amount of

\$45,000,000.

- c. Expected Date of Issue: It is anticipated that the first issue of Company Securities will occur during the third or early fourth quarter of 2009 and as required thereafter through December 31, 2013.
- d. Date of Maturity: The maturity of the Company Securities will not be more than 50 years from the nominal date of issue, with the expectation that the maturity dates will be from 1 to 35 years, depending upon market conditions.
- e. Interest Rate(s): The interest rates on the Company Securities will be the same as those borne by the AWCC Securities from which the Company Securities were funded and will be determined by market conditions at the time of issuance. It is anticipated that the AWCC Securities will be sold carrying an interest rate spread of approximately 450-550 basis points above the interest rate borne by corresponding United States Treasury securities, based upon current market conditions.
- f. Interest Payment Dates: Interest on the Company Securities will be payable to coincide with the dates as AWCC must pay its corresponding interest payment on the related AWCC Securities.
- g. Callability and Conversion Provisions: The Company Securities will have the same callability and conversion features as AWCC obtains in connection with related AWCC Securities, including provisions for redemption of the option of AWCC (and, therefore, of the Company) or tender at the option of the purchasers as may be negotiated with the agent or purchaser(s) of the AWCC Securities. The Company Securities will have no conversion features.
- h. Sinking or Other Fund Provisions: The Company Securities will reflect whatever terms AWCC can obtain in connection with that sale of the related AWCC Securities.
- i. Purpose: The purpose for which the Company proposes to issue the Company Securities is to refinance or repay maturing AWCC Notes described above and finance additions and improvements to the Company's plants, property, equipment and facilities and acquisitions, and to repay short-term borrowings.

13. The program for financing set out in this petition:

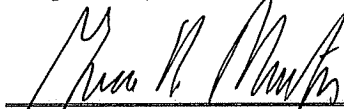
- (a) the purposes for which the funds derived therefrom will be used are in the best interests of the Company and the customers that it serves;
- (b) provides terms and conditions for the financing that are the best available at this time; and

(c) is in accordance with and within the authority of the Authority pursuant to T.C.A. Section 65-4-109 and should, therefore, be approved.

PREMISES CONSIDERED, PETITIONER PRAYS THAT THE COMPANY BE AUTHORIZED TO:

1. Issue the Company Securities to AWCC from time to time, as described in this Petition;
2. Use the cash proceeds arising from such issuance for the purposes set forth in this Petition; and
3. Have such other relief as it might be entitled to in this cause.

Respectfully submitted,



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R. Dale Grimes, Esq.  
George H. Masterson, Esq.  
Bass, Berry & Sims PLC  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-0002  
Telephone: 615/742-6242  
ATTORNEYS FOR PETITIONER,  
TENNESSEE-AMERICAN WATER COMPANY

Dated: May 28, 2009



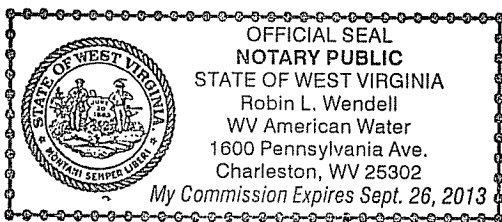
STATE OF WEST VIRGINIA )  
 )  
COUNTY OF KANAWHA ) ss:

Michael A. Miller, upon oath, says that he is the Treasurer and Comptroller of Tennessee-American Water Company, a Tennessee corporation, Petitioner in the above-entitled cause; that as such officer of said Corporation, he has executed the foregoing Petition and has authority to do so; that he has read said Petition and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

Michael A. Miller

Subscribed and sworn to before  
me, the undersigned authority,  
this 27<sup>th</sup> day of May, 2009.

Robin L. Wendell  
Notary Public



**FINANCIAL STATEMENT  
OF  
TENNESSEE-AMERICAN WATER COMPANY**

(as of March 31, 2009 except where noted)

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- (1) The amount and kinds of stock of the Applicant authorized are as follows:

Cumulative Preferred Stock, par value \$100 per share:

5% Class	14,000 Shares
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Common Stock, \$1 par value	20,000,000 Shares
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- (2) The amounts and kinds of stock of the Applicant issued and outstanding as of March 31, 2009 are as follows:

Cumulative Preferred Stock, par value \$100 per share:

5% Class	13,816 Shares
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Common Stock, \$1 par value	13,754,235 Shares
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- (3) The Cumulative Preferred Stock is cumulative as to dividends. If dividends on the Cumulative Preferred Stock shall be in arrears and such arrears shall aggregate an amount equal to or in excess of four (4) quarterly dividends upon such stock, the number of directors then constituting the Board of Directors shall be increased by two (2) and the holders of the Preferred Stock voting separately as a class shall be entitled to elect the two (2) additional directors.

The Cumulative Preferred Stock is redeemable at any time upon thirty (30) days' notice at the following prices: the Series B at \$101 per share; the Series C at \$100.50 per share; and the Series D at \$100.

The Cumulative Preferred Stock, Series B, Series C and Series D are redeemable at par (\$100) in cases of (a) governmental or municipal acquisition of the Applicant's facilities or common stock, or (b) upon liquidation or dissolution of the Applicant.

- (4) The following are the only mortgages on the property of the Applicant:

General Mortgage Indenture dated as of May 1, 1968, executed by the Applicant to The Fidelity Bank (now US Bank), as Trustee, and supplemental indentures thereto dated as of December 1, 1970 (as supplemented on December 17, 1970); September 1, 1974; November 1, 1977; December 1, 1982; June 1, 1983; August 1, 1985; January 1, 1987; September 1, 1988; October 1, 1989; November 1, 1990; December 1, 1991; December 1, 1992; December 1, 1993; September 1, 1995; February 1, 1997, and June 1, 1998.

The Indenture of Mortgage provides for the issue of General Mortgage Bonds which together with all other long-term debt cannot exceed 65% of Applicants total capitalization, which percentage is \$75,124,437 as of March 31, 2009. The amount of indebtedness actually secured by a lien on all the property owned or hereafter acquired by the Company is \$8,200,000. There are no sinking fund provisions associated with the General Mortgage Bonds.

- (5) At March 31, 2009, \$8,200,000 in General Mortgage Bonds were issued and outstanding.

General Mortgage Bonds:

Principal amount authorized by Indenture:

No maximum limit of bonds fixed

Name of utility issuing bonds:

All bonds were issued by Tennessee-American Water Company

Principal amount issued and outstanding:

<u>GMB:</u>	<u>Issued</u>	<u>Outstanding</u>
6.50% Series	\$6,500,000	\$6,500,000 ( <b>Matured June 1, 2008</b> )
9.25% Series	2,500,000	2,500,000
7.84% Series	5,700,000	5,700,000

Date of issue (nominal date):

6.50% Series	May 31, 1998 ( <b>Matured June 1, 2008</b> )
9.25% Series	January 12, 1990
7.84% Series	September 4, 1996

Rate of interest:

6.50% Series	6.50% (Matured June 1, 2008)
9.25% Series	9.25%
7.84% Series	7.84%

Date of maturity:

6.50% Series	June 1, 2008 (Matured June 1, 2008)
9.25% Series	December 1, 2019
7.84% Series	August 3, 2026

Security: All outstanding General Mortgage Bonds are secured by the lien of the General Mortgage Indenture upon all property of the Company.

Interest paid during the 12 months ended March 31, 2009:

6.50% Series	\$ 70,417.00
9.25% Series	\$231,250.00
7.84% Series	\$446,880.00

Interest paid during the 12 months ended December 31, 2008

6.50% Series	\$176,042.00
9.25% Series	\$231,250.00
7.84% Series	\$446,880.00

(6) Notes are payable to AWCC, bear interest as listed below.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>3/31/09 Amount Outstanding</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 3/31/09</u>
AWCC	January 1, 2009	Variable	\$19,258,884	Revolver	\$335,404

\* Interest is calculated at the market rate at which AWCC obtained the short-term debt and the interest expense for the period 1/1/08 – 12/31/08 was \$409,495.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>10/27/06 Amount Outstanding</u>	<u>Maturity Date</u>	<u>Interest paid 12mos. ended 12/31/08 &amp; 3/31/09</u>
AWCC	March 29, 2001	6.87%	\$ 5,100,000	March 29, 2011	\$ 350,370
AWCC	February 5, 2007	5.39%	\$15,000,000	December 21, 2013	\$ 808,500
AWCC	March 24, 2007	5.62%	\$19,000,000	March 29, 2013	\$1,067,800

(7) There is no other indebtedness of the Applicant, but there are liabilities shown on its Balance Sheet annexed hereto, consisting of, as of March 31, 2009, current and accrued items on which no interest is payable.

(8) Dividends were paid by the Applicant during the five fiscal years as follows:

Common Stock

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2004	.18	13,754,234	2,444,785
2005	.18	13,754,234	2,420,117
2006	.09	13,754,234	1,237,881
2007	.10	13,754,234	1,375,423
2008	.07	13,754,234	962,796

Cumulative Preferred Stock, 5% Class

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2004	5.00	13,821	69,500
2005	5.00	13,821	69,105
2006	5.00	13,821	69,105
2007	5.00	13,816	69,080
2008	5.00	13,816	69,080

Cumulative Preferred Stock, 4.50% Class

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2004	4.50	175	805
2005	4.50	0	0
2006	4.50	0	0
2007	4.50	0	0
2008	4.50	0	0

- (9) Applicant's Balance Sheet as of October 27, 2006 and a statement of Applicant's earnings and expenses for the twelve months ended on such date are annexed hereto.

83500 American Water Works Company  
GL026BSY Tennessee-American Water-Co 26  
RUNDATE Total Company (USGAAP)  
Comparative Balance Sheet  
For the Period Ending 03/31/2009

Tennessee-American Water Co.

	Description	Current Year	Prior Year
ASSETS			
1	Utility plant	208,314,228	200,856,496
2	Construction work in progress	2,046,771	1,738,540
3	Accumulated depreciation	61,664,974	57,706,919
4	Utility plant acquisition adjustment	74,850	74,850
5	Other utility plant adjustments		
6	Sub-total Utility Plant	148,770,875	145,022,967
7	Non-Utility property		
8	Other investments		
9	Current Assets	247,473	272,587
10	Cash and cash equivalents		
11	Temporary investments	2,647,528	2,223,512
12	Customer accounts receivable	530,221	226,413
13	Allowance for uncollectible accounts	1,566,920	1,786,549
14	Unbilled revenues		1,993
15	Fir refund due from assoc. companies	411,782	89,623
16	Miscellaneous receivables	347,613	375,821
17	Materials and supplies	447,053	
19	Other		
20	Sub-total	5,138,148	4,960,036
22	Deferred debits	151,464	173,835
23	Debt and preferred stock	1,147,115	745,629
24	Expense of rate proceeding		
25	Prelim survey & invest. charges	9,242,942	9,802,671
26	Reg Asset-income tax recovery	2,791,773	3,999,283
27	Other		
29	Sub-total	13,333,294	14,721,418
30	Total Assets	167,242,317	164,704,421
32	CAPITAL AND LIABILITIES		
33	Common Stock	13,754,235	13,754,235
34	Paid in capital	15,911,304	15,788,918
35	Retained Earnings	20,341,568	20,214,943
36	Unearned Compensation		
37	Reacquired C/S & Accum		
38	Total common equity	49,907,107	49,758,096
39	Preferred stock	1,381,600	1,381,600
40	Long term debt	43,852,019	45,028,465
41	Total capitalization	95,140,726	96,168,161
42	Current liabilities		
43	Bank debt	19,258,884	7,728,655
44	Current portion of LTD	1,176,447	7,661,061
45	Accounts payable	127,603	714,657
46	Taxes accrued	819,250	3,849,574
47	Interest accrued	338,133	3,477,987
48	Customer deposits		
49	Dividends declared		
51	Other	2,685,597	1,197,757
52	Sub-total	24,405,914	21,629,691
54	Deferred credits		
55	Customer adv. for construction	5,358,584	6,795,063
56	Deferred income taxes	26,862,285	24,403,322
57	Deferred investment tax credits	1,020,804	1,091,172
58	Reg.liab-inc.tax.refund thru rates	2,485,760	2,384,338
59	Other	39,513,885	38,955,513
60	Sub-total	8,652,360	8,351,057
62	Contributions in aid of construction		
	Total capital and liabilities	167,242,318	164,704,422

81500 American Water Works Company  
 610261ST Tennessee-American Water-Co 26  
 RUNDATE Total Company (USGAAP)  
 Income Statement 12 Months Ended  
 For the Period Ending 03/31/2009

Tennessee-American Water Co.

	12 Month Actual	12 Month Plan	Variance	12 Month Previous	Annual Forecast
1 OPERATING REVENUES					
2 Water	36,989,610	37,818,190	828,580-	37,196,659	38,357,454
3 Sewer					
4 Other	1,440,579	1,375,304	65,275	1,393,048	1,378,000
5 Management					
6 Total Revenues	38,430,189	39,193,494	763,305-	38,589,707	39,735,454
7 OPERATIONS & MAINTENANCE EXPENSE					
8 Labor	5,089,189	4,911,159	178,030	4,756,556	4,887,432
9 Purchased Water	43,880	52,066	8,186-	50,432	53,060
10 Fuel & Power	2,707,347	2,178,625	528,722	2,368,489	2,395,132
11 Chemicals	1,173,851	1,198,323	24,472-	1,074,477	1,783,088
12 Waste Disposal	150,059	247,023	96,964-	162,483	186,744
13 Management Fees	4,774,145	4,669,193	104,952	4,875,501	5,052,825
14 Group Insurance	1,799,553	1,566,629	232,924	1,603,355	1,664,232
15 Pensions	1,297,380	947,660	349,720	912,866	953,672
16 Regulatory Expense	2,499,384	249,504	2,249,880	518,580	542,756
17 Insurance Other than Group	193,712	574,041	380,329-	412,756	412,756
18 Customer Accounting	1,735,458	1,481,133	254,325	1,162,969	1,175,800
19 Rents	248,622	218,031	30,591	242,178	203,355
20 General Office Expense	1,894,664	1,894,517	147	1,793,884	1,980,503
21 Miscellaneous	1,344,888	1,341,684	3,204	1,189,024	1,012,419
22 Other Maintenance					
23 Total Maintenance & Operations Expense	25,262,583	21,361,626	3,900,957	21,231,958	22,515,308
27 Depreciation	4,325,110	4,938,399	513,289-	4,576,365	4,636,405
28 Amortization	130,623	123,534	7,089	130,818	128,808
29 General Taxes	3,945,231	3,901,618	43,613	3,861,119	3,822,830
30 State Income Taxes	37,771-	336,958	374,729-	348,097	267,436
31 Federal Income Taxes	694,392	1,830,355	1,138,963-	1,882,247	1,831,217
32 Tax Savings Acquisition Adjustment					
33 Total Operating Expenses	34,317,168	32,392,490	1,924,678	32,030,604	33,202,004
34 Utility Operating Income	4,113,021	6,801,004	2,687,983-	6,559,303	6,533,450
35 OTHER INCOME & DEDUCTIONS					
36 Non-Operating Rental Income					
37 Dividend Income-Common					
38 Dividend Income-Preferred					
39 Interest Income	94,844	69,489	25,355	63,780	15,793
40 ARUDC Equity	29,595	7,500-	37,095	42,172	30,000-
42 R & Miscellaneous Income					
43 Gain/(Loss) on Disposition					
45 Total Other Income	124,439	61,989	62,450	111,726	14,207-
46 Miscellaneous Amortization					
47 Tax Savings Acquisition Adjustment					
48 Misc. Other Deductions	94,938	65,215	29,723	82,405	79,950
49 General Taxes	4,482-	3,395-	1,087-	543-	2,965-
50 State Income Taxes	9,863	15,912-	25,775	4,376	16,200-
51 Federal Income Taxes					
52 Total Other Deductions	100,319	45,908	54,411	86,238	60,785
53 Total Other Income	24,120	16,081	8,039	25,488	74,992-
54 Income Before Interest Charges	4,137,141	6,817,085	2,679,944-	6,584,791	6,458,458
55 INTEREST CHARGES					
56 Interest on Long-Term Debt	2,808,626	2,976,764	168,138-	3,243,998	3,845,733
57 Amortization and Debt Expense	22,372	23,566	1,194-	28,473	33,949
58 Interest-Short Term Bank Debt	335,404	594,636	259,232-	510,289	146,113
59 Other Interest Expense	4,295	40,274-	14,430-	22,067-	11,207-
60 ARUDC-Debt	54,704-				
61 Total Interest Charges	3,115,993	3,554,622	438,629-	3,762,492	4,014,588
62 Net Income	1,021,148	3,262,393	2,241,245-	2,822,299	2,443,870
64 Preferred Dividend Declared	69,272	51,813	17,459	69,060	
65 Net Income to Common Stock	951,876	3,210,580	2,258,704-	2,753,219	2,443,870



## FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Tennessee-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

### B A C K G R O U N D

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

### A G R E E M E N T

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

TENNESSEE-AMERICAN WATER COMPANY

By: Herbert A. Miller, Jr.

Herbert A. Miller, Jr.  
Secretary

By: William F. L'Ecuyer

William F. L'Ecuyer  
President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: W. Timothy Pohl

Title: W. Timothy Pohl  
Vice President and Secretary

By: Joseph F. Hartnett, Jr.

Name and Title: Joseph F. Hartnett, Jr.  
Vice President and Treasurer

## APPENDIX I

### DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A  
PROMISSORY NOTE  
FOR SHORT-TERM LOANS

\$ \_\_\_\_\_, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a \_\_\_\_\_ corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of

Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day  
and year first written above.

[BORROWER]

By: \_\_\_\_\_  
Name and Title:

EXHIBIT B  
PROMISSORY NOTE  
FOR LONG-TERM BORROWINGS

\$ \_\_\_\_\_, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a \_\_\_\_\_ corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at \_\_\_\_\_ or such other place as Lender may from time to time designate, the principal sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.



Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: \_\_\_\_\_  
Name and Title:

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT**

**NASHVILLE, TENNESSEE**

**October 10, 2000**

**IN RE:**

**PETITION OF TENNESSEE-AMERICAN  
WATER COMPANY FOR APPROVAL OF  
AND AUTHORITY TO BORROW UP TO  
\$30,100,000 TO REFINANCE OUTSTANDING  
INDEBTEDNESS AND FINANCE ADDITIONS  
AND IMPROVEMENTS TO FACILITIES AND  
ACQUISITIONS AND TO REPAY SHORT-TERM  
INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109**

**DOCKET NO.  
00-00637**

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**ORDER APPROVING DEBT ISSUANCE**

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This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Petition (the "Petition") of Tennessee-American Water Company ("TAWC" or the "Company") for Approval of and Authority to Borrow up to \$30,100,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to Tenn. Code Ann. § 65-4-109. TAWC filed its Petition with the Authority on July 18, 2000. The Directors of the Authority considered the Petition at a regularly scheduled Authority Conference held on August 15, 2000. Upon consideration of the Petition and the exhibits thereto, the Directors made the following findings of fact and conclusions of law:

1. TAWC is a Tennessee corporation with its principal office and place of business in the City of Chattanooga, Hamilton County, Tennessee. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC").

2. TAWC is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in the business of providing water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas in Catoosa, Dade, and Walker Counties in Georgia.

3. The Petition states that the long-term debt of the Company as of May 31, 2000 is represented by seven outstanding series of general mortgage bonds (the "General Mortgage Bonds") issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from the City Water Company of Chattanooga (now TAWC) to The Fidelity Bank (now First Union National Bank), as Trustee, as supplemented and amended by thirteen supplemental indentures thereto. As of May 31, 2000, TAWC had no outstanding indebtedness other than the General Mortgage Bonds and a capital lease for TAWC's offices, except current liabilities (including short-term bank debt.)

In its Petition, TAWC seeks authority approval to issue securities to American Water Capital Corp., also a wholly-owned subsidiary of AWWC, in the form of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which will be used to (a) refinance the following General Mortgage Bonds: (i) the 9.43% Series maturing on September 1, 2000, in the principal amount of \$5,000,000; (ii) the 8.28% Series maturing June 1, 2002 in the principal amount of \$10,000,000; and (iii) the 6.77% Series maturing on June 1, 2003 in the principal amount of \$9,000,000; and (b) finance additions and improvements to the TAWC's plants, property, equipment and facilities, and acquisitions; and (c) repay short-term borrowing.

4. Under Tenn. Code Ann. § 65-4-109, the Authority shall approve the proposed assumption of debt obligations if it finds that it will be made in accordance with law and that the Authority approves the purpose of the assumption of debt obligations.

5. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Petition should be approved. The Authority finds that this assumption of debt obligations is in accordance with law and is for a proper purpose.

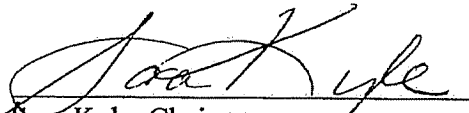
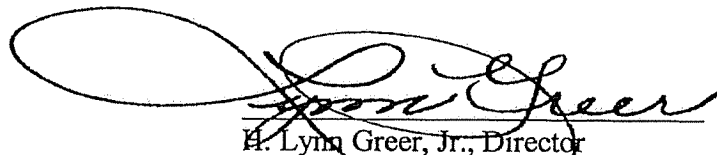
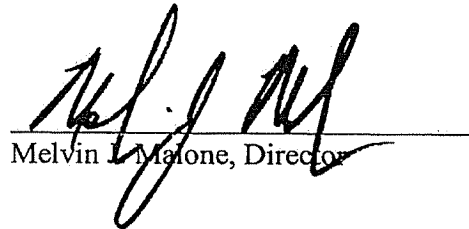
**IT IS THEREFORE ORDERED THAT:**

1. Tennessee-American Water Company is authorized to assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$30,100,000;

2. The terms of said debt obligations shall be as described in the Petition of Tennessee-American Water Company and exhibits thereto on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any notes or debentures issued as described in the Petition of Tennessee-American Water Company. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein;

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.

  
Sara Kyle, Chairman  
H. Lynn Greer, Jr., Director  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**June 14, 2007**

**IN RE:**

**PETITION OF TENNESSEE-AMERICAN WATER  
COMPANY FOR APPROVAL OF AND AUTHORITY  
TO BORROW UP TO \$44,900,000**

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)  
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**DOCKET NO.  
06-00305**

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**ORDER APPROVING FINANCING TRANSACTION**

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This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 5, 2007 for consideration of the petition of Tennessee-American Water Company for approval of and authority to borrow up to \$44,900,000 ("*Petition*") pursuant to Tenn. Code Ann. § 65-4-109 (2004).

**The *Petition***

Tennessee-American Water Company ("TAWC" or "Company"), a Tennessee corporation with principal offices in Chattanooga, Tennessee, provides water utility services to municipalities in Hamilton and Marion Counties, Tennessee, and certain areas in Catoosa, Dade and Walker Counties, Georgia. TAWC has a rate case proceeding pending before the Authority in Docket No. 06-00290

On December 7, 2006, TAWC filed its *Petition* requesting authorization to borrow up to \$44,900,000 to refinance outstanding indebtedness and finance additions and improvements to

its facilities and acquisitions. Specifically, TAWC requests approval to issue up to an aggregate of \$44,900,000 in securities to American Water Capital Corporation ("AWCC"). Both TAWC and AWCC are wholly-owned subsidiaries of American Water Works Company, Inc. ("AWWC").

On October 10, 2000, TAWC obtained Authority approval in Docket No. 00-00637 to enter into a non-exclusive Financial Services Agreement with AWCC pursuant to which AWCC periodically solicits from TAWC estimates of its needs for long-term financing. On the basis of that information, AWCC registers its debt securities for sale in the US public/private capital markets.

From time to time thereafter, as TAWC needs a portion of its long term financing needs funded, AWCC sells portions of its securities in the capital markets or to an investor or lender, and loans the proceeds of the sale to TAWC. The loans from AWCC to TAWC are on terms identical to the terms of the securities sold in public markets by AWCC and are evidenced by written notes. The Financial Services Agreement obligates TAWC to pay all of AWCC's costs related to the AWCC securities issued to fund loans to TAWC. The Company will also bear its proportionate share of AWCC's overhead, along with other participating operating subsidiaries. The Agreement is non-exclusive and provides TAWC with cash management and short-term debt financing services.

Pursuant to the October 10, 2000 Authority Order in Docket No. 00-00637, the Authority approved the issuance by TAWC to AWCC of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005. The proceeds were used to refinance outstanding general mortgage bonds, finance additions and improvements to the company's plants, equipment and facilities and to repay short term borrowings.



In the present *Petition*, TAWC proposes to continue its participation in the AWCC program and issue Company securities in an aggregate principal amount of up to \$44,900,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities.

**The February 5, 2006 Authority Conference**

Tenn. Code Ann. § 65-4-109 (2004) states:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

On February 2, 2007, the City of Chattanooga, a municipal corporation, filed a petition to intervene in this docket. At a regularly scheduled Authority Conference held on February 5, 2007, staff advised that some issues raised in this docket overlap issues pending in Docket No. 06-00290. The panel recessed the docket in order for TAWC representatives and City of Chattanooga representatives ("Parties") to discuss the issues. Upon reconvening the docket, the panel was advised that the Parties had agreed to the following:

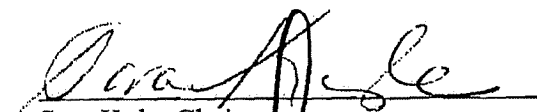
1. Any questions regarding the reasonableness and cost of refinancing of the total debt of TAWC still remains an open issue in Docket No. 06-00290.
2. An approval for the issuance of this debt will have no res judicata, claim preclusion or issue preclusion, with respect to any concerns the City of Chattanooga may desire to raise in the ratemaking case, Docket No. 06-00290.
3. The City of Chattanooga will withdraw its request to intervene and pursue the issues of concern in Docket No. 06-00290.


Thereafter, the panel voted unanimously to approve the *Petition* and made the following findings:

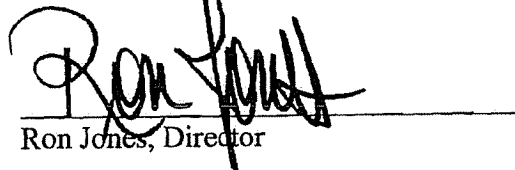
1. the proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. the transaction is being made in accordance with laws enforceable by this agency; and
3. the purpose of this transaction is in the public interest because it allows TAWC to finance additions and improvements to its water system.

**IT IS THEREFORE ORDERED THAT:**

1. Tennessee-American Water Company is authorized to enter into the financing transaction as described in the *Petition* and discussed herein.
2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved nor is this decision intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.

  
Sara Kyle, Chairman

  
Pat Miller, Director

  
Ron Jones, Director