

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 28, 2009

IN RE:

**PETITION OF TENNESSEE-AMERICAN WATER
COMPANY FOR APPROVAL OF AND AUTHORITY
TO BORROW UP TO \$45,000,000 TO REFINANCE
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**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 4, 2009 for consideration of the *Petition* filed on May 28, 2009 by Tennessee-American Water Company (the “Company”) for approval to borrow up to \$45,000,000 to refinance outstanding indebtedness, finance additions and improvements to facilities, and to repay short-term indebtedness.

The Company is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWWC”) 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 of Catoosa, Dade, and Walker counties in Georgia. The Company also owns, operates, manages, and controls plants, property, equipment, and facilities 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 Tennessee and Georgia. The Company currently serves approximately 75,000 customers in Tennessee and Georgia.

THE PROPOSED TRANSACTION

The Company proposes to continue its participation in AWCC's borrowing 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. It is expected 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.

The *Petition* asserts the maturity of the Company Securities will not be more than fifty years from the nominal date of issue, with the expectation that the maturity dates will be from one to thirty-five years, depending upon market conditions. 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. 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 days written notice.

FINDINGS AND CONCLUSIONS

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

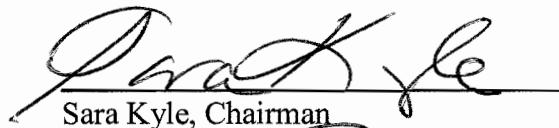
No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after 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.

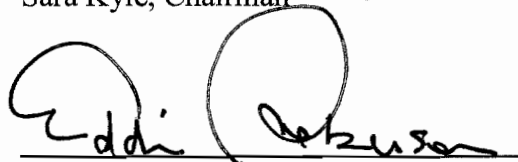
At a regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.
3. The proposed financing transaction is in the public interest because it will allow the Company 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 transactions described in the *Petition*.
2. The authorization and approval given hereby shall 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 risks involved.
3. This decision is not 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


Eddie Roberson, Director


Kenneth C. Hill, Director