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State of New Jersey

BOARD OF PUBLIC UTILITIES  
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JUL 27 2009

TN REGULATORY AUTHORITY  
UTILITIES DIVISION

JON S. CORZINE  
Governor

July 17, 2009

JEANNE M. FOX, Esq.  
President  
Tel: (973) 648-2013

*09-86*

Honorable Eddie Roberson  
Chair, Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Multi-State Management Audit of American Water Company, Inc. and Its Subsidiaries

Dear Chair Roberson:

Thank you for your recent correspondence inviting the New Jersey Board of Public Utilities to discuss the potential for a multi-state audit approach concerning an audit of American Water Works and its regulated subsidiaries.

New Jersey American Water Company ("NJAWC") is the largest investor-owned water utility in the State of New Jersey, providing water and wastewater services to more than 2.5 million people. As such, over the past several months, my Staff has spent a significant amount of time and resources preparing a Request For Proposal ("RFP") for consultant bids to conduct a comprehensive management audit of NJAWC. This audit will include an examination of Executive Management and Corporate Governance, Organizational Structure, Human Resources, Strategic Planning, Systems Operations, Customer Service, External Relations, Support Services, Finance, Cash Management, Accounting and Property Records, Affiliate Cost Allocation and Relationships and Company Contractor Performance. The audit will also review the nature and frequency of rate filings by the Company.

It is anticipated that at the next regularly scheduled agenda meeting, the Board will act upon a staff recommendation to release this RFP to a pool of consultants previously approved by our State Treasurer and this Board to conduct such audits. Given the amount of time invested to date and the significant number of people served by NJAWC, I will respectfully decline your invitation to participate in a multi-state audit at this time as we consider moving forward with this comprehensive audit of NJAWC.

I am grateful for your consideration to include this agency in such an undertaking and I would be happy to have my staff make the NJAWC audit reports available for your review upon completion of an audit of the Company. Similarly, if you move forward with the multi-state audit, I would be most appreciative to have the opportunity to review any report which results from your audit.

Thank you again for your consideration.

Sincerely,

*Jeanne M. Fox*  
Jeanne M. Fox  
President