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PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG, PENNSYLVANIA

T.R.A. DOCKET ROOM

THE CHAIRMAN

August 6, 2009

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AUG 12 2009

TN REGULATORY AUTHORITY  
UTILITIES DIVISION

Honorable Eddie Roberson, Chairman  
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 Chairman Roberson:

This is in response to your recent letter inquiring about the interest of the Pennsylvania Public Utility Commission (PUC) in participating in a multi-state management audit of the American Water Company, Inc. and its subsidiaries. While we appreciate the suggestion and understand the potential value of a multi-state audit approach, we are not interested in pursuing this opportunity at this time. The reason is that about a year ago, our PUC – with the help of an outside consultant – completed a comprehensive management audit of Pennsylvania-American Water Company (PAWC), the Pennsylvania subsidiary of American Water Company.

The audit commenced in July 2007 and focused on a wide array of issues including executive and financial management, water operations, corporate governance, affiliated interests, customer service and overall performance. In November 2008, the PUC released a three-volume report and PAWC's implementation plan. Perhaps some of the work done by our audit team will be useful to the firm that you secure to conduct a management audit. It is available on our website at the following links:

Phase I Report - <http://www.puc.state.pa.us/PCDOCS/1026732.pdf>

Phase II Report - <http://www.puc.state.pa.us/PCDOCS/1026733.pdf>

Phase III Report and Appendices - <http://www.puc.state.pa.us/PCDOCS/1026755.pdf>

PAWC Implementation Plan - <http://www.puc.state.pa.us/PCDOCS/1026386.doc>

Currently, PAWC is proceeding with its implementation plan and is required to submit progress reports annually, by September 1 of this year, followed by two additional status reports in September 2010 and 2011.

Thank you for reaching out to us. We wish you well in your efforts. If we can provide any additional information, please feel free to contact our Director of Operations, Karen Moury, at 717-772-8883 or by e-mail at [kmoury@state.pa.us](mailto:kmoury@state.pa.us).

Sincerely,

  
James H. Cawley  
Chairman

cc: Tyrone J. Christy, Vice Chairman  
Kim Pizzigrilli, Commissioner  
Wayne E. Gardner, Commissioner  
Robert F. Powelson, Commissioner  
Karen O. Moury, Director of Operations

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