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October 27, 2009

Via Email and Hand-Delivery

Hon. Sara Kyle, Chairman
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

filed electronically in docket office on 10/28/09

***Re: Tennessee American Water Company's
Request for Proposal for a Management Audit
Docket No. 09-00086***

Dear Chairman Kyle:

Enclosed please find an original and five (5) copies of Tennessee American Water Company's Request for Approval of Schumaker-Work & Greer to Perform the Management Audit. The exhibits to this Request (Exhibit 1-4) are CONFIDENTIAL and to be filed under seal in this Docket. Please return one (1) copy of this filing be stamped as "filed" to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me. Thank you.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

Enclosures

cc: Hon. Eddie Roberson, Ph.D.
Hon. Mary W. Freeman
Ms. Darlene Standley, Chief of Utilities Division
Gary Hotvedt, Esq.
Kelly Cashman-Grams, Esq.
Rebecca Montgomery, Esq.
Richard Collier, Esq.

Chairman Sara Kyle

October 27, 2009

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Ryan McGehee, Esq.

Mr. John Watson

Mr. Michael A. Miller

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)
)
TENNESSEE AMERICAN WATER)
COMPANY'S REQUEST FOR PROPOSAL) Docket No. 09-00086
FOR A MANAGEMENT AUDIT)
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)

**TENNESSEE AMERICAN WATER COMPANY'S
REQUEST FOR APPROVAL OF SCHUMAKER-WORK & GREER
TO PERFORM THE MANAGEMENT AUDIT**

Tennessee American Water Company ("Tennessee American") seeks approval of RFP Respondent Schumaker-Work & Greer to perform the management audit ordered by the TRA for the reasons set forth herein. On January 19, 2009, the Tennessee Regulatory Authority (the "Authority") issued its final order in Docket No. 08-00039 ("2008 Final Order"), which required Tennessee American Water Company to issue a Request for Proposal "for a comprehensive management audit by an independent certified public accountant"¹ In consultation with Authority staff, Tennessee American developed the requisite Request For Proposal, which was filed with the Authority on March 23, 2009. After further revisions by the Authority, the Authority authorized Tennessee American to issue the Request For Proposal to twelve possible candidates.² Tennessee American subsequently issued the revised, Authority-approved Request For Proposal, and filed it with the Authority on August 21, 2009.³ On September 11, 2009, the TRA approved a letter to clarify the terms of the Request For Proposal that was sent to all those

¹ 2008 Final Order, Docket No. 08-00039, at 52, ¶ 10 (Jan. 19, 2009).

² See Tr. 5:22-8:2, Authority Conference (Aug. 4, 2009); Order Approving Request For Proposal (Sept. 8, 2009).

³ See Tennessee American's Notice of Filing of Request for Proposal, Docket No. 09-00086 (Aug. 21, 2009).

invited to submit bids. Accordingly, all proposals are deemed to be in response to the Request For Proposal, as amended by the clarification letter (“RFP”).

Three firms (“Respondents”) ultimately submitted bids in response to Tennessee American’s RFP. The Respondents are WHN-Liberty, Schumaker-Work & Greer, and NorthStar-TCBA-MFSG, and each response involved a partnership between two or more entities to address the requirement that the audit be conducted by a “CPA firm.” Tennessee American carefully considered each of the respective responses and evaluated and scored each on four categories: 1) qualifications; 2) proposed approach and work plan; 3) key personnel; and 4) pricing. Upon conducting these evaluations, Tennessee American prepared assessments for each Respondent (attached hereto as CONFIDENTIAL Exhibits 1-3), and then prepared an overall assessment summarizing the information from each of the individual assessments (attached hereto as CONFIDENTIAL Exhibit 4) (Exhibits 1-4 are being filed under seal in this Docket).

Without considering the factor of price, Respondents NorthStar-TCBA-MFSG and Schumaker-Work & Greer had materially better scores than Liberty-WHN, as discussed in Exhibits 1-4. Because of the closeness of Schumaker-Work & Greer’s and NorthStar-TCBA-MFSG’s scores on the substantive aspects of the audit, the two parties’ pricing was highly determinative in Tennessee American’s selection. Schumaker-Work & Greer’s proposal included a “not to exceed” price that was significantly lower than the other two Respondents. Factoring in the Respondents’ pricing (category 4), the Schumaker-Work & Greer proposal ranked better overall than both NorthStar-TCBA-MFSG and Liberty-WHN by a significant amount.

Based upon this assessment of the responses to the RFP, Tennessee American requests that the TRA authorize the partnership team of Schumaker-Work & Greer to perform the

management audit-attestation engagement ordered by the TRA and described in the RFP, with the understanding that the final contract with Schumaker-Work & Greer would address the management audit and attestation functions in more detail (as outlined in Ms. Schumaker's letter to the Company and TRA dated August 27, 2009, which led to the TRA's approval of the Clarification on September 11, 2009). Tennessee American also requests approval to negotiate a proposed contract with Schumaker-Work & Greer, including the possible reduction in the audit timeframe proposed in its response to the RFP. Upon reaching an agreement between Tennessee American and Schumaker-Work & Greer on a proposed audit contract, Tennessee American would tender the proposed contract to the Authority for approval.

Conclusion

For the reasons set forth above, Tennessee American respectfully requests that the Authority approve Schumaker-Work & Greer to perform the management audit ordered in this Docket and to authorize Tennessee American to begin negotiations for a proposed contract with Schumaker-Work & Greer that Tennessee American would subsequently submit for the Authority's approval.

Respectfully submitted,



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*Attorneys for Tennessee American Water
Company*

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been mailed to the following, postage prepaid, on this 27th day of October, 2009:

Richard Collier, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Ryan McGehee, Esq.
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 2027
Nashville, TN 37202

A handwritten signature in blue ink, reading "Erin M. Cuertth", is written over a horizontal line.