

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

IN RE: )  
 )  
COMPLAINT OF WALDEN'S RIDGE ) DOCKET NO. 10-00014  
AGAINST TENNESSEE-AMERICAN )  
WATER COMPANY )

**ANSWER OF TENNESSEE-AMERICAN WATER COMPANY**

In response to the Complaint of Walden's Ridge Utility District ("Walden's Ridge"), Tennessee-American Water Company ("TAWC," "the Company," or "Respondent") submits the following Answer. The Complaint, docketed on January 28, 2010, is in the form of a letter. For purposes of clarity, TAWC will refer to the Complaint as having six unnumbered paragraphs and will respond to each.

**FIRST DEFENSE**

1. TAWC admits the allegations of the first paragraph of the Complaint.
2. TAWC admits the allegations of the first two sentences of the second paragraph of the Complaint. A copy of the June 1, 2009, letter informing Walden's Ridge of the rate increase is attached to the Answer as Exhibit 1. TAWC denies the remaining allegations of the second paragraph of the Complaint. TAWC expressly denies the allegation that the contract, which is attached to the Complaint, "only permits Tennessee-American to change its rate to the District

after Tennessee-American provides the District with cost of service information to support a rate change, and the District has an opportunity to either agree to the new rate proposed or suggest an alternative.” Paragraph (A) of Section III of the Contract addresses rate changes and provides, “Any proposed change in the rate . . . will be accompanied by supporting data and computations, which will be based on industry accepted cost of service methodology. Walden’s Ridge has the right to agree to this rate or to propose an alternative rate with the understanding that the TRA will be the ultimate authority in determining the rate.” The Contract does not require TAWC to “provide[ ] the District” with any specific information; the Company instead must support its proposal with “data and computations” based on a recognized “cost of service methodology.” TAWC satisfied this requirement when it filed its rate case in Docket No. 08-00039. The contract is also clear “that the TRA will be the ultimate authority in determining the rate.”

3. TAWC admits the allegations of the third paragraph of the Complaint insofar as the attachments to the Complaint include some of the correspondence between Walden’s Ridge and TAWC. The parties have also been engaged in telephone calls on the subject of the Complaint.
4. TAWC admits that the rate it charges Walden’s Ridge has not been set in previous rate cases and that the current tariff does not

explicitly address that rate. Nevertheless, the TRA's Order in that case does expressly set the new rate that TAWC is now charging. Except as otherwise admitted, TAWC denies the remaining allegations of the fourth paragraph of the Complaint.

5. TAWC denies all the allegations of the fifth paragraph of the Complaint. TAWC had full authority to increase the rate as required by the TRA's rate case Order, and the date of implementation was in no way arbitrary.
6. The seventh paragraph of the Complaint is informational and requires no response from TAWC.

## **SECOND DEFENSE**

7. When the Company prepared its Application in Docket No. 08-00039, TAWC did not include the Walden's Ridge contract in its calculations and, therefore, did not request a rate increase for Walden's Ridge. As the case developed, however, the TRA was presented with the option of including the costs and revenues in the rate increase, and the TRA ultimately included the contract in the rate case Order. As a result, the TRA ordered the rate to be increased.
8. As a customer, Walden's Ridge received adequate notice of the rate case but chose not to intervene or otherwise participate in the proceeding. After the TRA issued its Order, Walden's Ridge did not move for reconsideration or request in any other way that the ruling

be changed. Neither has Walden's Ridge appealed the Order. Walden's Ridge has therefore waived any rights to challenge the rate increase.

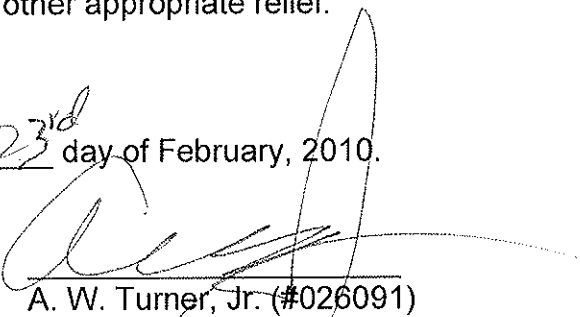
9. TAWC was appropriately complying with the rate case Order in raising the rate it charges Walden's Ridge. TAWC's rate increase to Walden's Ridge was proper in all respects.

### CONCLUSION

THEREFORE, TAWC requests that the TRA:

- (1) Dismiss the complaint with prejudice,
- (2) Grant Respondent all other appropriate relief.

Respectfully submitted, this the 23<sup>rd</sup> day of February, 2010.



A. W. Turner, Jr. (#026091)  
In-House Counsel  
Tennessee-American Water Company  
2300 Richmond Road  
Lexington, KY 40502  
(859) 268-6339

Attorney for Tennessee-American Water  
Company

### CERTIFICATE OF SERVICE

I certify that on this 23<sup>rd</sup> day of February, 2010, I served a copy of the forgoing ANSWER on all parties of record in this docket by depositing a copy in the United States mail, postage prepaid, addressed as follows:

Donald L. Scholes, Esq.  
Branstetter, Stranch & Jennings, PLLC  
227 Second Avenue North, 4<sup>th</sup> Floor  
Nashville, Tennessee 37201-1631



A. W. Turner, Jr.



Tennessee American Water  
1101 Broad Street  
Chattanooga, TN 37402  
amwater.com

P 423-755-7607  
F 423-755-7634

June 1, 2009

Mr. Ron West  
Walden's Ridge Utility District  
3900 Taft Highway  
Signal Mountain, TN 37377

Dear Ron:

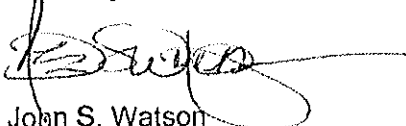
It is the goal of Tennessee American Water to provide the highest quality of water service at the lowest possible price. We have worked diligently to control operational expenses and have succeeded in keeping them at about the annual rate of inflation. While doing so, the company has continued to make the necessary investments to maintain the quality of the water system.

To continue to provide the best product possible, it became necessary for Tennessee American to increase water rates. Effective on June 1, 2009, the water rate charged by Tennessee American Water for service under the water purchase agreement with your water system dated July 14, 2003 will increase by 12.77% from \$1.25 per thousand gallons (\$0.9375 per hundred cubic feet) to \$1.41 per thousand gallons (\$1.0572 per hundred cubic feet) in accordance with the written order issued on January 13, 2009 by the Tennessee Regulatory Authority (TRA) in Case No. 2008-00039. Tennessee American Water affirms that the TRA has the ultimate jurisdiction regarding the pricing of water service under the contract between Walden's Ridge Utility District and Tennessee American Water Company and has the authority to determine the authorized rate adjustment after consideration of the cost of service study filed by the Company in the rate case filed with the TRA in 2008.

Tennessee American Water, in accordance with Rule 8.12 of the Rules, Regulations and Conditions of Water Service as approved by the TRA on March 23, 1988, must use the conversion factor used for conversion from hundred cubic feet to thousand gallons which shall be the basis for water consumption on the use of one cubic foot as being equivalent to seven and one-half (7.5) U. S. gallons.

Thank you for your cooperation and we look forward to continuing to serve your water needs.

Sincerely,



John S. Watson  
President