

# BASS

BERRY • SIMS<sup>PLC</sup>

A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

R. DALE GRIMES  
TEL: (615) 742-6244  
FAX: (615) 742-2744  
dgrimes@bassberry.com

150 THIRD AVENUE SOUTH, SUITE 2800  
NASHVILLE, TN 37201  
(615) 742-6200  
www.bassberry.com

OTHER OFFICES:  
KNOXVILLE  
MEMPHIS

October 22, 2010

Via Hand-Delivery

Chairman Mary W. Freeman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 10/22/10

**Re: *Petition Of Tennessee American Water Company To Change And Increase Certain Rates And Charges So As To Permit It To Earn A Fair And Adequate Rate Of Return On Its Property Used And Useful In Furnishing Water Service To Its Customers***  
**Docket No. 10-00189**

Dear Chairman Freeman:

Tennessee American Water Company (the "Company") submits this letter to reiterate its position regarding the location of the Hearing on the Merits of this matter, and to respond to mischaracterizations and incorrect quotations contained in the letter filed by the Chattanooga Manufacturers Association ("CMA") on October 20, 2010.

The Company believes it is important for its customers to have the opportunity to attend a public hearing and present their views on the Company's requested rate increase. Even though the Company's proposal, if granted in full, would result in an increase in the average Chattanooga residential customer's water bill of only \$4.68 per month, the Company supports its customers having an appropriate forum to voice their views.

At the October 18, 2010 status conference before the TRA, the CMA announced that it would request that the Hearing on the Merits of this matter be conducted in Chattanooga rather than in the official Hearing Room at the TRA's office in Nashville. In response, the Company suggested that it would be more cost effective to hold a one-day public comment hearing in Chattanooga to give interested citizens the opportunity to be heard. The Company made it clear that it is not opposed to a public comment hearing in Chattanooga; however, it is opposed to the unnecessary increase in the cost of this rate case that would result from holding the entire Hearing on the Merits – including multiple days of regulatory testimony and proceedings – in

Chattanooga. The CMA's proposal would require the Directors, the TRA's staff, the Company's attorneys, the Consumer Advocate's attorneys and local witnesses, the CMA's Nashville attorney, and the Utility Workers Union Of America's Nashville attorney all to travel to Chattanooga for a number of days. Just the cost of housing and feeding that many guests in Chattanooga adds considerably to the overall costs of a rate case. By contrast, the Company's suggestion of holding only the public comment hearing in Chattanooga would allow those customers who so desire to have an opportunity to present their concerns directly to the TRA, yet would avoid the unnecessary expense of conducting a multi-day regulatory proceeding outside of Nashville.

When it filed its formal letter request to move the entire TRA hearing to Chattanooga on October 20, 2010, the CMA included a number of inaccurate statements about the Company's position on this issue. First, the CMA incorrectly asserted that the Company opposes any hearing in Chattanooga. As explained above and at the hearing on October 18, this is simply not true. The Company supports holding a public comment hearing in Chattanooga for the convenience of its customers, but it opposes transplanting the entire TRA hearing apparatus to Chattanooga for the Hearing on the Merits because of the unnecessary expense such a move involves.

Second, the CMA also incorrectly asserted in its letter that the Company said at the October 18, 2010 status conference that the public "wasn't really interested" in this case. Again, this is untrue. What the Company actually said was much different: after holding previous multi-day regulatory Hearings on the Merits in Chattanooga in the Company's last two rate cases, "what we find, I believe, is that the public does not necessarily show up for any of it." Transcript of Proceedings, at 61:15 - 61:16 (Oct. 18, 2010). In other words, because of very low public attendance during the entire Hearing on the Merits, the cost of moving the entire proceeding to Chattanooga simply does not justify any possible benefit. When members of the public do attend, it is for a single-day public comment hearing such as the Company supports.

Third, the CMA's October 20, 2010 letter misstated the Company's comments at the October 18, 2010 status conference when it asserted that the Company said a hearing in Chattanooga would only be an opportunity for "politicians to make speeches." What the Company actually said was that although the general public did not show up to witness the multiple days of regulatory proceedings in the past, "[w]e had some political figures who came at the last time we had a public hearing down there and made their statements." Transcript of Proceedings, at 61:16 - 61:18 (Oct. 18, 2010). Contrary to what the CMA has implied, the record is clear that the Company certainly did not make any disrespectful comments about our local public officials. Should the TRA wish to hear from local public servants on the subject of this rate case, the Company's proposed public comment hearing in Chattanooga would present an ideal venue to receive those contributions.

The Company therefore reiterates its suggestion that the Hearing on the Merits be held at the TRA's location in Nashville as is done for all other utilities regulated by the TRA, and that the TRA provide for a one-day public comment hearing in Chattanooga to receive appropriate input from the Company's customers.

Chairman Mary Freeman  
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With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Dale Grimes". The signature is fluid and cursive, with a large initial "R" and a stylized "D" and "G".

R. Dale Grimes

cc: Hon. Sara Kyle  
Hon. Eddie Roberson  
Mr. David Foster, Chief of Utilities Division  
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division  
Richard Collier, Esq.  
Vance Broemel, Esq.  
T. Jay Warner, Esq.  
Ryan McGehee, Esq.  
Mary L. White, Esq.  
David C. Higney, Esq.  
Henry M. Walker, Esq.  
Michael A. McMahan, Esq.  
Valerie L. Malueg, Esq.  
Frederick L. Hitchcock, Esq.  
Harold L. North, Jr., Esq.  
Mark Brooks, Esq.  
Scott H. Strauss, Esq.  
Katharine M. Mapes, Esq.