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December 13, 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 12/13/10

**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:

Enclosed please find the original and five (5) copies of Tennessee American Water Company's Supplemental Response to the City of Chattanooga's Discovery Request number 3. This material is also being filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please file the original and four copies of this material and stamp the additional copy as "filed". Then please return the stamped copies to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG:smb
Enclosures

cc: Hon. Sara Kyle (*w/o enclosure*)
Hon. Eddie Roberson (*w/o enclosure*)
Mr. David Foster, Chief of Utilities Division (*w/o enclosure*)
Richard Collier, Esq. (*w/o enclosure*)
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)
Ryan McGehee, Esq. (*w/enclosure*)
Mary L. White, Esq. (*w/enclosure*)
David C. Higney, Esq. (*w/enclosure*)
Henry M. Walker, Esq. (*w/enclosure*)
Michael A. McMahan, Esq. (*w/enclosure*)
Valerie L. Malueg, Esq. (*w/enclosure*)
Frederick L. Hitchcock, Esq. (*w/enclosure*)
Harold L. North, Jr., Esq. (*w/enclosure*)
Mark Brooks, Esq. (*w/enclosure*)
Scott H. Strauss, Esq. (*w/enclosure*)
Katharine M. Mapes, Esq. (*w/enclosure*)
Donald L. Scholes, Esq. (*w/enclosure*)

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 10-00189
FIRST DISCOVERY REQUEST OF THE
CITY OF CHATTANOOGA**

Responsible Witness: John Watson

Other Participating Employees: None

Question:

3. ***Explain*** any addition, subtraction, acceleration, delay, deferral, or change in any recommended capital improvement projects identified in any Comprehensive Planning Study completed or dated since January 1, 2000.

Response:

The Company objects to this request on the grounds the requested information is over broad, unduly burdensome, not available in the format requested and can not be easily or cost effectively created, and is irrelevant to this proceeding in relation to the extremely long timeframe requested in the question above.

CPS studies are prepared to identify areas of the Company's distribution system and water production/water quality facilities that need to be addressed in both its long and short-term planning horizons. The studies also take into account known areas needing to be addressed and others that are expected to need improvements based on trends, growth, and potential changes in service levels, water quality regulations, and other factors. The study makes recommendations as to the priority of those capital projects in the scope of the facts, expectations, and assumptions on which those studies are prepared. Those projects identified in the CPS are subject to change in scope and priority based on various factors that may and often do occur as each year's capital plan is developed.

During each year's planning process, the Company consistently reviews the recommended capital improvement projects which were identified in the 2000 CPS, along with many other capital investment needs not identified in the CPS, in order to

develop the capital spending plan that best addresses the Company's needs. During this process, factors such as the impact on customer rates and service reliability are taken into consideration as to what level of capital investment is requested for approval by the Company's Board of Directors. Given the nature of these studies, which requires the continuous reassessment of capital needs from year to year, and the fact that the CPS is meant to be a guide as to timing, the massive effort required to comply with this request would be unduly burdensome and not relevant to this proceeding.

Without waiving these objections, the Company reports that since the rate case filing in TRA Case Number 08-00039, the Company has reviewed the CPS within the planning process, and the rate base requested through the attrition year in this case includes CPS projects related to upgrades to the Citico Water Treatment Plant Improvement Project, and the Lookout Mountain Supply Main project.

No projects have been subtracted from the CPS.

December 1, 2010 Supplemental Response:

During the November 22, 2010 Status Conference before the TRA, the Company agreed to supplement this response by directing the City of Chattanooga to the Company's capital budget plans. Accordingly, please see the Company's response to TRA-01-Q13, subfolder "rate base", that contains the Company's 2010 and 2011 capital budgets.

Particularly, please see pages 1 through 4 that contain the budget capital spending information from April 2010 through December 2011. Please also see pages 5 through 14 that contain the information in pages 1 through 4 separated into the month the project is transferred from CWIP to the utility plant as utility plant additions. Pages 15 through 22 contain the 13-month average utility plant balance for the attrition year.

December 13, 2010 Supplemental Response

As noted in the Company's Response to the City's Second Motion to Compel, the attached spreadsheet, identified as TN-COC-01-Q3-SUPPLEMENTAL ATTACHMENT, contains a list of CPS projects since 2000 and the activity undertaken on those projects. This spreadsheet is presented in the same format that was provided to, and accepted by, the City in the 2008 Rate Case in response to a similar document request. This attachment is also being provided in native format on the enclosed CD, with the file name TN-COC-01-Q3-SUPPLEMENTAL ATTACHMENT.xls

[illegible]

This file has been produced natively on the accompanying disk:

TN-COC-01-Q3-SUPPLEMENTAL ATTACHMENT.XLS

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

**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

AFFIDAVIT

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL A. MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing response to the Second Supplemental Response to the City of Chattanooga's Data Request #3 was prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 13th day of December, 2010.

Michael A. Miller
(signature)

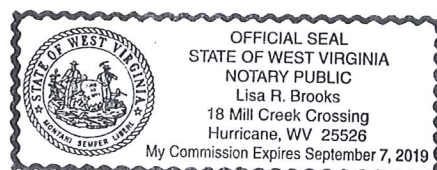
Michael A. Miller
(printed name)

Sworn to and subscribed before me this 13th day of December, 2010.

Lisa R. Brooks
NOTARY PUBLIC

My Commission Expires:

September 7, 2019



CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served by way of the method(s) indicated, on this the 13th day of December, 2010, upon the following:

☒ Hand-Delivery	Ryan McGehee, Esq.
☐ U.S. Mail	Mary L. White, Esq.
☐ Facsimile	Counsel for the Consumer Advocate
☐ Overnight	and Protection Division
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