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March 11, 2011

VIA HAND DELIVERY

FILED ELECTRONICALLY IN DOCKET OFFICE ON 03/11/11

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

Re: Docket No. 10-00189: *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*

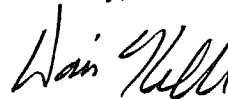
Dear Chairman Freeman:

Enclosed please find Tennessee American Water Company's Notice of Filing Corrected Hearing Exhibits 15 and 18.

Please file the original and four copies of this material and stamp the additional copy as "filed." Then please return the stamped copy 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.

Sincerely,



David Killion

Enclosure

cc: Mr. David Foster, Chief of Utilities Division (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)

Chairman Mary Freeman
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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)

9358680.1

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

IN 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

NOTICE OF FILING CORRECTED HEARING EXHIBITS 15 AND 18

Tennessee American Water Company ("TAWC") hereby provides this notice of filing of corrected versions of hearing exhibits Nos. 15 and 18. Exhibits 15 and 18 were offered by the City of Chattanooga (the "City") during the Hearing on the Merits. The documents were admitted into evidence "subject to check." TAWC has reviewed the exhibits and has noted substantial errors, not only in the amounts that are portrayed, but also in the calculations of percentages of increases. Accordingly, pursuant to the Hearing Officer's oral order on March 8, 2011, TAWC is submitting corrected exhibits, labeled Exhibit 15a and Exhibit 18a.

To calculate the percentage increase from 2007 to 2010, the year 2007 must be used as the denominator. The City's exhibits improperly use 2010 as the denominator. Because the increase from 2007 to 2010 or 2011 cannot be determined unless 2007 is used as the denominator, all of the percentages in the City's exhibits 15 and 18 are inaccurate.

Second, the category "Other Maintenance Expense" in 2007 includes a net negative salvage of \$367,615, which has been reclassified to depreciation for March of 2010 and December of 2011. Accordingly, TAWC has eliminated the City's improper inclusion of the net

negative salvage in this category. Also, AFUDC is a reduction from the total and is not representative of actual expenses and should not be included.

Finally, in calculating annual average increases, the City calculated that the time between November 2007 and December 2011 was three years and one month, and therefore used a 3.0833 factor. The difference is actually four years and one month, or a factor of 4.0833. TAWC has also corrected the City's exhibits for this error.

Respectfully submitted this 11th day of March, 2011.



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C. David Killion (#026412)
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*Attorneys for Tennessee American
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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 11th day of March, 2011, upon the following:

<input type="checkbox"/> Hand-Delivery	Ryan McGehee, Esq.
<input checked="" type="checkbox"/> U.S. Mail	Mary L. White, Esq.
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<input type="checkbox"/> Overnight	and Protection Division
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Comparison of O&M Expenses

	12 mo ending 11/30/07	12 mo ending 3/31/10	Total % Increase	Average annual % Increase
OPERATION AND MAINTENANCE LABOR	4,641,460	5,167,248	11.33%	4.86%
PURCHASED WATER	58,215	46,840	-19.54%	-8.39%
FUEL & POWER	2,274,867	2,316,133	1.81%	0.78%
CHEMICALS	1,075,172	1,139,659	6.00%	2.57%
WASTE DISPOSAL	161,721	183,965	13.75%	5.90%
MANAGEMENT FEES	4,789,601	5,008,401	4.57%	1.96%
GROUP INSURANCE	1,596,405	2,043,181	27.99%	12.01%
PENSIONS	726,428	1,282,517	76.55%	32.85%
REGULATORY EXPENSE	508,129	869,835	71.18%	30.55%
INSURANCE OTHER THAN GROUP	559,655	403,673	-27.87%	-11.96%
CUSTOMER ACCOUNTING	704,362	836,303	18.73%	8.04%
UNCOLLECTIBLE EXPENSE	417,277	202,677	-51.43%	-22.07%
RENTS	30,037	9,799	-67.38%	-28.92%
GENERAL OFFICE EXPENSE	244,966	210,461	-14.09%	-6.05%
MISCELLANEOUS EXPENSE	1,931,046	1,945,947	0.77%	0.33%
OTHER MAINTENANCE EXPENSE*	843,989	1,042,628	23.54%	10.10%
INTEREST ON CUSTOMER DEPOSITS	-	-		
AFUDC	-	-		
Total Operation and Maintenance Expenses	20,563,330	22,709,267	10.44%	4.48%

Comparison of O&M Expenses (Including Attrition Year Comparison)

	12 mo ending 11/30/07	12 mo ending 3/31/10	Total % Increase	Average annual % Increase	12 mo ending 12/31/11	Total % Increase	Average annual % Increase
OPERATION AND MAINTENANCE LABOR	4,641,460	5,167,248	11.33%	4.86%	5,680,299	22.38%	5.48%
PURCHASED WATER	58,215	46,840	-19.54%	-8.39%	50,962	-12.46%	-3.05%
FUEL & POWER	2,274,867	2,316,133	1.81%	0.78%	2,511,238	10.39%	2.54%
CHEMICALS	1,075,172	1,139,659	6.00%	2.57%	971,922	-9.60%	-2.35%
WASTE DISPOSAL	161,721	183,965	13.75%	5.90%	194,993	20.57%	5.04%
MANAGEMENT FEES	4,789,601	5,008,401	4.57%	1.96%	5,226,034	9.11%	2.23%
GROUP INSURANCE	1,596,405	2,043,181	27.99%	12.01%	2,434,923	52.53%	12.86%
PENSIONS	726,428	1,282,517	76.55%	32.85%	2,062,140	183.87%	45.03%
REGULATORY EXPENSE	508,129	869,835	71.18%	30.55%	847,368	66.76%	16.35%
INSURANCE OTHER THAN GROUP	559,655	403,673	-27.87%	-11.96%	485,904	-13.18%	-3.23%
CUSTOMER ACCOUNTING	704,362	836,303	18.73%	8.04%	857,278	21.71%	5.32%
UNCOLLECTIBLE EXPENSE	417,277	202,677	-51.43%	-22.07%	198,122	-52.52%	-12.86%
RENTS	30,037	9,799	-67.38%	-28.92%	8,706	-71.02%	-17.39%
GENERAL OFFICE EXPENSE	244,966	210,461	-14.09%	-6.05%	217,933	-11.04%	-2.70%
MISCELLANEOUS EXPENSE	1,931,046	1,945,947	0.77%	0.33%	2,005,675	3.86%	0.95%
OTHER MAINTENANCE EXPENSE*	843,989	1,042,628	23.54%	10.10%	1,110,317	31.56%	7.73%
INTEREST ON CUSTOMER DEPOSITS	-	-			-		
AFUDC	-	-			-		
Total Operation and Maintenance Expenses	20,563,330	22,709,267	10.44%	4.48%	24,863,813	20.91%	5.12%

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EXHIBIT

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