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TN REGULATORY AUTHORITY  
UTILITIES DIVISION

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T.R.A. DOCKET ROOM

2011 OCT 21 AM 11:07

October 19, 2011

Mr. David Foster  
Utility Division Chief  
Tennessee Regulatory Authority  
460 James Roberson Parkway  
Nashville, TN 37243-0505

**Re: Semi-Annual Valve Inspection and Headcount Report**

Dear Mr. Foster:

Tennessee American has continued its valve inspection and repair program the last six months. Our target number of valves to be exercised in the time period was 1,116 and we have actually exercised 1,164. During this time period, eleven valves were found to be in need of replacement and all eleven valves have been replaced. Over the course of this time period, we have had one hourly employee exercising valves on a full time basis.

Our authorized headcount is 110 and we currently have 100 full time employees. The resulting vacancies have been held open primarily for two reasons:

- Our pension costs this year have increased approximately \$500K on an annual basis over our amended filing request in Docket No. 10-00189.
- We are still awaiting the result of an arbitration hearing involving the termination of ten employees.

The timing of the filling of our vacant positions is undetermined and will be greatly impacted by the resolution of these two issues. We continue to work diligently to maintain superior water quality and customer service while effectively managing and minimizing the total costs of our business.

Sincerely,

Kevin N. Rogers  
Operations Manager