

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 10, 2012

IN RE:

**TARIFF FILING BY TENNESSEE AMERICAN WATER
COMPANY TO DISCONTINUE THIRD-PARTY BILLING
SERVICE FOR SEWER PROVIDERS AND TO ESTABLISH
A RATE FOR THE PROVISION OF WATER USAGE DATA
(TARIFF 2012-0165)**

**DOCKET NO.
12-00042**

ORDER APPROVING TARIFF

This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") at a regularly scheduled Authority Conference held on June 7, 2012, for consideration of Tennessee American Water Company's ("TAWC" or "Company") tariff to discontinue third-party billing services for municipal sewer providers and to establish a rate for the provision of water usage data.

The Service

TAWC seeks to discontinue providing third-party billing services to municipal sewer providers along with its water bills effective October 31, 2012. As required by their contract, TAWC notified the eleven current customers that receive third-party sewer billing, and it has also notified American Water Resources ("AWR"), TAWC's affiliate. The Company states it has e-mailed and met with various parties to discuss this proposal as early as March 2011. TAWC will extend the date to discontinue third-party billing services until December 31, 2012 if an entity enters into a contract for the water usage data service. TAWC has agreed to continue to provide disconnection and reconnection services at the current tariff rate to sewer entities for a sewer customer's non-payment of the sewer providers' invoices.

TAWC filed two tariff sheets on May 10, 2012, each with an effective date of June 10, 2012. The first tariff allows for water usage data to be provided on a per meter reading charge of \$0.02 per meter reading, while disconnects/reconnects on behalf of the sewer entity will continue to be provided by TAWC at the current tariff rate. The second tariff sheet sets the date on which TAWC will cease to provide third-party billing services. TAWC filed an amendment to the tariff on June 1, 2012 that contains non-substantive modifications to the May 10, 2012 tariff and has an effective date of June 11, 2012.

The Authority issued a data request to the Company on May 21, 2012 seeking information relating to the revenue and cost savings associated with the tariff. TAWC responded on May 22, 2012 stating it will continue to incur all costs associated with meter reading because the information will continue to be collected in the course of providing water service. And, since programming for this service is currently in place, there will be no cost savings related to discontinuing the service. TAWC will, however, experience a decrease in revenue.

Findings and Conclusions

Pursuant to Tenn. Code Ann. §65-4-104, the Authority has jurisdiction and control of public utilities as necessary to provide utility service. The Authority has direct control over rates, terms, and conditions regarding the provision of water services to TAWC customers, but the TRA does not generally exercise authority over ancillary services. Although, the third-party billing service is not considered a function of public utility service¹, the revenues and expenses from such service are included in regulated operations of the Company and affect the rates paid by TAWC's other water customers. Also, the Company has previously filed with the Authority and had tariffs approved to provide this billing service. TAWC's third-party billing service provides additional annual revenues

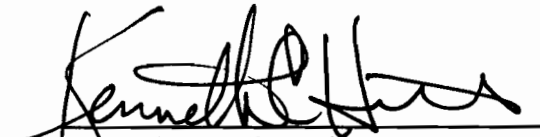
¹ Tenn. Code Ann. §65-4-101(6) outlines the services for which a "Public Utility" is subject to regulation. Tenn. Code Ann. §65-4-105(c) allows the Authority to take into consideration the cost of the service in approving any rate for such service.

of approximately \$440,000, and as result of discontinuing the service, there will be a net revenue decrease of \$440,000.

At the regularly scheduled Authority Conference held on June 7, 2012, the panel found that the third-party billing service is subject to regulation, and despite the decrease in revenue, there will be no immediate rate impact to customers. In addition, the panel found that TAWC provided sufficient notice to all affected sewer providers and is offering access to water usage data so the sewer providers can do their own billing. Therefore, based on the record in this docket, the panel voted unanimously to approve the tariff as filed and to allow TAWC to discontinue the third-party billing service.

IT IS THEREFORE ORDERED THAT:

Tennessee American Water Company's Tariff to discontinue third-party billing service for sewer providers and to establish a rate for the provision of water usage data is approved.


Kenneth C. Hill, Chairman


Sara Kyle, Director

* * *

Mary W. Freeman, Director²

² Director Freeman voted in agreement with the other Directors but resigned her position as Director before this Order was issued.