

BUTLER | SNOW

June 4, 2014

VIA ELECTRONIC FILING AND HAND DELIVERY

Hon. James M. Allison, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
500 Deaderick Street
4th Floor
Nashville, TN 37242

DOCKET NO. 14-00061

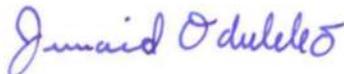
RE: Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up to \$60,000,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to §65-5-109.

Dear Chairman Allison:

Pursuant to Tenn. Code Ann. § 65-5-109, enclosed please find a copy of the *Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up to \$60,000,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to §65-5-109*, along with exhibits. This filing consists of an original and four (4) hard copies of the *Petition* and supporting documentation. This material has been electronically filed with the Authority.

We have also enclosed a check in the amount of \$25.00 for the required filing fee. An extra copy of this cover letter is also enclosed to be file-stamped for our records. Should you have any questions concerning this filing, or require additional information, please do not hesitate to let me know.

Very truly yours,



Junaid A. Odubeko

JAO:sc
Enclosures

cc: Deron Allen, President, Tennessee-American Water Company
Cynthia Kinser, Deputy Attorney General, Consumer Advocate and Protection Division

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

IN RE: PETITION OF TENNESSEE-AMERICAN)
 WATER COMPANY FOR APPROVAL OF)
 AND AUTHORITY TO BORROW UP TO)
 \$60,000,000 TO REFINANCE OUTSTANDING) Docket No. _____
 INDEBTEDNESS AND FINANCE ADDITIONS)
 AND IMPROVEMENTS TO FACILITIES)
 AND ACQUISITIONS AND TO REPAY)
 SHORT-TERM INDEBTEDNESS PURSUANT)
 TO T.C.A. § 65-4-109)

PETITION

Comes the Petitioner, Tennessee-American Water Company (“Tennessee American” or “Company”) and respectfully represents and shows to the Tennessee Regulatory Authority (“Authority”) as follows:

1. Tennessee American is a public utility as defined in T.C.A. § 65-4-101, and as of April 1, 2014, provides residential, commercial, industrial and municipal water service, including public and private fire protection service, to approximately 75,918 customers in Chattanooga and surrounding areas. Tennessee American also serves customers in North Georgia. The rates for those customers are not regulated by the Public Service Commission of the State of Georgia, but are instead regulated by the Authority.

2. Tennessee American is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWK”), which is the largest water holding company in the United States, providing water and wastewater services to sixteen (16) million people in thirty-five (35) states and two (2) Canadian Provinces.

3. Tennessee American is a Tennessee corporation with its principal office and place of business located at 109 Wiehl Street, Chattanooga, Tennessee 37403.

4. The Company owns, operates, manages and controls plants, property, equipment and facilities having an original cost of \$268,392,771 as of March 31, 2014 within and adjacent to the City of Chattanooga which are used and useful in the collection, purification, pumping, distribution and furnishing of potable water for residential, commercial, industrial and governmental users in its service territory. The Company is subject to the jurisdiction, regulation and supervision of the Authority pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A.

5. The capitalization of the Company at March 31, 2014 is shown on Exhibit 1, attached hereto.

6. The long-term debt of the Company at March 31, 2014 includes one outstanding series of general mortgage bonds (“General Mortgage Bonds”) issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from The City Water Company of Chattanooga (now the Company) to The Fidelity Bank (now U.S. Bank, National Association), as Trustee (“Trustee”), as supplemented and amended by thirteen supplemental indentures thereto dated, respectively, as of February 1, 1971; August 1, 1972; November 1, 1975; June 1, 1978; October 1, 1979; March 1, 1982; January 1, 1983; May 1, 1988; December 1, 1989; September 1, 1990; June 1, 1992; June 1, 1993; and September 1, 1996 (hereinafter collectively the Indenture), as follows:

<u>DATE OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>AMOUNT OUTSTANDING</u>
October 4, 1996	7.84% Series	September 1, 2026	\$ 5,700,000

7. The series of General Mortgage Bonds and all classes of capital stock of the Company outstanding at March 31, 2014 were duly authorized by Orders of the Authority (or its predecessor, the Tennessee Public Service Commission) heretofore entered on the basis of previous proceedings conducted by it relative thereto.

8. As an alternative to the General Mortgage Bond financing described above, on June 15, 2000, the Company entered into a nonexclusive Financial Services Agreement (the "Services Agreement") with American Water Capital Corp. ("AWCC"), also a wholly-owned subsidiary of AWK, subject to Authority approval, in the form attached hereto as **Exhibit 2**. Pursuant to the Services Agreement, AWCC periodically solicits from the Company and each of AWK's other utility subsidiaries estimates of their needs for short-term and long-term financing. On the basis of that information, AWCC registers its own debt securities (the "AWCC Securities") for sale in the U.S. public/private capital markets. These debt securities are obligations of AWCC, but AWK issues a "support letter" for the benefit of the holders of such debt securities. From time to time thereafter, as the Company needs additional long-term financing, AWCC sells portions of the AWCC Securities in the U.S. public/private capital markets, or to an investor or lender, and loans the proceeds of the sale of those AWCC Securities to the Company. The loans from AWCC to the Company are on terms (e.g., interest rate, redemption premium, sinking fund requirement, maturity) identical to the terms of the securities sold in the public/private markets by AWCC and will be evidenced by a written note. In addition, the Services Agreement obligates the Company to pay all of its allocated portion of AWCC's costs related to the AWCC Securities issued to fund the loan to the Company, plus, along with the other participating operation subsidiaries, its proportionate share of AWCC's overhead.

9. The Services Agreement also provides that the Company may utilize AWCC to meet its short-term (maturity of less than one-year) borrowing requirements through advances funded by a syndicated credit facility arranged by AWCC and its cash management needs.

10. The Company's participation in the AWCC borrowing program does not preclude it from borrowing from third parties. The Company is not required to borrow any amount from AWCC. Further, the Company may terminate its participation in the AWCC borrowing program upon ten days written notice.

11. Pursuant to the Company's petition, by order dated October 10, 2000, in TRA Docket No. 00-00637, a copy of which is attached hereto as **Exhibit 3** (the "*Original Authority Order*"), the Authority approved the issuance by the Company to AWCC of notes or debentures (the "Company Securities") in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which were used to (a) refinance outstanding General Mortgage Bonds, (b) finance additions and improvements to the Company's plant, property, equipment and facilities and acquisitions and to (c) repay short-term borrowings.

12. Subsequent to the *Original Authority Order* in TRA Docket No. 00-00637, the Company in TRA Docket No. 06-00305 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$44,900,000 between January 1, 2007 and December 31, 2008. The Authority authorized the Company's request in its Order dated June 14, 2007 ("*2007 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 4**.

13. Subsequent to the *Original Authority Order* in TRA Docket No. 06-00305, the Company in TRA Docket No. 09-00073 requested authorization to continue its participation in the AWCC program and to issue additional Company Securities not to exceed in aggregate \$45,000,000 between fourth quarter of 2009 and December 31, 2013. The Authority authorized the Company's request in its Order dated September 28, 2009 ("*2009 Long-Term Debt Financing Order*"), a copy of which is attached hereto as **Exhibit 5**.

14. Pursuant to the *Original Authority Order* and the *2009 Long-Term Debt Financing Order*, the Company has heretofore issued the following long-term Company Securities to AWCC:

<u>DATE OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>AMOUNT OUTSTANDING</u>
March 29, 2001	6.87%	March 29, 2011	\$ 2,040,000
March 1, 2004	4.75%	March 1, 2014	\$ 19,000,000 ¹
February 15, 2007	5.39%	December 21, 2013	\$ 15,000,000
March 29, 2007	5.62%	March 29, 2019	\$ 19,000,000 ²
December 4, 2009	6.00%	December 1, 2039	\$ 10,571,023
December 15, 2010	6.00%	December 1, 2040	\$ 10,000,000
May 19, 2011	5.90%	October 15, 2037	\$ 2,500,000
December 17, 2012	4.30%	December 1, 2042	\$ 2,000,000
November 20, 2013	3.85%	March 1, 2024	\$ 11,000,000

¹ This issue was refinanced on 3/29/07.

² The issuance and maturity dates shown on TAWC's Petition filed in Docket No. 09-00073 were incorrect, but have been corrected here.

15. Subject to the authorization of the Authority, the Company proposes to continue its participation in the AWCC program and to issue Company Securities in an aggregate principal amount of up to \$60,000,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities. The terms of the Company Securities will include the following:

- a. Title of the Securities: AWCC Securities.
- b. Aggregate Principal Amount to be Issued: Up to an aggregate amount of \$60,000,000.
- c. Expected Date of Issue: It is anticipated that the first issue of Company Securities will occur during the third quarter of 2014 and as required thereafter through December 31, 2018.
- d. Date of Maturity: The maturity of the Company Securities will not be more than 50 years from the nominal date of issue, with the expectation that the maturity dates will be from 1 to 35 years, depending upon market

conditions.

- e. Interest Rate(s): The interest rates on the Company Securities will be the same as those borne by the AWCC Securities from which the Company Securities are funded and will be determined by market conditions at the time of issuance. Based upon current market conditions, it is anticipated that the AWCC Securities will be sold carrying an interest rate spread of approximately 100-200 basis points above the interest rate borne by corresponding United States Treasury securities.
- f. Hedging Arrangements: To reduce borrowing costs in a rising interest rate environment, TAWC may, subject to the approval of this Petition, enter into one or more interest rate swap, hedge or other derivative agreements or arrangements ("Derivative Agreements") with respect to the Company Securities. TAWC may enter into these Derivative Agreements to lock in a specific interest rate and thereby manage the risk associated with interest rate fluctuations that may occur prior to the issuance of the Company Securities. If TAWC enters into a Derivative Agreement, the most likely technique the Company would utilize is a pre-issuance hedge. This hedge would lock the forward yield on a specific United States Treasury security prior to the planned issuance, eliminating the risk that the Treasury yield may rise significantly between the date that the yield is locked and the issuance date. This technique could be used to lock in the base rate(s) on all or part of the \$60,000,000 principal amount.
- g. Interest Payment Dates: Interest on the Company Securities will be payable to coincide with the dates that AWCC must make its corresponding interest payments on the related AWCC Securities.
- h. Callability and Conversion Provisions: The Company Securities will have the same callability and conversion features as AWCC obtains in connection with the related AWCC Securities, including provisions for redemption of the option of AWCC (and, therefore, of the Company) or tender at the option of the purchasers as may be negotiated with the agent or purchaser(s) of the AWCC Securities. The Company Securities will have no conversion features.
- i. Sinking or Other Fund Provisions: The Company Securities will reflect whatever terms AWCC can obtain in connection with the sale of the related AWCC Securities.
- j. Purpose: The purpose for which TAWC proposes to issue the Company Securities is to refinance or repay maturing AWCC Notes described above and finance additions and improvements to the Company's plants, property, equipment and facilities and acquisitions, and to pay down short-term borrowings.

Specifically, as of March 31, 2014, the Company has outstanding short-term debt of \$13,207,099, which will be refinanced with long-term debt subsequent to approval of this petition by the TRA. With respect to long-term debt, the Company anticipates refinancing the following AWCC Notes:

<u>Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>
\$ 10,571,023	6.00%	December 1, 2014
\$ 10,000,000	6.00%	December 1, 2015

The total of the current short-term debt balance and the two long-term debt issues planned for refinancing is \$33,778,122. The remaining balance of the \$60,000,000 borrowing authority requested in this case is \$26,221,878 and represents the internal cash requirement of the Company, which will be driven primarily by capital improvement spending for utility plant additions.

16. The program for financing set out in this petition:

(a) the purposes for which the funds derived therefrom will be used are in the best interests of the Company and the customers that it serves;

(b) provides terms and conditions for the financing that are the best available at this time; and

(c) is in accordance with and within the authority of the Authority pursuant to T.C.A. Section 65-4-109 and should, therefore, be approved.

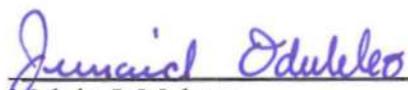
PREMISES CONSIDERED, PETITIONER PRAYS THAT THE COMPANY BE AUTHORIZED TO:

1. Issue the Company Securities to AWCC from time to time, as described in this Petition;

2. Use the cash proceeds arising from such issuance for the purposes set forth in this Petition; and

3. Have such other relief as it might be entitled to in this cause.

Respectfully submitted,



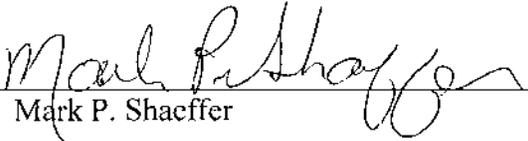
Melvin J. Malone
Junaid Odubeko
BUTLER SNOW LLP
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

ATTORNEYS FOR PETITIONER,
TENNESSEE-AMERICAN WATER COMPANY

Dated: June 4th, 2014

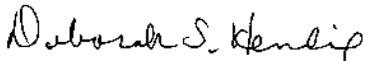
STATE OF MISSOURI)
)
COUNTY OF ST. CHARLES) ss:

Mark P. Shaeffer, upon oath, says that he is the Director/Vice President Finance & Treasurer & Comptroller of Tennessee-American Water Company, a Tennessee corporation, Petitioner in the above-entitled cause; that as such officer of said Corporation, he has executed the foregoing Petition and has authority to do so; that he has read said Petition and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.



Mark P. Shaeffer

Subscribed and sworn to before
me, the undersigned authority,
this 23rd day of May, 2014.



Notary Public

DEBORAH S. HENDRIX
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, ST. LOUIS COUNTY
MY COMMISSION EXPIRES 8-11-2015
COMMISSION #11420583

**FINANCIAL STATEMENT
OF
TENNESSEE-AMERICAN WATER COMPANY**

(as of March 31, 2014 except where noted)

(1) The Applicant's amount and type of stock authorized are as follows:

Common Stock, \$1 par value	20,000,000 Shares
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(2) The Applicant's amount and type of stock issued and outstanding are as follows:

Common Stock, \$1 par value	13,754,234 Shares
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Note: The Applicant's 5% Class Cumulative Preferred Stock, par value \$100 per share, was retired on July 6, 2012. At the time of retirement, 13,816 shares were issued and outstanding, for a total face amount of \$1,381,600.

(3) The following are the only mortgages on the property of the Applicant:

General Mortgage Indenture dated as of May 1, 1968, executed by the Applicant to The Fidelity Bank (now US Bank), as Trustee, and supplemental indentures thereto dated as of December 1, 1970 (as supplemented on December 17, 1970); September 1, 1974; November 1, 1977; December 1, 1982; June 1, 1983; August 1, 1985; January 1, 1987; September 1, 1988; October 1, 1989; November 1, 1990; December 1, 1991; December 1, 1992; December 1, 1993; September 1, 1995; February 1, 1997, and June 1, 1998.

The Indenture of Mortgage provides for the issue of General Mortgage Bonds which together with all other long-term debt cannot exceed 65% of Applicant's total capitalization, which percentage is \$89,503,193 as of March 31, 2014. The amount of indebtedness actually secured by a lien on all the property owned or hereafter acquired by the Company is \$5,700,000. There are no sinking fund provisions associated with the General Mortgage Bonds.

(4) At March 31, 2014, \$5,700,000 in General Mortgage Bonds were issued and outstanding.

General Mortgage Bonds:

Principal amount authorized by Indenture:

No maximum limit of bonds fixed

Name of utility issuing bonds:

All bonds were issued by Tennessee-American Water Company

Principal amount issued and outstanding:

<u>GMB:</u>	<u>Issued</u>	<u>Outstanding</u>
7.84% Series	\$5,700,000	\$5,700,000
9.25% Series	\$2,500,000	(Redeemed 2/23/11)

Date of issue (nominal date):

7.84% Series October 4, 1996

Rate of interest:

7.84% Series 7.84%

Date of maturity:

7.84% Series September 1, 2026

Security: All outstanding General Mortgage Bonds are secured by the lien of the General Mortgage Indenture upon all property of the Company.

Interest paid during the 12 months ended March 31, 2014:

7.84% Series \$446,880.00

Interest paid during the 12 months ended March 31, 2013:

7.84% Series \$446,880.00

(5) Notes are payable to AWCC, bear interest as listed below.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>Amount Outstanding at 3/31/14</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 3/31/14</u>
AWCC	January 1, 2014	Variable	\$13,207,099	Revolver	\$ 23,286

* Interest is calculated at the market rate at which AWCC obtained the short-term debt. The interest expense for the period 1/1/13 – 12/31/13 was \$20,057.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding At 3/31/14</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 12/31/13 & 3/31/14</u>
AWCC	March 29, 2007	5.62%	\$19,000,000	March 29, 2019	\$1,067,800 ¹
AWCC	Dec 4, 2009	6.00%	\$10,571,023	Dec 1, 2039	\$ 634,261
AWCC	Dec 15, 2010	6.00%	\$10,000,000	Dec 1, 2040	\$ 600,000
AWCC	May 19, 2011	5.90%	\$ 2,500,000	October 15, 2037	\$ 147,500
AWCC	Dec 17, 2012	4.30%	\$ 2,000,000	Dec 1, 2042	\$ 86,000
AWCC	Nov 20, 2013	3.85%	\$11,000,000	March 1, 2024	\$ 423,500

¹ The issuance and maturity dates shown on TAWC's Financial Statement (Exhibit 1) filed in Docket No. 09-00073 were incorrect, but have been corrected here.

(6) There is no other indebtedness of the Applicant, but there are liabilities shown on its Balance Sheet attached hereto, consisting of, as of March 31, 2014, current and accrued items on which no interest is payable.

(7) Dividends were paid by the Applicant during the most recent five fiscal years as follows:

<u>Common Stock</u>			
<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2009	.09	13,754,234	\$ 1,237,881
2010	.07	13,754,234	\$ 962,796
2011	.10	13,754,234	\$ 1,375,423
2012	.20	13,754,234	\$ 2,750,847
2013	.25	13,754,234	\$ 3,438,559

(8) Applicant's Balance Sheet as of March 31, 2014 and a statement of Applicant's earnings and expenses for the twelve months ended on such date are attached hereto. For comparison, the previous twelve-month period is also shown.

TENNESSEE AMERICAN WATER COMPANY
Comparative Balance Sheet

	As Of March 31, 2014	As Of March 31, 2013
Assets		
Utility Plant In Service	\$ 261,006,156	\$ 246,396,952
Construction Work In Progress	7,386,615	4,157,760
Utility Plant Accumulated Depreciation/Amortization	(84,580,131)	(79,171,458)
Total Utility Plant Adjustment	-	-
Utility property, net of accumulated depreciation	183,812,640	171,383,254
Nonutility property, net of accumulated depreciation	-	-
Total Property, Plant and Equipment	\$ 183,812,640	\$ 171,383,254
Cash and Cash Equivalents	(43,470)	(186,758)
Restricted Funds Current	-	-
Accounts Receivable, net	3,588,919	3,513,527
Unbilled Revenues	2,081,986	2,176,679
Materials and Supplies	667,844	513,156
Assets of discontinued operations	-	-
Other current assets	655,731	439,512
Total Current Assets	\$ 6,951,010	\$ 6,456,115
Regulatory Assets	7,845,439	8,867,575
Other Investments	-	-
Restricted Funds-Long Term	-	-
Goodwill	-	-
Intangible assets	-	-
Other Long Term Assets	35,161	32,048
Total Regulatory and Other L/T Assets	\$ 7,880,600	\$ 8,899,623
Total Assets	\$ 198,644,249	\$ 186,738,992
Capital & Liabilities		
Common stock	13,754,235	13,754,235
Paid in Capital	24,381,994	18,362,961
Retained Earnings	25,629,395	23,940,634
Accumulated other comprehensive income	-	-
Treasury stock	-	-
Total Stockholder(s) Equity	\$ 63,765,624	\$ 56,057,830
Preferred Stock without mandatory redemption requirements	-	-
Noncontrolling interest	-	-
Long Term Debt	60,724,498	49,767,423
Redeemable Preferred Stock at redemption value	-	-
Total Long-term debt	\$ 60,724,498	\$ 49,767,423
Total Capitalization	\$ 124,490,122	\$ 105,825,253
Short-Term Debt	13,207,099	8,528,955
Current Portion Long-term Debt	-	15,038,267
Current portion redeemable preferred stock	-	-
Accounts Payable	3,042,340	2,107,091
Taxes Accrued	(566,316)	949,292
Interest Accrued	268,535	452,939
Liabilities of Discontinued Operations -----	-	-
Other current liabilities	1,779,354	940,801
Total Current Liabilities	\$ 17,731,013	\$ 28,017,344
Customer Advances for Construction	4,631,778	4,998,575
Deferred Income Taxes	36,673,978	33,135,220
Deferred investment tax credits	638,964	715,332
Regulatory liability	2,340,942	2,728,922
Accrued Pension	(1,658,628)	(1,641,994)
Accrued postretirement benefit expense	747,715	687,779
Other Deferred Credits	495,107	1,078,256
Regulatory & Other Long Term Liabilities	\$ 43,869,857	\$ 41,702,091
Contributions in aid of construction	12,553,258	11,194,304
Total Capital and Liabilities	\$ 198,644,249	\$ 186,738,992

TENNESSEE AMERICAN WATER COMPANY
Income Statement - 12 Months Ended For the Periods Shown

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Operating Revenues		
Water revenues	\$ 45,444,301	\$ 43,721,153
Sewer revenues	-	(44)
Other operating revenues	918,357	1,435,847
Total Operating Revenues	<u>\$ 46,362,658</u>	<u>\$ 45,156,957</u>
Operations & Maintenance Expense		
Labor	\$ 6,837,368	\$ 7,149,562
Purchased water	44,717	49,351
Fuel and Power	2,523,075	2,669,752
Chemicals	829,018	982,930
Waste disposal	254,486	208,906
Service Company costs	6,000,988	6,000,448
Contracted services	862,667	748,523
Building maintenance and services	256,679	344,062
Telecommunication expenses	209,793	165,445
Postage printing and stationery	13,129	5,867
Office supplies & expenses	84,202	86,741
Advertising & marketing expenses	21,684	19,827
Employee related expense travel & entertainment	125,776	148,954
Miscellaneous expenses	813,587	863,558
Rents	125,671	12,271
Transportation	354,367	415,309
Customer accounting	1,726,174	1,333,800
Regulatory expense	473,611	346,878
Insurance other than group	382,683	375,683
Maintenance service & supplies	674,607	921,371
Total Operations & Maintenance Expense	<u>\$ 22,614,283</u>	<u>\$ 22,849,239</u>
Depreciation	\$ 6,155,020	\$ 5,444,932
Amortization	59,236	143,736
Removal costs	316,019	302,360
General taxes	4,652,106	4,409,852
State Income Taxes	723,026	650,887
Federal income Taxes	3,117,019	3,317,129
Tax Savings Acquisition Adjustment	-	-
Total Operating Expenses	<u>\$ 37,636,707</u>	<u>\$ 37,118,135</u>
Operating Income	<u>\$ 8,725,951</u>	<u>\$ 8,038,822</u>
Other Income		
AFUDC Equity	\$ 141,981	\$ 279,752
Miscellaneous Income	(9,807)	(63,228)
Loss (gain) on sale of assets	-	-
Total Other Income	<u>\$ 132,174</u>	<u>\$ 216,523</u>
Other Deductions		
Miscellaneous Other Deductions	4,545	59,098
Other Income - Net	<u>\$ 127,629</u>	<u>\$ 157,425</u>
Income Before Interest Charges	<u>\$ 8,853,580</u>	<u>\$ 8,196,247</u>
Interest Charges		
Interest Income	\$ (1,510)	\$ 889
Interest on long-term debt	3,608,467	3,629,551
Amortization of debt expense	53,727	47,815
Interest on Short-Term Bank Debt	23,286	13,527
Other Interest Expense	-	175
AFUDC Debt	(95,252)	(164,884)
Total Interest Charges - net	<u>\$ 3,588,718</u>	<u>\$ 3,527,074</u>
Net Income	<u>\$ 5,264,862</u>	<u>\$ 4,669,173</u>
Preferred Dividends Declared	-	18,229
Net Income Available to Common Stockholders	<u>\$ 5,264,862</u>	<u>\$ 4,650,944</u>

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Tennessee-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

B A C K G R O U N D

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

A G R E E M E N T

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

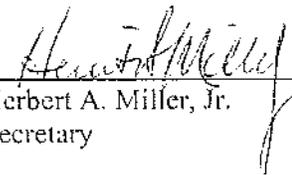
9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

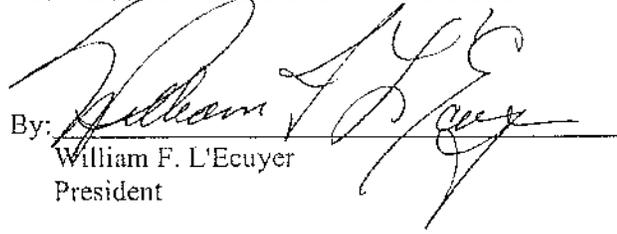
10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

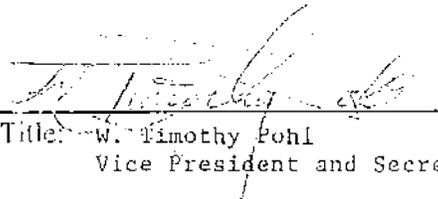
TENNESSEE-AMERICAN WATER COMPANY

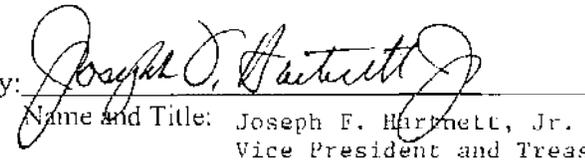
By: 
Herbert A. Miller, Jr.
Secretary

By: 
William F. L'Ecuyer
President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: 
Title: W. Timothy Pohl
Vice President and Secretary

By: 
Name and Title: Joseph F. Hartnett, Jr.
Vice President and Treasurer

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$xx,xxx,xxx

Date Effective

FOR VALUE RECEIVED, Tennessee-American Water Company, a Tennessee corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$xx,xxx,xxx) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Tennessee-American Water Company

By: _____

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
x.xxx% Maturity due xxx xx, 20xx

\$xx,xxx,xxx

Date Effective

FOR VALUE RECEIVED, Tennessee-American Water Company, a Tennessee corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$xx,xxx,xxx), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Tennessee-American Water Company

By: _____

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE
October 10, 2000

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN)	DOCKET NO.
WATER COMPANY FOR APPROVAL OF)	00-00637
AND AUTHORITY TO BORROW UP TO)	
\$30,100,000 TO REFINANCE OUTSTANDING)	
INDEBTEDNESS AND FINANCE ADDITIONS)	
AND IMPROVEMENTS TO FACILITIES AND)	
ACQUISITIONS AND TO REPAY SHORT-TERM)	
INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109)	

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Petition (the "Petition") of Tennessee-American Water Company ("TAWC" or the "Company") for Approval of and Authority to Borrow up to \$30,100,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to Tenn. Code Ann. § 65-4-109. TAWC filed its Petition with the Authority on July 18, 2000. The Directors of the Authority considered the Petition at a regularly scheduled Authority Conference held on August 15, 2000. Upon consideration of the Petition and the exhibits thereto, the Directors made the following findings of fact and conclusions of law:

1. TAWC is a Tennessee corporation with its principal office and place of business in the City of Chattanooga, Hamilton County, Tennessee. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC").

2. TAWC is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in the business of providing water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas in Catoosa, Dade, and Walker Counties in Georgia.

3. The Petition states that the long-term debt of the Company as of May 31, 2000 is represented by seven outstanding series of general mortgage bonds (the "General Mortgage Bonds") issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from the City Water Company of Chattanooga (now TAWC) to The Fidelity Bank (now First Union National Bank), as Trustee, as supplemented and amended by thirteen supplemental indentures thereto. As of May 31, 2000, TAWC had no outstanding indebtedness other than the General Mortgage Bonds and a capital lease for TAWC's offices, except current liabilities (including short-term bank debt.)

In its Petition, TAWC seeks authority approval to issue securities to American Water Capital Corp., also a wholly-owned subsidiary of AWWC, in the form of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which will be used to (a) refinance the following General Mortgage Bonds: (i) the 9.43% Series maturing on September 1, 2000, in the principal amount of \$5,000,000; (ii) the 8.28% Series maturing June 1, 2002 in the principal amount of \$10,000,000; and (iii) the 6.77% Series maturing on June 1, 2003 in the principal amount of \$9,000,000; and (b) finance additions and improvements to the TAWC's plants, property, equipment and facilities, and acquisitions; and (c) repay short-term borrowing.

4. Under Tenn. Code Ann. § 65-4-109, the Authority shall approve the proposed assumption of debt obligations if it finds that it will be made in accordance with law and that the Authority approves the purpose of the assumption of debt obligations.

5. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Petition should be approved. The Authority finds that this assumption of debt obligations is in accordance with law and is for a proper purpose.

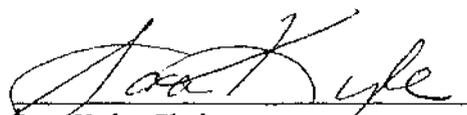
IT IS THEREFORE ORDERED THAT:

1. Tennessee-American Water Company is authorized to assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$30,100,000;

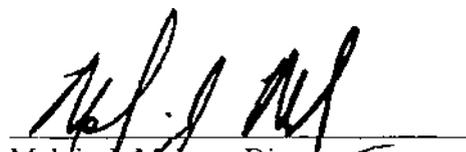
2. The terms of said debt obligations shall be as described in the Petition of Tennessee-American Water Company and exhibits thereto on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any notes or debentures issued as described in the Petition of Tennessee-American Water Company. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein;

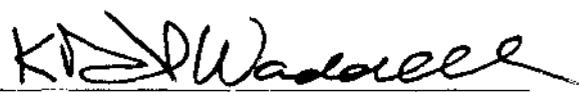
4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin L. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 14, 2007

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN WATER)	DOCKET NO.
COMPANY FOR APPROVAL OF AND AUTHORITY)	06-00305
TO BORROW UP TO \$44,900,000)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 5, 2007 for consideration of the petition of Tennessee-American Water Company for approval of and authority to borrow up to \$44,900,000 ("*Petition*") pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The *Petition*

Tennessee-American Water Company ("TAWC" or "Company"), a Tennessee corporation with principal offices in Chattanooga, Tennessee, provides water utility services to municipalities in Hamilton and Marion Counties, Tennessee, and certain areas in Catoosa, Dade and Walker Counties, Georgia. TAWC has a rate case proceeding pending before the Authority in Docket No. 06-00290

On December 7, 2006, TAWC filed its *Petition* requesting authorization to borrow up to \$44,900,000 to refinance outstanding indebtedness and finance additions and improvements to

its facilities and acquisitions. Specifically, TAWC requests approval to issue up to an aggregate of \$44,900,000 in securities to American Water Capital Corporation ("AWCC"). Both TAWC and AWCC are wholly-owned subsidiaries of American Water Works Company, Inc. ("AWWC").

On October 10, 2000, TAWC obtained Authority approval in Docket No. 00-00637 to enter into a non-exclusive Financial Services Agreement with AWCC pursuant to which AWCC periodically solicits from TAWC estimates of its needs for long-term financing. On the basis of that information, AWCC registers its debt securities for sale in the US public/private capital markets.

From time to time thereafter, as TAWC needs a portion of its long term financing needs funded, AWCC sells portions of its securities in the capital markets or to an investor or lender, and loans the proceeds of the sale to TAWC. The loans from AWCC to TAWC are on terms identical to the terms of the securities sold in public markets by AWCC and are evidenced by written notes. The Financial Services Agreement obligates TAWC to pay all of AWCC's costs related to the AWCC securities issued to fund loans to TAWC. The Company will also bear its proportionate share of AWCC's overhead, along with other participating operating subsidiaries. The Agreement is non-exclusive and provides TAWC with cash management and short-term debt financing services.

Pursuant to the October 10, 2000 Authority Order in Docket No. 00-00637, the Authority approved the issuance by TAWC to AWCC of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005. The proceeds were used to refinance outstanding general mortgage bonds, finance additions and improvements to the company's plants, equipment and facilities and to repay short term borrowings.

In the present *Petition*, TAWC proposes to continue its participation in the AWCC program and issue Company securities in an aggregate principal amount of up to \$44,900,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities.

The February 5, 2006 Authority Conference

Tenn. Code Ann. § 65-4-109 (2004) states:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

On February 2, 2007, the City of Chattanooga, a municipal corporation, filed a petition to intervene in this docket. At a regularly scheduled Authority Conference held on February 5, 2007, staff advised that some issues raised in this docket overlap issues pending in Docket No. 06-00290. The panel recessed the docket in order for TAWC representatives and City of Chattanooga representatives (“Parties”) to discuss the issues. Upon reconvening the docket, the panel was advised that the Parties had agreed to the following:

1. Any questions regarding the reasonableness and cost of refinancing of the total debt of TAWC still remains an open issue in Docket No. 06-00290.
2. An approval for the issuance of this debt will have no res judicata, claim preclusion or issue preclusion, with respect to any concerns the City of Chattanooga may desire to raise in the ratemaking case, Docket No. 06-00290.
3. The City of Chattanooga will withdraw its request to intervene and pursue the issues of concern in Docket No. 06-00290.

Thereafter, the panel voted unanimously to approve the *Petition* and made the following findings:

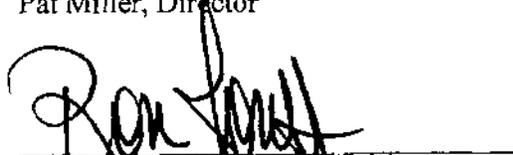
1. the proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. the transaction is being made in accordance with laws enforceable by this agency; and
3. the purpose of this transaction is in the public interest because it allows TAWC to finance additions and improvements to its water system.

IT IS THEREFORE ORDERED THAT:

1. Tennessee-American Water Company is authorized to enter into the financing transaction as described in the *Petition* and discussed herein.
2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved nor is this decision intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Sara Kyle, Chairman


Pat Miller, Director


Ron Jones, Director

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 28, 2009

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN WATER)	DOCKET NO.
COMPANY FOR APPROVAL OF AND AUTHORITY)	09-00073
TO BORROW UP TO \$45,000,000 TO REFINANCE)	
ADDITIONS AND IMPROVEMENTS TO FACILITIES)	
AND ACQUISITIONS AND TO REPAY SHORT-TERM)	
INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109)	

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 4, 2009 for consideration of the *Petition* filed on May 28, 2009 by Tennessee-American Water Company (the "Company") for approval to borrow up to \$45,000,000 to refinance outstanding indebtedness, finance additions and improvements to facilities, and to repay short-term indebtedness.

The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC") and is engaged in the business of rendering water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas of Catoosa, Dade, and Walker counties in Georgia. The Company also owns, operates, manages, and controls plants, property, equipment, and facilities within and adjacent to the City of Chattanooga which are used and useful in the collection, purification, pumping, distribution, and furnishing of potable water for residential, commercial,

industrial, and governmental users in Tennessee and Georgia. The Company currently serves approximately 75,000 customers in Tennessee and Georgia.

THE PROPOSED TRANSACTION

The Company proposes to continue its participation in AWCC's borrowing program and to issue Company Securities in an aggregate principal amount of up to \$45,000,000 from time to time to refinance outstanding indebtedness and to finance the acquisition of additional facilities. It is expected that the first issue of Company Securities will occur during the third or early fourth quarter of 2009 and as required thereafter through December 31, 2013.

The *Petition* asserts the maturity of the Company Securities will not be more than fifty years from the nominal date of issue, with the expectation that the maturity dates will be from one to thirty-five years, depending upon market conditions. The interest rates on the Company Securities will be the same as those borne by the AWCC Securities from which the Company Securities were funded and will be determined by market conditions at the time of issuance. The Company's participation in the AWCC borrowing program does not preclude it from borrowing from third parties. The Company is not required to borrow any amount from AWCC. Further, the Company may terminate its participation in the AWCC borrowing program upon ten days written notice.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) provides

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

At a regularly scheduled Authority Conference held on August 4, 2009, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.
3. The proposed financing transaction is in the public interest because it will allow the Company to finance additions and improvements to its water system.

IT IS THEREFORE ORDERED THAT:

1. Tennessee-American Water Company is authorized to enter into the financing transactions described in the *Petition*.
2. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risks involved.
3. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Sara Kyle, Chairman


Eddie Roberson, Director


Kenneth C. Hill, Director