

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 31, 1996

**IN RE: PETITION OF TENNESSEE AMERICAN WATER)
 COMPANY TO CHANGE AND INCREASE CERTAIN)
 RATES AND CHARGES SO AS TO EARN A FAIR)
 AND ADEQUATE RATE OF RETURN ON ITS)
 PROPERTY USED AND USEFUL IN FURNISHING)
 WATER SERVICE TO ITS CUSTOMERS)**

DOCKET NO. 96-00959

ORDER

This matter is before the Tennessee Regulatory Authority (hereafter "Authority") upon the petition of Tennessee American Water Company (hereafter "Company") to increase its rates and charges to produce additional gross revenues in the amount of \$2,448,943.00. The matter was set for hearing and heard on October 17, 1996, at the Hamilton County School Board Building, Chattanooga, Tennessee, beginning at 10:00 a.m. EDT before H. Lynn Greer, Hearing Officer.

The Hearing Officer issued his Initial Order holding that the Stipulation and Recommendation of Settlement entered into by and between the parties should be approved in its entirety. The Hearing Officer found and concluded from the entire record that: (a) the additional revenues needed by the Company were \$1,405,000.00, and that this amount is just and reasonable; (b) the stipulated and agreed upon decrease from 8.9% requested, to 5.1% increase in customer rates is fair, just and reasonable; and (c) that tariffs filed by the Company on October 17, 1996, to become effective on November 1, 1996, designed to increase annual revenues by \$1,405,000.00 are just and reasonable and should be permitted to go into effect on November 1, 1996.

The Authority considered this matter at a regularly scheduled Authority Conference held on October 29, 1996. It was concluded, after careful consideration of the entire record, that the Hearing Officer's Initial Order should be approved and adopted. The Authority further finds that it should adopt the findings and conclusions of the Hearing Officer as its own.

IT IS THEREFORE ORDERED:

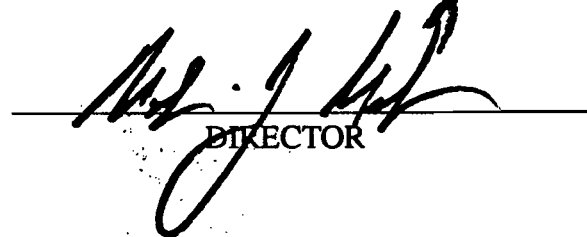
1) That the Hearing Officer's Initial Order in this Docket is hereby approved, adopted and incorporated by reference in this Order as though fully copied verbatim herein, including the findings and conclusions of the Hearing Officer which the Authority adopts as its own;

2) That the tariffs filed by Tennessee American Water Company on May 17, 1996, to become effective on June 16, 1996, which have heretofore been suspended are hereby denied; and

3) That the tariffs filed on October 17, 1996, with an effective date of November 1, 1996, be and the same are hereby approved to be effective for service rendered to customers on and after November 1, 1996.


CHAIRMAN


DIRECTOR


DIRECTOR

ATTEST:


EXECUTIVE SECRETARY