

Strickland

ASSOCIATES

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EXECUTIVE SECRETARY

October 4, 2001

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Docket #00-00667
CCN for Hampton Carter, LLC

Dear Mr. Waddell:

The following is the information requested in your letter of September 24, 2001:

1. The annual balance sheet through May 31, 2006 is attached to be substituted in Exhibit 4 of the CCN petition.
2. Attached is an updated letter from Mr. Witherspoon of the City of Johnson City about the operating agreement. This is to be substituted in Exhibit 6.
3. The corrected Operating Income and Cost is included. The \$3,000 listed as "Replacement/Repairs" has been changed to Repairs. This is an estimate of routine maintenance. The corrected operating and income statement is to be substituted in Exhibit 6.
4. "Administrative" is a listed expense. This is the estimate of the cost to service the customers which will include billing and collecting.
5. Attached is letter asking for permission to incur debt.
6. There will be approximately 6 customers in the service area. All will be commercial customers.
7. Attached is the Tariff which include the changes of removing "Availability of Sewer", "Contributor" and "Subscriber" from the Definitions and correcting a misspelled word in the "Application for Service Tap".

POSTED
10/5/01



Eddy & Eddy

CERTIFIED PUBLIC ACCOUNTANTS

PROFESSIONAL CORPORATION

4718 Lake Park Drive, Suite 1

Johnson City, TN 37615

(423) 283-0777

(423) 283-7165 Fax

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Member of
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Member of
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Hampton Carter Sewage Treatment Facility
Johnson City, Tennessee

We have compiled the accompanying forecasted balance sheet of Hampton Carter Sewage Treatment Facility for the years 1 through 5 of operations, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be difference between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Eddy & Eddy

Eddy & Eddy CPA's P.C.
September 6, 2001

HAMPTON CARTER SEWAGE TREATMENT FACILITY, LLC
BALANCE SHEET
YEARS 1 - 5 (Forecasted)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
ASSETS:					
CURRENT ASSETS					
CASH - 1ST BANK & TRUST	<u>\$5,400</u>	<u>\$9,600</u>	<u>\$13,900</u>	<u>\$18,200</u>	<u>\$22,500</u>
TOTAL CURRENT ASSETS	5,400	9,600	13,900	18,200	22,500
FIXED ASSETS					
SEWAGE TREATMENT PLANT	172,650	172,650	172,650	172,650	172,650
ALLOWANCE FOR DEPRECIATION	(4,316)	(8,632)	(12,948)	(17,264)	(21,580)
LAND	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
TOTAL FIXED ASSETS	203,334	199,018	194,702	190,386	186,070
TOTAL ASSETS	<u>\$208,734</u>	<u>\$208,618</u>	<u>\$208,602</u>	<u>\$208,586</u>	<u>\$208,570</u>
LIABILITIES & OWNER'S EQUITY:					
CURRENT LIABILITIES					
ACCOUNTS PAYABLE	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
MORTG. PAYABLE - 1ST BANK & TRUST	<u>3,585</u>	<u>3,921</u>	<u>4,289</u>	<u>4,691</u>	<u>5,131</u>
TOTAL CURRENT LIABILITIES	4,585	4,921	5,289	5,691	6,131
LONG-TERM LIABILITIES					
MORTG. PAYABLE - 1ST BANK & TRUST	<u>168,138</u>	<u>164,217</u>	<u>159,928</u>	<u>155,237</u>	<u>150,106</u>
TOTAL LONG-TERM LIABILITIES	168,138	164,217	159,928	155,237	150,106
TOTAL LIABILITIES	172,723	169,138	165,217	160,928	156,237
OWNER'S EQUITY:					
CAPITAL - STRICKLAND	36,000	36,000	36,000	36,000	36,000
RETAINED EARNINGS	<u>11</u>	<u>3,480</u>	<u>7,385</u>	<u>11,658</u>	<u>16,333</u>
TOTAL OWNER'S EQUITY	36,011	39,480	43,385	47,658	52,333
TOTAL LIABILITIES & OWNER'S EQUITY	<u>\$208,734</u>	<u>\$208,618</u>	<u>\$208,602</u>	<u>\$208,586</u>	<u>\$208,570</u>

See accompanying summary of forecast assumptions and accountant's report.



City of Johnson City, Tennessee

Department of Water and Sewer Services

October 3, 2001

ADMINISTRATION

601 East Main Street
P.O. Box 2150
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**CUSTOMER SERVICE /
BILLING / METER READING**

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**ENGINEERING
CONNECTIONS & EXTENSIONS**

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**LINE MAINTENANCE &
CONSTRUCTION**

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**WATER PLANT / WASTEWATER
TREATMENT PLANTS
& FACILITY MAINTENANCE**

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CIP MANAGEMENT

203 Dalewood Drive
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Johnson City, Tennessee 37605
Phone: 423-975-2622
Fax: 423-975-2653
bigguy@prjferred.com

Jack Strickland
4718 Lake Park Drive
Suite 3
Johnson City, TN 37615

**Re: Proposed Wastewater Treatment Plant
Hampton, Tennessee**

Dear Mr. Strickland:

Per our discussions, it is the intent of the staff of the City of Johnson City Water and Sewer Services Department to recommend to the Board of Commissioners early in the month of November that the City enter into a contract with your utility to provide day-to-day operation of the Hampton plant. The City is presently operating four package plants in a similar fashion, one of which we own with the other three being owned by third parties. Two of these are located in the same vicinity of this facility. While we cannot speak for the Johnson City-City Commission as a policy making board, we would see very little objection that the staff would have in operation of the plant alone. The range of costs for this service is approximately \$13,000 to \$16,000 annually.

If you have questions or require additional information, please do not hesitate to contact me.

Sincerely,



Tom Witherspoon
Director
Water & Sewer Services

TW:bg

HAMPTON CARTER SEWAGE TREATMENT FACILITY PROJECTED OPERATING INCOME AND COSTS

YEARS	1st	2nd	3rd	4th	5th
Income					
Treatment Charges					
Tenant 1					
2					
3					
4					
5					
6					
Month	1,965.00	3,678.00	4,119.00	4,516.00	5,028.00
Annual	23,580.00	44,136.00	49,428.00	54,192.00	60,336.00
EXPENSES					
Operation Contract	7,300.00	18,000.00	18,900.00	18,900.00	19,845.00
Power	1,250.00	2,500.00	2,600.00	2,700.00	2,800.00
Septic Tank Maint	4,818.00	9,600.00	9,600.00	9,600.00	9,600.00
Site Maint	1,200.00	1,260.00	1,323.00	1,389.15	1,458.61
Replacement/Repair:	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Administrative	6,000.00	6,300.00	6,615.00	6,945.75	7,293.04
	23,568.00	40,660.00	42,038.00	42,534.90	43,996.65
NOI	12.00	3,476.00	7,390.00	11,657.10	16,339.36

Notes: The monthly projected operating income for the facility is calculated at \$100 for the first 10,000

gallons and \$10.00/1000 gallon over that amount as required by the Tariff

The first year income is derived by assuming that the first three customers daily effluent is calculated as using 3000, 1500 and then the minimum charge of \$100.00.

Income for year 2, 3, 4 & 5 are calculated as using the first year's projection plus additional customers with usage of 3000, 1500 and another minimum charge.

The sewer taps will pay the debt of the facility as required by the Tariff.

The operation contract is with the City of Johnson City - See Exhibit

Power expense was calculated by Jobe & McElveya by determining Kilowatts needed to run motors by City's rate. - See Exhibit

Site Maintenance was calculated by Rustic Ridge Landscaping for mowing and landscaping area. - See Exhibit

Septic Tank Maintenance was quoted by David Boggs, Grease Trap Manager, Valley Protein, Winchester, VA. See Exhibit

Administrative consists of part-time project manager salary.

Repairs and Replacement is calculated at a rate of \$250.00 per month.



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October 4, 2001

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Docket #00-00667
CCN for Hampton Carter, LLC

Dear Mr. Waddell:

The H C Sewage Treatment LLC request approval of the Tennessee Regulatory Authority under TCA 65-4-109 to incur debt for the construction of the sewage treatment facility in Hampton, Tennessee.

Your approval will be very much appreciated.

Sincerely,

A handwritten signature in black ink that reads "Jack Strickland". The signature is fluid and cursive, with the first name "Jack" and last name "Strickland" clearly visible.

Jack Strickland

RULES AND REGULATIONS

1. DEFINITIONS.

The following terms, wherever used in the tariff, shall be defined as set forth below:

Applicant: shall mean any person, firm, corporation, association or governmental unit making application for sewer service

Authority: shall mean Tennessee Regulatory Authority.

Authority Rule: shall mean any rule or regulation duly adopted by the Authority and applicable to sewer utilities under Authority jurisdiction.

Contributor: shall mean a person who requests sewage treatment service and agrees to the terms of a sewer service agreement.

Customer: shall mean a person, firm, corporation, association or governmental unit furnished sewer service by the utility.

Customer's Service Line: shall mean the connecting facilities extending from the utility's central collection point to the customer's septic tank. This line is installed and maintained at the cost and expense of the customer.

Discontinuance of Service: shall mean the disconnection of sewer service at the customer's request.

Main: shall mean the sewer pipe owned, operated or maintained by the utility which is used for the purpose of collection or transmission of sewage, but does not include the "customer service line". The main is usually located in a public highway, street, alley, or private right-of-way.

Person: shall mean any individual, corporation, partnership, cooperative, or association.

Premise: shall mean (1) a single structure owned or leased by a customer as one place of business; or (2) a combination of structures owned or leased by a customer, which is located on a single site.

Property: shall mean a single lot or subdivided parcel of land including improvements thereon, to which sewer service is provided or to which sewer service is available to be provided upon request

Tap Fee: shall mean a non-recurring, non-refundable charge related to the cost of installing the treatment facility and the utility's main line.

Tariff: shall mean the entire body of effective rates, charges, rules and regulations, as set forth herein.

Termination: shall mean the disconnection of sewer service not at the customer's request.

Utility: shall mean H C Sewage Treatment LLC who owns and operates the facilities used in connection with collecting sewage from the public for compensation within Carter County, State of Tennessee.

Utility's Service Line: shall mean the connecting line between the utility's central collection point and the utility's treatment plant.

2. FILING, POSTING AND EFFECT.

2.1 Tariff of the Utility: A copy of this tariff comprising the Rates, Rules and Regulations governing the provision of sewer services by the utility is on file with the Authority and is posted and available for inspection at the utility's office. These rates, rules and regulations are part of the contract with every customer, and every customer, by taking sewer service, agree to be bound hereby.

2.2 Authority Rules and Regulations: The utility, in its operations, shall conform with all applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority.

2.3 Change in Rates, Rules or Regulations: No schedule of rates, rules or regulations shall be changed or put into effect until the proposed change has been approved by the Authority, unless the change is exempt from such approval by statute or other provisions of law.

3. APPLICATION PROCEDURE FOR SERVICE, CHANGE IN CUSTOMER OR SERVICE.

3.1 Apply for New Service: Before new sewer service is provided by the utility, a prospective customer shall complete and submit to the utility a written application for service. Service can be provided if the applicant is in compliance with the utility's rules and regulations as set forth in this tariff.

3.2 Contract for Utility Service: The customer's application, if accepted by the utility, and these Rules and Regulations constitute the contract between the customer and the utility; and each customer, by the taking of utility service, agrees to be bound thereby.

3.3 Information to Customers: The utility, when accepting application for sewer service, will give full information to the applicant concerning type of service to be rendered and rates which will be applicable.

3.4 Duty to Notify Utility of Change in Service: It shall be the obligation of each customer to provide the utility seven days' notice of changes in service. The notice should include discontinuation of service, change in billing address or change in type of service. If service is to be disconnected, then upon receipt of such notice the utility shall submit to the customer a final bill for services rendered.

4. CUSTOMER'S DEPOSITS.

4.1 Right to Require Deposit: The utility may require a cash deposit as a condition of new sewer service. Such deposit shall not exceed an amount equal to two (2) times the actual monthly bill for the service requested. The utility may also require payment of any prior outstanding account, if due and owing to utility, as a condition of new sewer service.

4.2 Utility's Duty to Maintain Deposit: A deposit received by the utility shall be recorded and maintained in accordance with the Tennessee Regulatory Authority rules and procedures. This includes keeping the following deposit records: (a) the name of the customer making the deposit, (b) the account number, (c) the amount of the deposit and the date of receipt, and the accrued interest (d) a record of each transaction concerning the deposit. The deposits will be held no longer than 24 months unless the customer has an outstanding account or has shown a pattern of late payment.

4.3 Utility's Duty to Refund Deposit upon Discontinuance of Service: Upon final discontinuance of service, the utility may apply the deposits to any amount due from the customer for service. Deposits will be retained by the utility as long as required to insure payment of bills. Any balance due the customer shall be promptly refunded.

4.4 Unclaimed Deposits: A record of each unclaimed deposit will be maintained for at least three years, during which time the utility will make a reasonable effort to return the deposit.

5. EXTENSION OF MAIN

5.1 **Service Extension:** The utility can extend its service for any person making a written application for sewer service. The prospective customer shall clearly state the type of sewer service desired and must provide the necessary rights of way for the laying of any sewer lines across lands of an intervening landowner or across any existing road, street or highway. The utility will estimate the ability to treat the proposed effluent and the cost of providing the service requested. The prospective customer will be responsible for paying the costs of providing sewer service to his property and a share of the cost in the treatment facility. Such payments are due and payable in advance of the provision of service facilities. The payment is to be collected only once as the customer's participation in the original installation of extended sewer distribution or collection facilities.

A. The prospective customer agrees to prepare and submit to the utility engineering plans meeting the utility's engineering specifications for the proposed sewer main extension, including associated sewer facilities that may be required in order to provide sewer service.

B. It is expressly understood and agreed that if the utility is delayed or prevented from installing the sewer facilities set forth in the prospective customer's engineering plans because of the utility's inability to secure pipe or other construction materials, or for any other causes beyond the utility's control, such non-performance shall be excused; provided, however, if such non-performance shall extend for a period of one (1) year or more beyond the scheduled time of completion, the prospective customer will have the right to cancel and terminate the main extension agreement on thirty (30) days' written notice to the utility. If the prospective customer elects to terminate the agreement, then the utility shall refund all money not expended, less the sum for any work or payments made prior to the notice of termination. The prospective customer's right to cancel and terminate shall not be invoked if the utility has received the construction materials and the prospective customer has made the deposit as hereinafter required, in which event the utility shall have the obligation to prosecute the work diligently to its completion.

C. The utility shall own the sewer facilities installed by the utility pursuant to the prospective customer's engineering plans.

D. The service agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

E. At any time when the utility determines that the prospective customer's payment of the estimated cost of the extension is insufficient to pay for the actual cost, the prospective customer's shall be required to provide the utility an additional payment to cover the actual cost.

6. SERVICE CONNECTIONS

6.1 **Tap Fee Requirements:** For the original customers of the tap, a tap fee will be required in the amount of monies needed to recover the cost of the plant by figuring the customer's per gallon of projected effluent and pro-rating this amount by the total capacity of the plant, plus tax per each new sewer connection. The tap fee must be paid in advance of any installation or construction work. The tap fee shall only be collected once for a given customer. A customer connecting to an existing tap shall pay a tap fee in the amount of the monies needed for the actual upgrade.

6.2 **Utility Shall Establish All Connections to Its Lines:** The utility shall furnish and install its collection line to a central point on the property. The utility's service line and collection point shall be the property of the utility and be accessible to and under the control of the utility at all times.

6.3 **Customer Shall Establish Connection:** The customer shall be responsible for furnishing and installing a grease and oil separator and septic tank. The minimum tank size will be according to the plans and specifications prepared by Jobe and McElyea Engineers, but in no case less than 1500 gallons. The customer

shall provide the pipe from the building to the utility collection point. The utility shall keep the grease and oil separator and septic tank in good repair, at the customer's expense.

6.4 Utility Shall Inspect All Installations of Customer's Service Line: The customer shall notify the utility of the installation of the customer's grease and oil separator, septic tank and service line and the utility shall inspect the installation prior to its enclosure. In the installation, the customer shall leave the trench open and pipe uncovered until it is inspected by the utility and shown to be at proper depth, free from any tree or other interference, irregularity or defect. The customer shall not make any change to or rebuild any part of the system without prior notice to the utility

6.5 Location: Customer's grease and oil separator, septic tank and lines shall be laid consistent with the utility engineering plan, and in conformance with all governmental regulations and ordinances.

6.6 Customer Responsibility: It is the responsibility of the customer to take every precaution to insure against the disruption of sewer service being furnished. Particular care must be taken to safeguard the grease trap to prevent the entrance of foreign matter or materials into the sewer system. Prompt notice of any difficulty experienced in the utilization of the sewer service is imperative in order that prompt attention may be given so as to alleviate conditions detrimental to health and sanitation considerations.

6.7 Repair of Customer's Service Line: The maintenance and repair of the customer's grease and oil separator, septic tank and discharge line are the responsibilities of the utility. The utility shall render a bill for such service at the prevailing local rates based upon labor and materials and payment therefor shall be made by the customer within thirty (30) days.

6.8 Access to Property: The utility shall have access at all reasonable hours to connections and other equipment and property of the utility located on the customer's premises for purposes of installing, maintaining, operating, removing and/or replacing such connections, equipment and property.

7. BILLING AND PAYMENT.

7.1 Time of Rendering Bills: All bills shall be rendered monthly and shall be due and payable upon receipt. The monthly charges for users are set forth in the Rate Schedule attached hereto. In addition, state and local sales tax required by the taxing authorities, shall be billed on a monthly basis.

7.2 Responsibility for Correct Customer Billing: It is the responsibility of the customer to notify the utility of the need for service or any change in service. The utility likewise has the responsibility to its customers to regularly monitor the service area in order to advise potential customers of the utility's existence and the services provided.

7.3 Failure to Receive Bill: Failure to receive a bill will not exempt the customer from payment. The customer shall be responsible to notify the utility within fifteen (15) days of the end of a billing period if no bill has been received, and the utility shall send a new bill to the customer upon such notice.

7.4 Payment by Check: The utility, at its option for good cause, may refuse to accept a check tendered as payment on a customer's account and require payment in cash. Any check returned for insufficient funds will have a service charge of \$20.00 for handling.

7.5 Adjustments of Bills - Customer Inadvertently Overcharged: If the utility has inadvertently overcharged a customer as a result of a misapplied schedule or any other human or machine error, the utility shall, at the customer's option, credit or refund the excess amount paid by the customer.

7.6 Adjustments of Bills - Customer Inadvertently Undercharged: If the utility has undercharged any customer as a result of a misapplied schedule or any human or machine error, the utility may recover the deficient amount within a period of six months.

7.7 Complaints: Complaints by customers concerning the charges, practices, facilities, or services of the utility shall be investigated promptly and thoroughly. When the Authority has notified the utility that a complaint has been received concerning a specific account, the utility shall refrain from terminating the service of that account until the Authority's investigation is completed and the results have been received by the utility.

8. TERMINATION OF SERVICE.

8.1 Grounds for Termination of Service: Service may be refused or discontinued only for the reasons listed below:

- (a) Without notice in the event of a condition determined by the utility to be hazardous.
- (b) Without notice in the event of customer use of equipment in such a manner as to adversely affect the utility's equipment or the utility's service to others.
- (c) Without notice when the utility has discovered clear and convincing evidence that by fraudulent means a customer has obtained unauthorized sewer service or has diverted such service for unauthorized use.
- (d) In the event of tampering with the equipment furnished and owned by the utility.
- (e) For violation of, or non-compliance with, the rules which the utility has filed with the Authority
- (f) For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulations by the Authority.
- (g) For failure of the customer to permit the utility reasonable access to its equipment.
- (h) For non-payment of a customer's bill provided that the utility has made a reasonable attempt to collect and has given the customer written notice to make settlement on his account or have his service denied. Service shall not be terminated for non-payment of a customer's bill until the account has been past due for a minimum of thirty (30) consecutive days.
- (I) For failure of the customer to furnish such service equipment, permits, certificates, and/or rights-of-way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permissions are withdrawn or terminated.

8.2 Written Notice of Termination: Before service is terminated, the customer shall be permitted at least seven days, following mailing of written termination notice, in which to cure the default or eliminate the condition for which the service is being terminated.

8.3 Dispute Procedures: When a prospective customer is refused service based on the "Grounds for Termination of Service" set forth in Section 8.1 above, the utility shall notify such customer promptly of the reason for the refusal to serve and of his right to appeal the utility's decision to the Authority.

8.4 Disconnection/Reconnecting: In all cases of termination of service, where the cause for termination has been corrected, and all rules of the utility on file with the Authority have been complied with, the utility shall promptly restore service to the customer. When service has been terminated, the utility shall charge \$50.00 for disconnection. At the time service is restored, the utility shall charge \$50.00 for each occurrence.

9. DISCONTINUANCE OF SERVICE.

9.1 Customer's Discontinuance of Service: Any customer desiring service to be discontinued shall give a written notice to the utility. Until the utility receives such notice, the customer may be held responsible for all services rendered. Upon request by the customer for disconnection, service will be terminated. The utility shall charge \$50.00 for restoring the service if at a later date reconnecting is requested by the customer.

9.2 Availability Rates: Disconnected customers will be billed based on the availability rates in effect.

H C SEWAGE TREATMENT, LLC

SEWER RATE SCHEDULE

Minimum 10,000 Gallons:	\$100.00 per month
Additional Gallons:	\$10.00/1000 gallons per month

OTHER FEES

Tap Fee:	See below*
Deposit:	\$equivalent, two months bill**
Disconnection-Reconnecting:	\$50 Per Sewer Disconnect
Customer's Request or for Good Cause:	\$50 Per Sewer Disconnect
Bills Due:	On Billing Date
Bills Past Due:	15 days after billing date
Billing Frequency:	Monthly
Return Check Charge	\$20.00 each occurrence
Subject to appropriate Sales Tax	

- For the original customers of the tap, a tap fee will be required in the amount of monies needed to recover the cost of the plant by figuring the customer's per gallon of projected effluent and prorating this amount by the total capacity of the plant, plus tax per each new sewer connection. (i.e., A customer estimates the effluent to be 3000 gallons per day. This is equivalent to one-fourth of the plant's capacity. Therefore, the customer will pay one-fourth of the cost of the plant.) The tap fee must be paid in advance of any installation or construction work. The tap fee shall only be collected once for a given customer. A customer connecting to an existing tap shall pay a tap fee in the amount of the monies needed for the actual upgrade. A copy of this contractual agreement is shown in Exhibit 1.

** The gallons of projected effluent for the specific customer's business will be calculated on a 30 day basis. The total deposit will be equivalent to two months of service.

APPLICATION FOR SERVICE TAP

Premises No. _____

Service No. _____

The undersigned hereby applies to H C Sewage Treatment, LLC for the installation of a service connection for the premises described below:

Location No. _____ Street, Lot _____, Block _____

Addition owned by _____ to be occupied

by _____ for _____

purposes. Services to be paid for on basis of actual cost of plant and equipment by calculating the expected gallons of effluent and pro-rating this amount to the total capacity of the plant. A customer connecting to an existing tap shall pay the amount of the monies needed for the actual upgrade.

The Undersigned, for himself, his successors and assigns, agrees that any service rendered hereunder shall be subject to the provisions of the ordinances of the H C Sewage Treatment LLC governing the Sewer Treatment Plant and its patrons, that any agent of the said LLC shall have access to the service pipes and appurtenances for the purpose of maintaining and regulating the service, that no additional fixtures will be connected without a written plumbing permit from the proper authority and that no person will be permitted to carry sewer from the said premises without permission of the Sewage Treatment LLC.

It is further agreed that any modification of this agreement must be in writing and signed by the order of the LLC.

Enclosed herewith is the amount chargeable for the above installation.

Witness

Owner or Agent for Owner



City of Johnson City, Tennessee

Department of Water and Sewer Services

October 3, 2001

ADMINISTRATION
601 East Main Street
P.O. Box 2150
Johnson City, Tennessee 37605
Phone: 423-434-6062
Fax: 423-461-1657
h2oadmin@johnsoncitytn.org

**CUSTOMER SERVICE /
BILLING / METER READING**
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**ENGINEERING
CONNECTIONS & EXTENSIONS**
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CONSTRUCTION**
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**WATER PLANT / WASTEWATER
TREATMENT PLANTS
& FACILITY MAINTENANCE**
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Phone: 423-975-2622
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bigguy@proferad.com

Jack Strickland
4718 Lake Park Drive
Suite 3
Johnson City, TN 37615

Re: Proposed Wastewater Treatment Plant Hampton, Tennessee

Dear Mr. Strickland:

Per our discussions, it is the intent of the staff of the City of Johnson City Water and Sewer Services Department to recommend to the Board of Commissioners early in the month of November that the City enter into a contract with your utility to provide day-to-day operation of the Hampton plant. The City is presently operating four package plants in a similar fashion, one of which we own with the other three being owned by third parties. Two of these are located in the same vicinity of this facility. While we cannot speak for the Johnson City-City Commission as a policy making board, we would see very little objection that the staff would have in operation of the plant alone. The range of costs for this service is approximately \$13,000 to \$16,000 annually.

If you have questions or require additional information, please do not hesitate to contact me.

Sincerely,

Tom Witherspoon
Director
Water & Sewer Services

TW:bg

HAMPTON CARTER SEWAGE TREATMENT FACILITY PROJECTED
OPERATING INCOME AND COSTS

YEARS	1ST	2ND	3RD	4TH	5TH
INCOME					
TREATMENT CHARGES					
TENNANT 1					
2					
3					
4					
5					
6					
TOTAL/MONTH	1450	2900	2900	2900	2900
ANNUAL	17400	34800	34800	34800	34800
EXPENSES					
OPERATION CONTRACT	7300	18000	18900	18900	19845
POWER	1250	2500	2600	2700	2800
SEPTIC TANK MAINTENANCE	500	525	550	580	610
SITE MAINTENANCE	1200	1260	1325	1400	1470
REPAIRS	300	1000	1050	1100	1155
PROPERTY TAXES	175	250	265	280	300
TESTING FEES - TDEC	500	600	600	600	600
TN REG AUTH. FEES	100	100	100	100	100
ADMINISTRATIVE	<u>6000</u>	<u>6300</u>	<u>6615</u>	<u>6945</u>	<u>7300</u>
TOTAL	17325	30535	32005	32605	34180
NOI	75	4265	2795	2195	620

NOTES: THE MONTHLY PROJECTED OPERATING INCOME FOR THE FACILITY IS CALCULATED AT \$ 100 FOR THE FIRST 10,000 GALLONS AND \$ 10.00/1000 GALLONS OVER THAT AMOUNT AS REQUIRED BY THE TARRIFF

THE FIRST YEAR INCOME IS DERIVED BY ASSUMING THAT THE FIRST THREE CUSTOMERS DAILY EFFLUENT IS CALCULATED AS USING 3000, 1500 AND THEN THE MINIMUM CHARGE OF \$ 100.00.

INCOME FOR YEAR 2,3,4 & 5 ARE CALCULATED AS USING THE FIRST YEAR'S PROJECTION PLUS ADDITIONAL CUSTOMERS WITH USAGE OF 3000, 1500 AND ANOTHER MINIMUM CHARGE.

THE SEWER TAPS WILL PAY THE DEBT OF THE FACILITY.

THE OPERATION CONTRACT IS WITH THE CITY OF JOHNSON CITY - SEE EXHIBIT

POWER EXPENSE WAS CALCULATED BY JOBE & McEL YEA BY DETERMINING KILOWATTS NEEDED TO RUN MOTORS BY CITY'S RATE. - SEE EXHIBIT

SITE MAINTENANCE WAS CALCULATED BY RUSTIC RIDGE LANDSCAPING FOR MOWING AND LANDSCAPING AREA. - SEE EXHIBIT

SEPTIC TANK MAINTENANCE WAS QUOTED BY DAVID BOGGS, GREASE TRAP MANAGER, VALLEY PROTEIN, WINCHESTER, VA. SEE EXHIBIT

ADMINISTRATIVE CONSISTS OF PART-TIME PROJECT MANAGER CONTRACTED OUT, AND CPA FEES

PLANT NOT DESIGNED FOR CHEMICALS

HAMPTON CARTER SEWAGE TREATMENT FACILITY, LLC
BALANCE SHEET
YEARS 1 - 5 (Forecasted)

	2002 YEAR 1	2003 YEAR 2	2004 YEAR 3	2005 YEAR 4	2006 YEAR 5
ASSETS:					
CURRENT ASSETS					
CASH - 1ST BANK & TRUST	<u>\$5,400</u>	<u>\$9,665</u>	<u>\$12,460</u>	<u>\$14,655</u>	<u>\$15,275</u>
TOTAL CURRENT ASSETS	5,400	9,665	12,460	14,655	15,275
FIXED ASSETS					
SEWAGE TREATMENT PLANT	172,650	172,650	172,650	172,650	172,650
ALLOWANCE FOR DEPRECIATION	(4,316)	(8,632)	(12,948)	(17,264)	(21,580)
LAND	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
TOTAL FIXED ASSETS	203,334	199,018	194,702	190,386	186,070
ORGANIZATIONAL COST					
ORGANIZATIONAL COST **	8,900	8,900	8,900	8,900	8,900
ACCUM. AMORT. ORGAN. COST	<u>(267)</u>	<u>(534)</u>	<u>(801)</u>	<u>(1,068)</u>	<u>(1,335)</u>
TOTAL ORGANIZATIONAL COST	8,633	8,366	8,099	7,832	7,565
TOTAL ASSETS	<u>\$217,367</u>	<u>\$217,049</u>	<u>\$215,261</u>	<u>\$212,873</u>	<u>\$208,910</u>
LIABILITIES & OWNER'S EQUITY:					
CURRENT LIABILITIES					
ACCOUNTS PAYABLE	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>
TOTAL CURRENT LIABILITIES	1,000	1,000	1,000	1,000	1,000
LONG-TERM LIABILITIES					
MORTG. PAYABLE - 1ST BANK & TRUST	<u>171,413</u>	<u>167,209</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LONG-TERM LIABILITIES	171,413	167,209	0	0	0
TOTAL LIABILITIES	172,413	168,209	1,000	1,000	1,000
OWNER'S EQUITY:					
CAPITAL - STRICKLAND	(123,455)	(119,443)	51,764	54,292	56,220
CONTRIBUTIONS IN AID OF CONSTRUCTION	172,650	172,650	172,650	172,650	172,650
ACCUM. AMORT. OF CONTRIBUTIONS IN AID OF CONSTRUCTION	(4,316)	(8,632)	(12,948)	(17,264)	(21,580)
RETAINED EARNINGS	<u>75</u>	<u>4,265</u>	<u>2,795</u>	<u>2,195</u>	<u>620</u>
TOTAL OWNER'S EQUITY	44,954	48,840	214,261	211,873	207,910
TOTAL LIABILITIES & OWNER'S EQUITY	<u>\$217,367</u>	<u>\$217,049</u>	<u>\$215,261</u>	<u>\$212,873</u>	<u>\$208,910</u>

** ORGANIZATIONAL COST COMPRISED OF LEGAL FEES \$ 3,000 & CPA FEES \$ 500
AND ENGINEERING FEES OF \$ 5,400

See accompanying summary of forecast assumptions and accountant's report.