

WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

February 14, 2006

Ms. Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RECEIVED
2006 FEB 15 AM 9:38
T.R.A. DOCKET ROOM

RE: TRA Rulemaking Docket for Wastewater Utilities (05-00105)

Dear Ms. Standley:

We are in receipt of your letter of February 7th requesting information regarding Cartwright Creek, L.L.C.'s ("Cartwright Creek's" or the "Company's") estimated financial security cost and monthly rate adjustment applicable to the TRA's rulemaking docket (05-00105) for wastewater utilities. This letter should be considered the Company's response to your request. In order to timely file a response to your request, we are providing one (1) electronic copy by email with another four (4) copies to be delivered by regular mail.

Inasmuch as Cartwright Creek's utility assets were provided through an equity investment from its owners, and not through a contribution from third-party developers, the Company presently intends to petition the TRA for an exemption from the security bonding requirements of the proposed rules. Under the current proposed rules, Cartwright Creek recognizes that it must file such a petition within seventy-five (75) days of the June 12, 2006 effective date or March 29, 2006.¹ If the Company is successful in its petition, then the estimated monthly customer rate adjustment would be zero (\$0).

In the alternative, if our petition for exemption is unsuccessful, we would propose to fund the cost for of a surety bond via a pass-through mechanism as outlined in the Proposed Rule at 1220-4-13-.07(7). We have determined that the first-year total cost of this bond to be \$295,500. This amount includes \$240,000 for the revenue bond which will need to be funded during the initial year, along with \$48,000 to cover the cost of a corporate guarantee, and \$7,500 to cover the cost of the initial surety bond. After the initial first year, the total bonding cost could likely be reduced to the cost of the surety bond only. This surety bond, along with the cost of a corporate guarantee and revenue bond, should satisfy the TRA's financial security requirement. At present, there are approximately 500 customers of the utility. This means that the Company's

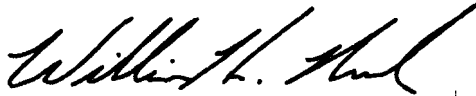
¹ See Proposed Rule 1220-4-13-.07(5).

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estimated minimum monthly financial surcharge, necessary to satisfy the TRA's financial security requirement, would be \$49.17 per customer per month.

Thank you for your timely consideration of this response. Should you have any questions, or need anything further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Novak". The signature is fluid and cursive, with a large, sweeping initial 'W'.

William H. Novak
Regulatory Agent for
Cartwright Creek Utility Company

C: Robert Cochrane