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January 17, 2006

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

RE: Tennessee Wastewater Systems, Inc.'s Petition to Amend Certificate of Public Convenience and Necessity to provide wastewater utility services (Docket No. 05-00293) City of Cross Plains, Robertson County

Dear Ms. Standley:

Tennessee Wastewater Systems, Inc. provides the following information per your request dated January 12, 2006.

- 1. Please define the term "capacity credit" in the system as used in your Data Response of December 22, 2005, response to number 4.
 - Capacity credit is the credit given for the creation of wastewater treatment capacity.
- 2. How much capacity credit will B & P Investments ("B&P") receive for its contribution of the 60 acres of land to the Utility? What method is used to determine how much capacity credit B&P will receive?

A capacity credit unit is typically based on the wastewater treatment capacity required to serve a typical single family home. While the value to be received is a negotiated amount, it is roughly based on the value of the land and in this case the proposed number of capacity credit units that **B&P** will receive is 500.

3. How much capacity credit will Pickney Brothers, Inc. ("Pickney") receive for the contribution of funds to construct the system? What method is used to determine how much capacity credit Pickney will receive?

The capacity credits to be received by Pickney Brothers, Inc. is based on the value of the wastewater treatment system being created and the probability of sale and length of time required to sell the credits. In this case, Pickney Brothers, Inc. will receive the capacity credits available from the system created minus the capacity credits given to B&P. The exact capacity of the system will not be known until the construction is complete, but it is estimated that Pickney Brothers, Inc. will retain approximately 1000 capacity credits.

4. What benefits will B&P and Pickney receive from these capacity credits? Under what circumstances could each use the value of their credits?

Pickney Brothers, Inc. hopes to sell enough capacity credits soon enough to recover the costs associated with creating the wastewater treatment system and make a profit. Both B& P and Pickney Brothers, Inc. have the option of using the credits or selling them to others.

- 5. Will there be any capacity credit remaining in the system once B&P and Pickney are allocated their shares?
- 6. Will Pickney receive any other compensation for the construction of the wastewater system? Or is the capacity credit in lieu of cash payment? Please explain.

The only compensation Pickney Brothers, Inc. will receive for design and constructing the system are the capacity credits.

7. What is the estimated total cost to construct the system?

Pickney Brothers, Inc. estimates that the system will cost from \$350,000 to \$600,000 depending on geological conditions, and the unknown need for a synthetic liner vs. using clay in the treatment system.

8. Of the \$650,000 estimated contribution in aid of construction, how much is attributable to the appraised value of the land?

We do not have an appraised value of the land but the estimate used was \$300,000.00.

9. Response #10 from the Data Response dated December 22 stated that "The terms and conditions mentioned in the letter pertain to the fact that Tennessee Wastewater Systems, Inc. makes no guarantees that service will be provided unless a service territory is granted by the TRA, and a SOP is issued by TDEC." Are these the only terms and conditions?

There is no contract between the City of Cross Plains and Tennessee Wastewater and there is not likely to be one. We have verbally agreed that the City needs sewer service and that Tennessee Wastewater is willing to provide sewer service to the City if approvals are granted by the TRA and TDEC and developers and investors such as B&P and Pickney Brothers, Inc. are willing to construct the system and give it over free and clear to the utility. A "condition " is that the City is not making any investment in the sewer system.

10. Please provide a copy of the contract and/or negotiated agreement between the City of Cross Plains and TWS.

As stated above, there is no contract between the City of Cross Plains and TWS.

If you have any further questions, please feel free to give me a call.

Sincerely,

Charles Pickney, Jr.

Tennessee Wastewater Systems, Inc.