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March 6, 2006

T.R.A. DOCKET ROOM

Honorable Ron Jones
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

06-00064

RE: Petition to consider pass-through bonding costs in Williamson County

Dear Chairman Jones:

Tennessee Wastewater Systems, Inc. requests that the TRA take into account the bonding requirements in place for Williamson County in establishing the required financial security for TWS. The attached petition is in support of our request.

Sincerely,

Charles Pickney, Jr., President
Tennessee Wastewater Systems, Inc.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

MARCH 6, 2006

**IN RE: PETITION OF TENNESSEE WASTEWATER
SYSTEMS, INC. TO AMEND ITS CERTIFICATE
OF CONVENIENCE AND NECESSITY**


DOCKET No. _____

Petition of Tennessee Wastewater Systems, Inc.
To amend its Certificate of Convenience and Necessity

Tennessee Wastewater Systems, Inc. ("TWS") petitions the Tennessee Regulatory Authority ("TRA") to update and revise the pass-through bonding costs for Williamson County. Existing pass-through rates established for the Milcrofton and Goose Creek service areas were set based on initial requirements and regulations of the Williamson County Planning Commission, the Williamson County Water and Wastewater Authority, and initial cost estimates for system construction.

Per the Williamson County regulations and procedures in place as the existing subdivisions were platted, the bonding requirements for existing subdivisions are known. The attached revised tariff sheet #10 and accompanying sheets document the costs to be passed through to Williamson County customers.

Respectfully Submitted,



Charles Pickney, Jr.
Tennessee Wastewater Systems, Inc.

Tennessee Wastewater Systems, Inc.

Bonding Costs

Residential Service

It is the position of Tennessee Wastewater Systems, Inc. that with the oversight of the Department of the Environment, Division of Water Pollution Control and the Tennessee Regulatory Authority and the set aside of escrow funds to provide for tank pumping and future equipment replacement needs, that a county bond is not necessary to insure the security of the sewer system and the company in the future. Unfortunately, some local governing bodies have imposed bonding requirements on the company. One such county is Williamson.

Where bonding requirements are imposed, the costs are passed through to the customers.

Tennessee Wastewater Systems, Inc. operates several wastewater treatment facilities in Williamson County. See attached spreadsheet of service areas and subdivisions.

Williamson County Bonding

Tariff Item # 23

The county has revised its bonding rules over time and is likely to make more revisions in the future. Each subdivision will be bonded according to the rules in effect at the time the subdivision is platted by the Williamson County Planning Commission.

Until the subdivisions are 80% built out, the developers have agreed to reimburse the utility for the bonding fees allocated to vacant lots. Since none of the subdivisions are 80% built out at the present, the vast majority of bonding expenses are being paid for by developers. If the developers were not reimbursing the utility for the vacant lot bonding fees, the Pass-Through cost to present customers would be **\$47.22/month**.

Bonding amounts presently in place are **\$3,796,185.00**, and the current number of lots occupied by paying customers is **67** (see attached spreadsheet). At full build out, the total amount of bonding required will be **\$4,652,357.00**, and the total number lots occupied by paying customers will be **386**.

Allocation of costs are calculated as follows:

Total bonding amount required = **\$4,652,357.00**

Total bonding fees (@ 1%) = **\$46,523.57**

Total number of lots at build out = **386**

Total bonding fees for all subdivision lots divided by total lots = **\$46,523.57/386 = \$120.53/year or \$10.04/month**

Monthly Pass-Through Bonding Cost Per Customer = \$10.04

Existing Subdivisions in Williamson County Service Areas

Milcrofton Service Area:
Watkins Creek
Saddle Springs
Abington Ridge

Goose Creek Service Area:
McLemore Farms

Existing Subdivisions in Williamson County Served by Tennessee Wastewater

Subdivision	Bonding Amt. In Place	Current Occupancy	Bonding Amount Per Home at Current Occupancy	Bonding Amt. At Full Buildout	Occupancy at Full Buildout	Bonding Amount Per Home at Full Buildout
Watkins Creek Ph.1	\$650,500	42	\$38,952.26	\$650,500	174	\$9,402.27
Watkins Creek Ph. 2, 3, 4	\$768,039			\$768,039		
Watkins Creek Ph. 5				\$217,456		
Saddle Springs Ph.1	\$505,784	1	\$1,024,638.00	\$505,784	82	\$12,495.59
Saddle Springs Ph.2A, Sct.4	\$24,638			\$24,638		
Saddle Springs Ph. 2				\$494,216		
McLemore Farms II Ph.1	\$833,574	17	\$49,033.76	\$833,574	48	\$17,366.13
Abington Ridge Ph.1	\$1,013,650	7	\$165,450.00	\$1,013,650	82	\$14,123.78
Abington Ridge Ph.2				\$144,500		

	Total Bonding Amt. In Place	Current Occupancy	Bonding Amount Per Home at Current Occupancy	Bonding Amt. At Full Buildout	Total Occupancy at Full Buildout	Bonding Amount Per Home at Full Buildout
Totals:	\$3,796,185	67	\$56,659.48	\$4,652,357	386	\$12,052.74

Williamson County Letters of Credit - Existing

LETTER OF CREDIT COVERAGE DATES	SUBDIVISION & PHASE	DESCRIPTION	AMOUNT	LETTER OF CREDIT #	INSTITUTION
12/15/03 - 12/14/04	Watkins Creek - Phase I	Treatment and Disposal System - Operation and Maintenance Bond	\$525,500	1009	Prime Trust
12/15/03 - 12/15/04	Watkins Creek - Phase I	Collection System - Back-up Bond	\$125,000	1010	Prime Trust
1/14/04 - 1/14/05	Saddle Springs - Phase I	Treatment and Disposal System - Operation and Maintenance Bond	\$333,284	1011	Prime Trust
1/14/04 - 1/14/05	Saddle Springs - Phase I	Collection System - Back-up Bond	\$172,500	1012	Prime Trust
8/26/04 - 8/26/05	McLemore Farms II Phase I	Treatment and Disposal System - Operation and Maintenance Bond	\$252,000	1025	Prime Trust
8/26/04 - 8/26/05	McLemore Farms II Phase I	Collection System - Back-up Bond	\$144,774	1024	Prime Trust
11/11/04 - 11/11/05	McLemore Farms II - Phase I Addition	Treatment and Disposal System - Operation and Maintenance Bond	\$180,000	1040	Prime Trust
11/11/04 - 11/11/05	McLemore Farms II - Phase I Addition	Treatment and Disposal System - Back-up Bond	\$256,800	1041	Prime Trust

Williamson County Letters of Credit - Existing

LETTER OF CREDIT COVERAGE DATES	SUBDIVISION & PHASE	DESCRIPTION	AMOUNT	LETTER OF CREDIT #	INSTITUTION
11/16/04 - 11/16/05	Abington Ridge Phase I	Treatment & Disposal System Performance Bond	\$422,650	34	Community Bank & Trust
11/16/2004 - 11/16/05	Abington Ridge Phase I	Treatment & Disposal System Back-up Bond	\$410,300	35	Community Bank & Trust
11/16/04 - 11/16/05	Abington Ridge Phase I	Collection System Performance Bond	\$180,700	36	Community Bank & Trust
7/25/05 - 7/25/06	Saddle Springs Phase 2A, Sec. 4	Collection System Performance Bond	\$24,638	59	Community Bank & Trust
1/6/06 - 1/6/07	Watkins Creek Phase II, III, IV	Collection System Performance Bond	\$166,503	38	Community Bank & Trust
1/6/06 - 1/6/07	Watkins Creek Phase II, III, IV	Treatment System Performance Bond	\$525,000	39	Community Bank & Trust
1/6/06 - 1/6/07	Watkins Creek Phase II, III, IV	Collection System Performance Bond	\$76,536	40	Community Bank & Trust

Williamson County Letters of Credit - Projected

LETTER OF CREDIT COVERAGE DATES	SUBDIVISION & PHASE	DESCRIPTION	AMOUNT	LETTER OF CREDIT #	INSTITUTION
3/8/06 - 3/8/07	Abington Ridge - Phase II	Collection System - Performance Bond	\$144,500	N/A	N/A
2007	Watkins Creek - Phase V	Collection System - Performance Bond	\$217,456	N/A	N/A
2008	Saddle Springs - Phase II	Collection System - Performance Bond	\$494,216	N/A	N/A

**Tennessee Wastewater Systems, Inc.
Sewer Service Billing Structure for
Milcrofton Utility District
Williamson County
97-01393**

Residential Sewer Rate

	Monthly Charge	Amount to be Escrowed
Collection System Maintenance and operation – Tariff Items 1-4	\$8.95	\$6.35
Treatment System Costs - for Sand-Gravel Filter System – Tariff Items 5-7	\$6.23	\$2.90
Utility costs – Sand gravel treatment and Pump Station – Tariff Items 11 & 13	\$1.30	\$0.00
Disposal system costs - using drip irrigation – Tariff Items 15-17	\$1.53	\$0.88
Sampling and Testing costs – Required by State of Tennessee – Tariff Item 18	\$7.00	\$0.00
Billing and collection costs – Tariff Item 20	\$1.50	\$0.00
Miscellaneous Costs – Tariff Item 21	\$0.40	\$0.00
State of Tennessee Department of Environment Annual Fee – Tariff Item 22	\$0.52	\$0.00
Bonding costs - Tariff Item 23	\$10.04	\$0.00
Franchise – Excise Taxes – Utility Company – Tariff Items 25 & 26	\$0.82	\$0.00
Public Utility Ad Valorem Tax – Tariff Item 27	\$0.95	\$0.00
Federal Tax – Tariff Item 28	\$1.11	\$0.00
Local Management Fee – Tariff Item 29	\$2.00	\$0.00
Corporate Management Fee – Tariff Item 30	<u>\$2.80</u>	<u>\$0.00</u>
Total	\$45.15	\$10.13

Fees: Non-Payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Check - \$20,
Access - \$84/yr (See Rules and Regulations for Explanation)

**Tennessee Wastewater Systems, Inc.
 Sewer Service Billing Structure for
 Goose Creek Area
 Williamson County
 02-00172**

**Residential Sewer Rate
 Lagoon**

	Monthly Charge	Amount to be Escrowed
Collection System Maintenance and operation – Tariff Items 1-4	\$8.95	\$6.35
Treatment System Costs – Lagoon – Tariff Items 8-10	\$2.60	\$1.20
Utility costs – Lagoon and Pump Station – Tariff Items 12 & 13	\$0.80	\$0.00
Disposal system costs - using drip irrigation – Tariff Items 15 - 17	\$1.53	\$0.88
Sampling and Testing costs – Required by State of Tennessee – Tariff Item 18	\$7.00	\$0.00
Billing and collection costs – Tariff Item 20	\$1.50	\$0.00
Miscellaneous Costs – Tariff Item 21	\$0.40	\$0.00
State of Tennessee Department of Environment Annual Fee – Tariff Item 22	\$0.52	\$0.00
Bonding costs - Tariff Item 24	\$10.04	\$0.00
Franchise – Excise Taxes – Utility Company – Tariff Item 25 & 26	\$0.82	\$0.00
Public Utility Ad Valorem Tax – Tariff Item 27	\$0.95	\$0.00
Federal Tax – Tariff Item 28	\$1.11	\$0.00
Local Management Fee – Tariff Item 29	\$2.00	\$0.00
Corporate Management Fee – Tariff Item 30	<u>\$2.80</u>	<u>\$0.00</u>
Total	\$41.02	\$8.43

Fees: Non-Payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Check - \$20,
 Access - \$84/yr (See Rules and Regulations for Explanation)

**Tennessee Wastewater Systems, Inc.
 Sewer Service Billing Structure for
 Goose Creek Area
 Williamson County
 02-00172**

**Residential Sewer Rate
 Fixed Film Treatment**

	Monthly Charge	Amount to be Escrowed
Collection System Maintenance and operation – Tariff Items 1-4	\$8.95	\$6.35
Treatment System Costs - for Sand-Gravel Filter System – Tariff Items 5-7	\$6.23	\$2.90
Utility costs – Sand gravel treatment and Pump Station – Tariff Items 11 & 13	\$1.30	\$0.00
Disposal system costs - using drip irrigation – Tariff Items 15-17	\$1.53	\$0.88
Sampling and Testing costs – Required by State of Tennessee – Tariff Item 18	\$7.00	\$0.00
Billing and collection costs – Tariff Item 20	\$1.50	\$0.00
Miscellaneous Costs – Tariff Item 21	\$0.40	\$0.00
State of Tennessee Department of Environment Annual Fee – Tariff Item 22	\$0.52	\$0.00
Bonding costs - Tariff Item 24	\$10.04	\$0.00
Franchise – Excise Taxes – Utility Company – Tariff Items 25 & 26	\$0.82	\$0.00
Public Utility Ad Valorem Tax – Tariff Item 27	\$0.95	\$0.00
Federal Tax – Tariff Item 28	\$1.11	\$0.00
Local Management Fee – Tariff Item 29	\$2.00	\$0.00
Corporate Management Fee – Tariff Item 30	<u>\$2.80</u>	<u>\$0.00</u>
Total	\$45.15	\$10.13

Fees: Non-Payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Check - \$20, Access - \$84/yr
 (See Rules and Regulations for Explanation)