

SHILOH FALLS UTILITIES, INC.

P. O. Box 1027

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July 20, 2006

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

Dear Ms. Standley:

Following are our responses to the questions which you submitted on July 7, 2006, regarding the compliance audit of Shiloh Falls Utilities, Inc. At this time, we are unable to provide the map of our service area showing the information which you have requested. F & M Consulting in Savannah, Tennessee has much of this information in their files and are in the process of compiling the maps and making copies for our records. They are aware of your response deadline of July 21st, but have not given us any of the maps as of today. Once these maps are available to us we will submit copies to your office.

Should you have any other questions or require further information than that which is contained in this response, please contact me at the above address or at (731) 925-4000.

Sincerely,



Lisa S. Thomas

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- 1. *During the on-site visit conducted by the audit staff, the Company indicated that the customer billings are in arrears. What is the current status of the customer billings?***

Approximately eighteen months ago, we began experiencing problems with our billing and record-keeping software. These problems, coupled with the limitations of the software utilized by First Utility District, the water provider for the area and the entity from whom we get our meter readings, brought about the billing delays which we experienced. With the installation of new software for both Shiloh Falls Utilities, Inc. and First Utility District, the time necessary to completely process a billing has decreased from over two days to a little over two hours. Once the billing process became less cumbersome, we determined that we would "catch up" by consistently billing for two months each month. This would allow us to eventually get caught up without proving to be an enormous burden on some of our larger customers. In May, 2006, we billed for the months of August and September, 2005. In June, 2006, we billed for the months of October and November, 2005. Given this progression, our bills will run as follows:

Billing Month	Months Being Billed
July, 2006	December, 2005 & January, 2006
August, 2006	February & March, 2006
September, 2006	April & May, 2006
October, 2006	June & July, 2006
November, 2006	August & September, 2006
December, 2006	October & November, 2006

Given this schedule, our billing will be current in December, 2006 without causing any undue hardship on our customers. When a property sells, the previous owner is billed to the date of the sale so that the account is current without any delayed billing. Some property owners (i.e., those whose properties are for sale and D & E Properties) have requested that they also be billed through the current date and that their billings be kept current. We have complied with these requests.

- 2. *The Company recorded \$850.00 associated with a lift station pump replacement. The name of the vendor is DK Mfg. & Construction and the invoice number is DK1811. Provide the historical cost of the pump that was replaced.***

This invoice does not provide for a pump replacement but for a rebuilt core installed in an existing pump. The historical cost of the core is not available since it was part of the original pump.

- 3. *Has Shiloh Falls Utilities, Inc. established or does the Company plan to establish an escrow account for non-routine expenditures?***

We notified the Tennessee Regulatory Authority by the required date that we intended to

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secure a letter of credit, a copy of which is on file with the State. We have not, nor do we plan on, establishing an escrow account for non-routine expenditures.

4. ***Provide a map that shows your service area and the entire layout of the wastewater system (location of plant and lines, line sizes, etc.).***

Please see the introductory paragraph of this letter.

5. ***Were any expenses of the utility paid for by another entity on behalf of the utility during the audit period, January through December, 2005? If so, provide a list of the expenses by date, type, amount, and the name of the entity making such payments.***

No expenses of the utility were paid for by another entity on behalf of the utility during the audit period.