

WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

August 31, 2006

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

Re: Petition of Aqua Utilities Company for Approval of Adjustment of its Rates and Charges and Revised Tariff. **Docket 06-00187.**

Dear Ms. Standley:

On behalf of Aqua Utilities Company, enclosed you will find an original and four (4) hard copies along with a CD in PDF format of the **Company's Response to the TRA Advisory Staff's Data Request of August 18, 2006** in the above-referenced docket.

If you questions regarding this electronic filing, please contact me at 713-298-1760.

Sincerely,



William H. Novak

Enclosures

1. For those schedules filed with the Company's Workpapers on August 8, 2006 that are computer based Excel files, provide those schedules electronically in Excel format.

RESPONSE:

See Item #1 on the attached CD for a copy of all Company spreadsheets.

2. If material to the Company's cost or level of service, provide a comprehensive discussion of all conditions or changes in condition that has affected or will affect the Company's operations going forward. The discussion should include, but not be limited to the following:

- a. Management changes;
- b. Operational changes;
- c. Administrative changes;
- d. Pending or anticipated sale of any portion of the utility;
- e. Expansions or changes in customer levels;
- f. System repairs; and
- g. Expenses.

RESPONSE:

The only material condition or change in condition that the Company is aware of is the current system expansion to include "The Preserve" development. This expansion is already documented in the Company's testimony. The estimated cost of this expansion will be approximately \$2,950,000, and will ultimately include 550 to 650 customers. We estimate that it will take approximately five to seven years before the full build-out of end use customers into this development is completed.

3. Provide a current map of Aqua's service territory, including The Preserve development.

RESPONSE:

We are still working on a response to this request. Currently, the only map of the service territory that we've been able to obtain is a blueprint version (36" x 24") and not suitable for filing. However, we expect to have a service territory map on 8.5" x 11" paper shortly and will supplement our response when it becomes available.

4. Provide a properly executed affidavit for the direct testimonies of James Clausel, Mark Godwin and William H. Novak.

RESPONSE:

The executed affidavits of the witnesses were included with the five (5) “hard copies” of the Company’s filing. Please see the official docket file for a copy of these affidavits.

5. What is the total number of lots to be served in The Preserve development and the projected date the development will be completely built out.

RESPONSE:

See Company response to Item #2.

6. Provide the qualifications and certifications held by George Leckner.

RESPONSE:

See attached.

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
WATER AND WASTEWATER OPERATOR CERTIFICATION BOARD

I.D NO.

EXPIRATION DATE

RENEWAL NO.

12/31/2006

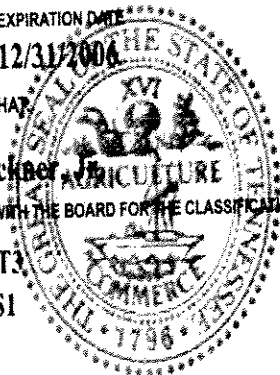
46682

THIS IS TO CERTIFY THAT

E. George Leckner, Jr.

IS IN GOOD STANDING WITH THE BOARD FOR THE CLASSIFICATIONS LISTED:

WW1 WT3
DS1 CS1



CN-4770 (REV. 2-99)

George Leckner

7. Provide the current flow capacity of the Aqua wastewater treatment facility and plans for expansion to service additional customers in The Preserve development.

RESPONSE:

See attached.

EGL CONSULTANTS

P.O. BOX 215
ADAMSVILLE, TN 38310

Phone 731 645-2465

E-mail egleckner@hotmail.com

August 25, 2006

Kerry Williams
Williams, Jerrolds, Godwin and Nichols PLLC
408 Main Street
Savannah, Tn 38372

Dear Kerry,

Pursuant to our conversation of this morning, this is the information you requested on the lagoon flows.

Our current State Permit allows me to discharge 37,500 gallons per day. At the present time I am discharging an average of 20,000 gallons per day. We are in the process of adding additional spray fields that will allow us to increase our daily flow to 112,000 gallons per day. I hope to begin construction of the new spray fields this fall when I have completed the discharge for this year.

If I can be of any further assistance, don't hesitate to give me a call.

Very truly yours,



E. George Leckner, Jr.
EGL Consultants

8. Provide a complete copy of the Company's General Ledger for calendar years 2004 and 2005. If possible, submit them electronically on a CD.

RESPONSE:

See Item #8 on the attached CD for a copy of the Company's General Ledger for 2004 and 2005.

9. Are the costs associated with the customer owned grinder pumps included in Aqua's plant in service amount at December 31, 2005 and/or the forecasted plant in service amount included in rate base?

RESPONSE:

The costs associated with the customer-owned grinder pumps are **not** included in Aqua's plant in service at December 31, 2005 since the customer has contracted with third-party providers to repair and replace these pumps at amounts that are unknown to Aqua.

In this rate case, Aqua is proposing that its customers have their initial installation and any replacements to their grinder pumps made through Aqua instead of a third-party provider in order for Aqua to ensure the integrity of its wastewater system. Aqua is proposing to have these grinder pumps replaced at a fixed tariff rate to the customer that is equal to Aqua's cost. We have not forecasted any new installations or replacements of grinder pumps in this rate case. However, since this transaction would be recorded as a contribution in aid of construction, the effect on rate base would be zero (\$0) no matter how many installations or replacements were actually completed.

10. Provide a schedule showing the plant balances at December 31, 2005 by account number.

RESPONSE:

See Company response to Item #8.

11. Provide support for the estimated \$775,000 in 2006 and \$1,000,000 in 2007 in additional Aqua investment necessary to complete The Preserve development as stated in Mr. Novak's direct testimony, page 3.

RESPONSE:

See Company Rate Base Workpaper RB-11.21.

12. Reconcile the response of Aqua Utilities to Staff findings in Docket No. 00-01105 (letter dated March 27, 2002) to the multiple adjustments made to utility plant, accumulated depreciation, CIAC, and accumulated amortization of CIAC at December 31, 2005. In the referenced letter, the Company states that "Finding #2 - Aqua Utilities is now keeping all of its accounting totally separate from that of Montana Land Company." As proof, the Company submitted its new chart of accounts and a schedule listing the adjusting journal entries made as of December 31, 2001 balance.

RESPONSE:

In the Company's response to the Staff's Compliance Audit in Docket No. 00-01105, the Company stated that it is now keeping all of its accounting totally separate from that of Montana Land Company. This is a true statement, and the Company has continued to segregate the accounting for its utility operations from that of the development company since the date of the Company's response on March 27, 2002.

However, in preparation for this rate case, the Company discovered approximately \$190,000 of net plant additions relating to the utility for 1997, 1999, 2000, 2001 and 2002 that had been mistakenly recorded on the books of the development company. This prior period adjustment was corrected on the utility's books in December 2005. In addition, the Company also discovered a similar adjustment of approximately \$25,000 of net plant for 2004 that was due to an error.

13. Provide a projected build out of lots in The Preserve development for 2006 and 2007.

RESPONSE:

We expect the total lots available to be approximately 600 with a total average build out length of 6 years. Therefore we believe that it is reasonable to expect 50 lots built out in 2006 and another 100 lots to be built out in 2007.

14. Is the 49.94% calculated for “lost and unaccounted for water” on Company Schedule E-1.05 the result of excluding “water only” customer sales from the analysis? Did the Company experience any “lost and unaccounted for water” due to leakage in the system?

RESPONSE:

The lost and unaccounted-for water volumes are calculated by taking the rolling 12 months to date water purchases from the City of Savannah and subtracting the rolling 12 months to date recorded sales volumes for the same time period. The 49.94% amount represents the average of the monthly lost and unaccounted for water volumes from the 12 months ended November 2004 through the 12 months ended December 2005.

There are a number of possible reasons for lost and unaccounted-for volumes including leakage, theft, and inaccurate meters. However, the exact cause of the unaccounted-for volumes is unknown.

15. Provide a copy of the contractual agreements between Aqua Utilities and George Leckner, Storey Utility Contractors, and WJGN.

RESPONSE:

There are no written contractual agreements between Aqua Utilities and George Leckner, Storey Utility Contractors, and WJGN.

16. Provide a complete copy of the “signed” Services Agreement between Aqua Utilities and William H. Novak.

RESPONSE:

See Item #16 on the attached CD for a complete copy of the “signed” Services Agreement between Aqua Utilities and William H. Novak.

17. Provide a copy of the “signed” letter from Aqua’s attorney Gilbert Parrish, Jr. (RB-14.04-1.02).

RESPONSE:

See attached.

J. GILBERT PARRISH, JR.
ATTORNEY AT LAW
80 HAZELTON ST., UNIT 9
SAVANNAH, TENNESSEE 38372
(731) 925-1966

E-MAIL: gilparrish@charter.net

TELECOPIER
(731) 925-1130

January 11, 2006

Williams, Jerrolds, Godwin & Nichols, PLLC
Attn: Kerry
408 Main Street
Savannah, TN 38372

RE: Shiloh Falls Utilities, Inc..

Dear Kerry:

This letter will confirm my estimated attorney fee on the above referenced rate case. It is anticipated that my fee will be not less than \$2,500.00 and not more than \$5,000.00. This estimate is based upon estimated hours and appearing at least once for a hearing in Nashville. Please let me know if you need additional information.

Very Truly Yours,



J. Gilbert Parrish, Jr.

18. Provide a copy of the City of Savannah's rate schedule to support the direct testimony of James Clausel, page. 2.

RESPONSE:

See attached. In addition, see Company Workpapers E-1-2.00 through E-1-2.24 for a copy of the actual bills rendered by the City of Savannah to Aqua Utilities.

Date: Revised 12/14/2004

To: To Whom It May Concern

From: Virgil Morris,
Utility Director

Re: Schedule of rates and charges
Gas, Sewer, Water

The following schedule is current as of the date this memo.

Water Rate Schedule

1. Inside City: \$6.00 for first 1,000 then \$2.00 per 1,000 gallons
2. Outside City: \$18.00 for first 1,000 gallons \$2.00 per 1,000 gallons thereafter
3. Industrial/Commercial
 - Inside City: \$12.00 for first 1,000 then \$2.00 per thousand
 - ~~Outside City: \$24.00 for first 1,000 then \$2.00 per thousand~~

Water Meter Accuracy Test Fee

$\frac{3}{4}$ " Meter	\$15.00
1"	\$25.00
2"	\$35.00
All over 2"	\$50.00

(Ordinance 321-1-80, as amended by Ordinance 440-8-88 and 679-10-2004)

Sewer Rate Schedule

1. \$2.94 per 1,000 gallons of water used
2. \$14.70 flat rate for customers not utilizing city water service
3. \$10.00 flat rate for customer's not utilizing city water & sewer for services however, services are available.

See Section 13-4003, 3.2.3b for summer cap of sewer charge for metered single family residential dwellings.

Gas Rate Schedule

1. ~~\$10.29~~ ^{\$9.50} per MCF per thousand, minimum bill of ~~\$5.15~~ ^{\$4.75}
2. Industrial customers who use less than 400,000 cubic feet will be billed ~~\$10.29~~ ^{\$9.50} MCF. Any usage above 400,000 cubic feet will be billed ~~\$9.43~~ ^{\$8.74} per MCF used.

Gas Meter Accuracy Test Fee

Residential	\$15.00
Commercial	Cost
Industrial	Cost

(Ordinance Numbers 272, Section D; 366-1-84, 444-6-88; 392-6-88; 392-6-86 and 319-9-79, as amended by Ordinances 440-8-88, 446-1-89, 530-11-95, and 539-10-96, and 553-10-97 (Amended, and 555-12-97

Water Tap Fees

*- Aquair rates - outside city limits.

19. Provide a copy of the Tennessee Valley Electric Cooperative's rate schedule to support the rates used on Company workpaper E-2.00.

RESPONSE:

Tennessee Valley Electric Cooperative has informed us that they do not maintain a rate schedule since their electric supplier (TVA) rates are subject to change on a monthly basis.

20. Re-file the Company's proposed tariffs to include the following:

- a. The name and title of the issuing officer on each sheet pursuant to TRA 1220-4-1-.02(2)(b).
- b. Identify all changes and additions to the original tariff by a designation of "C" in the margin if it represents a change, and an "N" in the margin if it represents an addition or new language.

RESPONSE:

The proposed tariffs filed by the Company are only draft versions for consideration by the TRA Directors in the Company's rate case filing. The Company will make a complete formal tariff filing at a later date, that also includes the name of the issuing officer pursuant to TRA Rule 1220-4-1-.02(2)(b), after the TRA's decision on the Company's rate case.

The Company has taken the opportunity in this rate case to significantly revise, reword, reorder and reformat its tariff to bring it up to date with changes already approved by the TRA for other utilities. As a result, the entire tariff proposed by the Company should be considered new ("N") language.

21. Fully explain the Company's determination of the flat rate fees associated with purchasing and installing a grinder pump at a customer's residence, as contained in the proposed Water & Wastewater Subscription Agreement and its tariff. From the direct testimony of William H. Novak, it appears Aqua is proposing to pass through its cost to the affected customers (Novak, page 11). Wouldn't cost be determined at the time of installation?

RESPONSE:

The Company has proposed a rate of \$2,700 for grinder pumps and \$1,000 for grinder pump installations. These amounts were determined from outside bids (see attached) by third parties.

Aqua desires to have a specific set amount (\$2,700 and \$1,000) included in its tariff for all grinder pump activity rather than a variable amount that could fluctuate from customer to customer. Since the actual cost of the grinder pump and installation will be accounted for as an addition to plant in service, and because the payment from the customer will be accounted for as a contribution in aid of construction, any difference between the Company's actual cost and the tariff rate would result in a net addition or reduction to rate base (i.e. there will be no income effect to the Company).

22. Explain how turning over title to the grinder pump to the customer, who will then be responsible for repair and maintenance of the pump, will ensure the viability of the system, considering that grinder pumps and their proper operation are integral to the proper operation of the wastewater system as a whole.

RESPONSE:

Once an appropriate grinder pump is properly installed, the repairs and maintenance to it (or lack thereof) can do little to harm the Company's wastewater system. In other words, it is only when the grinder pump is actually installed that it can have a detrimental effect on the integrity of the wastewater system. This can happen by installing a grinder pump that is not appropriate for the Aqua system or through the installation by an unqualified contractor.

23. Explain Aqua's rationale for excluding labor costs in the first-year warranty period for a grinder pump provided to the customer, when Aqua is totally responsible for the selection of the equipment purchased and its installation.

RESPONSE:

The grinder pumps that are purchased by Aqua would already come with a one-year warranty, so Aqua is only passing the benefit of this warranty on to the customer. However, the customer would still be responsible for the labor costs associated with the replacement of a grinder pump. This is the same situation that the customer already faces today when a grinder pump is replaced.

24. Summarize the “other” changes to Aqua’s tariff as referenced in the direct testimony of William H. Novak (page 12, lines 24-26).

RESPONSE:

As mention in Item 20, the Company has taken the opportunity in this rate case to significantly revise, reword, reorder and reformat its tariff to bring it up to date with changes already approved by the TRA for other wastewater utilities. Although many of these changes are only cosmetic, the more material changes include the following:

1. The proposed tariff is now split into two parts. TRA #1 includes the Company’s rate schedule. TRA #2 includes the Company’s Rules & Regulations.
2. There are more defined terms applicable to the Company’s business on Sheet #3 of TRA #2.
3. A new section has been added regarding “Water & Wastewater System Construction” on Sheet #7 of TRA #2.
4. A new section regarding “Apparatus-Easements” has been added on Sheet #8 of TRA #2.
5. A new section regarding “Meter Tests” has been added on Sheet #9 of TRA #2.
6. Additional and more comprehensive language has been added to “Discontinuance of Service” on Sheet #10 of TRA #2.
7. A new section regarding “Special Pretreatment of Wastewater Requirements” has been added on Sheet #10 of TRA #2.
8. A new section on Public, Emergency and Regulatory contact information has been added on Sheet #11 of TRA #2.
9. A new “Wastewater Subscription Agreement” has been added on Attachment #1 of TRA #2.
10. A new “List of Required Practices” has been added on Attachment #2 of TRA #2.

25. Provide information on any and all current debt owed by Aqua Utilities Company.

RESPONSE:

Aqua Utilities Company has no debt as explained in the pre-filed direct testimony of William H. Novak (page 9, lines 2-3). All of Aqua's capital has been provided through equity infusions of cash from its owner.

26. Does Aqua Utilities plan to or anticipate the need to incur debt before the end of the attrition year?

RESPONSE:

Aqua Utilities Company does not plan or anticipate the need to incur debt before the end of the attrition year.

27. Has Aqua Utilities owed any debts in the past three (3) years? If so, describe each debt instrument.

RESPONSE:

Aqua Utilities Company has not owed any debts in the past three (3) years.