

2006 NOV -9 PM 12:33

November 7<sup>th</sup>, 2006

THU 11 7 51 AM

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

RE: Tennessee Wastewater Systems, Inc.'s Petition to Reclassify Specific Resort Areas in Sevier County from Residential to Commercial. (Docket No. 06-00259) - Data Response

Dear Mrs. Standley:

Tennessee Wastewater Systems, Inc. provides the following information per your request dated November 6, 2006.

1. Do you bill the property management companies for each of these properties?

Response: Currently there are two customers at Eagle Crest and 14 customers at Black Bear that have requested the property management companies pay their sewer bills.

2. Please provide copies of bills for the most recent three months for all properties that you are requesting to be reclassified.

Response: Every one of the 413 (as of September 30, 2006) customers at the requested facilities has paid \$35.54 per month for the last three months.

3. Please indicate the amount of rate increase that customers will realize as a result this reclassification. (What exactly are they paying now and what will they be paying once the bill is reclassified based on the average of the last three months activity or flow?)

Response: The rate increase will be from \$ 35.54 / month to a minimum of \$75.93 for most customers. Some with large cabins will be higher rates as determined by the number of bedrooms and guest capacity.

4. Are there any residential properties being served by these areas presently that would not be considered as commercial?

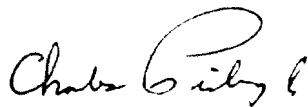
Response: In all of the affected projects, only one customer maintains a residential unit.

5. Please provide a copy of the proposed notice to the customers of the change in rates from residential to commercial and the effective date of the proposed change.

Response: See attached proposed letter.

If you have any further questions, or need any additional information, please feel free to contact me.

Sincerely,



Charles Pickney, Jr.  
President

Dear Customer:

Tennessee Wastewater Systems, Inc. (TWSI) provides public utility sewerage service to your resort cabin. The original tariff approved for this development treated the resort cabins as residential. Recently, the Tennessee Regulatory Authority (TRA), the state's public service commission, approved a rate change that recognizes these types of resort cabins as commercial rather than residential customers. As a result, the monthly sewer service rate for your cabin has been increased.

These resort cabins operate in a completely different manner than residential. Most of the cabins have sleeping facilities often significantly in excess of the bedroom capacity of the unit. Guests often flush foreign materials into the interceptor tank at the cabin that results in significantly increased service calls and maintenance expense to the utility. Under the commercial rate structure, TWSI can require cabin owners to pay for capital costs to upgrade the sewer systems if they are exceeding their capacity.

Effective with the monthly service period beginning on January 1, 2007, your monthly sewer bill will reflect the new rate structure. That rate is based on the sewage design capacity of your cabin and is related to the number of bedrooms in the cabin and the number of guests that the cabin can accommodate. The minimum monthly sewer bill will be \$75.93/month for a design capacity up to 300 gpd. Above 300 gpd average flow rate, the sewer bill will increase proportionally.

TWSI is committed to continue to provide its customers the highest quality public utility sewer service possible. This rate increase will allow us to ensure the necessary level of both preventive and emergency maintenance and operation to the system.

Sincerely,

Michael Hines, M.S., P.E.  
Vice President