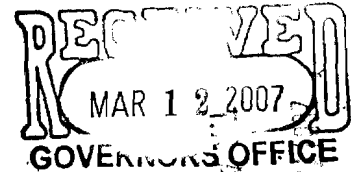




a community of enchanting log homes, each as unique as the grain of wood it is crafted from

March 7, 2006

The Honorable Phil Bredesen
Governor's Office
Tennessee State Capitol
Nashville, TN 37243-0001



TRA

TRA DOCKET FILE NO. 0600259 – CHANGE OF SERVICE CLASSIFICATION
FROM RESIDENTIAL TO COMMERCIAL

Dear Governor Bredesen:

We would like to request your review of a proposed change to the wastewater service classification for Smoky Cove Subdivision in Sevier County. Enclosed is a copy of the petition submitted to the Tennessee Regulatory Authority by Mr. Charles Pickney, Jr. of Tennessee Wastewater Systems, Inc. (TWSI) in October 2006. After reviewing Mr. Pickney's petition, please consider the following information.

- TWSI has operated the wastewater system at Hidden Springs Resort in Sevier County for over seven years. This resort has over 150 cabins used as overnight rentals. Using the knowledge gained from this experience, TWSI should have been able to accurately predict waste stream flows for other overnight rental cabins in the same county.
- At no time during the planning or construction phases of our sewer system did representatives of TWSI indicate that there might, in the future, be a possibility that the service provided to Smoky Cove homeowners would be reclassified from residential to commercial. There was never any discussion that the "advertised" number of individuals a home could sleep would dictate a change in service classification.
- HP Development, LLC, initially paid over \$200,000 for installation of our on-site wastewater disposal system. Since the completion of this system, TWSI has not been required to remove any waste from Smoky Cove property.
- The majority of homes in Smoky Cove are on overnight rental programs. However, it is important to recognize that the annual occupancy rate of these rental homes is less than 50%.
- All cabins in Smoky Cove Subdivision are occupied by their owners many days throughout each year.

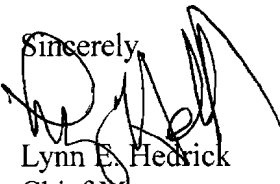
March 7, 2007

- Neither the Smoky Cove homeowners nor the developer were notified of TWSI's "Petition to Amend Certificate of Convenience and Necessity 06-00259" that, when approved, would affect rates paid by these parties.
- In the enclosed undated letter sent by TWSI and received in our office on March 1, 2007, Michael Hines provides a graduated usage chart. Since TWSI is able to monitor and record actual waste stream flow for individual homes, we would like to suggest that the actual waste stream flow of each affected home in Smoky Cove be monitored for 12 consecutive months before a decision is made to reclassify from Residential to Commercial. We predict that the actual waste stream flow recorded during this period of time will be no more or less than a comparable residential home.
- TWSI's usage chart states that any customer with a waste stream flow in excess of 300 gallons per day will pay additional charges above their Commercial usage rate. The following statement is taken directly from the United States Geological Survey web site: "Estimates vary, but each person uses about 80-100 gallons of water per day. " Based on this Government estimate, TWSI has grossly underestimated the water usage for typical residential households.

We would appreciate your intervention and recommendation to the TRA to deny approval of TWSI's new tariff page for Smoky Cove Log Home Resort.

Please give me a call if you need clarification on any of the above comments.

Sincerely



Lynn E. Hedrick
Chief Manager
Smoky Cove Log Home Resort

Enclosures