

WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

March 19, 2007

VIA HAND DELIVERY

Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

filed electronically 5/25/07 @ 5:11pm

Re: Docket to Determine the Reserve/Escrow Requirement for Cartwright Creek,
LLC Pursuant to TRA Rule 1220-4-12-.07(8)
Docket No. 07-00058

Dear Chairman Kyle:

On behalf of Cartwright Creek, LLC, attached are the Company's responses to the TRA Staff's data request of March 6, 2007.

If you have any questions in regards to these responses, please contact me at 713-298-1760.

Sincerely,



William H. Novak

1. Provide a narrative that includes the age of major plant assets (by account number) at December 31, 2006, depreciation rates on those assets, and plant replacements or major repairs made during the last five (5) years.

Company Response

Substantially all of the major plant assets for Cartwright Creek, LLC were first placed in service in 1974. The major plant assets, which are also included on the Company's 2006 TRA Annual Report, are presented below. In 2006, there were major repairs to the sewage system totaling approximately \$75,000. No other major repairs have been undertaken in the last five (5) years.

The Company utilizes depreciation rates of 7 to 40 years.

Fixed Assets:

Utility plant in service	463,474.36
A/D & amort of utility plant	(132,421.24)
Utility Plant in Service	
354 Structures & improvements	12,474.96
361 Collection sewers - gravity	106,539.61
364 Flow measuring devices	2,622.10
365 Flow measuring installations	3,467.77
370 Receiving wells	46,448.46
371 Pumping equipment	61,618.28
380 Treatment & disposal equipment	198,130.55
381 Plant sewers	5,403.97
382 Outfall sewer lines	10,537.73
389 Other plant & misc equipment	15,161.05
398 Other tangible plant	1,069.88
Utility plant in service offset	(463,474.36)

2. Provide the following information that would be considered currently pending:

- a. Lawsuits or any known financial exposure;**
- b. Notices of Noncompliance from any source;**
- c. Notices of Violation from any source;**
- d. Orders or Moratoriums from any source; and/or**
- e. Any other compliance issues related to wastewater service.**

Company Response

The Company has no pending issues against it as described above..

- 3. Does the Company currently maintain an escrow account to accumulate funds dedicated to plant replacement or non-routine operation and maintenance? If yes:**
- a. Provide funding source;**
 - b. Provide an Excel spreadsheet (by email to ronl.graham@state.tn.us or on CD) that details monthly deposits and withdrawals since inception through December 31, 2006. For withdrawals, include a brief description of the purpose.**
 - c. Provide a copy of the legal document establishing this escrow account.**
 - d. Is the account separately recorded on the Company's financial statements?**
 - e. What is the account number and where on the Company's annual 12/31/06 report to the TRA is the account disclosed?**
 - f. For what purposes can funds from this account be used?**
 - g. Provide internal procedures for deposits and disbursements to this account?**
 - h. Who is (are) the person(s) responsible for carrying out these procedures?**
 - i. Who is the person that is authorized to approve disbursements?**
 - j. How were the escrow rates determined?**
 - k. Is an adjustment needed in the escrow rates? If so, why and how much?**

Company Response

Not applicable. The Company does not maintain an escrow/reserve account.

- 4. If the Company does not maintain an escrow account to fund plant replacement and non-routine operation and maintenance expenses, please explain and justify why an escrow is not necessary. Provide a copy of the latest bank statement showing the Company's cash reserves and a financial statement showing the financial viability of the Company.**

Company Response

The Company is certainly willing to create an escrow/reserve account since much of its plant is in immediate need of replacement. However, our initial attempts to work with the Staff on the creation of such an account were not successful. The Company would welcome the TRA Staff's involvement in creating an escrow reserve account for Cartwright Creek, LLC similar to what is already in effect for other Tennessee wastewater utilities.

Attached is a copy of the Company's bank statement and financial statements at December 31, 2006.

**Bank of America**

Bank of America, N.A.
P.O. Box 25118
Tampa, FL 33622-5118

1.888.400.9009

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Page 1 of 3

Account Number: 0055 6638 1323

EO P 0A Enclosures 0 23

Statement Period

12/01/06 through 12/31/06 0062219



00016131 01 MB 0.326 12 30904 001 SCM999

FIRST AMERICAN TITLE INS CO AS ESCROW
AGT FOR CARTWRIGHT CREEK LLC
315 DEADERICK ST STE 2055
NASHVILLE TN 37238-2000

Business Interest Maximizer Account**Account Summary Information**

Statement Period 12/01/06 through 12/31/06
Number of Deposits/Credits 1
Number of Withdrawals/Debits 1

Statement Beginning Balance 304,294.69
Amount of Deposits/Credits 780.68
Amount of Withdrawals/Debits 60,498.70
Statement Ending Balance 244,576.67

Number of Enclosures 0
Number of Days in Cycle 31

Average Collected Balance 282,852.59
Average Ledger Balance 282,852.59
Service Charge 0.00

Interest Information

Amount of Interest Paid 780.68
Annual Percentage Yield Earned
This Statement Period 3.30%

Interest Paid Year-to-Date 5,075.37
Withholding Year-to-Date 0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
12/29	780.68	Interest Earned	

Withdrawals and Debits**Other Debits**

Date Posted	Amount	Description	Bank Reference
12/21	60,498.70	Funds Transfer Debit Fdes Nfi 0018144 Nbk6Qq2	945012211440230

Do Mar 27, 2007

10:45 am

Cartwright Creek, LLC

Balance Sheet

	Dec/06	Dec/05	Inc/<Dec> ===== Var =====	% == Var ==
	=====	=====		
ASSETS				
Current Assets:				
Fifth Third Bank - MMA	\$0.00	\$882.68	(\$882.68)	-100.0%
Pinnacle - Deposit Acct (MMA)	4,011.02	0.00	4,011.02	100.0%
Pinnacle - Operating	1,153.39	2,584.25	(1,430.86)	-55.4%
Customer accounts receivable	2,803.97	1,470.17	1,333.80	90.7%
	-----	-----	-----	
TOTAL Current Assets	7,968.38	4,937.10	3,031.28	61.4%
	-----	-----	-----	
Fixed Assets:				
Utility plant in service	463,474.36	463,474.36	0.00	0.0%
A/D & amort of utility plant	(132,421.24)	(66,210.62)	(66,210.62)	-100.0%
Utility Plant in Service				
Structures & improvements	12,474.96	12,474.96	0.00	0.0%
Collection sewers - gravity	106,539.61	106,539.61	0.00	0.0%
Flow measuring devices	2,622.10	2,622.10	0.00	0.0%
Flow measuring installations	3,467.77	3,467.77	0.00	0.0%
Receiving wells	46,448.46	46,448.46	0.00	0.0%
Pumping equipment	61,618.28	61,618.28	0.00	0.0%
Treatment & disposal equipment	198,130.55	198,130.55	0.00	0.0%
Plant sewers	5,403.97	5,403.97	0.00	0.0%
Outfall sewer lines	10,537.73	10,537.73	0.00	0.0%
Other plant & misc equipment	15,161.05	15,161.05	0.00	0.0%
Other tangible plant	1,069.88	1,069.88	0.00	0.0%
Utility plant in service offse	(463,474.36)	(463,474.36)	0.00	0.0%
	-----	-----	-----	
TOTAL Utility plant in service offse	0.00	0.00	0.00	100.0%
	-----	-----	-----	
TOTAL Fixed Assets	331,053.12	397,263.74	(66,210.62)	-16.7%
	-----	-----	-----	
Other Assets:				
Special deposits	244,576.67	0.00	244,576.67	100.0%
Misc current & accrued assets	375.00	297.35	77.65	26.1%
Note Receivable - M.R.S. LLC	100.00	100.00	0.00	0.0%
Permits - Waterbridge	125,000.00	125,000.00	0.00	0.0%
	-----	-----	-----	
TOTAL Other Assets	370,051.67	125,397.35	244,654.32	195.1%
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TOTAL ASSETS	\$709,073.17	\$527,598.19	\$181,474.98	34.4%
	=====	=====	=====	

LIABILITIES

Current Liabilities:

Accounts payable	\$20,070.48	\$27,852.72	(\$7,782.24)	-27.9%
Accrued Franchise Tax	828.00	465.00	363.00	78.1%
Accrued Ad Valorem Tax	3,779.00	3,997.00	(218.00)	-5.5%
Accrued Gross Receipts tax	6,222.00	6,615.00	(393.00)	-5.9%
Misc current & accrued liab	0.00	3,173.00	(3,173.00)	-100.0%
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TOTAL Current Liabilities	30,899.48	42,102.72	(11,203.24)	-26.6%
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Long-Term Liabilities:

Long Term debt - Reese/Steve Smith				
	409,572.23	407,864.82	1,707.41	0.4%
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TOTAL Long-Term Liabilities	409,572.23	407,864.82	1,707.41	0.4%
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Other Liabilities:

Advances for construction	6,424.40	0.00	6,424.40	100.0%
Pending tap - Madison Land Co.	12,250.00	12,250.00	0.00	0.0%
	-----	-----	-----	
TOTAL Other Liabilities	18,674.40	12,250.00	6,424.40	52.4%
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TOTAL LIABILITIES	459,146.11	462,217.54	(3,071.43)	-0.7%
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CAPITAL

Partners Capital - Sheaffer	515,129.34	191,840.13	323,289.21	168.5%
Partners Capital - M.R.S. LLC	100.00	100.00	0.00	0.0%
Retained earnings (deficit)	(126,559.48)	0.00	(126,559.48)	100.0%
Year-to-Date Earnings	(138,742.80)	(126,559.48)	(12,183.32)	-9.6%
	-----	-----	-----	
TOTAL CAPITAL	249,927.06	65,380.65	184,546.41	282.3%
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TOTAL LIABILITIES & CAPITAL	\$709,073.17	\$527,598.19	\$181,474.98	34.4%
	=====	=====	=====	

Mar 27, 2007

10:50 am

Cartwright Creek, LLC

Income Statement

	12 Months Ended 12/06	12 Months Ended 12/05	Variance Fav/<Unf>	% Var
	=====	=====	=====	=====
Income				
Residential revenues	\$185,866.71	\$186,929.97	(\$1,063.26)	-0.6%
Commercial revenues	53,224.68	53,224.68	0.00	0.0%
Other sewer revenues	909.94	861.62	48.32	5.6%
	-----	-----	-----	
TOTAL Income	240,001.33	241,016.27	(1,014.94)	-0.4%
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Expenses				
Sludge removal expense	55,090.00	72,997.50	17,907.50	24.5%
Purchased power	24,539.00	24,152.26	(386.74)	-1.6%
Chemicals	12,504.93	11,145.41	(1,359.52)	-12.2%
Materials & supplies	17,704.84	22,780.45	5,075.61	22.3%
Engineering	0.00	470.00	470.00	100.0%
Plant Management	32,450.00	30,900.00	(1,550.00)	-5.0%
Accounting	30,000.00	30,000.00	0.00	0.0%
Repairs & Maint to plant	112,213.20	71,867.22	(40,345.98)	-56.1%
Legal fees	0.00	67.55	67.55	100.0%
Insurance expenses	822.35	631.84	(190.51)	-30.2%
Postage	1,617.25	1,747.47	130.22	7.5%
Regulatory commission expense	708.05	707.98	(0.07)	0.0%
Bad debt expense	168.19	15.60	(152.59)	-978.1
Interest Exp - Smith Note	11,107.41	19,598.54	8,491.13	43.3%
Bank charges	1,642.52	1,592.91	(49.61)	-3.1%
Miscellaneous expense	988.38	1,597.07	608.69	38.1%
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TOTAL Expenses	301,556.12	290,271.80	(11,284.32)	-3.9%
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OPERATING PROFIT (LOSS)	(61,554.79)	(49,255.53)	(12,299.26)	-25.0%
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Other Income & Expenses				
Depreciation	(66,210.62)	(66,210.62)	0.00	0.0%
Permits & Taxes other than income				
	(16,052.76)	(11,097.00)	(4,955.76)	-44.7%
Interest & dividend income	5,075.37	3.67	5,071.70	138193
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TOTAL Other Income & Expenses	(77,188.01)	(77,303.95)	115.94	0.1%
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PROFIT (LOSS) BEFORE TAXES	(138,742.80)	(126,559.48)	(12,183.32)	-9.6%
	-----	-----	-----	
NET PROFIT (LOSS)	(\$138,742.80)	(\$126,559.48)	(\$12,183.32)	-9.6%
	=====	=====	=====	

- 5. Is Contribution in Aid of Construction (CIAC) amortized at the same rate that plant is depreciated? If no, explain and provide CIAC amortization rates by plant account.**

Company Response

Yes. The Company's depreciation rate is identical to its CIAC amortization rate.