

TENNESSEE REGULATORY AUTHORITY

RON JONES
DIRECTOR

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0505



CHAIRMAN
CONSUMER AFFAIRS COMMITTEE,
NATIONAL ASSOCIATION OF REGULATORY
UTILITY COMMISSIONERS

NOTICE OF OFFICIAL NOTICE

DOCKET NO.: 07-00062

RE: Docket to Determine the Reserve/Escrow Requirement for King's Chapel Capacity, LLC Pursuant to TRA Rule 1220-4-12-.07(8)

DATE: October 18, 2007

Docket No. 07-00062 is currently scheduled for deliberations during the October 22, 2007 Authority Conference. This notice is provided to advise that pursuant to Tennessee Code Annotated §§ 4-5-313(6) and 65-2-109(2) and (4), I will take official notice of the following documents, which are not currently part of the administrative record:

- Docket No. 99-00393, *In re: Petition of On-Site Systems, Inc. to Change Rate Structure, Increase Rates, and Add Fees*
 - *Order Approving Change in Rate Structure, Rate Increase, and Addition of Fees*
 - *Petition* (filed June 3, 1999)
- Docket No. 00-00272, *In re: Petition of On-Site Systems, Inc. to Amend its Certificate of Convenience and Necessity*
 - *Order Approving Petition of On-Site Systems, Inc. to Amend its Certificate of Public Convenience and Necessity*
 - *Petition of On-Site Systems, Inc. to Amend its Certificate of Convenience and Necessity* (May 11, 2000)

King's Chapel Capacity, LLC may file a written response to rebut or contest the material so noticed prior to the October 22, 2007 Authority Conference, offer oral comments at the Authority Conference, or request at the Authority Conference additional time to file a written response to rebut or contest the material so noticed.

Ron Jones, Director

Original in Docket File
cc: Parties on Service List

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

AUGUST 4, 2000

IN RE:

**PETITION OF ON-SITE SYSTEMS, INC.
TO CHANGE RATE STRUCTURE,
INCREASE RATES, AND ADD FEES**

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DOCKET NO. 99-00393

**ORDER APPROVING CHANGE IN RATE STRUCTURE, RATE INCREASE,
AND ADDITION OF FEES**

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on January 11, 2000 upon a Petition to Change Rate Structure, Increase Rates, and Add Fees filed by On-Site Systems, Inc. ("On-Site") on June 3, 1999. A Hearing in this matter was held on November 30, 1999.

Background

On-Site was granted a Certificate of Public Convenience and Necessity ("CCN") by the Tennessee Public Service Commission ("TPSC") on April 4, 1994 to provide sewer service to Oakwood Subdivision in Maury County.¹ On-Site has subsequently expanded its service territory to include Southridge Subdivision in Montgomery County,² Swan Harbour Subdivision in Roane County,³ River Road Utility District in Cheatham County,⁴ Milcrofton Utility District in Williamson County,⁵ Tall Oaks Subdivision in Blount

¹ TPSC Docket No. 93-09040.

² Authority Docket No. 97-01104.

³ Authority Docket No. 97-01003.

⁴ Authority Docket No. 97-01394.

⁵ Authority Docket No. 97-01393.

County,⁶ Yoakum Hollow Development in Campbell County,⁷ and the Shreibman Development in Cannon County.⁸

The Initial Order of the TPSC granting On-Site a CCN set a rate for On-Site's residential sewer service in Maury County of \$8.49 per month. This has remained the rate for On-Site's residential service for each area it has subsequently added to its service territory.

On June 3, 1999, On-Site filed a Petition with the Authority for a change in rate structure, an increase in rates, and an addition of certain fees. The Petition states that under its present rates On-Site's revenues are not sufficient to meet the needs of the public for the provision of adequate sewer service, maintain corporate operations and a viable corporate existence, and earn a fair rate of return.

On-Site states that its proposed changes are necessary because On-Site's original tariff failed to include calculations for other costs necessarily incurred in the provision of adequate sewer service. These include treatment costs, utility costs, disposal system costs, sampling, testing and reporting costs, billing and collection costs, governmental fees, management fees, and corporate, property and federal taxes. Along with its Petition, On-Site also filed Revised Tariff documents which include Revised Rules and Regulations.

On-Site proposes to increase its rate for sewer system operation and maintenance from its current single rate for residential service of \$8.49 per month to a rate of \$8.95 per month. Because this rate covers only core costs such as the operation and maintenance of its collection system, it will now represent only one cost category on the basis of which On-Site will charge its residential customers. On-Site proposes to make further additions to its

⁶ Authority Docket No. 98-00790.

⁷ Authority Docket No. 98-00881.

⁸ Authority Docket No. 98-00880.

list of cost categories. These additions will result in substantial rate increases for On-Site's residential customers, but this is necessary for On-Site to provide adequate sewer service to its customers and earn a fair rate of return. These increases will vary from area to area.⁹ The proposed overall rates for On-Site's residential customers, by subdivision, are as follows:

Oakwood Subdivision	\$36.67
Southridge Subdivision	\$19.38 plus pass-through ¹⁰
Swan Harbour	\$35.11
River Road Utility District	\$31.15
Milcrofton Utility District	\$37.21
Tall Oaks Subdivision	\$35.11
Yoakum Hollow Subdivision	\$35.11
Shreiber Subdivision	\$35.11
Cornerstone of Mitchell Creek ¹¹	\$35.11

On-Site does not propose any commercial rate for Oakwood Subdivision, Tall Oaks Subdivision, or Yoakum Hollow Development, stating that it does not anticipate having any commercial customers at these locations. For Southridge Subdivision, On-Site proposes a commercial rate of \$25.00 per month plus a pass-through of actual treatment and disposal costs charged by the City of Clarksville. For the remaining areas, On-Site states that its commercial rates will be based on waste strength, system components, and gallons of flow, which On-Site states were unknown at the time it filed its Petition. In its revised projections for 1999 and 2000 income and operating income and expense, On-Site indicates that it anticipates no income from commercial customers through 2000.

⁹ On October 14, 1999, On-Site replaced Exhibit 11 to its Petition, showing a breakdown by cost category of On-Site's rates for each subdivision, with a new Exhibit 11. On-Site stated that this substitution was necessary to reflect the payment of public utility ad valorem taxes instead of property taxes. This correction resulted from consultations with the Consumer Advocate Division of the Office of the Attorney General.

¹⁰ Customers in this subdivision pay a fee for On-Site's services plus a pass-through amount for the actual cost of treatment and disposal service provided by the City of Clarksville.

¹¹ Cornerstone of Mitchell Creek is not listed in the Petition. It is listed in the Exhibits filed with the Petition and in replacement Exhibit 11, filed on October 14, 1999.

On-Site also proposes to add the following fees as stated in its Rules and Regulations:

Non-payment	5% of monthly charge
Disconnection	\$10
Reconnection	\$15
Returned check	\$20
Access	\$84/year

Although no persons sought intervention in this docket, a representative of On-Site met several times with representatives of the Consumer Advocate Division of the Office of the Attorney General to discuss On-Site's proposed rate changes, and On-Site made certain corrections in its filings as a result of these meetings.

On-Site's Hearing

The Authority issued a Notice of Hearing on November 9, 1999. The Hearing in this docket was held on November 30, 1999. On-Site filed the pre-filed testimony of Mr. Charles L. Pickney, On-Site's president. Mr. Pickney also testified during the Hearing and was questioned by the Directors and by Authority Staff. At the Hearing, Mr. Pickney testified that the changes proposed in On-Site's Petition, particularly the charges for additional categories of costs, are necessary for On-Site to be a viable company and provide sewer service to its customers. Mr. Pickney also testified that On-Site needs to be able to collect a number of fees which are standard in the industry, such as late payment, disconnection, reconnection, and returned check fees. Mr. Pickney stated further that a sewer access fee is necessary to cover costs of initial testing and reporting. Mr. Pickney stated that On-Site's proposed rates were the result of consultations with the Authority Staff and the Consumer Advocate Division, and that the proposed rates were comparable to those charged in other Middle Tennessee locations for similar services.

Findings

The Authority reviews any increase in rates or rate schedules by a public utility based on the standards of Tenn. Code Ann. § 65-5-203, which requires the Authority to determine whether the proposed increase is just and reasonable, taking into account the safety, adequacy and efficiency or lack thereof of the service or services furnished by the utility.

Based upon careful consideration of the Petition and the Exhibits thereto, as amended, and of the entire record of this matter, and applying the standards set forth in Tenn. Code Ann. § 65-5-203, the Authority finds and concludes that the rate increase On-Site proposes is just and reasonable and therefore that On-Site's Petition should be approved. On-Site has demonstrated that the rates it proposes to put into effect for sewer service are necessary to provide adequate sewer service to its customers and to provide On-Site a fair rate of return. On-Site has also demonstrated that the proposed Rules and Regulations attached to its Revised Tariff are necessary and should be approved.

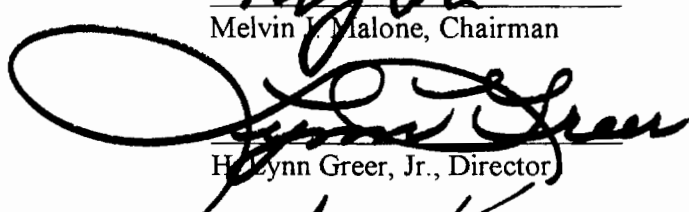
The Authority finds that it is necessary for On-Site to add the proposed costs to the list of cost categories on the basis of which it charges its customers. Although this addition represents a substantial increase in rates, this increase is necessary because On-Site's original tariff did not cover several types of common expenses. The Authority also finds that On-Site's proposed access fee is appropriate, as it will allow On-Site to cover monthly testing costs, and that the fees On-Site proposes to add for non-payment, disconnection, reconnection, and returned checks are reasonable and are comparable to fees charged by similar utility companies.

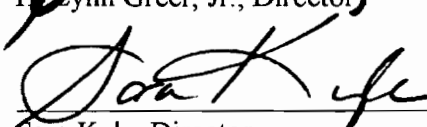
This matter came before the Authority for a decision at the regularly scheduled Authority Conference held on January 11, 2000. At that Conference, the Directors unanimously approved On-Site's Petition as amended.

IT IS THEREFORE ORDERED THAT:

1. The Petition of On-Site Systems, Inc. to Change Rate Structure, Increase Rates, and Add Fees is approved;
2. The proposed residential and commercial rates and other fees included in On-Site's Revised Tariff, as amended, are approved;
3. The proposed Rules and Regulations attached to On-Site's Revised Tariff are approved;
4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order; and
5. Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.


Melvin J. Malone, Chairman


Hollynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

99 JUN 3 6 10 03

IN RE: PETITION OF ON-SITE SYSTEMS, INC.)
TO CHANGE RATE STRUCTURE,)
INCREASE RATES AND ADD FEES)

EXECUTIVE SECRETARY
DOCKET NO. 99-00393

PETITION

Petitioner, On-Site Systems, Inc. (On-Site), a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, does hereby file with the Tennessee Regulatory Authority (Authority), this Petition, with Exhibits, and a Revised Tariff and requests that the Authority, pursuant to T.C.A. § 65-5-201, et seq., hear and determine that the increased rates as reflected in the Revised Tariff are just and reasonable. In support of this request, On-Site Systems, Inc. avers that:

1. That it is a public utility as defined by T.C.A. § 65-4-101 and subject to the regulation of this Authority. It was granted its original Certificate of Convenience and Necessity from the Public Service Commission on April 4, 1994 to provide sewer service to Oakwood Subdivision in Maury County. Subsequently, petitioner expanded its service territory to include Southridge Subdivision in Montgomery County, Swan Harbour Subdivision in Roane County, River Road Utility District in Cheatham County, Milcrofton Utility District in Williamson County, Tall Oaks Subdivision in Blount County, Yoakum Hollow Development in Campbell County, and the Shreibman Development in Cannon County.

2. The existing rate will not provide, and cannot be made to provide, sufficient revenues to cover all the cost incurred in providing adequate sewer service. The initial order of the Commission set the rate for sewer service for homes in Oakwood Subdivision in Maury County at \$8.49. Though this rate was established in April of 1994 based on a preliminary estimate, as of December 31, 1998 no homes in Oakwood Subdivision had signed up for service and no Oakwood customer had yet paid this rate. At present, it appears that three customers will be signed up for sewer service in Oakwood Subdivision in 1999.

3. As On-Site Systems, Inc. requested each of the additional service areas, they were assigned the same \$8.49 per month rate as the Oakwood Subdivision. As of December 31, 1998, the only subdivision with paying customers was Southridge in Clarksville where sixteen (16) customers were paying monthly sewer bills. At that development, On-Site Systems, Inc. is providing only collection, without treatment and disposal, as the effluent is sent to Clarksville. On-Site was authorized to pass directly through to the customers the fees charged by Clarksville for treatment and disposal of the effluent. As a result of the small number of customers and the moderate expense incurred in collection systems only, the financial losses on operations have thus far been limited.

4. Due to a misunderstanding of the necessary components which should have been included in the initial Tariff, the initial Tariff proposal of \$8.49 considered only core costs such as operation and maintenance for the collection system. The initial Tariff erroneously failed to include calculations for the many other costs necessarily incurred in the provision of adequate sewer

service.

5. Attached to this Petition as Exhibits 1 through 15, are the system wide list of categories of expenses which are necessarily incurred in the provision of adequate sewer service. These are the standard categories of cost associated with such provision, including but not limited to, treatment costs, utility costs, disposal system costs, sampling, testing and reporting costs, billing and collection costs, governmental fees, management fees and corporate, property and federal taxes. On-Site has also filed simultaneously herewith Revised Tariff documents which include Revised Rules and Regulations. The Rules and Regulations include a few categories of cost such as delinquent charges and access fees.

6. As a regulated utility, On-Site must have customer rates approved that will permit it to cover all costs necessarily incurred in providing sewer service and which will permit it to earn a sufficient rate of return to remain a viable business entity. The existing rate of \$8.49 is very close to adequate to cover collection system operation and maintenance. The rate proposed, see Exhibit 1, is broken down by actual expenditures and proposes a total rate of \$8.95. This constitutes only a 46¢ increase over the existing Tariff. However, the existing Tariff covers only collection system operation and maintenance, thus failing to cover the actual costs of treatment, disposal, billing other expenses associated with operating a corporate entity which provides sewer service. Each Exhibit attached hereto provides a break down of a proposed cost category. The Revised Tariff filed simultaneously herewith adopts that standard category cost for each category which is applicable to sewer service for the listed entity.

7. Under the present rate, On-Site's revenues are not sufficient and cannot be made sufficient to:

- (a) Meet the needs of the public for the provision of adequate sewer service;
- (b) Maintain corporate operations and viable existence as a corporate entity;
- (c) Earn a fair rate of return to which it is entitled under Article I, Section 8 of the Constitution of Tennessee, and the Fourteenth Amendment to the Constitution of the United States;

8. As is found in the testimony of On-Site President, Charles Pickney, Jr., and as is shown by the Financial Information, both of which are filed contemporaneously herewith, without rate relief, On-Site cannot provide service nor continue as a viable entity.

9. The Financial Information filed herewith includes a profit and loss statement for calendar year 1998 which shows a loss of \$872.09 based on the existing rate. As indicated in Paragraphs 2 and 3 herein, this loss was incurred with On-Site providing a very small number of customers collection only service in which the cost of treatment and disposal were passed directly through to those customers. This pass through cost service constitutes only a small percentage of On-Site's future customers. Had On-Site served even a small number of non-pass through cost customers, its losses would have been substantial. The 1999 Projected Profit and Loss statement in the Financial Information establishes that even with the substantially Revised Tariff proposed herewith, On-Site's net income for the year would be approximately \$1,600.00 when serving 47

customers. Using the increased Tariff requested herein, the projections for year 2000 show On-Site serving 148 customers and receiving under \$5,000.00 of net operating profit.

10. On-Site is requesting a substantial increase in its Tariff because the initial Tariff failed to include necessary components of cost. The existing Tariff is totally inadequate to cover the costs associated with providing collection, treatment and disposal of sewage for the developments which will require service beginning in 1999. Though the existing Tariff comes close to adequately covering the cost of operation and maintenance for collection, when the other necessary components of expense are considered, the existing Tariff funds less than thirty percent (30%) of the revenue needed. On-Site has proposed the Revised Tariff to begin customer billing at a rate adequate to fund all components necessary to the provision of adequate service.

11. On-Site has filed simultaneously herewith a Revised Tariff designed to produce the additional necessary revenues. On-Site avers that the above proposed changes would fix just and reasonable rates taking into account the safety, adequacy and efficiency of the service furnished by On-Site. On-Site further avers that the Revised Tariff as filed is economically feasible, provides a fair and reasonable rate of return and is in the best interest of On-Site and the customers it serves. Therefore, On-Site respectfully requests that the Revised Tariff be approved.

WHEREFORE, the Company requests the Authority to:

1. Schedule a hearing upon proper notice for the presentation of evidence as to the rates necessary to provide adequate sewer service to its customers and a fair rate of return to the

TESTIMONY OF CHARLES L. PICKNEY, JR.

On-Site Systems, Inc. is a Tennessee corporation which was formed in March of 1993. At the time of forming, the corporation had three stockholders and officers: Robert Pickney - President/Treasurer, Thomas Pickney - Vice President, and William Pickney - Secretary. The purpose of forming the corporation was to establish a public utility company that would provide sewer service.

The Pickney brothers had been in the on-site sewer system construction business since 1989 and were familiar with a combination of on-site technologies that would make it possible to provide sewer service to small communities and subdivisions. Realizing that proper operation and maintenance would be critically important to the long term success of these systems, they created On-Site Systems, Inc. to provide for that need. In addition to maintenance and operation, the Pickney brothers were in a unique position to provide technical expertise and management to insure that the systems would be properly designed and constructed.

Prior to joining my brothers in On-Site Systems, Inc., I had spent much of my career in management of engineering firms. I earned a bachelors degree in Mechanical Engineering from Tennessee Technological University in 1973 and a masters degree in Business Administration from the University of North Alabama in 1977. I passed the professional engineer's examination in 1978 and I am licensed to practice engineering in three states. In 1982 I established the consulting engineering firm, Pickney & Associates,

Inc., and by 1987 it had grown to employ 25 people. The firm was acquired by a larger one and from 1987 to 1994 I was an owner in the engineering-architectural firm of SSOE, Inc. and served as the shareholder in charge of the Nashville office. Approximately 50 of the firm's 600+ engineers, architects, and designers worked in the Nashville office where we conducted a general consulting engineering practice. This practice included water and waste water system design and environmental engineering.

After becoming involved with On-Site Systems, Inc. in 1994, I traveled extensively to seminars, exhibitions, and symposiums to learn about current technical developments in the on-site sewer industry and to talk to people from all parts of the United States about research and on-site sewer system developments in their regions.

I was one of the founders of the Tennessee On-Site Wastewater Association and last year I was elected to a three year term on the board of the National On-Site Wastewater Recycling Association.

In preparing this petition I generated most of the data presented in the financial information section, the revised tariff sheets, and the exhibits. The estimates used are based on a combination of actual maintenance experiences with on-site systems, industry norms, equipment manufacturer information, and in the case of estimates for long term equipment replacement, information from system operators in the state of Oregon.

On April 4, 1994 the Public Service Commission granted to the company it's original certificate of need and necessity to provide sewer service to Oakwood Subdivision in Maury County. In October of 1994, I became a stockholder of On-Site Systems, Inc. and

was elected president of the corporation; Robert Pickney was elected as vice president, Thomas Pickney as treasurer, and William Pickney as secretary.

On-Site Systems was subsequently awarded additional service territories by the Tennessee Regulatory Authority to include Southridge Subdivision in Montgomery County (1997), Swan Harbor Subdivision in Roane County (1997), River Road Utility District in Cheatham County (1997), Milcrofton Utility District in Williamson County (1997), Tall Oaks Subdivision in Blount County (1998), Yoakum Hollow Development in Campbell County (1998), and Shreibman Development in Cannon County (1999).

In February of 1994, when On-Site Systems petitioned the Public Service Commission for a certificate of convenience and necessity to provide sewer service to Oakwood Subdivision, the process was not well understood by the officers of the corporation. In addition, the type of treatment and disposal to be used at that site had not been determined. The only known system component was the water tight collection system. A preliminary cost estimate for maintaining the collection system of \$8.49 per month was submitted as a starting point. Due to a lack of understanding of the process and thinking the rest could be added later, On-Site's representative allowed the process to proceed without adding any other costs associated with operating and maintaining the other components of the sewer system or costs of operating a utility company. As additional service territories were added, they were, by regulation, assigned the same rate of \$8.49 per month. When the company filed a tariff in 1998, it had to conform to the existing order of \$8.49.

Due to a variety of circumstances, from the time of the Commission's order on April 4, 1994 until December 31, 1998, there had been very little activity at Oakwood Subdivision and no customers had signed up for sewer service. At present, it appears that three customers will sign up for service in Oakwood Subdivision this year. Of the eight service territories that have been granted to On-Site, only Southridge Subdivision in Montgomery County had paying customers as of December 31, 1998.

Due to the nature of the approval process for subdivisions, the construction of the infrastructure, the sale of the lots, and then the building of homes, it is not uncommon to have a lag time of two years or more. By December 31, 1999 the company is expecting to have paying customers in Oakwood, Southridge, River Road Utility District, Tall Oaks and Yoakum Hollow Development. We expect to average 47 customers for 1999.

It was fortunate for On-Site Systems that the only paying customers in 1998 were in Southridge Subdivision where costs for treatment and disposal by the city of Clarksville were passed through to customers. The financial loss that the company suffered in 1998 would have been considerably worse if treatment and disposal had been provided without the ability to recover the costs.

In the years 1992 through 1998, the Pickney brothers had incurred documented start up costs of \$143,297.76. These costs, which were born by Pickney Brothers, Inc., were passed along to On-Site Systems, Inc. in the form of a loan. Realizing the slow process of building out subdivisions and the small number of customers in the early years, Pickney

Brothers, Inc. agreed to expect accrual of interest with no payment in 1999 and payment of interest only (at 6%) for the years 2000 through 2003. A schedule for paying back principal and interest, starting in the year 2004, will be formulated jointly by the TRA and On-Site Systems, Inc. at that time.

In order for On-Site Systems to be a viable company and provide sewer service to it's customers, it is necessary to request a rate increase to include other system cost components such as treatment system maintenance and operation costs (exhibit 2), utility costs (exhibit 3), disposal system costs (exhibit 4), sampling, testing, and reporting costs (exhibit 5), billing and collection costs (exhibit 6), miscellaneous costs (exhibit 7), State of Tennessee Department of Environment fee (exhibit 8), bonding costs (exhibit 9), taxes (exhibits 10, 11, & 12) and management fees (exhibits 14 & 15). None of the above costs were included in our original tariff. In addition, fees which are standard in the industry, such as for late payment(5%), disconnection(\$10), re-connection(\$15) and returned checks(\$20), need to be authorized. These fees have been added in the proposed revised rules and regulations.

The build out of a subdivision is often slow and it is necessary to charge a sewer access fee to the owner of each lot to cover the cost of monthly testing required by the State of Tennessee Department of the Environment. This alleviates the problem of having 3 to 4 paying customers and a \$350 monthly testing fee for treatment at that development. A sewer access fee(\$84/year) has been added to the proposed revised rules and regulations.

The contract between On-Site Systems, Inc. and the developer requires that the sales contract for lots sold notify buyers of their responsibility to pay the access fee.

With several new systems starting up this year, it is imperative that the proper rate structure and fees be put in place to insure that the company can provide sewer service to these customers as it is chartered to do. As is evident from the tariff sheets and exhibits, the appropriate monthly sewer service fees to customers ranges from a low of \$30.87 for River Road Utility District to a high of \$36.93 for Milcrofton Utility District.

When compared to sewer service costs for other cities and communities in middle Tennessee, these rates are in the middle range. For an average of 6,000 gallons per month of usage, customers pay the following rates in cities:

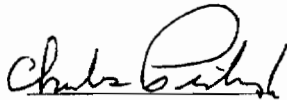
Franklin	\$ 14.49
Ashland City	20.40
Columbia	25.70
Nashville	27.76
Pegram	28.30
Kingston Springs	29.80
White House	37.60
Fairview	69.00
Ridgetop	69.30

When cities provide sewer service to customers outside the city limits, the rates are

typically higher. As an example, for 6,000 gallons / month, Franklin charges \$23.97 . In most cases cities do not provide sewer service outside their city limits and counties cannot afford the costs of providing sewer service. Those of us involved with On-Site Systems are happy that the company is able to provide a badly needed service at a reasonable cost to people that would most likely not get the service they need any other way.

I believe that the rate increases and added fees in our petition, based on the best cost estimates available, are reasonable and fair and will enable On-Site Systems to be a financially viable company and serve the needs of our customers.

This concludes my testimony.

A handwritten signature in cursive script, appearing to read "Charles Pickney, Jr.", written in dark ink.

Charles Pickney, Jr.

On-Site Systems, Inc.

Financial Information

Customer Projections

and

Financial Statements

On-Site Systems, Inc.

Income Projections
1999 and 2000

<u>Service Area</u>	Number Of Customers <u>1999</u>	* Total Projected Income <u>1999</u>	Number Of Customers <u>2000</u>	* Total Projected Income <u>2000</u>	Reference Tariff Sheet
Oakwood Subdivision - Maury Co.	3	\$1,310.04	6	\$2,620.08	2
Southridge Subdivision - Montgomery Co.	25	\$5,529.00	40	\$8,846.40	3
Swan Harbour - Roane Co.	0	0	3	\$1,253.88	4
River Road Utility District - Cheatham Co.	2	\$740.88	11	\$4,074.84	5
Milcrofton Utility District - Williamson Co.	0	0	25	\$11,079.00	6
Tall Oaks Subdivision - Blount Co.	14	\$5,851.44	30	\$12,538.80	7
Yoakum Hollow Development - Campbell Co	3	\$1,253.88	8	\$3,343.68	8
Shreibman Development - Cannon Co.	0	0	25	\$10,449.00	9
Total	47	\$ 14,685.24	148	\$54,205.68	

Typical income calculation : For Oakwood Subdivision 1999
(Monthly charge of \$36.39) x (12 months) x (3 houses) = \$1,310.04

* Note : Pass through revenue not included.

On-Site Systems, Inc.

Income and Escrow Projections
1999 and 2000

<u>Service Area</u>	Number Of Customers <u>1999</u>	* Total Projected Income <u>1999</u>	Escrow Amount	Number Of Customers <u>2000</u>	* Total Projected Income <u>2000</u>	Escrow Amount
Oakwood Subdivision	3	\$1,310.04	\$364.68	6	\$2,620.08	\$729.36
Southridge Subdivision	25	\$5,529.00	\$1,905.00	40	\$8,846.40	\$3,048.00
Swan Harbour	0	0	0	3	\$1,253.88	\$364.68
River Road Utility District	2	\$740.88	\$181.20	11	\$4,074.84	\$996.60
Milcrofton Utility District	0	0	0	25	\$11,079.00	\$3,039.00
Tall Oaks Subdivision	14	\$5,851.44	\$1,701.84	30	\$12,538.80	\$3,646.80
Yoakum Hollow Development	3	\$1,253.88	\$364.68	8	\$3,343.68	\$972.48
Shreibman Development	0	0	0	25	\$10,449.00	\$3,039.00
Total	47	\$14,685.24	\$4,517.40	148	\$54,205.68	\$15,835.92

Typical income calculation : For Oakwood Subdivision 1999
(Monthly charge of \$36.39) x (12 months) x (3 houses) = \$1,310.04

Typical escrow calculation : For Oakwood Subdivision 1999
(Monthly escrow amount of \$10.13) x (12 months) x (3 houses) = \$364.68

* Note : Pass through revenue not included.

On-Site Systems, Inc.
Profit and Loss
January 1, 1998 through December 31, 1998

Ordinary Income/Expense

Income

Interest Payment	\$7.97
Utility Service Income	<u>\$6,148.01</u>
Total Income	\$6,155.98

Expense

630. Contractual Services	\$1,461.60
675. Miscellaneous Expense	\$28.00
Bank Service Charges	\$91.00
Billing Software	\$913.50
Maintenance Fee	\$500.00
Office Supplies	\$191.42
Reimbursement for Start up Cost	\$3,552.90
Taxes	
Franchise & Excise	\$25.00
Sales	\$108.25
Utilities	
Gas & Electric	\$124.34
Water- Oakwood	\$16.30
Utility- Other	<u>\$15.76</u>
Total Expense	\$7,028.07

Net Income

-\$872.09

On-Site Systems, Inc.
Projected Profit and Loss
January 1, 1999 through December 31, 1999

Operating Income & Expense

Income

Sales to residential customers	*	\$14,685.24
Sales to commercial customers		0.00

Total Income		\$14,685.24
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Escrow amount		<u>(\$4,517.40)</u>
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Operating Income		\$10,167.84
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Expense

Contractual Services		\$5,820.24
Materials and Supplies		\$500.00
Miscellaneous Expenses		\$800.00
Franchise & Excise Tax		\$464.48
Other Taxes		<u>\$1,003.92</u>

Total Expense		\$8,588.64
----------------------	--	-------------------

Net Operating Income	*	\$1,579.20
-----------------------------	---	-------------------

* Note : does not include escrow funds for equipment replacement and tank pumping

On-Site Systems, Inc.
Projected Profit and Loss
January 1, 2000 through December 31, 2000

Operating Income & Expense

Income

Sales to residential customers	*	\$54,205.68
Sales to commercial customers		0.00
Total Income		\$54,205.68
Escrow amount		<u>(\$15,835.92)</u>
Operating Income		\$38,369.76

Expense

Contractual Services	\$25,779.36
Materials and Supplies	\$1,800.00
Miscellaneous Expenses	\$1,200.00
Franchise & Excise Tax	\$1,456.32
Other Taxes	<u>\$3,161.28</u>
Total Expense	\$33,396.96

Net Operating Income	*	\$4,972.80
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* Note : does not include escrow funds for equipment replacement and tank pumping

On-Site Systems, Inc.

TARIFF

Proposed Effective date 8-1-99

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On- Site Systems, Inc.
Sewer Service Billing Structure
Oakwood Subdivision
Maury Co.

Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Maury County	\$1.56	0	9
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$36.39	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

No commercial customers are anticipated on this system

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
Southridge Subdivision
Montgomery Co.**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment and disposal - by the city of Clarksville - pass through of actual costs	actual costs	0	15
Utility costs - Pumping Station and Metering Station	\$0.85	0	3
Sampling and Testing costs - Required by State of Tennessee	\$0.00	0	
Billing and collection costs	\$1.50	0	6
Miscellaneous costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.00	0	
Bonding costs - Required by Montgomery County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.00	0	
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$18.43 + act cost	\$6.35	

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15 Returned Ck- \$20 Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

\$25.00 + pass through of actual treatment and disposal costs

Effective _____

On-Site Systems, Inc.
Sewer Service Billing Structure
Swan Harbor
Roane County
Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Roane County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$34.83	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
River Road Utility District
Cheatham County
Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs -for Lagoon System	\$2.60	\$1.20	2
Utility costs - Lagoon treatment	\$0.30	0	3
Disposal system costs - point discharge	\$0.00	0	4
Sampling and Testing costs - Required by State of Tennessee	\$9.20	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Cheatham County	\$0.00	0	9
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$30.87	\$7.55	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
Milcrofton Utility District
Williamson Co.**

Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs -Sand -Gravel Filter Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	6
Billing and collection costs	\$1.50	0	7
Miscellaneous Costs	\$0.40	0	8
State of Tennessee Department of Environment Annual Fee	\$0.52	0	9
Bonding costs - Required by Williamson County	\$2.10	0	10
Franchise - Excise Taxes - Utility Company	\$0.82	0	11
Property taxes -Williamson County	\$0.67	0	12
Federal Taxes	\$1.11	0	13
Local management fee	\$2.00	0	14
Corporate management fee	\$2.80	0	15
Total	\$36.93	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective _____

On-Site Systems, Inc.
Sewer Service Billing Structure
Tall Oaks Subdivision
Blount County
Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Blount County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$34.83	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

No commercial customers are anticipated on this system

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
Yoakum Hollow Development
Campbell County**

Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Campbell County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$34.83	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

No commercial customers are anticipated on this system

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
Shreibman Development
Cannon County**

Residential Sewer Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Cannon County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$34.83	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective _____

**On-Site Systems, Inc.
Sewer Service Billing Structure
Cornerstone of Mitchell Creek
Overton County**

**Residential Sewer Rate
(See sheet 10A)**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand gravel treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Overton County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
Total	\$34.83	\$10.13	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr
(See Rules and Regulations for explanation)

Commercial Sewer Rate

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective _____

On-Site Systems, Inc.
Sewer Tariff
TRA # 1

Revised Sheet #10A

**On-Site Systems, Inc.
Sewer Service Billing Structure
Cornerstone of Mitchell Creek
Overton County**

Residential Sewer Rate

On-Site Systems, Inc. petitioned the TRA on May 19, 1999
for a Certificate of Convenience and Necessity to serve this development.
As of the date of this rate petition, this CCN has yet to be approved and
this service area is not included in any customer or financial projections.

Effective _____

Exhibit 1

On-Site Systems, Inc.

Collection System

Operation and Maintenance Costs

	Average Monthly Cost	Amount to be Escrowed
Tank pumping - usually once in 3 to 4 years - average -each (42 months) \$130 per pumping /42 = \$3.10 / month	\$3.10	\$3.10
Equipment replacement costs - for pumps, control panels, valves, etc. - average over a 20 year period - (240 months)		
Materials and equipment costs - 1 pump, 1/2 control panel, 2 float switches - cost - \$570.00		
Labor costs - 7 hours at \$30 / hour = \$210.00		
Total - \$780/240 = \$3.25	\$3.25	\$3.25
Preventative maintenance - annual system checks and corrections labor - .44 hr @ \$30/ hr = \$13.20 : \$13.20 / 12 months = \$1.10 / month	\$1.10	0
Service calls - based on Ashland City and Oregon information - service truck and technician - .025 hr per home / mo X \$60.00 / hr = \$1.50	\$1.50	0
Total	\$8.95	\$6.35

Exhibit 2

On-site Systems, Inc. Treatment System Costs

Sand Gravel Filter

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - clean dosing system - check valves - check pumps - clean top of filter - check electrical control system - clean recirculating tank Costs - somewhat variable depending on filter size average - one hour per EDU per year - cost \$30.36 / 12 = \$2.53	\$2.53	0
Trouble calls - .02 hr / month/ EDU : .02 x \$40.00 / hr = \$.80 / month - based on historical record of filters maintained by Pickney Bros.	\$0.80	0
Equipment replacement costs - pumps, valves, media, electrical control systems - (Average over 20 year period - 240 months) For 40 EDU - Pump costs - \$ 4,800.00 - one media replacement - \$20,000.00 Electrical control system components and misc.- \$3,040.00 average cost per customer per month = \$696.00 / 240 = \$2.90	\$2.90	\$2.90
Total	\$6.23	\$2.90

Lagoon

Annual preventive maintenance - remove vegetation, repair aerators, clean liner Estimated cost - \$1.10 per month per EDU	\$1.10	0
Trouble calls - .01 hr / EDU - .01 x \$30.00 / hr = \$.30 per EDU per month	\$0.30	0
Equipment replacement costs - averaged over 20 years Liner, valves, aerator system and controls - \$11,520.00 For 40 EDU - \$11,520.00 / 40 = \$288.00 / EDU - \$288.00 / 240 = \$1.20 / month	\$1.20	\$1.20
Total	\$2.60	\$1.20

* Note: An EDU is an Equivalent Dwelling Unit. It represents one average household.

Exhibit 3

On-Site Systems, Inc. Utility Costs

Sytems with Sand Gravel Filter Treatment

The major utility will be electricity and the largest users of electricity are the pumps. For systems with sand gravel filter treatment and an average of 40 homes the estimated cost for electricity is \$32.00 per month. $\$32.00 / 40 = \$.80 / \text{month per home}$

Average Monthly Cost	Amount to be <u>Escrowed</u>
----------------------------	------------------------------------

\$0.80	0
--------	---

Sytems with Lagoon Treatment

The major utility will be electricity which is needed to power the aerators and in some cases pumps. For systems with lagoon treatment and an average of 40 homes, the estimated cost for electricity is \$12.00 per month. $\$12.00 / 40 = \$.30 / \text{month per home}$

\$0.30	0
--------	---

Systems with Pump Stations

The cost of electricity for pump stations will depend on the gallons of effluent being pumped.

Assuming a single pump station will serve 40 homes, the estimated cost of electricity per pump station is \$20.00 / month -
 $\$20.00 \text{ per month} / 40 \text{ homes} = \$.50 \text{ per home per month}$

\$0.50	0
--------	---

Sytems with Metering Stations

The average monthly cost of electricity for a Metering Station is \$14.00
 $\$14.00 / 40 \text{ homes} = \$.35 \text{ per home per month}$

\$0.35	0
--------	---

Exhibit 4

On-Site Systems, Inc. Disposal System costs

Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - 135 hrs / EDU / year x \$40.00 / hr = \$5.40 / year = \$.45 / month	\$0.45	0
Trouble calls - variable depending on travel time Cost - .06 hrs / EDU / year x \$40.00 / hr = \$2.40 / year = \$.20 / month	\$0.20	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system Cost - (over a 20 year period) - \$211.20 / 240 - per EDU / mo = \$.88 / month	\$0.88	\$0.88
Total	\$1.53	\$0.88

Exhibit 5

On-Site Systems, Inc.

Sampling, Testing and Reporting Costs

Average Monthly Cost	Amount to be <u>Escrowed</u>
----------------------------	------------------------------------

The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.

With Drip Irrigation Disposal

The average cost for this service is estimated at \$280.00 / month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. For an average of 40 homes per system the monthly cost per home is $\$280.00 / 40 = \7.00

\$7.00	0
--------	---

With Lagoon and Point Discharge Disposal

The average cost of this service is estimated at \$368.00 / month. This estimate is based on infrequent discharges (probably two per month and minimal testing requirements). If more frequent discharges become necessary this cost will rise substantially. For an average of 40 homes per system the monthly cost per home is $\$368.00 / 40 = \9.20

\$9.20	0
--------	---

Exhibit 6

On-Site Systems, Inc.

Billing and Collection Costs

It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services.

Average
Monthly
Cost

Amount
to be
Escrowed

Estimated Billing and Collection Costs

\$1.50

0

Exhibit 7

On-Site Systems, Inc.

Miscellaneous Costs

This category covers costs such as legal enforcement of contracts, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Estimated Miscellaneous Costs	\$0.40	\$0

Exhibit 9

On-Site Systems, Inc.

Bonding Costs

It is the position of On-Site Systems, Inc. that with the oversight of the Department of the Environment, Division of Water Pollution Control and the Tennessee Regulatory Authority and the set aside of escrow funds to provide for tank pumping and future equipment replacement needs, that a bond is not necessary to insure the security of the sewer system and the company in the future. Unfortunately, some local governing bodies have imposed bonding requirements on the company. While a legal challenge could be made to their actions, we have chosen to cooperate and provide the required bonding. It is hoped that over time as more and more of these systems prove their successful operation, these bonding requirements will be reduced or eliminated.

Maury County Oakwood Subdivision

At present, the Maury County Commission is requiring On-Site to provide a \$100,000.00 bond in the form of a letter of credit at Cheatham State Bank. The normal cost of a letter of credit is 1% ; in this case \$1,000.00. Since we expect to only have 3 customers in Oakwood Subdivision this year, this is a problem. Due to a very good business relationship with the bank, the fee was waived for 1998. It is uncertain what will happen for 1999 and beyond. In order to keep the sewer rate for Oakwood in the moderate range, it was estimated that over a 5 year period the number of homes in the subdivision will grow to an average of 40 and the bond will be reduced in stages from \$100,000.00 to \$50,000.00.

Average Bond- $\$100,000 + \$50,000 / 2 = \$75,000.00$.

Cost of Bond- $\$75,000 @ 1\% = \750.00

$\$750.00 / 12 \text{ mo.} = \$62.50 / \text{mo.}$

$\$62.50 \text{ mo.} / 40 \text{ homes} = \$1.56 / \text{mo.}$

Only time will tell if these assumptions are realistic.

Estimated monthly bonding costs - Maury County - **\$1.56** Escrow - \$0.00

Williamson County Milcrofton Utility District

The first project going through the approval process in the Milcrofton Utility District in Williamson County is the Lewis Gardens Development. The Williamson County Planning Commission has not set a final bond amount, but it is anticipated that it will be substantial. It is expected that within 5 Years, Lewis Gardens could have 120 to 150 homes paying sewer bills. Assuming an average of 80 homes over those 5 years and an average bonding cost per year of \$2,016.00, the average monthly bonding cost per home for Lewis Gardens in Williamson County is \$2.10. ($\$2,016.00 / 12 \text{ months} = \$168.00 / \text{month}$. for 80 homes = \$2.10 per home per month)

Estimated monthly bonding costs - Williamson County **\$2.10** Escrow - \$0.00

Exhibit 11
On-Site Systems, Inc.
Property Taxes

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Property taxes on land based on treatment and disposal area needed for 40 homes		
Estimated land value - \$50,000		
Tax - based on estimated value - \$320.00 / year		
For an average of 40 homes - $\$320 / 480 = \$.67 / \text{month}$	\$.67 / month	0

Exhibit 12

On-Site Systems, Inc.

Federal Taxes

On-Site Systems, Inc. will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Escrow amount to be treated as profit - average over a 10 year period (Annual amount escrowed) - (annual equipment replacement costs) (\$121.56) - (\$77.16) = \$44.40 / yr.		
Net monthly taxable amount = \$44.40 / 12 = \$3.70 / month		
Estimated tax on \$3.70 = \$1.11	\$1.11	0

Exhibit 13

On-Site Systems, Inc.

Local Management Fee

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day to day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state.

An example of this is the contractual arrangement that On-Site Systems Inc. has made with Southeastern Environmental Engineering of Knoxville to manage the East Tennessee Region. For a fee of \$2.00 per month , Southeast Environmental will manage the day to day operations of the company, insuring that maintenance providers, billing, collection and other services are being performed properly and that any customer problems are handled.

Local management fee -	\$2.00 per customer per month
------------------------	--------------------------------------

Exhibit 14

On-Site Systems, Inc.

Corporate Management Fee

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - **\$2.80** per month per customer

Exhibit 15

On-Site Systems, Inc. Pass Through Treatment and Disposal Costs

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipe line to that plant instead of building treatment and disposal facilities.

Example Southridge Subdivision - Montgomery County

All of the sewer effluent collected from homes in Southridge Subdivision is sent by pipeline to the city of Clarksville. The city currently charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the customers who live in Southridge. The monthly sewer bill to the customers in Southridge has two components, a fixed component which covers On-Site's costs and a variable component, based on water usage, which passes through the charges from the city of Clarksville. As an example, a customer who uses 5,000 gallons of water per month would have a pass through cost of $5 \times \$5.40 = \27.00 . Per our contract with the city of Clarksville, they will adjust the amount they charge annually and On-Site will pass through that amount.

Treatment and disposal costs - Pass through of actual costs

Escrow - \$0.00

RULES AND REGULATIONS

Governing the sewage collection and treatment systems of On-Site Systems, Inc.

Statement of Purpose

The general purpose of these rules and regulations is:

1. To establish procedures for furnishing sewage collection and treatment services on a uniform basis to customers within the Company's service area.
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Protection of the integrity of the water tight system
 - c. Engineering design standards
 - d. Construction standards and inspection requirements
 - e. Quality of materials

Definition of Terms

1. Company - The word Company shall mean On-Site Systems Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of On-Site Systems Inc.
3. Customer - The word Customer shall mean any person , firm, corporation, association or government unit furnished sewage services by the Company.

Effective Date _____

4. Property- The word property shall mean all facilities owned and operated by the Company.
5. TRA - The letters TRA shall mean the Tennessee Regulatory Authority.
6. STEP Tank - The words STEP Tank shall mean the septic tank located near the building which accepts waste and contains a pump vault.
7. STEG Tank - The words STEG Tank shall mean the septic tank located near the building which accepts waste and contains an effluent filter.
8. Service Line - The words Service Line shall mean the line from the STEP/STEG Tank to a Collector Line.
9. Collector Line - The words Collector Line shall mean the line from the Service Line to the Main Line.
10. Main Line- The words Main Line shall mean the line from the Collector Line to the treatment facility.
11. Building Outfall Line - The words Building Outfall Line shall mean the line that carries waste from the building to the STEP/STEG Tank .

12. Pumping Station - The words Pumping Station shall mean a tank that contains pumps and receives effluent from STEG Tanks and / or Collector Lines.

Authorization of Rules and Regulations

On-Site Systems, Inc. is a corporation organized and engaged in business as a public utility in the State of Tennessee. Under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority on April 4th, 1994, under Docket No. 93-09040, the Company submits the following statement of its rules and regulations in compliance with Rule 602.2.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewage system customer of the Company.

Utility Items on Private Property

The Company shall own and maintain all STEP and STEG tanks, control systems and service lines required to provide sewer service on the Customer's premises.

The Customer must execute an agreement granting an easement to the Company for maintenance of the sewer system. The building plumbing and Building Outfall Line shall be maintained by the Customer.

Effective Date _____

Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below
2. For misrepresentation in the application
3. For adding to the property or fixtures without notice to the Company
4. For molesting any service pipe, tank, control system, filter or any property of the Company in any way whatsoever
5. For violation of any rules of the Company
6. For disconnecting or re-connecting service by any party, other than a duly authorized agent of the Company, without the consent of the Company

Non-payment penalties

A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within fifteen days after the due date, a written notice will be sent to the customer. If payment is not received within 15 days of the written notice, sewer service will be turned off from the customer's property, with no additional notice being sent. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15.

Effective Date _____

Returned Checks

A check returned by the bank will incur a fee of \$20.00.

Changes in Ownership, Tenancy of Service

A new application and agreement must be made and approved by the Company on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Company shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection of the service, will be required to make a refundable deposit to secure payment of sewage service bills in an amount double the monthly bill for that particular type of customer. Interest of six (6%) percent will be paid on any such refundable deposit for the period it is held by the Company.

Effective Date _____

Sewer System Access Fee

The owner of each property parcel which is provided a tap when the sewer system is built, will be required to pay a sewer access fee of \$84.00 per year.

This fee will be payable each year by December 15th, for owners of record as of December 1st. As each customer attaches to the sewer tap and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee will not be charged.

Engineering, Materials and Construction Standards

1. General - This specification covers the type of sewer system required for various design conditions of sewers constructed by developers.

The requirements called for are minimum in all cases. Bedding conditions, material specifications, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer. Design and construction of sewer lines shall meet the requirements of the State of Tennessee Department of Environment , in addition to this specification. Where conflicts exist, the more restrictive shall govern.

2. All sewage collection system components are to be water tight.

This includes Building Outfall Lines, all tanks, Collector Lines, Service Lines, and Main Lines. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be water tight.

3. STEP and STEG Tanks are to be installed near the building to be served. The tanks are to be set in a level condition and tested for water tightness before backfilling.

4. All pipe is to be PVC. Classes and sizes will be per Engineer's design and in all cases SDR 21 class 2000 will be the minimum allowable.

5. Only wastewater drains are to be connected to the sewer system. No water sources such as roof drains, sump pumps, condensate lines and swimming pools shall be connected to the sewer system.

Special Pretreatment Sewage Requirements

For all sewage connections the Company reserves the right to require any non-residential user to provide special pre-treatment for any high strength effluent before discharge into its sewage system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to

cover the cost of treatment of high strength effluent, commercial or industrial waste, and may impose standards as to the maximum size of solids and constituents in such waste discharged into its sewage system.

Additionally, if excessive volumes of sewage are received, the Company may require the Customer to monitor flow volume and increase surge holding capacity at the Customer's expense. All customers will be required to follow the Do's and Don'ts list for an Effluent collection system, supplied to them by the Company. These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other things.

Damages

The company shall in no event be responsible for maintaining any building outfall line owned by the customer, nor for damages created by sewage escaping therefrom, nor for defects in Customer's building lines or fixtures. The customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and of the Company.

Effective Date _____

All leaks in any building pipe or fixture on the premises of the Customer shall be immediately repaired by the Customer. On failure to repair any such leak, the service may be discontinued until repairs are made.

Inspection

All pipes, valves and fixtures shall at all reasonable hours, be subject to inspection by the Company or its duly authorized agent.

In Event of Emergency

The Company shall not be liable to the Customer for interruption in service, or for damages or inconvenience as a result of any interruption, stoppage, etc., which was beyond the reasonable control of the Company. In case of an emergency, call 615-356-7294 or pager 615 -951-7048.

Service Area

The Company will provide service within it's current service area. Additions to the service area must be approved by the Tennessee Regulatory Authority.

Effective Date _____

Extension Plan

The Company may furnish sewer service to property owners whose lands abut the Main Line of existing sewer systems. The sewer service charges listed in the sewer billing structure do not include costs for constructing the sewer system. Any sewer system components required to service such abutting properties shall be constructed at the cost of those parties desiring same, and these components shall become the property of the Company, to be credited to the account for contributions in aid of construction. In addition, treatment system component costs will be paid by the Customer desiring to hook on to the system. Sewer service to new areas within a service territory will be made available where it is technically feasible and the developer or property owner is willing to bear the expense of designing and building the sewer system.

Contributions in Aid of Construction

Sewer system components furnished by developers and land owners to the Company will be recognized as contributions in aid of construction in the amount of the actual cost of construction. Capital contributions from developers will be treated in a like manner.

Effective Date _____

Contracts for Service

Each customer, before installation of service, shall be required to execute
a Sewer Service Agreement.

Customer Billing Forms

Customer billings will vary by location. Where the local water provider is willing
to do joint billing, that will be the method. In most instances, coupon books will be
issued for payment of a flat monthly fee. In cases where pass through treatment costs and
commercial customers are involved, a monthly bill will be sent to the customer and be
based on the gallons of water used.

Public Contact

Charles L. Pickney , Jr.
7638 River Road Pike
Nashville, TN 37209
Phone - 615- 356- 7294

Effective Date _____

On-Site Systems
Rules and Regulations
TRA # 2

Revised Sheet #12

Tennessee Regulatory Authority Regulations

The Company, in its operation, shall conform with all the applicable
rules and regulations promulgated from time to time by the Tennessee Regulatory
Authority. Phone # 1-800-342-8359

Effective Date _____

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

October 30, 2000

IN RE:

PETITION OF ON-SITE SYSTEMS, INC. TO AMEND ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY

)
)
)
)

DOCKET NO.
00-00272

ORDER APPROVING PETITION OF ON-SITE SYSTEMS, INC.
TO AMEND ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on August 1, 2000 on the Petition (the "Petition") of On-Site Systems, Inc. ("On-Site") to amend its Certificate of Public Convenience and Necessity ("CCN") for expansion of its service area to include a portion of Blount County known as the Townsend Town Square.

Legal Standard for Granting CCN

On-Site's Petition was made pursuant to and was considered in light of the criteria for granting a CCN as set forth in Tenn. Code Ann. § 65-4-201, which provides, in pertinent part:

(a) No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the authority, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate . . .

Background

On April 4, 1994, On-Site received a CCN in Docket No. 93-09040 from the Tennessee Public Service Commission to provide sewer service to Oakwood Subdivision in Maury County. Since that time, through various other dockets, On-Site has been granted approval to expand its service territory to include locations in other parts of Tennessee. In addition, on January 11, 2000, in Docket No. 99-00393, the Authority approved On-Site's request for a change in rate structure, a rate increase, and an addition in fees, and an Order memorializing this action was issued on August 4, 2000. As stated in that Order, On-Site proposed a commercial rate for the Southridge Subdivision in Montgomery County of \$25.00 per month plus a pass-through of actual treatment and disposal costs charged by the City of Clarksville. On-Site did not propose specific commercial rates for the other areas for which it held CCNs at the time of the January 11, 2000 decision in Docket No. 99-00393. As explained in the August 4, 2000 Order,

For the remaining areas, On-Site states that its commercial rates will be based on waste strength, system components, and gallons of flow, which On-Site states were unknown at the time it filed its Petition. In its revised projections for 1999 and 2000 income and operating income and expenses, On-Site indicates that it anticipates no income from commercial customers through 2000.¹

Petition to Amend CCN

On May 11, 2000, On-Site filed its Petition to amend its CCN to include a portion of Blount County known as the Townsend Town Square. A map showing the area to which On-Site proposes to extend service is attached to its Petition. The Petition states that there is no public sewer located in Townsend, and at present neither Tuckaleechee Utility District, the current supplier of water for this area, nor the Blount County government has any desire to provide sewer service in this area. This is evidenced by letters from Neal Hutchens,

¹ *Order Approving Change in Rate Structure, Rate Increase, and Addition of Fees*, August 4, 2000, Authority Docket No. 99-00393, p. 3.

Tuckaleechee Utility District Manager, and William A. Crisp, Blount County Executive, copies of which were filed with and are attached to the Petition. No person sought intervention as to On-Site's Petition.

In a letter submitted in reference to its Petition, On-Site states that the Townsend Town Square is a shopping center that will contain On-Site's first commercial customers. On-Site further states that these customers will be divided into two categories, those providing and those not providing food service. On-Site proposes a minimum monthly bill of \$100.00 based on a designed flow of 300 gallons per day or less for customers providing food service and a minimum monthly bill of \$75.00 based on a designed flow of 300 gallons per day or less for customers not providing food service. Customers will be charged additional monthly rates for each additional 1,000 gallons of designed daily flow. These additional rates will vary with the category of customer, the method of treatment, and the method of disposal, as set forth in the tariff rate sheets attached to the Petition. In attachments to its Petition, On-Site has listed the costs of providing service to the two categories of commercial customers at the Townsend Town Square, along with a detailed explanation of its proposed commercial rates for this area. These proposed commercial rates differ from those approved for the Southridge Subdivision in Authority Docket No. 99-00393.

Findings

Upon consideration of the Petition and pertinent portions of the record, the Authority finds that the proposed extension of sewer service by On-Site to commercial customers in the Townsend Town Square area is without opposition, would provide service in an area that neighboring providers of sewer service do not at present intend to serve, and is required by the present and future public convenience and necessity, thus meeting the requirements of Tenn. Code Ann. § 65-4-201.

In addition, the commercial rates proposed for On-Site's customers at the Townsend Town Square appear to be just and reasonable and are therefore approved for the Townsend Town Square area only. The Authority makes this finding bearing in mind that the Authority may declare On-Site's proposed commercial rates unlawful if they are subsequently determined not to be just and reasonable, pursuant to Tenn. Code Ann. § 65-4-122, and shall determine whether any subsequent rate increase proposed by On-Site is just and reasonable, pursuant to Tenn. Code Ann. § 65-5-203.

On this basis, at the Authority Conference held on August 1, 2000, the Directors unanimously granted On-Site's Petition.

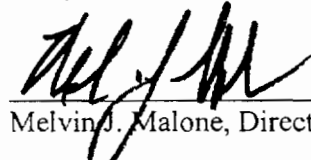
IT IS THEREFORE ORDERED THAT:

1. The Petition of On-Site Systems, Inc. to amend its Certificate of Public Convenience and Necessity to expand its service territory to include a portion of Blount County known as the Townsend Town Square, as shown in the map attached to the Petition, is approved;
2. On-Site's rates for sewer service to its customers in the Townsend Town Square area shall be as listed in the attachment to On-Site's Petition and as set forth in this Order;
3. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order; and
4. Any party aggrieved with the Authority's decision in this matter has the right of

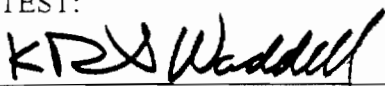
judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary

ON-SITE SYSTEMS, INC.
A PUBLIC UTILITY CO.

May 10, 2000

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

~~CONFIDENTIAL~~

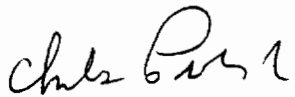
00-00272

RE: Petition to amend Certificate of Convenience and Necessity

Dear Mr. Waddell:

On-Site Systems Inc. desires to expand its service area to include an area near Townsend, Tennessee in Blount County. The attached Petition is in support of our request.

Sincerely,



Charles Pickney, Jr., President
On-Site Systems, Inc.

7638 River Road Pike Nashville TN 37209-5733
(615) 356-7294 Fax (615) 356-7295

POSTED
5-11-00

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

_____, 2000

**IN RE: PETITION OF ON-SITE SYSTEMS, INC. TO AMEND ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY**

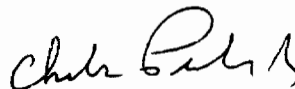
DOCKET No. ~~00-00379~~ 00-00272

Petition of On-Site systems, Inc.
to amend its Certificate of Convenience and Necessity

On-Site Systems, Inc. ("On-Site") petitions the Tennessee Regulatory Authority ("TRA") to amend On-Site's Certificate of Convenience and Necessity to expand its service area to include a portion of Blount County known as the Townsend Town Square. It is located along old Highway 73, between old highway 73 and U.S. highway 321 in Townsend, Tennessee. (See attached location map.) There is no public sewer located in Townsend. At present, neither Tuckaleechee Utility District, the water supplier for this area, nor the Blount County Government, have any desire to provide sewer service to this area. (See attached letters.)

The proposed service area is comprised of approximately 17 acres.

Respectfully submitted,


Charles Pickney Jr., President
On-Site Systems, Inc.

POSTED
5-11-00

Townsend Town Square

WEAR COVE TVA QUADRANGLE MAP

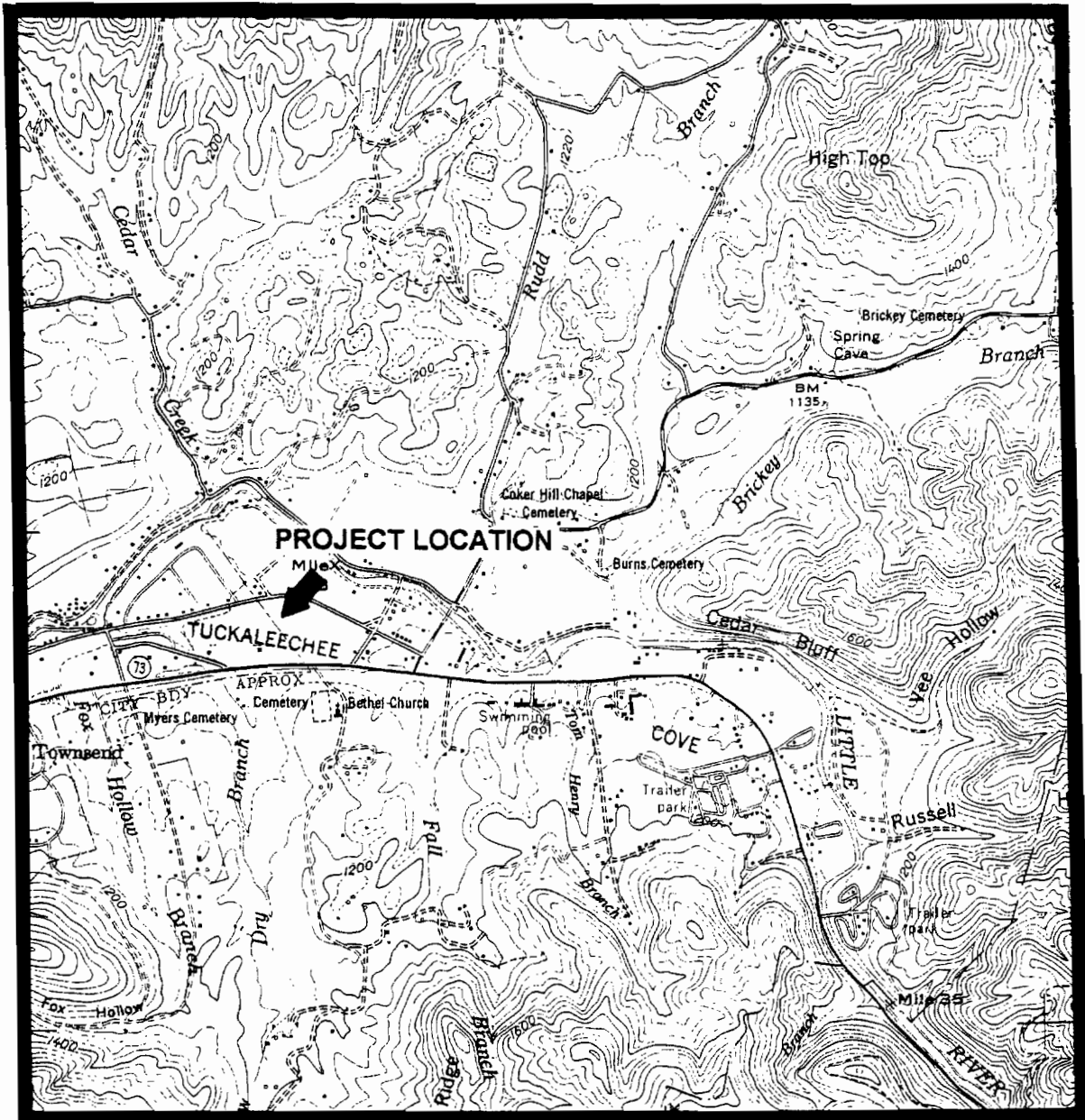
Located at 1800LF West of Wears Valley Road on Hwy 321

Location of Facility

Latitude 83° - 44' - 26" Longitude 35° - 40' - 47"

adjacent to Little River @ Mile 33

Name of Nearest Stream of Tributary (including mile point)



LOCATION MAP

1" = 2000'

TUCKALEECHEE UTILITY DISTRICT
OF BLOUNT COUNTY
P.O. BOX 58
TOWNSEND, TENNESSEE 37882
(615) 448-2230

August 2, 1999

Mr. Charles Pickney, Jr., P.E.
On-Site Systems, Inc
7638 River Road Pike
Nashville, TN 37209-5733

Dear Mr. Pickney,

This will acknowledge your recent request to Tuckaleechee Utility District that it provide sewer service to Townsend Town Square, a commercial development located in Townsend between Old Highway 73 and U.S. Highway 321.

Please be advised that Tuckaleechee Utility District does not desire and has no plans to provide sewer service to Townsend Town Square.

Sincerely Yours,



Manager
Tuckaleechee Utility District

341 COURT STREET
MARYVILLE, TN 37804-5906
PHONE (423) 982-1302
FAX (423) 977-1276

BLOUNT COUNTY GOVERNMENT

WILLIAM A. CRISP
COUNTY EXECUTIVE



August 3, 1999

Mr. Charles Pickney, Jr., P.E.
On-Site Systems, Inc.
7638 River Road Pike
Nashville, TN 37209-5733

Dear Mr. Pickney:

This will acknowledge your recent request to the County that it provide sewer service to Townsend Town Square, a commercial development located in Townsend between Old Highway 73 and US Highway 321. Townsend Town Square is currently served by the Tuckaleechee Utility District.

Please be advised that the County does not desire and has no plans to provide sewer service to Townsend Town Square.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William A. Crisp
Blount County Executive

WAC/rjp

On-Site Systems, Inc.
7638 River Road Pike
Nashville, TN 37209
Phone (615) 356-2880
Fax (615) 356-7295

Mr. Butch Phillips
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition to amend certificate of convenience and necessity.

Dear Mr. Phillips:

On-Site Systems Inc. is submitting this petition to amend our Certificate of Convenience and Necessity to include Townsend Town Square. This is our first commercial system. As with most commercial developments, there will be a variety of tenants in this shopping center and at this point, the development knows what type of business three of the tenants will be. Another four or five tenants will be added as the center builds out. Commercial customers can be grouped into two main categories: those that have food service and those that do not.

While the commercial customers that do not have food service tend to have a higher strength waste stream than a typical residence, the costs per gallon of flow to maintain and operate the sewer system are about 20% higher. The cost elements are virtually identical to those that have already been established for our residential customers, but they are higher due to a more intensive maintenance effort.

As an example, Exhibit 1C (commercial collection system operation and maintenance costs) can be compared to Exhibit 1 (operation and maintenance costs-residential). The design daily flow for a typical home is approximately 300 gallons per day, so the costs shown for each home per month are based on that daily flow. The costs in Exhibit 1C are based on a design flow of 1,000 gallons per day. The monthly cost per home is \$8.95. The monthly cost for the commercial customer is \$35.33. If we divide the flows we get $1000/300 = \$3.33$. The commercial customer will pay more per 1000 gallons of daily flow (\$35.33) than a residential customer (\$29.80), (18.6% more). This cost differential is due to the strength of the waste stream and problems associated with a lack of source control on public restrooms. One example is that more service calls are required because of the occasional abuse of public restroom facilities (i.e. someone flushing a disposable diaper down the toilet and stopping up the line going to the septic tank). In a home, this problem would be easily traceable and correctable with homeowner education, but in a public restroom the source is not traceable and the problem is more likely to occur again.

Most commercial customers will have restroom facilities only. The waste stream is not diluted by shower water, tub water, clothes washing water, etc. Because the waste

stream has a higher concentration of human waste, it causes system components to have a shorter life cycle and incur more costs. An example is that tanks need to be pumped more often due to sludge build up.

One concern is over the setting of a minimum monthly bill. With testing and reporting costs to the state amounting to \$300 per month, there could be a situation where we have only one or two commercial customers and they have only small restroom facilities and small flows. We cannot set a monthly bill for these customers that would cover our costs. It would be too high. (Possibly \$375-\$400 for a single customer). It may be that we have to set a policy that we will not be able to service small numbers of customers with small flows.

We are proposing a minimum monthly bill of \$75 based on a design flow of 300 gallons per day or less for non food service customers and a minimum monthly bill of \$100 based on a design flow of 300 gallons per day or less for food service customers.

Assuming these small flow customers are mixed in with larger "anchor" tenants, we should have enough income to cover our costs.

Commercial customers with food service present some additional challenges. In addition to the increased waste strength of commercial systems due to concentration levels, the waste strength of commercial customers is even higher due to the presence of grease, oil and fats and a significantly increased solid load due to kitchen and food handling wastes. Additional equipment such as oil separators and grease traps are required. This additional equipment must be maintained at added costs. Tank pumping due to solids build up is much more frequent and grease trap monitoring and cleaning must take place regularly for the system to function properly. While the cost of cleaning grease traps is the responsibility of the business owner, monitoring the grease traps adds to the maintenance expense for On-Site Systems, Inc.

The costs to maintain the treatment systems for commercial customers with food service is higher due to the presence of grease, oil and fats and a higher concentration of solids. As an example, the effluent dosing system must be cleaned more frequently to avoid clogging.

The overall increased cost to operate and maintain a commercial system for a customer with food service as compared to a commercial system without food service is in the area of 20%. Depending on the type of system, the additional costs range from 16% to 28%. The exhibit sheets detail the costs involved with these systems.

Sincerely,



Charles L. Pickney Jr.

Tariff Rate Sheet

Commercial Sewer Rates - without food service

A minimum bill per month is \$75.00 for up to 300 gallons per day of designed daily flow.

Monthly rate for each additional 1000 gallons of designed daily flow:

Disposal

<u>Treatment</u>	<u>Disposal</u>		
	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
	<u>Sand-Gravel Filter</u>	\$140.00	\$165.00
	<u>Lagoon</u>	\$116.00	\$140.00
	<u>* Off Site</u>	N/A	N/A
			Pass through costs & \$73.00

- * Off Site means treatment and disposal by another entity such as a city or utility district.
A 10% surcharge will apply if the design flow is exceeded in any month's water meter reading.

Exhibit 1C

On-Site Systems, Inc. Commercial Collection System Operation and Maintenance Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Tank pumping - usually once in 2 years - (24 months) \$390.00 per pumping / 24 = \$16.25 / month	\$16.25	\$16.25
Equipment replacement costs- for pumps, control panels, valves, etc. Average over a 20 Year period - 240 months		
Materials & Equipment costs- 2 pumps. 1 control panel 4 float switches - cost - \$2,060.00		
Labor Costs- 16 hours at \$30 / hour= \$480.00 Total = \$2540.00 / 240 = \$10.58	\$10.58	\$10.58
Preventative maintenance- annual system checks and corrections labor- 1 hr @ \$30 / hr = \$30.00 / year = 30 / 12 = \$2.50 per month	\$2.50	0
Service calls- variable- based on Ashland City & Oregon information - service truck and technician - .1 hr / month x \$60.00 / hr = \$6.00 (important variable - travel time)	\$6.00	0
Total	\$35.33	\$26.83

* Based on a design flow of 1,000 gallons per day

Exhibit 2C

On-Site Systems, Inc. Commercial Treatment System Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Sand Gravel Filter		
Annual preventative maintenance - clean dosing system- check valves- check pumps - clean top of filter - check electrical control system - clean recirculating tank average - per 1,000 gallons of daily flow - 4 hrs per year @ \$35.00 / hour 4 x \$35.00 = \$140.00 / year or 11.67 / month	11.67	0
Trouble calls - .1 hr / 1,000 gallons of daily flow .1 hr x \$40.00 = \$4.00 / month	\$4.00	0
Equipment replacement costs- pumps, valves, media, electrical control systems - (Average over 20 year period - 240 months) For 1,000 gallons of daily flow - Pump costs - \$500.00 - one media replacement - \$2,000.00 Electrical control system components and misc. - \$325.00 average cost per customer per month = \$2825.00 / 240 = \$11.77	\$11.77	\$11.77
Total	\$27.44	\$11.77
Lagoon		
Annual preventative maintenance - remove vegetation, repair aerators, clean liner Estimated cost - \$3.90 per month	\$3.90	0
Trouble calls - .04 hr / month - .04 x \$30.00 / hr = 1.20 per month	\$1.20	0
Equipment replacement costs - averaged over 20 years Liner, valves, aerator system and controls - \$1,100.00 \$1,100.00 / 240 months = \$4.58 / month	\$4.58	\$4.58
Total	\$9.68	\$4.58

* Costs based on an average daily flow of 1,000 Gallons per day per customer

Exhibit 3C

On-Site Systems, Inc.

Utility Costs

Cost basis assumes a treatment facility of 10,000 gallons / day capacity and average customer usage of 1,000 gallons / day

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Commercial Systems with Sand Gravel Filter Treatment		
For systems with sand gravel filter treatment and an average of 1,000 gallons of daily flow - \$8.00 per month	\$8.00	0
Commercial Systems with Lagoon Treatment		
The major utility will be electricity which is needed to power the aerators and in some cases, pumps. For systems with lagoon treatment and an average of 10,000 gallons of daily flow, the estimated cost for electricity is \$14.00 per month. \$14.00 / 10 = \$1.40 per month	\$1.40	0
Commercial Systems with Pump Stations		
The cost of electricity for pump stations will depend on the gallons of effluent being pumped. Assuming a single pump station will serve 10,000 gallons / day of flow, the estimated cost of electricity per pump station is \$20.00 / month - \$20.00 per month / 10 = \$2.00 per month per customer	\$2.00	0
Commercial Systems with Metering Stations		
The average monthly cost of electricity for a Metering Station is \$14.00. \$14.00 / 10 - per customer = \$1.40 per month	\$1.40	0

Exhibit 4C

On-Site Systems, Inc. Commercial Disposal System costs

Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - .5 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$20.00 / year = \$1.67 / month	\$1.67	0
Trouble calls - variable depending on travel time Cost - .25 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$10.00 / year = \$.83 / month	\$0.83	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system - per 1,000 gallons of daily flow Cost - (over a 20 year period) - \$740.00 / 240 = \$3.08 / month	\$3.08	\$3.08
Total	\$5.58	\$3.08

* Costs are based on a disposal system having a capacity of 10,000 gallons per day and a customer having a daily flow of 1,000 gallons

Exhibit 5C

On-Site Systems, Inc.

Commercial Sampling, Testing and Reporting Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.		

With Drip Irrigation Disposal

The average cost for this service is projected at \$300.00 per month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. The cost allocation will be based on the system designed daily flow.

\$30.00	0
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With Lagoon and Point Discharge Disposal

The testing costs will be based on the number of days in the month that the discharge takes place.
Assume two discharges per month.

\$60.00	0
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Exhibit 6C

On-Site Systems, Inc.

Commercial Billing and Collection Costs

Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
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It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services. In addition to normal billing and collecting duties, commercial customers' water bills will be audited to determine if the designed daily flow has been exceeded.

Estimated Billing and Collection Costs

\$2.00

0

Exhibit 7C

On-Site Systems, Inc.

Commercial Miscellaneous Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
This category covers costs such as office supplies, postage, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.		
Estimated Miscellaneous Costs	\$1.36	\$0

Exhibit 8C

On-Site Systems, Inc.

State of Tennessee. Department of Environment, Division of Water Pollution Control Annual Fee

Commercial

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
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For each sewage treatment facility that has been issued an operating permit by the State, an annual fee must be paid to the State to defray the costs of monitoring the System and insuring compliance with environmental regulations. The present fee for each treatment facility is \$250.00 per year. Allocate the monthly fee based on 1,000 gallons of usage.

$250/12 = 20.83$, $20.83/10 = 2.08/\text{month per customer}$

\$2.08

0

Above calculations assume ten 1,000 gallon per day customers on a 10,000 per day system.

Exhibit 10C

On-Site Systems, Inc.

Corporate - Franchise and Excise Taxes

For Commercial Customers

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment per site - Franchise Taxes on \$100,000 of plant and equipment - \$.25 per \$100.00 of equipment = \$250.00 / Year / 12 = \$20.83 / month For a customer with 1,000 gallons of flow, \$20.83 / 10 = \$2.08 per month per system	\$2.08	0
Excise - 6% of net income - Estimate - \$14.35 / month per system x 6%	\$0.86	0
Total Franchise and Excise tax	\$2.94	0

Exhibit 11C

On-Site Systems, Inc.

Commercial Public Utility Ad Valorem Property Taxes

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment for a system providing treatment and disposal for 10,000 gallons per day		
Public Utility Ad Valorem Taxes on \$100,000 of plant, equipment and land is calculated as follows:		
For contributed plant and equipment, the basis is calculated at 25% of value $.25 \times \$100,000 = \$25,000$		
Equalization factor is 55% - $.55 \times \$25,000 = \$13,750.00$		
Tax = $\$13,750.00 \times$ (local tax rate)		
Local tax rates for our service areas are estimated to be 2.75%		
Tax = $\$13,750 \times .0275 = \378.13 per year or \$31.51 per month		
For a customer with 1,000 gallons of daily flow	\$3.15	0

Exhibit 12C

On-Site Systems, Inc.

Commercial Taxes

Federal

On-Site Systems, Inc. will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
Escrow amount to be treated as profit - average over a 10 year period (Annual amount escrowed) - (annual equipment replacement costs) (\$499.92) - (\$352.21) = \$147.71 / yr.		
Net monthly taxable amount = \$147.71 / 12 = \$12.31 / month		
Estimated tax on \$12.31 = \$3.69		
For a customer with 1,000 gallons of daily flow.	\$3.69	0

Exhibit 13C

On-Site Systems, Inc.

Commercial Local Management Fee

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day-to-day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state. Based on the amount of work expected to manage these systems, On-Site Systems, Inc. expects to contract out this work for approximately \$9.32 per month per customer.

Local management fee -	\$9.32 per customer per month
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Exhibit 14C

On-Site Systems, Inc.

Commercial Corporate Management Fee

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - \$9.32 per customer per month

Exhibit 15C

On-Site Systems, Inc.

Commercial System Pass Through Treatment and Disposal Costs

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipe line to that plant instead of building treatment and disposal facilities.

Example ABC Shopping Center

All of the sewer effluent collected from businesses in the ABC Shopping Center is sent by pipeline to the city of Nashville. The city currently charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the customers in the ABC Shopping Center. The monthly sewer bill to the customers in the ABC Shopping Center has two components. The first component covers On-Site's costs of operating and maintaining the collection system, pumping station, and metering station. The second component covers the city of Nashville's charges for treatment and disposal of the effluent piped to them. The second cost is passed through to the customer by On-Site.

As an example, a customer who uses 5,000 gallons of water per month would have a pass through cost of $5 \times \$5.40 = \27.00 . Per contract with the city of Nashville, they will adjust the amount they charge annually and On-Site will pass through that amount.

Treatment and disposal costs - Pass through of actual costs

Escrow - \$0.00

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate W/O Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Sand Gravel Filter	\$27.44	\$11.77	2C
Utility costs - Sand Gravel Treatment	\$8.00	0	3C
Disposal system costs - Drip Irrigation	5.58	3.08	4C
Sampling and Testing costs - Required by State of TN	\$30.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
Total Costs	\$140.21	\$41.68	
Proposed Rate	\$140.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate W/O Food Service

**Compilation Sheet for Lagoon Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Lagoon	\$9.68	\$4.58	2C
Utility costs - Lagoon Treatment	\$1.40	0	3C
Disposal system costs - Drip Irrigation	\$5.58	\$3.08	4C
Sampling and Testing costs - Required by State of TN	\$30.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
Total Costs	\$115.85	\$34.49	
Proposed Rate	\$116.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Sand Gravel Filter	\$27.44	\$11.77	2C
Utility costs - Sand Gravel Treatment	\$8.00	0	3C
Sampling and Testing costs - Required by State of TN	\$60.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
Total Costs	\$164.63	\$38.60	
Proposed Rate	\$165.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Lagoon Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - Lagoon	\$9.68	\$4.58	2C
Utility costs - Lagoon Treatment	\$1.40	0	3C
Sampling and Testing costs - Required by State of TN	\$60.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
Total Costs	\$140.27	\$31.41	
Proposed Rate	\$140.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

**On-Site Systems, Inc.
Sewer Service Billing Structure**

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Off Site Treatment
and Disposal by Others**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment and Disposal by Others (Municipality or Utility District)	actual costs	\$0.00	15C
Utility costs - Pumping station and Metering station	\$3.40	\$0.00	3C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
Total Costs	\$72.59 + actual costs	\$26.83	
Proposed Rate	\$73.00 + actual costs		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

Tariff Rate Sheet

Commercial Sewer Rates - with food service

A minimum bill per month is \$100.00 for up to 300 gallons per day of designed daily flow.

Monthly rate for each additional 1000 gallons of designed daily flow:

Disposal

Treatment

	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
<u>Sand-Gravel Filter</u>	\$170.00	\$192.00	N/A
<u>Lagoon</u>	\$142.00	\$163.00	N/A
<u>* Off Site</u>	N/A	N/A	Pass through costs & \$94.00

- * Off Site means treatment and disposal by another entity such as a city or utility district.
A 10% surcharge fee will apply if the design flow is exceeded in any month's water meter reading.

Exhibit 1CF

On-Site Systems, Inc. Commercial Collection System Operation and Maintenance Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Tank pumping - usually once in 18 months - \$390.00 per pumping / 18 = \$21.67 / month	\$21.67	\$21.67
Equipment replacement costs- for pumps, control panels, valves, etc. Average over a 20 Year period - 240 months		
Materials & Equipment costs- 2 pumps, 1 control panel 4 float switches - cost - \$2,060.00		
Labor Costs- 16 hours at \$30 / hour= \$480.00 Total = \$2540.00 / 240 = \$10.58	\$10.58	\$10.58
Preventative maintenance- annual system checks and corrections labor- 3 hr @ \$30 / hr = \$90.00 / year = 90 / 12 = \$7.50 per month	\$7.50	0
Service calls- variable- based on commercial systems & Oregon information -service truck and technician - .2 hr / month x \$60.00 / hr = \$12.00 (important variable - travel time)	\$12.00	0
Total	\$51.75	\$32.25

* Based on a design flow of 1,000 gallons per day per customer

Exhibit 2CF

On-Site Systems, Inc. Commercial Treatment System Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Sand Gravel Filter		
Annual preventative maintenance - clean dosing system- check valves- check pumps - clean top of filter - check electrical control system - clean recirculating tank average - per 1,000 gallons of daily flow - 6 hrs per year @ \$35.00 / hour 6 x \$35.00 = \$210.00 / year or 17.50 / month	17.5	0
Trouble calls - .1 hr / 1,000 gallons of daily flow .1 hr x \$40.00 = \$4.00 / month	\$4.00	0
Equipment replacement costs- pumps, valves, media, electrical control systems - (Average over 20 year period - 240 months) For 1,000 gallons of daily flow - Pump costs - \$500.00 - one media replacement - \$2,000.00 Electrical control system components and misc. - \$325.00 average cost per customer per month = \$2825.00 / 240 = \$11.77	\$11.77	\$11.77
	_____	_____
Total	\$33.27	\$11.77
Lagoon		
Annual preventative maintenance - remove vegetation, repair aerators, clean liner Estimated cost - \$4.20 per month	\$4.20	0
Trouble calls - .04 hr / month - .04 x \$30.00 / hr = 1.20 per month	\$1.20	0
Equipment replacement costs - averaged over 20 years Liner, valves, aerator system and controls - \$1,500.00 \$1,500.00 / 240 months = \$6.25 / month	\$6.25	\$6.25
	_____	_____
Total	\$11.65	\$6.25

* Costs based on an average daily flow of 1,000 Gallons per day per customer

Exhibit 3CF

On-Site Systems, Inc.

Utility Costs

Cost basis assumes a treatment facility of 10,000 gallons / day capacity and average customer usage of 1,000 gallons / day

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Commercial Systems with Sand Gravel Filter Treatment		
For systems with sand gravel filter treatment and an average of 1,000 gallons of daily flow - \$8.00 per month	\$8.00	0
Commercial Systems with Lagoon Treatment		
The major utility will be electricity which is needed to power the aerators and in some cases, pumps. For systems with lagoon treatment and an average of 10,000 gallons of daily flow, the estimated cost for electricity is \$14.00 per month. $\$14.00 / 10 = \1.40 per month	\$1.40	0
Commercial Systems with Pump Stations		
The cost of electricity for pump stations will depend on the gallons of effluent being pumped. Assuming a single pump station will serve 10,000 gallons / day of flow, the estimated cost of electricity per pump station is \$20.00 / month - $\$20.00 \text{ per month} / 10 = \2.00 per month per customer	\$2.00	0
Commercial Systems with Metering Stations		
The average monthly cost of electricity for a Metering Station is \$14.00. $\$14.00 / 10 - \text{Per customer} = \1.40 per month	\$1.40	0

Exhibit 4CF

On-Site Systems, Inc. Commercial Disposal System costs

Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Twice per year preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - 1 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$40.00 / year = \$3.33 / month	\$3.33	0
Trouble calls - variable depending on travel time Cost - .5 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$20.00 / year = \$1.66 / month	\$1.66	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system - per 1,000 gallons of daily flow Cost - (over a 20 year period) - \$740.00 / 240 = \$3.08 / month	\$3.08	\$3.08
Total	\$8.07	\$3.08

* Costs are based on a disposal system having a capacity of 10,000 gallons per day and a customer having a daily flow of 1,000 gallons

Exhibit 5CF

On-Site Systems, Inc.

Commercial Sampling, Testing and Reporting Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.		

With Drip Irrigation Disposal

The average cost for this service is projected at \$300.00 per month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. The cost allocation will be based on the system designed daily flow.

\$30.00	0
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With Lagoon and Point Discharge Disposal

The testing costs will be based on the number of days in the month that the discharge takes place.
Assume two discharges per month.

\$60.00	0
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Exhibit 6CF

On-Site Systems, Inc.

Commercial Billing and Collection Costs

Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
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It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services. In addition to normal billing and collecting duties, commercial customers' water bills will be audited to determine if the designed daily flow has been exceeded.

Estimated Billing and Collection Costs	\$2.00	0
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Exhibit 7CF

On-Site Systems, Inc.

Commercial Miscellaneous Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
This category covers costs such as office supplies, postage, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.		
Estimated Miscellaneous Costs	\$1.36	\$0

Exhibit 8CF

On-Site Systems, Inc.

State of Tennessee. Department of Environment, Division of Water Pollution Control Annual Fee

Commercial

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
------------------------------------	------------------------------------

For each sewage treatment facility that has been issued an operating permit by the State, an annual fee must be paid to the State to defray the costs of monitoring the System and insuring compliance with environmental regulations. The present fee for each treatment facility is \$250.00 per year. Allocate the monthly fee based on 1,000 gallons of usage.

$250/12 = 20.83$, $20.83/10 = 2.08$ per month per customer

\$2.08

0

Above calculations assume ten 1,000 gallon per day customers on a 10,000 gallon per day system

Exhibit 10CF

On-Site Systems, Inc.

Corporate - Franchise and Excise Taxes

For Commercial Customers

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$120,000 of plant and equipment per site - Franchise Taxes on \$120,000 of plant and equipment - \$.25 per \$100.00 of equipment = \$200.00 / Year / 12 = \$25.00 / month For a customer with 1,000 gallons of flow; \$25.00 / 10 = \$2.50 per month per system	\$2.50	0
Excise - 6% of net income - Estimate - \$14.35 / month per system x 6%	\$0.86	0
Total Franchise and Excise tax	\$3.36	0

Exhibit 11CF

On-Site Systems, Inc.

Commercial Public Utility Ad Valorem Property Taxes

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment for a system providing treatment and disposal for 10,000 gallons per day		
Public Utility Ad Valorem Taxes on \$120,000 of plant, equipment and land is calculated as follows:		
For contributed plant and equipment, the basis is calculated at 25% of value $.25 \times \$120,000 = \$30,000$		
Equalization factor is 55% - $.55 \times \$30,000 = \$16,500.00$		
Tax = $\$16,500.00 \times$ (local tax rate) Local tax rates for our service areas are estimated to be 2.75%		
Tax = $\$16,500 \times .0275 = \453.75 per year or \$37.81 per month		
For a customer with 1,000 gallons of daily flow	\$3.78	0

Exhibit 12CF

On-Site Systems, Inc.

Commercial Taxes

Federal

On-Site System, Inc. will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
------------------------------------	------------------------------------

Escrow amount to be treated as profit - average over a 10 year period
(Annual amount escrowed) - (annual equipment replacement costs)
(\$499.92) - (\$352.21) = \$147.71 / yr.

Net monthly taxable amount = $\$147.71 / 12 = \12.31 / month
Estimated tax on \$12.31 = \$3.69

For a customer with 1,000 gallons of daily flow

\$3.69	0
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Exhibit 13CF

On-Site Systems, Inc.

Commercial Local Management Fee

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day-to-day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state. Based on the amount of work expected to manage these systems, On-Site Systems, Inc. expects to contract out this work for approximately \$11.18 per month per customer.

Local management fee -	\$11.18 per customer per month
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Exhibit 14CF

On-Site Systems, Inc.

Commercial Corporate Management Fee

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - \$11.18 per month per customer

Exhibit 15CF

On-Site Systems, Inc. Commercial Pass Through Treatment and Disposal Costs

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipeline to that plant instead of building treatment and disposal facilities.

Example Burger King Restaurant

All of the sewer effluent collected from a Burger King Restaurant is sent by pipeline to the city of Nashville. The city charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the Burger King Restaurant. The monthly sewer bill to the Burger King Restaurant has two components, a fixed component which covers On-Site's costs and a variable component, based on water usage, which passes through the charges from the city of Nashville. As an example, a business that uses 5,000 gallons of water per month would have a pass through cost of $5 \times \$5.40 = \27.00 . Per our contract with the city of Nashville, they will adjust the amount they charge annually and On-Site will pass through that amount.

Treatment and disposal costs - Pass through of actual costs

Escrow - \$0.00

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Sand Gravel Filter	\$33.27	\$11.77	2CF
Utility costs - Sand Gravel Treatment	\$8.00	0	3CF
Sampling and Testing costs - Required by State of TN	\$60.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
Total Costs	\$191.65	\$44.02	
Proposed Rate	\$192.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate With Food Service

**Compilation Sheet for Lagoon Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Lagoon	\$11.65	\$6.25	2CF
Utility costs - Lagoon Treatment	\$1.40	0	3CF
Disposal system costs - Drip Irrigation	\$8.07	\$3.08	4CF
Sampling and Testing costs - Required by State of TN	\$30.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
Total Costs	\$141.50	\$41.58	
Proposed Rate	\$142.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Lagoon Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - Lagoon	\$11.65	\$6.25	2CF
Utility costs - Lagoon Treatment	\$1.40	0	3CF
Sampling and Testing costs - Required by State of TN	\$60.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
Total Costs	\$163.43	\$38.50	
Proposed Rate	\$163.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate With Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Sand Gravel Filter	\$33.27	\$11.77	2CF
Utility costs - Sand Gravel Treatment	\$8.00	0	3CF
Disposal system costs - Drip Irrigation	8.07	3.08	4CF
Sampling and Testing costs - Required by State of TN	\$30.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
Total Costs	\$169.72	\$47.10	
Proposed Rate	\$170.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Off Site Treatment
and Disposal by Others**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment and Disposal by Others (Municipality or Utility District)	actual costs	0	15CF
Utility costs - Pumping station and Metering station	\$3.40	0	3CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
Total Costs	\$93.78 + actual costs	\$32.25	
Proposed Rate	\$94.00 + actual costs		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

RULES AND REGULATIONS

Governing the sewage collection and treatment systems of On-Site Systems, Inc.

Statement of Purpose

The general purpose of these rules and regulations is:

- 1 To establish procedures for furnishing sewage collection and treatment services on a uniform basis to customers within the Company's service area.
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Protection of the integrity of the water tight system
 - c. Engineering design standards
 - d. Construction standards and inspection requirements
 - e. Quality of materials

Definition of Terms

1. Company - The word Company shall mean On-Site Systems Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of On-Site Systems Inc.
3. Customer - The word Customer shall mean any person , firm, corporation, association or government unit furnished sewage services by the Company

Effective Date _____

4. Property- The word property shall mean all facilities owned and operated by the Company.
5. TRA - The letters TRA shall mean the Tennessee Regulatory Authority.
6. STEP Tank - The words STEP Tank shall mean the septic tank located near the building which accepts waste and contains a pump vault.
7. STEG Tank - The words STEG Tank shall mean the septic tank located near the building which accepts waste and contains an effluent filter.
8. Service Line - The words Service Line shall mean the line from the STEP/STEG Tank to a Collector Line.
9. Collector Line - The words Collector Line shall mean the line from the Service Line to the Main Line.
10. Main Line- The words Main Line shall mean the line from the Collector Line to the treatment facility.
11. Building Outfall Line - The words Building Outfall Line shall mean the line that carries waste from the building to the STEP/STEG Tank .

12. Pumping Station - The words Pumping Station shall mean a tank that contains pumps and receives effluent from STEG Tanks and / or Collector Lines.

Authorization of Rules and Regulations

On-Site Systems, Inc. is a corporation organized and engaged in business as a public utility in the State of Tennessee. Under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority on April 4th, 1994, under Docket No. 93-09040, the Company submits the following statement of its rules and regulations in compliance with Rule 602.2.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewage system customer of the Company.

Utility Items on Private Property

The Company shall own and maintain all STEP and STEG tanks, control systems and service lines required to provide sewer service on the Customer's premises.

The Customer must execute an agreement granting an easement to the Company for maintenance of the sewer system. The building plumbing and Building Outfall Line shall be maintained by the Customer.

Effective Date _____

Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below
2. For misrepresentation in the application
3. For adding to the property or fixtures without notice to the Company
4. For molesting any service pipe, tank, control system, filter or any property of the Company in any way whatsoever
5. For violation of any rules of the Company
6. For disconnecting or re-connecting service by any party, other than a duly authorized agent of the Company, without the consent of the Company

Non-payment penalties

A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within fifteen days after the due date, a written notice will be sent to the customer. If payment is not received within 15 days of the written notice, sewer service will be turned off from the customer's property, with no additional notice being sent. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15.

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Returned Checks

A check returned by the bank will incur a fee of \$20.00.

Changes in Ownership, Tenancy of Service

A new application and agreement must be made and approved by the Company on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Company shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection of the service, will be required to make a refundable deposit to secure payment of sewage service bills in an amount double the monthly bill for that particular type of customer. Interest of six (6%) percent will be paid on any such refundable deposit for the period it is held by the Company.

Effective Date _____

Sewer System Access Fee

The owner of each property parcel which is provided a tap when the sewer system is built, will be required to pay a sewer access fee of \$84.00 per year.

This fee will be payable each year by December 15th, for owners of record as of December 1st. As each customer attaches to the sewer tap and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee will not be charged.

Engineering, Materials and Construction Standards

1. General - This specification covers the type of sewer system required for various design conditions of sewers constructed by developers.

The requirements called for are minimum in all cases. Bedding conditions, material specifications, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer. Design and construction of sewer lines shall meet the requirements of the State of Tennessee Department of Environment , in addition to this specification. Where conflicts exist, the more restrictive shall govern.

Effective Date _____

2. All sewage collection system components are to be water tight.

This includes Building Outfall Lines, all tanks, Collector Lines, Service Lines, and Main Lines. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be water tight.

3. STEP and STEG Tanks are to be installed near the building to be served. The tanks are to be set in a level condition and tested for water tightness before backfilling.

4. All pipe is to be PVC. Classes and sizes will be per Engineer's design and in all cases SDR 21 class 2000 will be the minimum allowable.

5. Only wastewater drains are to be connected to the sewer system. No water sources such as roof drains, sump pumps, condensate lines and swimming pools shall be connected to the sewer system.

Special Pretreatment Sewage Requirements

For all sewage connections the Company reserves the right to require any non-residential user to provide special pre-treatment for any high strength effluent before discharge into its sewage system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to

Effective Date _____

cover the cost of treatment of high strength effluent, commercial or industrial waste, and may impose standards as to the maximum size of solids and constituents in such waste discharged into its sewage system.

Additionally, if excessive volumes of sewage are received, the Company may require the Customer to monitor flow volume and increase surge holding, treatment, and disposal capacity at the Customer's expense. All customers will be required to follow the Do's and Don'ts list for an Effluent collection system, supplied to them by the Company. (Attachment No.3). These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other things.

Damages

The company shall in no event be responsible for maintaining any building outfall line owned by the customer, nor for damages created by sewage escaping therefrom, nor for defects in Customer's building lines or fixtures. The customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and of the Company.

Effective Date _____

All leaks in any building pipe or fixture on the premises of the Customer shall be immediately repaired by the Customer. On failure to repair any such leak, the service may be discontinued until repairs are made.

Inspection

All pipes, valves and fixtures shall at all reasonable hours, be subject to inspection by the Company or its duly authorized agent.

In Event of Emergency

The Company shall not be liable to the Customer for interruption in service, or for damages or inconvenience as a result of any interruption, stoppage, etc., which was beyond the reasonable control of the Company. In case of an emergency, call 615-356-7294 or pager 615 -951-7048.

Service Area

The Company will provide service within it's current service area. Additions to the service area must be approved by the Tennessee Regulatory Authority.

Effective Date _____

Extension Plan

The Company may furnish sewer service to property owners whose lands abut the Main Line of existing sewer systems. The sewer service charges listed in the sewer billing structure do not include costs for constructing the sewer system. Any sewer system components required to service such abutting properties shall be constructed at the cost of those parties desiring same, and these components shall become the property of the Company, to be credited to the account for contributions in aid of construction. In addition, treatment system component costs will be paid by the Customer desiring to hook on to the system. Sewer service to new areas within a service territory will be made available where it is technically feasible and the developer or property owner is willing to bear the expense of designing and building the sewer system.

Contributions in Aid of Construction

Sewer system components furnished by developers and land owners to the Company will be recognized as contributions in aid of construction in the amount of the actual cost of construction. Capital contributions from developers will be treated in a like manner.

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Contracts for Service

Each customer, before installation of service, shall be required to execute a Sewer Service Agreement.

Customer Billing Forms

Customer billings will vary by location. Where the local water provider is willing to do joint billing, that will be the method. In most instances, coupon books will be issued for payment of a flat monthly fee. In cases where pass through treatment costs and commercial customers are involved, a monthly bill will be sent to the customer and be based on the gallons of water used.

Public Contact

Charles L. Pickney , Jr.

7638 River Road Pike

Nashville, TN 37209

Phone - 615- 356- 7294

Effective Date _____

On-Site Systems
Rules and Regulations
TRA # 2

Revised Sheet #12

Tennessee Regulatory Authority Regulations

The Company, in its operation, shall conform with all the applicable
rules and regulations promulgated from time to time by the Tennessee Regulatory
Authority. Phone # 1-800-342-8359

Effective Date _____
