

KINGS' CHAPEL CAPACITY

Providing Superior Wastewater Service to Tennessee

May 29, 2008

Ms. Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

filed electronically in docket office 5/29/2008

**Re: Docket to Determine the Reserve/Escrow Requirement for Kings Chapel
Capacity, LLC Pursuant to TRA Rule 1220-4-12-.07(8)
Docket No. 07-00062**

Dear Ms. Standley:

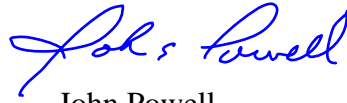
We are in receipt of your letter of May 20th requesting a reconciliation of the \$6,000 deposit by Kings' Chapel Capacity ("KCC" or "the Company") on March 11, 2008 with the December 31, 2007 escrow balance of \$5,051.17 contained in our annual report to the TRA. Please consider this letter as our response to your request.

As noted in your letter, the TRA issued its Order on escrows to KCC on January 17, 2008. At that time, KCC did not yet have a separate bank account for escrow deposits. Instead, deposits from escrow charges were included in KCC's regular bank account. In March 2008, KCC established a separate bank account for escrows in order to comply with the TRA's Order on escrows, and funded it with an initial transfer of \$6,000 from the Company's regular bank account.

As you are aware, KCC records its transactions on the utility books using the cash basis of accounting. As such, the Company's revenues and expenses are not recognized until actually received or paid. At the time that the separate escrow bank account was created in March, the Company had not yet recorded its billing receipts for January and February. As a result, the exact amount of escrow for these two months was unknown. Therefore, the Company chose to transfer \$6,000 from its primary bank account in order to fully cover the December 31, 2007 escrow balance requirement of \$5,051.17. There is no reconciliation between the calculated escrow balance of \$5,051.17 and the funded bank balance of \$6,000; the total transfer of \$6,000 was an estimate that the Company will true-up later in the year.

I hope this explanation clears this matter to your satisfaction. If you have any further questions, please let me know.

Sincerely,

A handwritten signature in blue ink that reads "John Powell". The signature is fluid and cursive, with the first name "John" and last name "Powell" clearly distinguishable.

John Powell
President

Cc: William H. Novak