

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 18, 2007

IN RE:)	
)	
DOCKET TO DETERMINE THE RESERVE/ESCROW)	DOCKET NO.
REQUIREMENT FOR TENNESSEE WASTEWATER)	07-00063
SYSTEMS, INC. PURSUANT TO TRA RULE 1220-4-12-.07(8))	

ORDER DETERMINING ESCROW REQUIREMENTS

This matter came before Chairman Eddie Roberson, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 22, 2007. This docket was opened to consider whether the escrow account maintained by Tennessee Wastewater Systems, Inc. ("TWS" or the "Company") is adequate or should be adjusted to comply with the intent of the Authority's Wastewater Rules. On October 18, 2007 Director Jones filed a Notice of Official Notice to supplement the administrative record.¹

At the October 22, 2007 Authority Conference, a majority of the panel found that the non-routine operation and maintenance expense paid by the escrow funds should include equipment replacement, tank pumping, and preventive maintenance not covered by base rates.² Based upon a

¹ Director Jones took notice of the following dockets: Docket No. 99-00393, *In re: Petition of On-Site Systems, Inc. to Change Rate Structure, Increase Rates, and Add Fee: Order Approving Change in Rate Structure, Rate Increase, and Addition of Fee* (August 4, 2000) and *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* (October 30, 2000) and *Petition of On-Site Systems, Inc. to Amend its Certificate of Convenience and Necessity* (May 11, 2000).


² Director Jones disagreed with the finding that the escrow account established for TWS should include funds for preventive maintenance. Director Jones contends that the amount to be escrowed adopted today for TWS is based on the calculations performed in Docket Nos. 99-00393 and 00-00272. In those dockets, the cost associated with preventative maintenance were included in the monthly service charge with \$0 set aside for escrow purposes. Until such time as the amount to be escrowed is recalculated to specifically include preventative maintenance costs, the escrow accounts should not be deemed to include the costs of preventative maintenance. Additionally, the ability to shoulder the cost associated with performing preventative maintenance is part of the financial analysis the Authority performs when evaluating an application for a certificate of convenience and necessity.

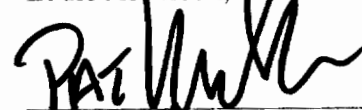
review of the financial condition of the Company the majority of the panel found that an escrow account is necessary to ensure service continuity.³ The panel also held that the Company be required to do the following: maintain the existing escrow rates for residential and commercial customers; work with Authority Staff to revise its tariff in order to separate the escrow amounts from the overall rate charged to consumers; and file annual calendar year end reports detailing the balances and activity in the Company's escrow account. Details should be included for monthly amounts placed into escrow and for amounts taken out of escrow. These reports should be filed no later than April 1 of each year, concurrent with the filing of its annual report to the TRA.

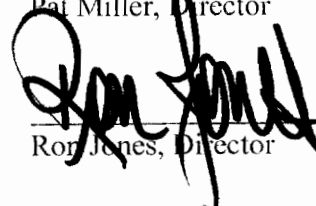
IT IS THEREFORE ORDERED THAT:

Tennessee Wastewater Systems, Inc. shall

1. maintain the existing escrow rates for residential and commercial customers;
2. work with Authority Staff to revise its tariff in order to separate the escrow amounts from the overall rate charged to consumers; and
3. file annual calendar year end reports detailing the balances and activity in the Company's escrow account. Details should be included for monthly amounts placed into escrow and for amounts taken out of escrow. These reports should be filed no later than April 1 of each year, concurrent with the filing of its annual report to the TRA.


Eddie Roberson, Chairman

 11-30-07
Pat Miller, Director


Ron Jones, Director

³ Director Jones did not adopt the finding that the escrow account is essential. Instead, it is his opinion that the existing escrow account should remain in place because the amounts to be escrowed were included in the calculation of Tennessee Wastewater's overall rates set in Docket Nos. 99-00393 and 00-00272 and it would be inappropriate at this time to eliminate the escrow component of the rates absent a full rate hearing.