

TENNESSEE REGULATORY AUTHORITY



Eddie Roberson, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

October 5, 2007

Mr. Bruce Meyer
Cartwright Creek, LLC
2033 Richard Jones Road
Nashville, Tennessee 37215

RE: Petition of Cartwright Creek, LLC to amend its existing Certificate of Public Convenience and Necessity to provide service in the Stillwater Development in Williamson County, Tennessee. (Docket No. 07-00180)

Dear Mr. Meyer:

We have received and reviewed Cartwright Creek, LLC's ("CC" or "Company") responses to the Staff's data request dated August 24, 2007. The attached follow-up data request questions are necessary to clarify the Company's responses and obtain additional information needed for the Authority to consider granting a Certificate of Public Convenience and Necessity ("CCN") for the area identified in its Petition.

1. The data response to number 7(a) filed on September 7, 2007 stated that the developer, Eagle Ridge Investments, LLC would be responsible initially for funding any shortfalls in revenues for the Stillwater project and provided a copy of a contract to support the funding. Please provide the most current year end and interim financial statements including balance sheet, income statement, statement of cash flows and any notes to the financial statements for the developer of the Stillwater project, Eagle Ridge Investments, LLC.
2. In light of the financial status of the current system, please discuss and provide evidence that Cartwright Creek, LLC has the financial and managerial capability to expand its operations.
3. To further assist the Authority in analyzing the financial ability of the Company to be a going concern and to be able to serve the Stillwater Development, please respond to the following:
 - a. Please provide pro-forma financial statements including balance sheet and income statement for all of CC for the next 5 years. This pro-forma should include all developments (current and potential). Please provide pre-filed

testimony attesting to CC being a going concern based on the current status and what financial effect the new territories currently being considered and/or built will have on the overall financial capability going forward.

- b. In the Data Response filed on December 17, 2004 in Docket No. 04-00358, the response to # 2 asserted that insurance expense was increasing from \$475 in 2004 to \$6,000 in 2005 to cover extended property insurance coverage to replacement cost, a boiler and machinery policy to cover unexpected breakdowns in critical system machinery with a modest deductible rather than self-insurance through repair expense. The insurance expense, however, was \$900 on the 2006 Annual Report filed with the TRA. In addition, statements from previous data responses in this docket indicate repair expense increased due to costly repairs. Please explain.
 - c. The pro-forma submitted in this docket states that insurance expense will be \$7,778. Please explain the difference in the insurance expense for Stillwater and the \$900 expensed for the current CC system.
 - d. Please provide the estimated contributed capital for the Stillwater Development for the land for both the treatment site and irrigation site as previously requested. What is the total contributed capital for CC from all components including the land?
 - e. Please provide a copy of the agreement from the Developer of Stillwater stating specifically how long the developer will continue to cover the deficiencies. If an agreement does not exist, please provide a statement from the Owner / Developer stating specifically how long the revenue deficiencies will be covered by the Developer. How will CC segregate the revenues and costs for Stillwater from the total costs of CC?
 - f. The Sewer and Wastewater Treatment System Service Agreement as submitted with your Data Response filed September 7, 2007 states that the Owner / Developer will reimburse Cartwright Creek for any revenue deficiencies by funding an Operating Reserve Fund in escrow. The Agreement states that the amount to be placed in this Operating Reserve Fund each year by the Owner will be an estimate of Cartwright Creek's revenue deficiencies based on its operating expenses approved by the TRA for the previous year and the projected service fees to be paid in the coming year. The TRA does not approve expenses outside of a rate case; therefore, please clarify how the agreement will operate.
 - g. Please discuss how each annual expense for a fully built out development identified on Stillwater's Pro-Forma Income Statement (Exhibit 5) was calculated, including all underlying rationale and assumptions. Cost justification for the rates should be based on the annual operating costs associated with the new Shaeffer Reclamation and Reuse System, particularly since this system is much different from the current CC System. CC has stated that Shaeffer has built many similar systems; therefore costs should be available.
4. Number 11 from the data request, filed on August 24, 2007, states to please submit a proposed tariff, including the residential and commercial tap fees and monthly

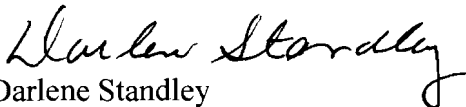
rates that CC proposes for the Stillwater Development. The response included a complete new tariff for CC with all original pages. Please submit only those tariff pages that are reflected in this Docket as revisions to the tariff currently on file for CC, including both residential and commercial rates.

5. Unlike the current wastewater system approved for Cartwright Creek's Grassland's area, the Stillwater development will be a new Shaeffer Wastewater Reclamation and Reuse facility. The reclaimed water will be used to irrigate the Stillwater Golf Course. Will there be any revenues to CC associated with the reuse of the reclaimed water? If so, what are the estimated annual revenues? If not, why? Will there be additional expenses for the filtration and disinfection? If so, please detail the estimated annual expenses.
6. Please provide cost justification for the escrow amount of \$7.03 per customer per month for the Stillwater Development.
7. The Data Response # 14 provided that a back-up bond would be required of CC for the Stillwater Development of \$2,500,000 for Williamson County. According to the newly proposed tariff, the bond cost of \$8.33 monthly is to be passed thru to the consumers. Please provide a copy of the "back-up" bond and documentation of the associated cost of the bond.
8. Please provide a letter from the Mayor of Williamson County indicating that Williamson County is unable or unwilling to provide service to the affected area.
9. Your previous Data Response indicated that CC was to apply for its TDEC permit in late October. Is CC still on schedule to submit this application? If not, please state when CC will submit the application to TDEC.

Please provide your response no later than 2:00 P.M. on Friday October 19, 2007 and reference Docket No. 07-00180. Pursuant to TRA Rule 1220-1-1-.03(4), please submit either (a) the original and thirteen (13) copies or (b) four (4) written copies and an electronic version.

Should you have any questions regarding this request, please contact Patsy Fulton at 615-741-2904 ext. 193 before responding.

Sincerely,



Darlene Standley
Chief of Utilities Division
C. Docket File