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C1-00728

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY

IN RE:  
FOOTHILLS WATER PROPERTIES, INCORPORATED

COMPANY EXHIBIT

**Wayne Campbell, Certified Public Accountant**

525 W Morris Boulevard Suite B, Morristown, Tennessee 37813, \* Fax 423-318-8898 \* 865-216-2055

September 27, 2007

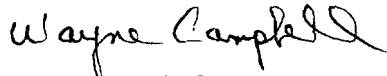
Mr. Eddie Roberson, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

Re: Petition of Foothills Water Properties, Incorporated for Approval of Adjustment of its Rates and Charges.

Dear Chairman Roberson:

Enclosed you will find the original and four (4) hard copies along with a CD in PDF format of the above Referenced Petition of Foothills Water Properties, Incorporated and a check for \$25.00 for the filing fee.

Sincerely,



Wayne Campbell, CPA

Enclosures

cc: Mr. John Clark, Chairman  
Foothills Water Properties, Incorporated

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

**IN RE:**

**PETITION OF FOOTHILLS WATER PROPERTIES, INCORPORATED FOR APPROVAL  
OF ITS ADJUSTMENT OF ITS RATES AND CHARGES**

**PETITION**

Foothills Water Properties, Incorporated respectfully request that the TRA approve its Petition for an adjustment in its rates and charges for water service for the purpose of obtaining a general increase in its rates.

In support of this Petition, Foothills submits the following:

1. Full name and address of the principal place of business of the Company are:

Foothills Water Properties, Incorporated  
814 East Foothills Drive, P.O. Box 613  
Gatlinburg, Tennessee 37738

2. All correspondence and communication with respect to this Petition should be sent to:

Wayne Campbell, CPA  
525 West Morris Boulevard, Suite B  
Morristown, Tennessee 37813  
Telephone: 865-216-2055  
Facsimile: 423-318-8898

Mr. John Clark, Chairman  
Foothills Water Properties, Incorporated  
3215 Topside Drive  
Kodak, Tennessee 37764  
Telephone: 865-535-1985

3. Foothills is a private utility providing water to one hundred and two (102) customers that own homes in Condo Villas Association located in Gatlinburg, Tennessee. Foothills Water Properties purchases its water from the City of Gatlinburg and are subject to the jurisdiction of this authority.

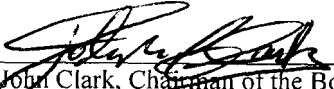
4. Foothills existing rates for water are not adequate to permit it an opportunity to recover its reasonable operating costs and to earn a fair and reasonable rate return on its investment. In order for Foothills to maintain its facilities and provide services in accordance with the reasonable requirements of its customers and the requirements of the TRA and to produce a reasonable rate of return on invested capital, Foothills must be granted a general increase in its rates.
5. As shown on the Company Exhibit to this Petition, using current rates during the attrition Period (the 12 months ending December 31, 2008), Foothills is projected to experience a Net operating loss of \$7,471 on a rate base of \$72,702 which results in an overall return of -10.28%. Such a return is not fair and reasonable and is confiscatory. Without rate relief Foothills will incur a revenue deficiency during the attrition period of approximately \$18,376. In addition Foothills anticipates additional capital needs over the next five years for equipment replacement of approximately \$55,000.
6. Foothills inability to earn a fair and reasonable rate of return on its investment results from a number of factors:
  - a. Foothills rates have remained the same since the Developer transferred ownership of Foothills to Condo Villas Association, Inc. in 2001.
  - b. Foothill's owner has provided loans of \$18,425 to cover operating deficiencies.
  - c. Foothills projects that \$55,000 will be needed over the next five years to replace and maintain equipment

Foothills request:

1. That the Authority schedule a hearing regarding the Petition;
2. That the Authority find the existing rates of Foothills are inadequate and that the new rates proposed by the Company are fair, just, and reasonable and in the interest of Condo Villas Home Owners.
3. That the Authority approve Foothills request to implement the proposed rates to become effective as soon as possible.

Respectfully submitted,

Foothills Water Properties, Incorporated

By:   
John Clark, Chairman of the Board of Directors  
3215 Topside Drive  
Kodak, Tennessee 37764

9-27-07

**FOOTHILLS WATER PROPERTIES, Incorporated**  
**DIRECTORY**  
**For the 12 Months Ending December 31, 2008**

	<b><u>Schedule</u></b>
Results of Operations	1
Average Rate Base	2
Income Statement at Current Rates	3
Income Statement at Proposed Rates	4

**Company  
Exhibit  
Schedule 1**

**Foothills Water Properties, Incorporated  
Results of Operations  
For the 12 Months Ending December 31, 2008**

<u>Line No.</u>		<u>Amount</u>
1	Rate Base	\$72,702 A
2	Operating Income (Loss) at Current Rates	(\$7,471) B
3	Earned Rate of Return	-10.28%
4	Fair Rate of Return	15.00%
5	Required Operating Income	\$10,905 C
6	Operating Income Deficiency	\$18,376 C
7	Revenue Deficiency Complete Needs	\$18,376 C

A Schedule 2

B Schedule 3

C Schedule 4

**Company**  
**Exhibit**  
Schedule 2

**Foothills Water Properties, Incorporated**  
**Average Rate Base**  
**For the 12 Months Ending December 31, 2008**

<b>Utility Plant in Service</b>	\$166,610
<b>Less: Accumulated Depreciation</b>	<u>93,908</u>
<b>Rate Base</b>	<u><u>\$72,702</u></u>

**Foothills Water Perties, Incorporated**  
**Income Statement at Current Rates**  
**For the 12 Months Ending December 31, 2008**

<b>Line No.</b>		
1	<b>Water Revenue</b>	<u>\$42,811</u>
2	Purchased Water Expense	36,795
3	Purchased Power Expense	913
4	Administrative & General Expense	4,282
5	Depreciation Expense	5,847
6	Insurance	810
7	Taxes Other than Income	<u>1,635</u>
8	<b>Total Operating Expenses</b>	50,282
9	<b>Net Income (Loss)</b>	<u><u>(\$7,471)</u></u>

**Foothills Water Perties, Incorporated**  
**Income Statement at Proposed Rates**  
**For the 12 Months Ending December 31, 2008**

Line No.		<u>Current Rates</u>	<u>Adjustments</u>	<u>Proposed Rates</u>
1	<b>Water Revenue</b>	<u>\$42,811</u>	<u>\$18,376</u>	<u>\$61,187</u>
2	Purchased Water Expense	36,795		36,795
3	Purchased Power Expense	913		913
4	Administrative & General Expense	4,282		4,282
5	Depreciation Expense	5,847		5,847
6	Insurance	810		810
7	Taxes Other than Income	<u>1,635</u>		<u>1,635</u>
8	<b>Total Operating Expenses</b>	50,282		50,282
9	<b>Net Income (Loss)</b>	<u>(\$7,471)</u>	<u>\$18,376</u>	<u>\$10,905</u>