

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:	February 19, 2008)	
)	
PETITION OF LYNWOOD UTILITY)	DOCKET NO.
CORPORATION FOR APPROVAL OF A LOAN IN)	07-00263
AN AMOUNT NOT TO EXCEED \$1,000,000 TO)	
REFINANCE EXISTING INDEBTEDNESS AND)	
FOR APPROVAL OF A WORKING CAPITAL LINE)	
OF CREDIT NOT TO EXCEED \$250,000)	
PURSUANT TO T.C.A. § 65-4-109)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Eddie Roberson, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on January 14, 2008 for consideration of the *Amended Petition* filed on December 13, 2007 by Lynwood Utility Corporation (“Lynwood” or “Company”).

Lynwood provides sewer service to approximately 790 customers in Williamson County, Tennessee, pursuant to a certificate of public convenience and necessity issued originally to Lynwood Utility Company on June 14, 1976.¹ Recently, Lynwood sought and received Authority approval to increase its rates.²

¹ Lynwood Utility Corporation acquired the assets and operating authority of Lynwood Utility Company by an Order dated June 27, 1996, in Docket No. 96-01012, by the Tennessee Public Service Commission. By Order dated January 24, 2001 in Docket No. 00-00690, the Authority approved the transfer of the ownership and control *Nunc Pro Tunc* of Lynwood to Southern Utility Corporation (“Southern”). On May 1, 2002, the shareholders of Southern transferred 50% of the outstanding stock of Southern Utility Corporation to Tyler Ring and John Ring. On January 1, 2003, the shareholders of Southern transferred the remaining 50% of outstanding stock to the Rings. By Order dated July 15, 2005, in Docket No. 04-00360, the Authority approved the Petition of Lynwood Utility Corporation for Approval of Transfer and Control *Nunc Pro Tunc*.

² *In re: Petition of Lynwood Utility Corporation to Change and Increase Rates and Charges*, Docket No. 07-00007, *Order Approving Settlement Agreement* (December 11, 2007).

THE AMENDED PETITION

Lynwood initially filed a petition related to the proposed financing transactions on November 27, 2007 and subsequently filed its *Amended Petition*. In 2006, after receiving Authority approval, Lynwood entered into a Promissory Note (“Note”) with Tenn. Contractors, Inc. for a loan in the amount of \$1,000,000 with a maturity date of twenty years, secured by a First Deed of Trust on the land and physical assets of Lynwood and 20% of new additions to Lynwood utility plant after the execution of the note.³ The proposed financing arrangement in the *Amended Petition* is related to Lynwood’s commitment, dated December 7, 2007, from Tennessee Commerce Bank to loan Lynwood an amount not in excess of \$1,000,000 to refinance Lynwood’s existing note to Tenn. Contractors, Inc. and to establish a working capital line of credit in an amount not to exceed \$250,000.

The term of the \$1,000,000 loan is for five years with an interest rate of 7.5% fixed for five years. Principal and interest are based upon a fifteen year amortization. The interest rate of the working capital line of credit is prime plus 0.5% with interest payable monthly. The current interest rate on the note with Tenn. Contractors, Inc. is 9.75%. The two loans will be secured by a first lien on all of Lynwood’s real estate and equipment.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) provides:

No public utility shall issue any stocks, stock certificates, bonds debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

³ See *In re: Petition of Lynwood Utility Corporation for Approval of and Authority to Borrow Up to \$1,000,000 to Repay Short Term Indebtedness Pursuant to T.C.A. § 65-4-109*, Docket No. 05-00173.


At a regularly scheduled Authority Conference held on January 14, 2008, the panel voted unanimously to approve the *Amended Petition* after making the following findings:

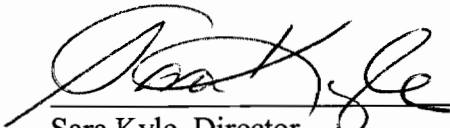
1. the proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. the proposed financing transactions are being made in accordance with the laws enforceable by the Authority; and
3. the transaction is in the public interest because it will lower Lynwood's cost of capital in providing service to its customers.

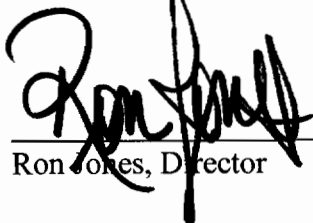
IT IS THEREFORE ORDERED THAT:

1. Lynwood Utility Corporation is authorized to enter into the term loan in an amount not to exceed \$1,000,000 and to establish a working capital line of credit in an amount not to exceed \$250,000 as set forth in its *Amended Petition*.

2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.


Eddie Roberson, Chairman


Sara Kyle, Director


Ron Jones, Director