

*T. ARTHUR SCOTT, JR.*

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September 23, 2008

**By facsimile (615-741-9934) and U.S. Mail**

Ms. Darlene Standley, Chief  
Utilities Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: HC Sewage Treatment, LLC

Dear Ms. Standley:

I represent the above wastewater utility. This letter is to advise you that my client is insolvent within the meaning of Rule 1220-4-13-.09 and is no longer able to continue the operation of the sole plant owned by the utility in Hampton, Tennessee. Further, my client requests that the Tennessee Regulatory Authority appoint a receiver or take other appropriate action pursuant to Rule 1220-4-13-.11. My client is specifically not invoking the provisions of Rule 1220-4-13-.10.

Currently, Jack and Joy Strickland are and have been for months funding a significant monthly shortfall in the operating income of the plant. In light of the delay in the rate case pending at the Tennessee Regulatory Authority (Docket No. 08-00126) due to the objection asserted by Greeneville Oil and Petroleum, Inc. and the resulting intervention by the Consumer Advocate Division of the Attorney General's Office, rate relief will not come soon enough to allow my client to survive without the personal injection of substantial additional funds by the Stricklands, which they are no longer willing to do.

My client, within the bounds of what is financially feasible, desires an orderly transition to another operator of the plant. To that end, the plant will continue to be operated through October 10, 2008 by my client. At that point, no further funds will be provided by the Stricklands to make up the operating loss and the power and water will either have to be transferred to another person or terminated and the technical person will be dismissed.

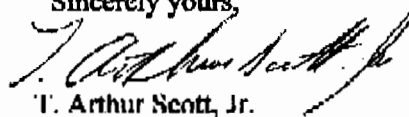
My client will assist the receiver or such other person appointed by the Authority in making the transition. Any requests for waivers of hearing or notice to accommodate this commitment should be directed to me.

Please understand that this action is being taken only after exploring every other feasible alternative. My client appreciates the Authority Staff who worked with it since February, 2008 to put together the streamlined rate case.

Discussions with representatives of Greeneville Oil and Petroleum, Inc. to have them take over the plant have not been successful. We have had discussions with a Tennessee Wastewater representative, Charles Pickney, and gave him free access to the technical person for preliminary due diligence. Unfortunately, while the plant could be incorporated into their operations, a significant amount of capital would have to be expended to bring it up to their requirements before they would take it over. My call last Friday to the attorney for Greeneville Oil & Petroleum, Inc. to broach whether his client would contribute to such capital as yet has not been returned.

We await further instructions from the Authority relative to notice to the customers and any requests to facilitate the transition to another operator.

Sincerely yours,



T. Arthur Scott, Jr.

BPR # 000749

cc: Mr. Jack Strickland  
Ms. Joy Strickland  
J. Richard Collier, General Counsel, Tennessee Regulatory Authority  
Shilina Chatterjee Brown, Esq.  
Vance Broemel, Assistant Attorney General, Consumer Advocate  
and Protection Division