

IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF TENNESSEE	)	DOCKET NO. 08-00202
WASTEWATER SYSTEMS, INC. FOR	)	
APPROVAL TO AMEND ITS RATES	)	
AND CHARGES	)	

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TENNESSEE WASTEWATER SYSTEMS' RESPONSES TO  
CONSUMER ADVOCATE'S FIRST DISCOVERY REQUESTS

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Tennessee Wastewater Systems ("TWS") submits the following responses to the first discovery requests filed by the Consumer Advocate Division ("CAD").

**REQUESTED INFORMATION AND DOCUMENTARY MATERIALS**

1. Provide a copy all **contracts** between Tennessee Wastewater and all affiliated companies or entities.

**RESPONSE:** There are none.

2. Provide a copy of all **contracts** between Tennessee Wastewater and all non-affiliated companies or entities.

**RESPONSE:** See Response to TRA Data Request Question #5, dated 12/16/08.

3. Provide a copy of all **contracts** between all companies in the Adenus family of companies other than Tennessee Wastewater and all non-affiliated companies or entities.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered **Highly Confidential** and has been shared on a limited basis with the staff of the CAD.

4. Do any companies in the Adenus family of companies that construct or plan the construction of wastewater systems operated by Tennessee Wastewater construct or plan the construction of systems not operated by Tennessee Wastewater; if so provide a list of such projects for the last three years.

**RESPONSE:**

**Ballentrace**

**Legends Ridge**

**Angel's Cove**

5. Provide all information establishing that transactions between Tennessee Wastewater and all affiliated companies or entities were or are at the **lower of cost or market**.

**RESPONSE:** Management fees paid for services provided to Tennessee Wastewater for operations and maintenance services are comparable to those being charged to other companies. All payments to Adenus Operations have been verified for reasonableness by CAD and TRA staff.

6. Provide copies of all tax returns, state and federal, for the past three years for Tennessee Wastewater and all affiliated companies or entities, including but not limited to the following taxes: (a.) Tennessee Gross Receipts Tax Returns; (b.)

Tennessee Franchise and Excise Tax Returns; (c.) Property tax statement Tennessee Ad Valorem Tax Report; (d.) Employer's Quarterly Federal Tax Returns (Form 941).

**RESPONSE: See Response to TRA Data Request Question #31, dated 12/16/08.**

7. Provide copies of all **audits** of Tennessee Wastewater for the past three years.

**RESPONSE: No audits performed over the past 3 years.**

8. Provide copies of all **audits** of all affiliated companies or entities of Tennessee Wastewater for the past three years.

**RESPONSE: No audits performed over the past 3 years.**

9. Provide a copy of the **General Ledger** in electronic format for Tennessee Wastewater [for the period December 2007-December 2008].

**RESPONSE: See Response to TRA Data Request Question #3, dated 12/16/08.**

10. Provide a copy of the **General Ledger** in electronic format for affiliated companies or entities of Tennessee Wastewater [for the period December 2007-December 2008].

**RESPONSE: See Response to TRA Data Request Question #3, dated 12/16/08.**

11. Provide a **chart of accounts** for Tennessee Wastewater for the past three years.

**RESPONSE: See Response to TRA Data Request Question #4, dated 12/16/08.**

12. Provide a **chart of accounts** for affiliated companies or entities of Tennessee Wastewater for the past three years.

**RESPONSE:** Account information on all allocated charges was furnished as part of exhibits 3-A and 4-A in the rate case filing.

13. Provide a copy of all **financial statements** for Tennessee Wastewater for the past three years.

**RESPONSE:** Please see 2007 annual report for latest financial statement, on file at the TRA.

14. Provide a copy of all **financial statements** for affiliated companies or entities of Tennessee Wastewater for the past three years.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered Highly Confidential and has been shared on a limited basis with the staff of the CAD.

15. Provide a **consolidated balance sheet**, or the information needed to prepare a consolidated balance sheet, for the Adenus family of companies set forth in Exhibit 9-A to the testimony of Charles Pickney, Jr. in this case.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered Highly Confidential and has been shared on a limited basis with the staff of the CAD.

16. Provide for the Adenus family of companies for the past three years the annual regulated and non-regulated income by company; for the non-regulated annual income for each company state why Tennessee Wastewater considers that income non-regulated.

**RESPONSE:** None of the Adenus companies doing business in Tennessee other than Tennessee Wastewater have any regulated income. Developer Fees are the only source of non-regulated income to Tennessee Wastewater. These fees cover the cost of project-related expenses prior to a customer connecting to the system and have been reviewed in detail by TRA staff.

17. If any officer, director or owner of any company in the Adenus family of companies has an interest in any wastewater company or company related to the wastewater business other than companies in the Adenus family of companies state the name of that company and the interest.

**RESPONSE:** None.

18. Provide the annual income for the past three years of each board member derived directly or indirectly from the wastewater business and state the source of that income.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered Highly Confidential and has been shared on a limited basis with the staff of the CAD.

19. Provide for the entity known as Pickney Brothers: names of members of the entity for the past three years; a description of the business of the entity for the past three years; the relationship of the entity to the Adenus family of companies; the source of income for the entity, particularly any income from the Adenus family of companies; and the financial statements and tax returns of the entity for the past three years.

**RESPONSE:** Pickney Bros., Inc. was owned by Charles Pickney, Jr., William Pickney, Robert Pickney, and Thomas Pickney. Pickney Bros., Inc. went out of business and became an inactive corporation in early 2007. It has conducted no business since. When it was in business, Pickney Bros., Inc. designed and constructed waste treatment systems. Financial statements are not available. Taxable income for Pickney Bros. for 2007 was zero. The company had no business activity in 2008.

20. With regard to the consolidated balance sheet what elements make up "Intangibles," which increased from 2007 to 2008, and what is the explanation for the change? Also, are ratepayers being charged for any intangibles, such as goodwill?

**RESPONSE:** Adenus Solutions Group, LLC acquired all the Assets of Pickney Bros, Inc. on January 1, 2007 giving a goodwill figure of \$469,283.00. In 2007, Adenus Capacity capitalized the cost of investments made into facilities where they own the sewer capacity. In 2008, additional systems were added. Ratepayers are not charged any goodwill, intangible amortization, or asset depreciation of the Systems owned by Tennessee Wastewater Systems, Inc.

21. With regard to affiliates we need to have as complete a picture as possible, especially in light of publicly expressed concerns. Accordingly we need to know more about Adenus Solutions' contracts and its income and expenses:

(b) The Turnberry Design/Build contract had a related Letter of Understanding. If a Letter of Understanding exists for the other contracts please provide those as well. If there is difference between the lump sum amount in the Design/Build and the Letter of Understanding on any project please explain (in the Turnberry case, the Letter of Understanding lists \$754,000, but the Design/Build lists \$452,000; was the price reduced or did the difference go elsewhere? Please explain.).

(c) Was a CCN obtained by Tennessee Wastewater or any affiliate for the Turnberry project? The Consumer Advocate has a list of TRA docket numbers and the corresponding projects, and we did not see a docket number for this project. Are there instances where the construction affiliate Adenus Solutions does work and someone else obtains the CCN? If so please list them.

(i) Does any entity other than Adenus Solutions receive income from per lot "development fees"? Please provide the amount of development fees received for the past three years by project and the recipient of the income.

**RESPONSE:**

**b) Turnberry Homes' Letter of Understanding of \$754,000 was an estimate based on 130 lot subdivision. The actual contract of \$452,000 was for 78 lot subdivision.**

**c) The Turnberry project, formally known as Chardonnay, is covered under the Milcrofton Utility District CCN (TRA Docket #97-01393) awarded to TNWW on 8/6/1997.**

**1) Adenus Solutions Group, LLC does not receive "development fees". They are compensated per the design-build contract, just as**

**any other engineering construction firm would be. TNWW receives the development fees.**

22. Please explain the relation of a company known as ECS to the Adenus family of companies and describe the nature of ECS's business.

**RESPONSE: Effluent Collection Supply, LLC (ECS) was a product & supply company that manufactured supply components for the wastewater industry. ECS was acquired by Adenus Technologies, LLC in January 2007. ECS Manufacturing was a manufacturing company that operated within Adenus Technologies, but was folded into Adenus Technologies less than a year after it started.**

23. After a review of the income statements and the tax returns of certain members of the Adenus family of companies, it was determined that the amount of income on the tax forms did not always match the amount on the income statements. Please explain; if the explanation is that one was based on accrual accounting and the other on cash basis accounting; please explain why the accounting is not consistent.

**RESPONSE: Tax and Book Income does not match in most circumstances. Depreciation schedules are different between book and tax and other assets that are capitalized but qualifies for section 179 deductions. Adenus Solutions Group, Adenus Capacity, AL WW, GA WW, Adenus Operations LLC, Adenus**



**Utilities Group, and Adenus Operations are consolidated on Adenus Group tax return. Pickney Bros, Inc. is reported on a cash basis.**

24. What is the largest area covered by a CCN for a development served by Tennessee Wastewater? Do any CCN's for Tennessee Wastewater cover an entire county? Please list all complaints received by Tennessee Wastewater regarding the size of its territory covered by a CCN.

**RESPONSE: The largest area covered by CCN is Fentress Service Area (TRA Docket #05-00162). TNWW does not have any CCNs that cover an entire county. Most of the large service areas such as Fentress County were requested by county governments and not by individual developments. We have never received a single customer complaint regarding the size of our service territories.**

25. Please provide a detailed narrative explaining the responsibility (what each company does) of each affiliate company and how that responsibility relates to the other companies of the Adenus Family.

**RESPONSE: Adenus Technologies, LLC is a company that sells and manufactures supply components for the wastewater industry. They report to the CEO of Adenus Group. Adenus Solutions Group, LLC is the company that design and builds wastewater treatment facilities. They report to the CEO of Adenus Group. Adenus Operations specializes in the operation and maintenance of wastewater facilities. They maintain systems for both individual property owners and large service areas. They report to the CEO of Adenus**

**Group. Adenus Capacity owns the intellectual rights to the sewer capacity in regional systems across the Southeast. Adenus Capacity reports to the CEO of Adenus Group.**

26. Please provide a summary of the following allocations performed and the costs or expenses allocated and the statistical basis on which the allocation is made:

- a) Please explain the “**Adenus Group Expense Allocation Method**”: i.e., why costs are allocated to Adenus Utilities Group (16%), Adenus Technologies (30%), Adenus Solutions Group (34%), and Adenus Capacity (20%). What is the basis of that allocation, and why was it chosen rather than another basis? What are the costs allocated and has that allocation percentage changed over the past three years?
- b) Please explain the “**Adenus Utilities Group Expense Allocation Method**”: i.e., why are costs allocated to Adenus Operations (36.22%), Georgia Wastewater (2.59%), Alabama Wastewater (15.33%) and Tennessee Wastewater (45.86%)? What is the basis of that allocation and why was that basis chosen rather than other basis? What costs are allocated?

**RESPONSE:**

**A) Costs are allocated on a percentage of revenue basis. Adenus Utilities Group (which includes TNWW) was allocated 16% of the non-direct allocated charges. Then those costs were allocated at a rate of 45.86% to TNWW. In the rate case, we then took those charges and reduced a percentage of those charges between regulated revenue and non-regulated revenue. As a result, the rate paying customers are not burdened by any of the other entities’ burdens. 2007 was the first year we had Group allocated charges. In previous years, TNWW had employees and also operated with free rent and corporate structure.**

**B) Adenus Utilities Group, LLC allocation was under the same method as 10 (A) above. All cost associated with operating the billing and collecting and administrative functions of running the Utility company are associated cost within that allocation. See financials submitted in previous testimony as documentation.**

27. Please provide a summary of any other allocations performed allocating costs between the affiliates, such as construction costs. If there are others, please provide the allocation methodology as detailed in the question immediately above.

**RESPONSE: There are no other costs allocated. Any specific cost performed by another affiliated company is charged directly to the benefiting company.**

28. Please explain the O&M and construction budget development process with respect to the affiliates for the budget year.

**RESPONSE: All budgets for 2008 were created on a line item basis for each company. Projections of customers and assumptions of revenues and inflation rates were made to develop those budgets.**

29. Please explain the difference between “regulated” and “unregulated” revenue as well as “regulated” and “unregulated” costs and how they are accounted for by the affiliates.

**RESPONSE:** Regulated revenue is revenue generated from within the Utility companies based on the various States' tariffs; this revenue comes specifically from the individual rate payers. Unregulated revenue is all other revenue. Regulated costs are those cost functions associated with the regulated revenues adopted above. Unregulated cost are those cost associated with the unregulated revenue as described above within the GAAP rules.

30. Please provide a summary of any and all instances where real estate developers engaged Adenus companies to design and construct wastewater systems but complained about the "turn-key" approach of Adenus' model and then sought another construction company to design, build and operate the system.

**RESPONSE:** We are unaware of any instances of this occurring. Any complaints would be submitted to the TRA if it related to any aspect of Tennessee Wastewater.

31. Please provide the number and name of systems Adenus companies have designed, and constructed in the Southeast in the past 3 years. Provide the same information for Tennessee only.

**RESPONSE:**

**Georgia- 3 Systems**

**Arbor Reserve**

**Bear Creek Crossing**

**Serenbe**

**Alabama- 4 Systems**

**Blackjack**

**Pine Forest**

**Woods N Water**

**The Waters**

**Tennessee- 21 Systems**

**Creekview Estates**

**Blue Water Bay**

**Sunset Harbour**

**Fanning Bend**

**Guffee Farms**

**Blackberry Ridge**

**Stags Leap**

**Cross Plains**

**Legends Ridge**

**Angel's Cove**

**Ballentrace**

**Chardonnay**

**Belle Vista**

**Belle Isle**

**Barton's Creek**

**The Preserve Condos**

**Jo Byrns High School**

**Laurel Cove**  
**Jo Byrns Elementary**  
**Community High School**  
**Deer Run Retreat**

32. Please provide the names of outside contractors employed by Adenus companies to assist in the building of wastewater systems in the past 3 years including the type of services required by the contractor.

**RESPONSE:**

<b>KESS Environmental</b>	<b>-</b>	<b>Gen. Contractor</b>
<b>Four Star Construction</b>	<b>-</b>	<b>Gen. Contractor</b>
<b>TTL</b>	<b>-</b>	<b>Geo-Technical Engineering</b>
<b>Christian Testing Lab</b>	<b>-</b>	<b>Geo-Technical Engineering</b>
<b>Environmental Sciences</b>	<b>-</b>	<b>Environmental</b>
<b>Sam Asady</b>	<b>-</b>	<b>Hydro Geology</b>
<b>Jay Andrews</b>	<b>-</b>	<b>Soils Investigation</b>
<b>Robbie to the Rescue</b>	<b>-</b>	<b>Gen. Contractor</b>
<b>Madison Paving</b>	<b>-</b>	<b>Gen. Contractor</b>
<b>Haas Concrete</b>	<b>-</b>	<b>Concrete Construction</b>
<b>Walker Electric</b>	<b>-</b>	<b>Electrical</b>
<b>Wilkerson Construction</b>	<b>-</b>	<b>Fencing</b>
<b>Bass Construction</b>	<b>-</b>	<b>Gen. Contractor</b>
<b>Earth Stone Excavating</b>	<b>-</b>	<b>Gen. Contractor</b>

**Head Construction - Gen. Contractor**

**Southeast Ditching, Inc. - Gen. Contractor**

33. Please provide a summary of what services are provided within the “Telemetry Monitoring” phrase. Please state which Adenus affiliate performs this function and provide the names of other firms in Tennessee providing this service.

**RESPONSE: Telemetry monitoring is an operator’s use of modem technology to communicate remotely with the control panel of a treatment plant or pump station. Telemetry monitoring allows for the panel to contact the operator in the event of an alarm condition, where the operator can remotely connect to the panel to view log data to troubleshoot the problem, override certain pump and float settings to alleviate alarm conditions, and determine whether a site visit is necessary to permanently correct the problem. Telemetry is a key element in our business model relating to operational efficiencies and feedback on system performance. As per TDEC permit requirements, the utility would otherwise be forced to incur significantly higher labor and travel expenses to monitor (in some cases daily) the systems manually if not for remote telemetry. High Tide Technologies is a company based out of Nashville that performs satellite telemetry solutions. Their price quote to perform comparable services was considerably higher than what Adenus Technologies currently provides.**

34. Please explain what inspections are and why they are performed by the company.

Please explain why these fees are regarded as “unregulated” by the company. How are the costs for this service charged to the customer and how is it calculated?

**RESPONSE:** The construction of a wastewater collection and treatment system is a substantial undertaking. Many of the operating and maintenance costs of utility are tied to the success of the design and construction of the wastewater system. With that in mind, the utility has developed extensive specifications and review and inspection procedures to ensure that what is designed meets specifications and what is constructed conforms to approved design plans. On a typical project, there are over fifty designated tasks that the utility must perform. Two of those tasks that are very important and time consuming are inspection of the construction of the wastewater treatment plant and dispersal system and inspection of the collection system including the tanks and pumping systems located on the lots. This utility work, which is an integral part of the design and construction, takes place before a customer hooks on. It is common practice in the industry for developers to pay for these project-related costs such as inspections. None of these costs have been paid by monthly customer sewer receipts. The developer is charged a per-lot fee that typically covers the project cost. Because these project-related fees are collected from developers and the related expenses are covered by the fees, utility customers are insulated from these transactions. Since these transactions do not involve customers, they have always been reported to the Tennessee Regulatory Authority as non-regulated.



35. Please list all companies that you consider to be competitors of Tennessee Wastewater and all Adenus affiliates.

**RESPONSE:** The following applies to operating companies:

**Competitors of Tennessee Wastewater**

- **IRM Utility**
- **Cartwright Creek (Schaeffer Intl)**
- **Cumberland Basin**
- **King's Chapel Capacity**

**Competitors of Georgia Wastewater**

- **None**

**Competitors of Alabama Wastewater**

- **Canaan Environmental Systems, Inc.**
- **Utility Management, LLC**
- **Alabama Utility Services, LLC**
- **Integra Water**
- **Pure Flow**

**Competitors of Adenus Solutions Group**

- **All engineering firms in the state of Tennessee who design decentralized wastewater systems.**
- **All construction companies in the state of Tennessee who construct decentralized wastewater systems.**

**Competitors of Adenus Technologies**

- All supply companies that sell decentralized wastewater system components.

**Competitors of Adenus Operations**

- All plumbing companies in middle Tennessee which provide maintenance services for decentralized wastewater systems.

36. Provide the trial balances by company for the year ended December 31, 2008 for the following companies:

Adenus Group  
 Adenus Solutions Group  
 Adenus Capacity  
 Adenus Technologies  
 Adenus Utilities Group  
 Adenus Operations  
 Tennessee Wastewater  
 Georgia Wastewater  
 Commonwealth Wastewater  
 Alabama Wastewater

**RESPONSE:** See response to Question #14.

37. Provide the salaries, wages, and compensation for the year ended December 31, 2008 by employee and/or board member by company per the Adenus Corporate Structure Exhibit 9-A. Indicate in your response the account number(s) charged by employee compensation by company by amount.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered Highly Confidential and has been shared on a limited basis with the staff of the CAD.

38. Provide the trial balance for the twelve months ended February 28, 2009 for Tennessee Wastewater.

**RESPONSE: See attachment "A"**

39. Provide the direct expenses by company for the year ended December 31, 2008 for the following companies:

Adenus Group  
Adenus Solutions Group  
Adenus Capacity  
Adenus Technologies  
Adenus Utilities Group  
Adenus Operations  
Tennessee Wastewater  
Georgia Wastewater  
Commonwealth Wastewater  
Alabama Wastewater

**RESPONSE:**

<b>Adenus Group</b>	-	<b>\$1,437,267</b>
<b>Adenus Solutions Group</b>	-	<b>\$891,552</b>
<b>Adenus Capacity</b>	-	<b>\$74,380</b>
<b>Adenus Technologies</b>	-	<b>\$1,006,229</b>
<b>Adenus Utilities Group</b>	-	<b>\$338,812</b>
<b>Adenus Operations</b>	-	<b>\$626,945</b>
<b>Tennessee Wastewater</b>	-	<b>\$844,027</b>
<b>Georgia Wastewater</b>	-	<b>\$62,630</b>
<b>Alabama Wastewater</b>	-	<b>\$174,931</b>

40. Provide the total expenses subject to allocation by allocating company for the year ended December 31, 2008 to the following companies:

Adenus Group

Adenus Solutions Group  
 Adenus Capacity  
 Adenus Technologies  
 Adenus Utilities Group  
 Adenus Operations  
 Tennessee Wastewater  
 Georgia Wastewater  
 Commonwealth Wastewater  
 Alabama Wastewater

**RESPONSE:**

<b>Adenus Group</b>	-	<b>\$1,437,267</b>
<b>Adenus Utilities Group</b>	-	<b>\$338,812</b>

41. Provide the non-recurring expenses by company for the year ended December 31, 2008 for the following companies:

Adenus Group  
 Adenus Solutions Group  
 Adenus Capacity  
 Adenus Technologies  
 Adenus Utilities Group  
 Adenus Operations  
 Tennessee Wastewater  
 Georgia Wastewater  
 Commonwealth Wastewater  
 Alabama Wastewater

**RESPONSE:**

<b>Adenus Group</b>	-	<b>\$39,500</b>
<b>Adenus Solutions Group</b>	-	<b>\$310,954</b>

42. Provide the number of wastewater customers at the year ended December 31, 2008 by month by state: Tennessee, Kentucky, Georgia, and Alabama. Indicate in your

response, the number of wastewater customers by state, which are with an affiliated company and are with a non-affiliated company.

**RESPONSE:**

**Tennessee: 1,806**

Tennessee Wastewater – 1,806

**Kentucky: 10**

Commonwealth Wastewater – 10

**Georgia: 80**

Georgia Wastewater – 80

**Alabama: 343**

Alabama Wastewater - 343

43. Provide the average number of customers for the year ended December 31, 2008 for each of the following companies:

Adenus Group  
Adenus Solutions Group  
Adenus Capacity  
Adenus Technologies  
Adenus Utilities Group  
Adenus Operations  
Tennessee Wastewater  
Georgia Wastewater  
Commonwealth Wastewater  
Alabama Wastewater

**RESPONSE:**

**Tennessee Wastewater – 1,677**

**Georgia Wastewater - 62**

**Commonwealth Wastewater – 10**  
**Alabama Wastewater - 285**

44. Provide the average number of customers for the year ended December 31, 2008 for each of the following companies:

Adenus Group  
Adenus Solutions Group  
Adenus Capacity  
Adenus Technologies  
Adenus Utilities Group  
Adenus Operations  
Tennessee Wastewater  
Georgia Wastewater  
Commonwealth Wastewater  
Alabama Wastewater

**RESPONSE: See response to Question 43.**

45. Provide the Operating Revenue by account by company (affiliated and non-affiliated) for Adenus Operations, LLC at December 31, 2008.

**RESPONSE: See Attachment “B”**

46. Provide the Operating Expense incurred by account by company (affiliated and non-affiliated) for Adenus Operations, LLC at December 31, 2008.

**RESPONSE: See Attachment “C”**

47. Provide the cumulative amount of Net Operating Losses (“NOL”) by year by company through December 31, 2008.

**RESPONSE:** The majority of the companies are LLC's and the NOL are reported to the individual members and do not carry forward NOL's. Tennessee Wastewater's NOL for the year ending 2008 was \$13,299.

48. Provide the Operating Budgets for 2009 by company. Include in your response all supporting documentation.

**RESPONSE:** Pursuant to discussions with the Consumer Advocate, this information is considered Highly Confidential and has been shared on a limited basis with the staff of the CAD.

49. Provide the business reasons for the increase from the 2007 amount of \$391,585 (Exhibit 1-A Charles Hyatt) to \$491,485 in 2008 for Operating Expense Account #736.2 for Tennessee Wastewater.

**RESPONSE:** Please see Exhibit 2-C in the Rate Case filing. This number is tied to customer totals as it is a fixed amount per customer per rate class and service area. The increased number of east Tennessee customers, cabin rate reclassification and rate increase in October 2007 were all factors in this increase.

50. Provide the business reasons for the increase from the 2007 amount of \$57,898 (Exhibit 1-A Charles Hyatt) to \$152,793 in 2008 for Operating Expense Account #736.12 for Tennessee Wastewater.

**RESPONSE:** The 2008 amount of \$152,793 is the total amount and does not include adjustments for the regulated percentage amount. The \$57,898 does not include expenses that are reported in accounts 703, 775.9, 775.1, 740, and 736.3.

51. Provide the business reasons for the increase from the 2007 amount of \$56,555 (Exhibit 1-A Charles Hyatt) to \$142,483 in 2008 for Operating Expense Account #736.12 for Tennessee Wastewater.

**RESPONSE:** The 2008 amount of \$142,483 is the total amount and does not reflect adjustments for the regulated percentage amount. The \$56,555 does not include expenses that are reported in accounts 703, 775.9, 775.1, 740, and 736.3.

52. State whether all property referred to in the document entitled Tennessee Wastewater Systems Property 12/31/07 and any other subsequently acquired properties are used and useful in providing wastewater service to Tennessee Wastewater customers.

- a. Does Tennessee wastewater hold title to each of the properties referred to in the document and any other subsequently acquired properties?
- b. Are the properties referred to in the document and any other subsequently acquired properties free of encumbrances or other interests?
- c. Are ratepayers paying property or other taxes on each of the properties?
- d. Can any of the properties be used for anything other than wastewater treatment purposes?



**RESPONSE:** The property listed on the document entitled Tennessee Wastewater Systems Property consists of wastewater collection systems, wastewater treatment systems and wastewater drip irrigation land. In most cases, the property is acquired by the utility when the development is platted. Typically these properties become used and useful to the utility when homes are connected to the wastewater system(s) and the plant(s) begin their operation.

a) There is no title *per se* to the collection system and treatment system.

There may not a title to the land if the utility has a permanent easement for use of the land. In the case where land is deeded over to the utility, there is a title.

b) It is not uncommon for the grantor of the property to retain rights such as cutting hay or hunting on the property.

c) All utility property is taxed. Property taxes are paid by rate payers.

d) The only use that the utility has for the property is to provide wastewater service to customers.

53. Are any expenses, including but not limited to entertainment and lodging, related to legal expenses, lobbying expenses or consulting expenses (provide amounts)?

**RESPONSE:** TNWW 2006 Legal Expenses: \$31,844.34

TNWW 2007 Legal Expenses: \$79,336.89

TNWW 2008 Legal Expenses: \$35,431.59

54. In the Deed of Trust by and between Community Bank and Trust and Tennessee Wastewater Systems, Inc., of record at Book 3465, Page 622, Williamson County

Register of Deeds Office and as modified at Book 106, Page 768, Tennessee Wastewater received \$800,000 with various properties listed in the Deed of Trust as collateral; please explain:

- a. How were the \$800,000 proceeds referred to in the Deed of Trust used by Tennessee Wastewater and how, with particularity, were the proceeds used to benefit ratepayers;
- b. Where is this debt referred to in any documents filed with the TRA in this rate case;
- c. What company's financial statements currently reflect the \$800,000 debt;
- d. What is the current principal and amount owed and what entity has been making payments on the debt;
- e. What entity or person, if any, has been claiming a tax deduction for any interest payments (please provide copies of any relevant documentation);
- f. Was the TRA informed about this Deed of Trust and was approval for this debt obtained (if so please provide any relevant documentation); if not, why; and
- g. If this debt is not paid and foreclosure proceedings are instituted how will services to ratepayers be affected.

**RESPONSE:**

**When a financial institution issues a letter of credit, "loan documents" that would take effect if the letter of credit is called are drawn up. This is a matter of protection for the financial institution. In the case of the Deed of Trust by and between Community Bank & Trust and Tennessee Wastewater Systems, Inc., letters**

of credit as required by Williamson County for wastewater systems were furnished by the bank to the county. None of the letters of credit were ever called, so no loan was ever activated and no loan interest was ever paid. All of the letters of credit associated with Williamson County wastewater systems that were covered by the Deed of Trust for Community Bank & Trust have been eliminated. Community Bank & Trust no longer has any letters of credit issued to anyone on behalf of Tennessee Wastewater Systems, Inc. Information about all letters of credit is furnished to the Tennessee Regulatory Authority on an annual basis.

55. With regard to the corporation known as of Tennessee Wastewater Industry Group, which lists Robert Pickney as President and Charles L. Pickney, Jr., as Secretary, please provide the following:

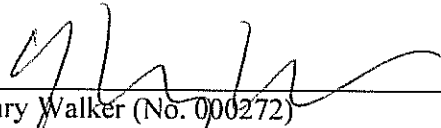
- a. The purpose of the corporation;
- b. Whether it is an affiliate of Tennessee Wastewater;
- c. The budget of the corporation; any payments made by the corporation; a list of employees and their salaries and any expenses incurred; the names of any person or entity or agent acting on behalf of or at the direction of the corporation and payments made to them and a description of their activities; and a copy of any state or federal tax return filed by the corporation;
- d. Whether there are any charges to Tennessee Wastewater, directly or indirectly, involved in its operation.

**RESPONSE:**

- a) **Tennessee Wastewater Industry Group Inc. is a Non-Profit Corporation (501) whose purpose is to promote, improve and advance the Wastewater Industry in Tennessee. Members belong to groups such as design engineering firms, Utility Districts, Water & Wastewater Authorities, academic and research professionals, equipment suppliers and Public Utility Companies. At the initial start-up of the corporation, Charles and Robert Pickney briefly served as temporary officers. Neither Charles nor Robert Pickney presently holds any office in the corporation.**
- b) **Tennessee Wastewater Industry Group, Inc. is not affiliated with any other company.**
- c) **N/A**
- d) **Tennessee Wastewater Systems, Inc. pays an annual membership fee which is the same as that paid by other member companies.**

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

By:   
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(615) 252-2363

*Attorneys for Tennessee Wastewater Systems, Inc.*

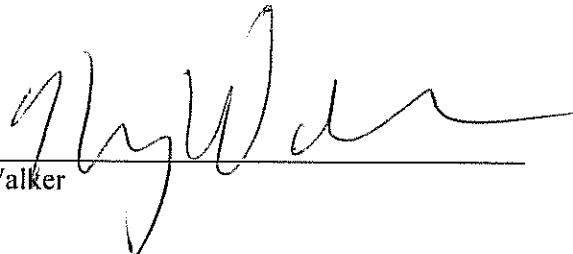
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served by placing it in the U.S. Mail, First Class, postage prepaid, on the following counsel of record, this the 19<sup>th</sup> day of March, 2009.

Vance L. Broemel  
Timothy Phillips  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202

Rebecca Montgomery  
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Charles B. Welch, Jr.  
Farris Bobango, PLC  
618 Church Street, Suite 300  
Nashville, TN 37219

  
\_\_\_\_\_  
Henry Walker

**ATTACHMENT “A”**

**CONFIDENTIAL**

**ATTACHMENT “B”**

**CONFIDENTIAL**

**ATTACHMENT “C”**

**CONFIDENTIAL**