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T.R.A. DOCKET ROOM

Date: January 11, 2010

Sara Kyle, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: Cost Study/Usage Billing Docket No. 08-00202

Dear Chairman Kyle,

This letter is in response to the direction of the Authority that Tennessee Wastewater Systems, Inc., explore, in cooperation with local water utilities, the costs of billing customers on a volumetric basis, using the customer's water usage to calculate wastewater bills. See TRA Docket 08-00202, Order issued July 8, 2009.

Following the TRA's instructions, TWSI wrote a number of water utilities serving TWSI customers in Tennessee. A copy of a sample letter is attached. As of this date, TWSI has received only one response to these letters. The Milcrofton Utility District has offered to provide TWSI with water meter readings for a charge of \$1.00 per month, per customer. No other water utilities have responded.<sup>1</sup> This lack of response is consistent with prior efforts of TWSI to obtain customer information from utility districts providing water service to TWSI customers. Most utility districts are not interested in cooperating with a privately owned wastewater company and seem to view TWSI as a potential competitor.

Under its current tariffs, TWSI bills overnight rental customers on a usage basis only if TWSI has reason to believe the customer is using more than 300 gallons per day of wastewater. At this time, TWSI bills approximately 30 customers out of 1800 on a volumetric basis, using information from the customer's water meter or water bill. An employee of Tennessee Wastewater then uses that information to calculate the customer's monthly wastewater bill. If this process could be followed for all of the company's 1800 customers, TWSI would need to hire an additional employee at a cost, including benefits, of \$40,000 per year or approximately \$21.60 per year, per customer. This cost estimate does not take into account the amount TWSI would be required to pay to obtain copies of each customer's water bill.<sup>2</sup>

<sup>1</sup> TWSI currently receives monthly meter readings from Clarksville for customers located in the South Ridge area, Clarksville charges TWSI \$15.00 for signing up new customers for wastewater service and \$15.00 for providing TWSI with monthly meter readings for each of the 190 customers living in that development.

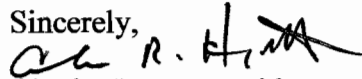
<sup>2</sup> As a practical matter, however, TWSI could not charge all customers on the basis of water usage since a number of TWSI customers obtain water from private wells.

TWSI agrees with the TRA's policy that utilities should, where practicable, bill on a volumetric basis. TWSI believes that the most cost-effective method of billing residential customers is to continue flat rate billing unless TWSI has reason to believe that a residential customer is using more than 300 gallons per day and TWSI has an inexpensive method of measuring water usage. In those circumstances, TWSI should have the right to bill the customer for the excess usage. This would require a change in the company's residential tariffs.

Finally, it should be noted that nearly all (as much as 90%) of TWSI's expenses are fixed. Any rate design based on cost-of-service principles would therefore charge all, or nearly all, residential customers a flat rate. Given the utility's cost structure, the expense of usage-based billing outweighs any identifiable benefits to residential customers.

Please call me at 220-7162 if you have any questions about this report.

Sincerely,



Charles Hyatt, President  
Tennessee Wastewater Services, Inc.

cc: Director Hill  
Director Freeman  
Director Roberson



851 Aviation Parkway  
Smyrna, TN 37167

Date: November 13, 2009

To: whom it may concern

Tennessee Wastewater Systems Inc. is a sewer service provider in the State of Tennessee and regulated by the Tennessee Regulatory Authority. The TRA has asked TNWW to conduct a survey of the Companies that provide water to those customers that TNWW provide sewer.

TNWW currently bills their customers a fixed charge. TRA is requesting information of the amount of fee the water providers will charge TNWW for the meter readings of those customers on a monthly basis.

We thank you for taking the time to provide us this information and the opportunity to better serve our customers. Please complete the form below and return to the address above.

Monthly Fee: \_\_\_\_\_

We \_\_\_\_\_ will or \_\_\_\_\_ will not provide you this information on a monthly basis.

Thank you

Charles R. Hyatt  
President