

# KING'S CHAPEL CAPACITY

Providing Superior Wastewater Service to Tennessee

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December 17, 2008

**VIA HAND DELIVERY**

Mr. Gary Hotvedt, Hearing Officer  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

**Re: Petition of Tennessee Wastewater Systems, Inc. To Change And Increase Certain Rates And Charges So As To Permit It To Recover Costs Associated With Furnishing Wastewater Service To Its Customers (Docket 08-00202).**

Dear Mr. Hotvedt:

During the December 8<sup>th</sup> status conference, King's Chapel Capacity ("KCC") was requested to provide the court with specific issues relating to the granted intervention in this matter. This letter serves as KCC's response to the Hearing Officer's request.

As the largest provider of wastewater service in Tennessee, the actions taken by the TRA upon Tennessee Wastewater Service ("TWS"), serve as a bellwether to other wastewater utilities in the state. In fact, the existing rates of KCC are already predicated upon the current base rates of TWS. As a result, the outcome of this proceeding will have a direct impact on the rights, duties, privileges, immunities, or other legal interests of KCC.

In addition, as an existing provider of wastewater service, KCC has information available relating to the current cost of providing wastewater service that it believes would be of immediate and invaluable assistance to the TRA in this proceeding. KCC also has significant questions and concerns with regard to how the TWS cost of service study has been developed and presented to the TRA in this case. KCC believes the facts of these particular issues can only come to light through the discovery process afforded to intervenors.

However, there will be no discoverable information requested by KCC in this case that would provide KCC with a competitive advantage in the wastewater industry. KCC is not a competitor of TWS. Instead, KCC has its own service territory, which does not overlap with the existing service territory of TWS. The sole purpose of KCC's discovery of TWS' operations

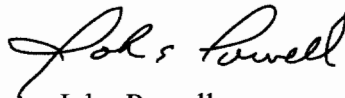
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will be to determine the appropriate cost of service for TWS specifically and the wastewater industry in general.

While KCC's concerns over TWS' cost of service study are mostly general in nature, we are specifically concerned about TWS' use of affiliates in order to shield regulated operations and revenues from TRA jurisdiction. It is my understanding that TWS has no employees of its own, and instead assigns the responsibility for utility operations to its unregulated affiliates. The use of these affiliates, and their allocated cost to the regulated operations, could have a significant impact on the TRA's decision in this case.

Inasmuch as the TRA has a six (6) month period in which to conduct a rate case investigation, granting KCC's Petition to Intervene will not impair the orderly and prompt conduct of this proceeding. For these reasons, KCC respectfully requests that the Hearing Officer grant its Petition to Intervene without condition or limitation.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Powell".

John Powell  
President

C: Parties of Record  
Senator Mae Beavers  
Representative Susan Lynn