

Filed electronically in the Docket Office 7/23/10

July 23, 2010

David Foster, Chief Utilities Division  
Tennessee Regulatory Authority  
460 James Robertson Pkwy.  
Nashville, TN 37243

RE: Response to Request  
In re: Petition of Tennessee Wastewater System's Inc. to Post Alternative  
Financial Security (Docket No. 10-00086)

Dear Mr. Foster:

In response to the TRA staff request for information, the following responses are submitted:

**QUESTION:**

1. Please provide the names of any banking/financial institutions with which TWS or any of the Adenus Companies/Groups (including but not limited to the following Adenus Companies/Groups: Adenus Group, Adenus Technical Services, Adenus Solutions Group, Adenus Capacity, Adenus Technologies, Adenus Technologies and Adenus Utilities Group ("TWS Affiliated Companies") does business.

**ANSWER:** The Adenus companies have relationships with three banks: Pinnacle, Wachovia, and Wilson Bank & Trust.

**QUESTION:**

2. Please provide a copy of any response received from each banking/financial institute (written or verbal) contacted to provide a letter of credit for TWS or any of the TWS Affiliated Companies on behalf of TWS, pursuant to TRA Rule 1220-4-13-.07.

**ANSWER:** TWS has contacted all three banks about obtaining a letter of credit for all or part of the amount required by the TRA rules (approximately \$1 million). None expressed any interest in issuing a letter of credit. A letter from Pinnacle has previously been filed with the Authority. In a subsequent discussion with the bank, Mr. Charles Hyatt was told that Pinnacle would not renew the bond unless TWS deposited 20% of the bond amount in cash and gave the

bank a mortgage on property with improvements valued at \$800,000. The bank is not interested in property without improvements and, in any event, TWS cannot meet the cash requirement. (In February, Pinnacle said it would renew the letter of credit only if all four of the Pickney brothers would mortgage their houses. The Pickneys declined.) Wachovia simply told Adenus that the bank no longer is interested in having Adenus as a customer. Wilson Bank & Trust orally informed Mr. Hyatt that the bank is not willing to issue a letter of credit based in whole or in part on the value of the sewer property because the property cannot readily be sold. Wilson also said they would require 20% of the face value of the letter of credit in cash, a requirement which TWS is not able to meet.

**QUESTION:**

3. Please provide a copy of any response received from each banking/financial institution (written or verbal) contacted to provide a letter of credit for TWS, or any of the TWS Affiliated Companies on behalf of TWS, for a portion of the required security amount pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** See response to Question 2.

**QUESTION:**

4. Please list any assets presented to each banking/financial institution that can be used as collateral for a portion of the required letter of credit amount pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** Filed separately under seal.

**QUESTION:**

5. Please list any assets presented to each banking/financial institution that can be used as collateral for a portion of the required letter of credit amount to pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** These assets are included in the information filed in response to Question 4.

**QUESTION:**

6. Please provide the names of any insurance companies with which TWS or any of the Adenus Companies/Group (including, but not limited to the TWS Affiliated Companies) does business.

**ANSWER:** On July 12, 2010, TWS filed with the Authority a letter to Mr. Hyatt from David Patterson with Neace Lukens. Mr. Patterson is an insurance broker who handles all insurance requirements for the Adenus companies. On behalf of TWS, Mr. Patterson contacted every commercial bonding carrier with which Neace Lukens does business about obtaining a \$1 million bond for TWS. The results of that effort are explained in Mr. Patterson's letter. In a

subsequent discussion, Mr. Patterson told Mr. Hyatt that no carrier would be interested in bonding a portion of the TRA bond requirement because if the collateral is pledged to more than one carrier, it would be difficult for the carrier to sell the property.

**QUESTION:**

7. Please provide a copy of any response given by each insurance company contacted (written or verbal) to provide a bond for TWS, or any of the TWS Affiliated Companies on behalf of TWS, pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** See Response to Question 6.

**QUESTION:**

8. Please provide a copy of any response given by each insurance company contacted (written oral verbal) to provide a bond for TWS, or any of the TWS Affiliated Companies on behalf of TWS, for a portion of the required amount pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** See Response to Questions 6.

**QUESTION:**

9. Please list any assets presented to each insurance company that can be used as collateral for the requested bond pursuant to 1220-04-13-.07.

**ANSWER:** See Response to Question 4.

**QUESTION:**

10. Please list any assets presented to each insurance company that can be used as collateral for a portion of the required bond amount pursuant to TRA Rule 1220-04-13-.07.

**ANSWER:** See Response to Question 4.

11. Regarding the letter from Neace Lukens filed by TWS with the Authority on July 12, 2010, is TWS able to meet the conditions required to obtain a bond, as set forth in that letter? If not, please explain in detail.

**ANSWER:** TWS cannot meet the requirement that the company have \$500,000 in cash as collateral for the bond.

**QUESTION:**

12. Please list all steps taken or to be taken by TWS to be compliant with TRA Rule 1220-04-13-.07 when the current letter of credit expires.

**ANSWER:** TWS has submitted a timely petition for alternative financing. A similar petition has been filed at the Alabama PSC and approval is expected on July 27. The proposal by Adenus appears to be the only practical solution to the bond requirement that will not require a significant rate increase for the customers of TWS.

**QUESTION:**

13. Please provide any steps taken or to be taken or discussions with receivable factoring companies in order to obtain the cash needed to provide the collateral to secure the required financial security required pursuant to 1220-04-13-.07.

**ANSWER:** TWS has approximately \$270,000 in receivables, about half of which are current. That is not sufficient to obtain the cash needed as collateral for the bond.

Respectfully submitted,

A handwritten signature in cursive script that reads "Henry Walker".

Henry Walker

Attorney for Tennessee Wastewater Systems, Inc.

HW/dnr