

TENNESSEE REGULATORY AUTHORITY



2011 APR 25 11:30

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

TRA DOCKET ROOM

April 25, 2011

Doug Hodge
DSH & Associates, LLC
4028 Taliluna Avenue
Knoxville, TN 37919

RE: Docket No. 11-00020 –Petition of DSH & Associates, L.L.C. to Obtain a CCN for the Service of the Part of Jefferson County, Tennessee Known as Lakeside Estates

Dear Mr. Hodge:

Please provide the information as outlined on the attached Data Request. Pursuant to TRA Rule 1220-1-1-.03(4), submit either an electronic response along with an original and four (4) written copies or an original written response and thirteen (13) copies.

Please note that the requisite number of written copies of all requested information must be provided to the Docket Manager and electronic responses, if filed, must be in .pdf format.

All information should be provided no later than 2 PM, Tuesday, May 10, 2011. Should you have questions regarding the attached request, please contact Patsy Fulton at (615) 741-2904 (extension 193) or Tiffany Underwood (extension 172).

Sincerely,

David Foster
Chief, Utilities Division

Attachment (1)

Data Request Dated April 25, 2011

1. Explain why LaFollette Utilities Board ("LUB") is releasing the wastewater system for Lakeside Estates to DSH & Associates, LLC ("DSH" or "Utility").
2. Provide a copy of the contract or agreement between DSH and LUB to transfer the state operating permit and operating agreement.
3. Regarding the transfer of SOP #07073:

Has an application to transfer the wastewater system from LUB to DSH been submitted to TDEC by either party? If the answer is yes, please file the application in this Docket. If not, please submit the transfer application to TDEC and file a copy with the Authority.
4. State what funding or financial capital is available to the Utility to operate the wastewater system excluding the Utility revenue.
5. Please clarify who the developer of Lakeside Estates is: Norris Lake Properties, LLC or Trimbach Development, LLC ("Trimbach or Developer").
6. Provide a copy of the license to do business in the State of Tennessee for Trimbach Development, LLC.
7. Please provide the name of the Home Owners Association ("HOA") for Lakeside Estates and a copy of the Home Owners Association's license to do business in the State of Tennessee.
8. Please provide pro forma financial statements for DSH for the first year after the wastewater system is transferred. Include balance sheet, income statement and statement of cash flows.
9. Will there be any funds transferred for the wastewater system between LUB and DSH? Will there be any transfer of accounts receivable? If not, please explain how the accounts receivable will be handled.
10. In the Operation and Maintenance ("O & M") Contract between DSH and Trimbach, reference is made on page 161 to the Developer being responsible for transferring property and easements, currently owned by LUB, to DSH within 2 months of commencement of this agreement. Explain how Trimbach is able to transfer the property and easements if LUB is currently the owner.

11. The O & M contract between the Developer and the Utility gives the Utility authority to impose a special assessment on the owners of all building structures or residential units in order to repair and remediate the wastewater system should a catastrophic event render the system inoperable or substantially impair the system. Should this not be set forth in a contract between the HOA and the Utility?
12. Provide a copy of the contract between the HOA and DSH.
13. Provide a copy of the by-laws for the HOA.
14. The O & M between DSH & Trimbach states that maintenance, repair or replacement of the Septic Tank Efficient Pumping ("STEP") units shall be the obligation of the homeowners for individual STEP systems and the HOA association for community owned STEP systems. State why there is a need for community owned STEP systems. How many STEP systems are community owned, and how many are individually owned. How much does a STEP unit cost? Is there a difference between the costs for the community owned and individual STEP units?
15. Provide evidence that the HOA has agreed that all STEP units and pumps will be installed by DSH. In addition, provide the price that DSH will charge for the STEP system including installation.
16. Include in DSH's tariff any charges that the Utility will bill for equipment (STEP units, etc.) and for installation.
17. Who currently owns the wastewater system? Who currently owns the 25+ acres of land associated with the wastewater system?
18. On page 25, of the Petition, it is stated that Norris Lake Properties, LLC is the developer that paid for the system and that the land that the system is on is owned by Trimbach. Please clarify which entity will be transferring the deeded land and wastewater system to DSH and provide documentation. for
19. Provide a copy of the deed(s) as documentation that the land and wastewater system are owned by Trimbach.
20. Provide a tariff filed in accordance with TRA Operating Rules and Regulations. Specifically referring to:

1220-4-1-.02 Tariff Specifications:

1. Form and Style of Tariffs

(b) The initial tariff filed by each public utility shall be designated as TRA No. 1 and thereafter as other tariffs are filed they shall be designated with the next number in consecutive numerical order. Revisions and additions shall be inserted in the most appropriate location and denoted by the previous sheet numbers plus a letter, i.e., 3A, 3B, etc., or 3.1, 3.2, etc. Revisions to tariff sheets shall be denoted by 1st Revised Sheet No.3, 2nd Revised Sheet, etc.

1220-4-1-.03 Tariff Contents:

- (1) Tariffs must explicitly state the rates and charges for each class of service rendered, designating the area or district to which they apply.
 - (2) Rules and regulations of the utility that in any manner affects the rates charged or to be charged or that define the extent or character of the service to be given shall be included with each tariff.
21. The proposed tariff should be consistent with information included in the Petition. Provide an explanation and a corrected tariff, if necessary for the following inconsistencies:
 - a. A Commercial Without Food Service Rate Sheet is included in Attachment 14 of the Petition; however, it is not included in the tariff. This page should be included to support the pool listed as part of the total hookups on page 24 of the Petition.
 - b. The Tap Fee Schedule on page 163 of the Petition is not the same as the tap fee included in the tariff.
 22. State whether the following individuals are full time/part time employees or contractual employees. If contractual employees, please provide copies of each contract.
 - a. Mike Johnson
 - b. Herb Norton
 23. Under technical requirements on page 24 of the Petition, it states that 36 lots have been sold. The contract between Trimbach and DSH states that 37 homes have been sold. Clarify how many homes have been sold and the status of each: (1) completely built and are being billed monthly for wastewater, (2) under construction and are being billed an access fee, (3) or a lot that has been sold and is being charged an access fee. In addition, provide the customer type: (1) residential customer, (2) rental customer or (3) lot owner (minus a home).

24. Provide the number of customers billed by LUB for the month of March and the amount each customer was billed. In addition, provide the total revenue billed by LUB for March 2011 for these customers.
25. We understand that all of the 36/37 units should be producing revenue at the present time. If all 36/37 units are not revenue producers explain why.
26. Does the utility have any employees other than those under contract? If yes, provide name and position of each.
27. Provide backup for all expense assumptions on the five year statement of revenues and expenses used to establish rates, inclusive but not limited to a copy of the tariff from the local electric company and a written quote from the insurance agencies supporting the bond premium and the monthly insurance amount.
28. The escrow amount includes pumping of (4) four units per year. What is the basis for this number? Please state if this number is based on the 3 bedroom residential homes or the 6 bedroom rental units.
29. Explain fully what services local and corporate management fees cover, as listed on page 118.
30. Provide a cost allocation manual for allocating revenue and expenses to regulated and non-regulated activities within DSH.
31. Provide an Excel spreadsheet with working formulas showing the calculation of commercial escrow that the Utility is proposing.
32. On page 46 of the Petition, the Utility states that DSH's annual revenue for 2011 is anticipated to be \$160K.
 - a. Please provide a breakdown of this revenue by source.
 - b. Please explain how this revenue amount differs from the \$30,502 Total 2011 Revenue on the same page
 - c. Provide average number of gallons of flow, by month, for the total system as it exists today. Provide documentation for this amount.
33. Staff's understanding is that two six bedroom homes are being built as part of Phase II; however, they have not yet tapped onto system. The DSH tariff indicates \$7,500 in tap fees will be due from each unit. Who will receive the \$15,000 in tap fee revenue?
34. Explain Doug's Draw Account (30300) on your statement of cash flows and balance sheet statement, page 204 & 205 of the Petition

35. Provide copies of the December 2010 and March 2011 bank statements for DSH.
36. Were any tap fees collected by either the developer or LUB that will be turned over to DSH? If the answer is yes, please state the type of each customer, the date and the amount of tap fees that were collected.
37. Please provide a copy of the engineering plans and specifications for Phase II of the wastewater utility for Lakeside Estates.
38. Provide a description of the duties performed by Herb Norton and Environmental Management Group.
39. Provide the address and telephone numbers for the board of directors listed on page 17 of the Petition.
40. Complete the table below regarding the 5 phases of expansion of the waste water system at Lakeside Estates. In addition, provide any contracts concerning the expansions.

	Phase I	Phase II	Phase III	Phase IV	Phase V
Start Date	March 2008				
End Date	Now				
Cost to Build/Modify	\$425,000				
Total Units					
# rental units					
# bedrooms					
#residential units					
# bedrooms					
# access fee customers					
# units not attached to system					
Funding Responsibility					
Gallons of Flow (Design Capacity)	12,000 gallons				
Lots Sold Not Providing Service	6				
Total Tap Fees	0				

41. Provide a copy of the proposed notification letter being sent to customers to notify them of the transfer of the utility from LUB to DSH. The notification letter must include any changes in rates from LUB to DSH.
42. How many of the lots in Phase I will not be serviced by DSH? Please provide lot numbers.
43. In the table above, reference is made to "Number of property owners not attached to the system". Why are these property owners not attached to the system? Will they ever attach to the system?
44. What is the total design capacity (gallons of flow) of the wastewater system, as it exists today?
45. Please provide a corrected surety bond or bank letter of credit in accordance with TRA Rule 1220-4-13-.07.