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DSH & Associates, LLC

T.R.A. DOCKET ROOM Engineering/Construction/Utility Services

November 3, 2011

Sharla Dillon
Dockets and Records Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505
Sharla.Dillon@tn.gov
615-741-2904 ext 136

SUBJECT: **RESPONSE TO DATA REQUEST DATED 10/26/11**

Docket Number 11-00162

Dear Ms. Dillon,

Please find attached:

- Response to Data Request Dated 10/26/11.
- Re-filing of Request for Rate Change.
- Modified tariff incorporating new rates.

Let me know if you require additional information.

Sincerely,

Douglas S. Hodge, Ph.D., PMP
Manager
DSH & Associates, LLC
4028 Taliluna Avenue
Knoxville, TN 37919
Operations Manager
P: 865-755-8066/F: 866-480-5943
Hodge.DSH@gmail.com

Data Request Dated October 26, 2011

1. Provide the age and condition of the current wastewater system, including number of gallons per day it will service and whether the system is in need of any repairs presently or in the next two years.
 - a. *Response: The Phase I system with an initial capacity of 12,000 gpd was installed in August 2008. Phase II expansion of the system occurred in July of 2011 and increased the total capacity to 16,000 gpd. DSH's evaluation of the of the system concluded that the system is in fair condition and the following repairs will be required to the system in the next four months:*
 - a. *Replace lift station computer control panel \$6,000. Sulfur gases have penetrated this panel and corroded many of its components. The damage will require a complete replacement. This replacement cost is covered under the warrantee that DSH has the Trimbach Development and Lakeside Estate HOA.*
 - b. *Eleven homes in Lakeside Estates (along Blue Jay Lane) have undersized STEP tanks. Additional STEP capacity will be required within the next four months. This will include installation of 9,000 gallon of STEP capacity in one tank farm area in the vicinity of Blue Jay Lane (approximate installation cost of \$16,000). This tank expansion cost is covered under the warrantee that DSH has the Trimbach Development and Lakeside Estate HOA.*
2. Explain the rationale and provide a detailed calculation showing how the Company arrived at a \$3,750 tap fee for a three bedroom home.
 - a. *Response:*

Calculation Assumptions:

Initial System Capital Cost	\$	425,000
Treatment capacity (GPD)		12000
Unit rate cost (\$/gal)	\$	35.42
Unit rate cost (\$/100 gal)	\$	3,541.67

Note: Much of the infrastructure that was installed initially will support future expansions. Equalization tanks, pumps, and controls for a 72,000 gpd (approx. 205 homes) were installed. Future expansion will require addition of biological treatment PODs, associated pumps and piping, and drip system expansion. The estimated unit price for future expansion is calculated as follows:

Expansion will occur on 4000 gpd increases based on equipment.

	Equipment				
	Cost	Freight	Tax	Installation	Total
Advantex POD	\$ 13,800	\$ 1,200	\$ 1,425	\$ 6,900	\$ 23,325
POD Piping	\$ 3,000	\$ 150	\$ 299	\$ 1,500	\$ 4,949
Electrical installation	\$ 3,300	\$ 200	\$ 333	\$ 1,650	\$ 5,483
Drip Field 3700 LF	\$ 5,550	\$ 1,200	\$ 641	\$ 2,775	\$ 10,166
Drip Field Piping	\$ 2,500	\$ 200	\$ 257	\$ 1,250	\$ 4,207
Drip Field Electrical	\$ 1,200	\$ 100	\$ 124	\$ 600	\$ 2,024
	Total Installation Cost				\$ 50,153

Treatment Capacity

4000 GPD

Installation Cost

\$ 50,153

Unit Rate

\$ 12.54 \$/Gal

*Round off to \$1250 for calculations

Unit Rate

\$ 1,253.83 \$/100 gal

Daily Flowrate	Number of Bedrooms	Estimate Tap Fee
300	3	\$3,750.00
400	4	\$5,000.00
500	5	\$6,250.00
600	6	\$7,500.00
700	7	\$8,750.00
800	8	\$10,000.00
900	9	\$11,250.00
1000	10	\$12,500.00

3. Provide copies of contracts for accountant, plant operator, and maintenance operator.

a. Response: See Attachment #1.

4. Provide copies of the insurance policy and premium invoice supporting the annual insurance expense of \$3,319.

a. Response: See Attachment #2.

5. Provide the business tariff rate or supporting documentation for electricity for the wastewater system.

a. Response: See Attachment #3.

6. Provide the name of the responsible party and the job responsibility for the following job titles.

a. *Response:*

a. *Maintenance Operator: Jeff Brownfield (Braeburn Utility)*

1. *Responsibilities:* **With DSH & Associates, LLC**, Mr. Brownfield will be responsible for all new installation and maintenance of the system. The Plant Operator will be responsible for identifying issues of concern to DSH and Jeff will respond to these issues. Jeff brings over 15 years of experience in installation, operation, and maintenance of decentralized systems and is TN's vendor for Orenco Equipment, which the plant was constructed with.

b. *Plant Operator: Robert Young (Envir. Mgt Group)*

1. *Responsibilities:* **With DSH & Associates, LLC**, Mr. Young will be responsible for O&M of the Lakeside Estates De-Centralized treatment system. He will conduct all sampling and analyzes, operate the system, respond to shut downs, and keep the system operational. Mr. Young has over 25 years of experience in the water and wastewater. He has managed municipal operations for Cities and smaller decentralized community systems. He has a class WW4 wastewater treatment plant and distribution and collection systems license. He has the experience to manage all aspects of the O&M for the Lakeside Estates De-centralized system.

c. *Accountant: Roger Goins (Boring and Goins, PC)*

1. *Responsibilities:* **With DSH & Associates, LLC**, Mr. Goins will be responsible for all project controls, billing supervision, monthly accounting, and annual preparation of taxes and required annual reports. Mr. Goins is a TN CPA and has over 30 years of experience with accounting and specifically the State of TN accounting practices. In addition, Mr. Goins is currently the CPA/project controls lead for Martel Utility District, is registered with the State as providing utility accounting support, and currently is following all professional practices required to meet TRA accounting requirements.

7. Provide a detailed calculation and/or methodology used to arrive at the commercial overnight rental rate used to price out revenue on Exhibit 1B.

- a. Response: The table listed below shows how the \$90.83 for average monthly commercial rental rate was estimated.

Jan	\$ 70.00
fib	\$ 70.00
mar	\$ 70.00
April	\$ 70.00
may	\$ 70.00
June	\$ 100.00
July	\$ 150.00
aug	\$ 150.00
sept	\$ 100.00
oct	\$ 70.00
nov	\$ 70.00
dec	\$ 100.00
	\$ 90.83

DSH looked at historical monthly flowrates for the commercial rental homes and correlated those to monthly billing rates based on the proposed rate table for commercial rental units shown below. Due to the uncertainty involved with the estimate, rough values were used for the monthly billing rate (i.e. \$70 compared to \$69.53)

	<u>FLOWRATE BETWEEN</u>			
<u>COMMERCIAL W/O FOOD</u>	<u>(GPD)</u>		<u>TOTAL**</u>	<u>ESCROW***</u>
Tier 1	0	300	\$ 69.53	\$ 15.95
Tier 2.1	301	400	\$ 84.53	\$ 19.49
Tier 2.2	401	500	\$ 99.53	\$ 23.02
Tier 2.3	501	600	\$ 114.53	\$ 26.56
Tier 2.4	601	700	\$ 129.53	\$ 30.10
Tier 2.5	701	800	\$ 144.53	\$ 33.63
Tier 2.6	801	900	\$ 159.53	\$ 37.17
Tier 2.7	901	1000	\$ 174.53	\$ 40.71
Tier 3.1	1001	2000	\$ 332.48	\$ 77.95
Tier 3.2	2001	3000	\$ 490.43	\$ 115.19
Tier 3.3	3001	4000	\$ 648.38	\$ 152.43
Each additional tier			\$ 157.95	\$ 37.24

8. The escrow amount includes the pumping of four (4) units per year. What is the basis for this amount and is this amount applicable to both the three bedroom residential homes and the six bedroom rental units? Please explain why DSH considers pumping a non-routine maintenance expense.
 - a. Response: The 4 pumping cycles is associated with the "anoxic influent tank – 40,000 gallons" located at the waste water treatment plant area. It is the first tank that receives waste water from the individual STEP tanks at the homes. This estimate is based on experience with similar Orenco Systems (from Jeff Brownfield).
9. Explain why DSH considers normal wear and tear items (i.e. hoses, float switches and lights) as a non-routine maintenance expense.
 - a. Response: *The material and equipment costs included in the non-routine category are items that will not be replaced on a regular basis. For example, a float switch may need to be replaced in a year, two year, or ten years. It is dependent on factors outside of anyone's control and is variable. We can only estimate the frequency of replacement based on experience.*
10. What is the life expectancy of a pump and alarm system.
 - a. Response: The life expectancy of a pump and alarm system is 4 years (based on information from Jeff Brownfield – Orenco). There are 8 pumps currently in full time use at the treatment system. Based on a life expectancy of 4 years, 2 pumps will be required to be replaced every year.
11. What is the life expectancy of UV Lamps?
 - a. Response: Life expectancy of UV Lamps is one year.

12. What criteria does DSH use to determine if an expense is non-routine.

- a. *Response: If an item's frequency of repair/replacement can be determined to a high level of accuracy, than that item falls under the routine categorization.*

13. Would it be acceptable to DSH to recover items such as tank pumping and normal wear and tear items thru monthly rates as opposed to escrow?

- a. *Response: Yes – that would be acceptable to DSH.*

14. Explain fully the services covered by local corporate management fees and provide a calculation of how the company arrived at these expenses.

- a. *Response: DSH is 100% owned and managed by Douglas Hodge. Dr. Hodge will not take a salary from the company. However, when he provides his direct services to a project, he will bill that project at a rate of \$35/hr. Weekly timesheets will be filled out by Dr. Hodge that identifies project numbers/name, daily hourly billing, total weekly costs, and will be signed weekly. For regulated work, Dr. Hodge will bill the projects for work performed in the following areas:*

- Local Management
 - Preparation of subcontracts
 - Purchase of equipment, materials, and supplies
 - Coordination of weekly system inspections, alarms, maintenance, and response actions
 - Collection of monthly client usage rates
 - Coordination with bookkeeper for billing and payment services
 - Bond Coordination
 - Support TRA requests/audits
 - Communications with clients and customers
- Corporate Management
 - Coordination of company insurance
 - Yearly tax preparation
 - Yearly TRA regulated audit support
 - Coordination of overhead cost payments
- The algorithm used to approximate the monthly cost of local and corporate management was based on the number of homes that were serviced and multiplying that number by 2 and 2.8, respectively.
 - i.e. 30 homes x 2.0 = \$60/month (local) or approx. 2 hours
 - i.e. 30 homes x 2.8 = \$84/month (corporate) or approx. 3 hours

15. If a catastrophic event should occur and the entire system is destroyed, provide an estimate for replacing the system, by component part.
 - a. Response: As noted in response to question #2, the initial Phase I system total installed cost was approximately \$425,000. The Phase II system total installed cost was approximately \$50,000. Therefore the current system has a total installed cost of \$475,000. If the system needed complete replacement due to a catastrophic event, in today's dollars, it would cost \$475,000 and the individual component costs are as follows:

a. Fiberglass Tanks:	\$150K
b. Treatment PODs:	\$150K
c. Pumps:	\$40K
d. PLC & Electric:	\$60K
e. Drip Field:	\$75K
16. Provide current financial statements for DSH.
 - a. Response: *See attachment #4 for DSH financial statements as of 11/2/11.*
17. Provide the most current bank statement for DSH?
 - a. Response: *See attachment #5 for DSH current bank statement. Please note there are two accounts, one for DSH engineering business and one for DSH Utility business. Per our management plan, all Utility work will be run out of the Utility Account.*

18. DSH states that tap fees from Phase II will be used to pay for Phase III expansion, which is estimate at \$50,000. How many houses are currently being served in Phase II? How many additional houses will be added to the system in Phase II? Provide a price out of projected tap fees for Phase II, showing the calculation by number of bedrooms.

a. *Response: No homes have been added as part of the Phase II system. The total estimated Phase II homes that will be added are 11 homes. Please see attached table for projected tap fees.*

	Phase I	Phase II	Phase III	Phase IV	Phase V
Start Date	Mar-08	Jul-11	Jan-13	Jan-15	Jan-17
End Date	Now	Dec-12	Dec-14	Dec-16	Dec-18
Cost to Build/Modify	\$425,000	\$50,153	\$50,153	\$50,153	\$50,153
# rental units	23	4	4	4	4
# rental bedrooms	142	20	20	20	20
# residential units	3	7	7	7	7
# residential bedrooms	16	21	21	21	21
Total Units	26	11	11	11	11
Total Bedrooms	158	41	41	41	41
Historical Peak Flowrate into WWTP (gal/day)	11852	4100	4100	4100	4100
Cumulative Daily Peak Capacity of WWTP (gal/day)	11852	15952	20052	24152	28252
Design Peak Capacity (gal/day)	15000	20000	25000	30000	35000
Average Peak flowrate per unit (gal/day)	456	373	373	373	373
Average flowrate per bedroom (gal/day)	75	100	100	100	100
Calculated Tap Fees		\$ 51,619	\$ 51,619	\$ 51,619	\$ 51,619

19. Explain the approval process for the number of bedrooms that can be built to ensure that the phase II build out does not exceed the maximum capacity of the system.
 - a. *Response: Tap fees are based on the number of bedrooms a unit has. With this approach, the proper amount of escrow funds should be collected to pay for the next phase of system expansion. Where the number of bedrooms may be a concern would be on the last unit that needs to be installed, where the number of bedrooms may exceed the total bedrooms/flowrate of the installed system. Since tap fees are collected at the closing of a property sale, prior to start of the home construction, there will be sufficient time to collect the tap fee and expand the system prior to the last home coming online. System expansion only takes two months where a home takes approximately 4 to 5 months to construct.*

Attachment #1

**Contract between DSH accountant, plant operator, and
maintenance operator.**

SUBCONSULTANT AGREEMENT No. 005
FOR
PROFESSIONAL SERVICES

THIS AGREEMENT, entered into this 1st day of August, 2011, by and between **DSH & Associates, LLC** with offices at 4028 Taliluna Avenue, Knoxville, TN 37919 865-755-8066 hereinafter referred to as "DSH" and **Braeburn Utility Construction Services, LLC** located at **4072 Hidden Valley Road, Cleveland, TN 37312**, hereinafter referred to as **SUBCONSULTANT**.

WHEREAS, **DSH** may enter into future contracts with **Subdivisions that require construction, maintenance and utility services (CLIENT)** for the purposes of furnishing certain professional and technical services in connection with **operation of waste water treatment systems**; and

WHEREAS, **DSH** desires **SUBCONSULTANT** to perform certain construction, maintenance, and other technical services in connection with **CLIENT** requirements and **SUBCONSULTANT** desires to perform such services.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

I. SCOPE OF WORK

SUBCONSULTANT shall perform in a proper manner, satisfactory to **DSH**, the technical services as more fully described in Attachment A "Scope of Work" which is attached hereto and incorporated herein by reference.

II. TIME OF PERFORMANCE

The services to be performed hereunder shall commence upon receipt by **SUBCONSULTANT** of a written "Notice to Proceed" and shall be completed in accordance with the schedule set forth in Attachment A. This Agreement will remain in effect for one year from the date of the Notice To Proceed. The Agreement can be renewed for an additional year upon written notification signed by both parties, prior to the expiration of the period of performance, that the Agreement will be extended for a

additional year. This option to extend the contract for an additional one year period will continue indefinitely at the mutual approval of both parties.

III. COMPENSATION AND PAYMENT

For satisfactory performance of the services described above, **DSH** shall pay to **SUBCONSULTANT** the compensation provided for in Attachment B "Payment" which is attached hereto and incorporated herein by reference. After receipt and approval by **DSH** of **SUBCONSULTANT's** invoice prepared in such form and supported by such documents as **DSH** may reasonably require, **DSH** will include **SUBCONSULTANT's** invoice with **DSH's** regular billings to the **CLIENT**. **DSH** will make payment to the **SUBCONSULTANT** within ten (10) days after receipt of payment from the **CLIENT** for work performed by **SUBCONSULTANT**.

IT IS UNDERSTOOD AND AGREED TO BY THE SUBCONSULTANT THAT PAYMENT FROM CLIENT TO DSH FOR WORK PERFORMED BY SUBCONSULTANT IS A CONDITION PRECEDENT FOR PAYMENT TO SUBCONSULTANT FROM DSH.

IV. COMPLIANCE WITH LAWS

SUBCONSULTANT shall observe and abide by all applicable laws, ordinances and regulations of federal, state and local governments, in connection with the work performed hereunder.

V. SUBCONTRACT AND ASSIGNMENT

This Agreement may not be assigned or subcontracted, in whole or part, without the prior written consent of **DSH**. Approval by **DSH** of any subcontractor shall not relieve the **SUBCONSULTANT** of any liability or responsibility for the proper performance of the work under this Agreement.

VI. INSPECTIONS

All work performed by **SUBCONSULTANT** shall be subject to the quality inspection and approval by **DSH** at all times, but such approval shall not relieve **SUBCONSULTANT** of responsibility for the proper performance of the work. **SUBCONSULTANT** shall provide sufficient, safe and proper

facilities at all times for such inspection of the work, and shall furnish all information concerning the work, and grant DSH's duly authorized representatives free access at all reasonable times to SUBCONSULTANT's facilities where the work under this Agreement is to be performed.

VII. CHANGES

DSH shall have the right, at any time prior to completion of the work to direct changes in this Agreement, including but not limited to, change in the Scope of Work. If the change causes an increase or decrease in the cost of, or the time required for the SUBCONSULTANT's performance under this Agreement; the SUBCONSULTANT must submit to DSH within ten (10) days after receipt of the change notice any request for adjustment. DSH will issue an addendum to this Agreement for equitable adjustments.

VIII. TERMINATION FOR CONVENIENCE

a) DSH shall have the right at any time to terminate this Agreement in whole, or in part, by written notice to SUBCONSULTANT. Upon receipt of this notice the SUBCONSULTANT shall immediately discontinue performance, will not place any further orders and will promptly cancel all orders to subcontractors.

b) In the event of termination for convenience DSH shall pay, in accordance with Article III above, the SUBCONSULTANT for all work performed and accepted by DSH prior to termination, plus the profit due for the work performed. However, in no event shall DSH be obligated to pay more than the Agreement value less any previously paid funds.

SUBCONSULTANT shall have the right at any time to terminate this Agreement in whole, or in part, by written notice to DSH. Prior to termination and cessation of work SUBCONSULTANT will complete all work and reports that comprise the approved PROJECT, and submit same to DSH and CLIENT prior to cessation of work.

IX. DEFAULT

a) Should the SUBCONSULTANT breach any provisions of this Agreement DSH shall have the rights and remedies provided by law or under these terms and conditions.

b) **DSH** shall have the right at any time to terminate this Agreement in whole, or in part, if the **SUBCONSULTANT** fails to perform any of its obligations or if the **SUBCONSULTANT** fails to give **DSH** assurance of adequate performance within ten (10) working days after written request by **DSH** for such assurances.

c) In the event of a breach of the Agreement **DSH** may:

1) Declare the **SUBCONSULTANT** to be in default.

2) Cancel this Agreement in whole or in part.

3) Withhold payment of any further funds which may be due the **SUBCONSULTANT** until the default is corrected.

4) Pursue any and all other remedies afforded by law.

X. INDEMNIFICATION AND INSURANCE

a) **SUBCONSULTANT** shall indemnify, defend and hold harmless **DSH** and **CLIENT**, and their respective officers, agents, servants and employees from and against all claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from the **SUBCONSULTANT**'s negligent acts, errors or omissions in the performance of the services under this Agreement.

b) With respect to its indemnification obligation hereunder, **SUBCONSULTANT** hereby assumes the entire responsibility and liability for any and all damages or injury (including death resulting there from) to employees of the **SUBCONSULTANT** caused by, resulting from, arising out of or occurring in connection with the performance of the services under this Agreement, and if any claims for such damage or injury (including death resulting there from) be made or asserted, whether or not such claims are based upon **DSH**'s or **CLIENT**'s alleged or actual negligent acts, errors or omissions, **SUBCONSULTANT** agrees to indemnify, defend and hold harmless **DSH** and **CLIENT**, and their respective officers, agents, servants and employees from and against all such claims, damages, losses and expenses, including but not limited to attorneys' fees, that they may directly or indirectly sustain, suffer or incur as a result thereof.

XI. INDEPENDENT CONTRACTOR

The **SUBCONTRACTOR** is an independent contractor and shall not be regarded as an employee or agent of **DSH**. At times, **DSH** may provide **SUBCONSULTANT** business tools, such as email accounts, marketing materials, etc., for use in accomplishing work. However, use of these business tools must always include a disclaimer to identify that **SUBCONSULTANT** is not an **DSH** employee or agent.

XII. CONFIDENTIALITY

No publicity releases (including news releases and advertising) relating to this Agreement or the Work hereunder shall be issued by the **SUBCONSULTANT** without the prior written approval of **DSH**. The **SUBCONSULTANT** will comply at all times with the confidentiality terms established in the Mutual Non-Disclosure Agreement included as Attachment D to this Agreement.

XIII. CONFLICT OF INTEREST

Conflicts can occur from the standpoint of the organization or from personnel. Such conflicts could potentially jeopardize the quality of work due to inadvertent or intentional bias placed on Task Order performance. To avoid such conflicts the **SUBCONTRACTOR** represents, warrants and confirms, for the duration of the Project, that neither **SUBCONTRACTOR** nor any of **SUBCONTRACTOR**'s subcontractors has or has had any commitment to perform services for others or any other obligations or circumstances which conflict with the interest of **DSH**'s or **SUBCONTRACTOR**'s obligations hereunder as specified in the Agreement.

Further, **SUBCONTRACTOR** warrants that, for the duration of the Project, **SUBCONTRACTOR** will not propose to or enter into any agreement or engage in any conduct that would conflict with the interest of **DSH**'s or **SUBCONTRACTOR**'s obligations under this Agreement.

XIV. EXAMINATION OF RECORDS

The **SUBCONSULTANT** agrees that **DSH** will have access to and the right to examine any books, documents, papers and records of any and all the transactions relating to this Agreement. The **SUBCONSULTANT** shall maintain all records for a period of three (3) years after completion of the Work.

XV. OWNERSHIP OF DOCUMENTS

Upon completion and payment in full of all monies due to **SUBCONSULTANT**, all drawings, specifications, reports, information or data prepared by or furnished to **SUBCONSULTANT** in connection with any or all work to be performed under this Agreement shall be the property of **the Client and are considered Works Made for Hire**. The **SUBCONSULTANT** shall have no liability for any claim, liability or cost arising out of any unauthorized use or modification by the **SUBCONSULTANT** of any work products without the written authorization of **CLIENT**.

XVI. PARTIAL INVALIDITY

If any term, covenant, condition or provision of this Agreement is found by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect, and shall in no way be affected, impaired or invalidated thereby.

XVII. HEADINGS

Headings in this Agreement are for convenience only and are not intended to be used in interpreting or construing the terms, covenants, and conditions of this Agreement.

XVIII. GOVERNING LAWS

The validity or construction of this Agreement, as well as the rights and duties of the parties hereinunder, shall be governed by the laws of the State specified in the Choice of Law or other applicable clause in the Prime Agreement or, if no such State is specified, then the State of Tennessee.

XIX. COMPLIANCE WITH PRIME AGREEMENT

SUBCONSULTANT hereby agrees to abide and be bound by the terms of Prime Agreement between DSH and its client, which is incorporated herein by reference and included as Attachment C to this Agreement. In the event of any conflict between this Agreement and any other document(s), the stricter terms and conditions shall control.

XX. SUPPLEMENTS TO AGREEMENT

The following exhibits, supplements or addendums form an integral part of this Agreement.

- Attachment "A" Scope of Work
- Attachment "B" Compensation and Payment
- Attachment "C" Prime Agreement Terms and Conditions
- Attachment "D" Mutual Non-Disclosure Agreement

XXI. ENTIRE AGREEMENT

This Agreement constitutes the whole agreement between the parties with respect to the subject matter contained herein and there are no terms other than those contained herein. No modification or amendment of this Agreement shall be valid unless in writing and signed by the parties hereto.

DSH & Associates, LLC



Signature

Name: Douglas S. Hodge, Ph.D., PMP

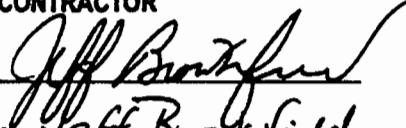
Title: Operations Manager

SUBCONSULTANT

Braeburn Utility

For:

SUBCONTRACTOR

By: 

Name: Jeff Braubfield

Title: Managing Partner

Attachment A

Scope of Work

For the purposes of this Contract, the Scope of Work includes:

- Providing a system installation, construction, and maintenance support as requested by DSH.

Attachment B

Compensation and Payment

A. For the performance of services as set forth by this agreement, the SUBCONSULTANT shall be paid

- \$110 per hour for a two man crew.
- \$35 per hour for small excavator.
- Cost plus 5% fee on all materials, supplies, and equipment.

C. All services should be invoiced within 30 days of final performance. DSH will provide a Subconsultant Invoice Transmittal form to be included with each invoice. ***The completed form may be attached, if so desired.*** Please send the invoice along with the completed Subconsultant Invoice Transmittal form to:

DSH & Associates, LLC
4028 Taliluna Avenue
Knoxville, TN 37919
865-755-8066

Or submit via e-mail to:

hodge.dsh@gmail.com

BORING & GOINS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

2927 ESSARY DRIVE
KNOXVILLE, TN 37918
PHONE (865) 525-6233
FAX (865) 251-1492

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Members
DSH & Associates, LLC
Knoxville, TN 37919

Dear Members:

As we discussed, I would be happy to serve your accounting, tax, and management advisory services needs.

In accordance with standards established by the American Institute of Certified Public Accountants, an engagement letter is necessary to set forth our understanding of the terms and objectives of our relationship, and the nature and limitations of the services to be provided.

I will provide the following services:

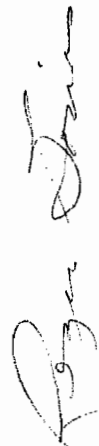
I will perform general accounting services and tax preparation for the company each year end. And if found necessary, perform an audit.

Our fees range from \$60 - \$175 per hour based upon the complexity of the service. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

I look forward to working with you and will be happy to discuss this letter and our arrangements with you at any time.

If the foregoing is agreeable to you, please sign this letter in the space provided and return it to me in the enclosed envelope. The second copy is for your files.

Sincerely,



Roger L. Goins, CPA
Boring & Goins, PC

Acknowledged: _____

Douglas S. Hodge

President

1/21/11

Date

ENVIRONMENTAL MANAGEMENT GROUP

P.O. Box 804, VONORE, TN 37885

This agreement is entered into this
, by and between ENVIRONMENTAL MANAGEMENT GROUP, P. O. Box
804, Vonore, TN 37885, hereinafter referred to as "EMG" and
DSH Associates, LLC hereinafter referred to as "owner".

In consideration of the terms, covenants, and conditions
of this Agreement, it is hereby agreed as follows:

1. TERM: This agreement shall commence on and continue
until cancelled by written notice thirty days in advance by
either party.

2. LOCATION OF PROPERTY: This Agreement specially covers
the operation and maintenance of the Wastewater Plant located
at Lakeside Estates Development, LaFollette, TN

3. FEE: In consideration for the operation of the plant,
OWNER agrees to pay EMG, \$433 per month.

4. GOVERNMENTAL REGULATIONS: All maintenance, operation,
and service performed by EMG under this Agreement shall be
that as required by the State Department of Environment and
Conservation and/or such other governmental agencies as shall
exercise jurisdiction over said sewage treatment plant in
accordance with appropriate departmental guidelines, testing
procedures and operations during the effective date of this
Agreement.

EMG will at all times operate and maintain the plant in
accordance with the manufacture's recommended procedures to
assure compliance with State, County, and local regulations.
EMG will strive to exceed the discharge standards providing
approved design parameters are not exceeded.

5. FREQUENCY: EMG will perform on-site inspections a
minimum of 1 per week.

6. SPECIFIC DUTIES: EMG shall perform on-site inspection,
testing and reporting to fulfill regulatory requirements.

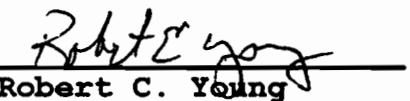
7. SUPERVISION: EMG will supervise any action by others at the PLANT. They will supervise sludge removal and pump down from any portion of the PLANT. They will ensure that the pump down is properly performed without destroying the beneficial bacteria action in the tanks.

8. NOTIFICATION OF PROBLEMS: EMG will immediately notify the appropriate authority including the "OWNER" by telephone, or any faster method available in the event of PLANT upset, need for PLANT pump down and/or untreated wastewater feed into improper areas, (including lakes, streams, rivers, real property, etc.)

9. REPAIRS: It is not intended that any pump, blower, or other piece of equipment be replaced or repaired by EMG.

10. INVENTORY: All costs for disinfection material (Chlorine, etc.) shall be billed to the OWNER. All costs for sludge removal shall be billed to the "OWNER"

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.


Robert C. Young
ENVIRONMENTAL MANAGEMENT GROUP


DSH & Associates, LLC, Manager
P.O. Box 10621
Knoxville, TN 37939

Attachment #2

Insurance Policy and Premium

CORPORATE SURETY BOND

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

REFERENCE: DSH & Associates, LLC

Company ID: 129107
Corporate Surety Bond #: 0010226
Effective Date: 1/31/11
Expiration Date: 1/31/12

DSH & Associates, LLC, as Principal, and Companion Property and Casualty Insurance Company, a corporation created and existing under the laws of S.C., as Surety, (Hereinafter called "Surety") are bound to the State of Tennessee in the sum of exactly Forty Thousand and 00/100 Dollars (\$40,000), and Principal and Surety hereby bind themselves, their successors and assigns, to pay in accordance with the following terms:

THE CONDITION OF THIS BOND IS:

The Principal is or intends to become a public wastewater utility subject to the laws of the State of Tennessee and the rules and regulations of the Tennessee Regulatory Authority ("Authority"), relating to the operation of a public wastewater utility: (describe utility and location)

Lakeside Estates Wastewater Collection and Treatment System, LaFollette TN

Tennessee Code Annotated § 65-4-201 requires the holder of a franchise for wastewater service to furnish a bond with sufficient surety, as approved by the Authority, conditioned as prescribed in Tenn. Comp. R. & Regs. Chapter 1220-4-13.

The Principal and Surety have delivered to the Authority a Surety Bond with an endorsement as required by the Authority.

After notice to the Principal and Surety and a contested case hearing that results in the suspension or revocation of the Principal's Certificate of Public Convenience and Necessity (CCN), the replacement of an operator by the Authority, or the appointment of a receiver by a court, the Authority may assess a sum sufficient of this bond, up to its maximum sum, to enable the continued operation of the public wastewater utility:

The Principal and the Surety are held and firmly bound to the State of Tennessee, in accordance with the provisions of Tenn. Comp. R. & Regs. Chapter 1220-4-13, in the amount of Forty thousand Dollars (\$ 40,000) lawful money of the United States of America to be used for the full and prompt payment of any monetary obligation imposed against the Principal, its representatives, successors or assigns, in any contested case proceeding brought under Chapter 1220-4-13, by or on behalf of the Authority, for which obligation the Principal and the Surety bind themselves, their representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents.

Upon entry of an Order that finds a monetary obligation pursuant to Chapter 1220-4-13, and delivery to the Surety of a Bond Notice, substantially in the form set forth below ("Notice"), the Surety promises to pay, by wire transfer of immediately available funds, the amount of the monetary obligation as stated in the Order and Notice.

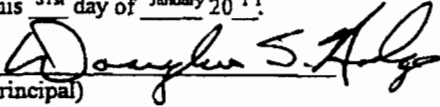
If for any reason, the Surety Bond is not to be renewed upon its expiration, the Surety shall, at least sixty (60) days prior to the expiration date of the Surety Bond, provide written notification by means of certified mail, return receipt requested, to the Tennessee Regulatory Authority, that the Surety Bond will not be renewed beyond the then current maturity date for an additional period. Before the date of expiration, the public wastewater utility shall provide the Tennessee Regulatory Authority with a replacement Surety Bond or petition consistent with Rule 1220-4-13-.07(5). Failure to have approved financial security in effect will subject the public wastewater utility to daily penalties pursuant to Tenn. Code Ann. § 65-4-120.

Bond No. 0010226

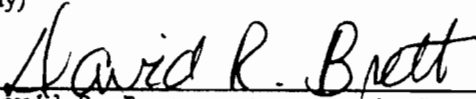
The bond shall become effective after execution by the Principal and Surety and upon filing with the Authority, and shall continue from year to year unless the obligations of the Principal under this bond are expressly released by the Authority in writing.

The Principal and Surety consent to the conditions of this Bond and agree to be bound by them.

This 31st day of January 2011.


(Principal)

Companion Property and Casualty Insurance Co.
(Surety)

By: 
David R. Brett, Attorney-in-Fact

June, 2006

Bond No. 0010226

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF TENNESSEE
COUNTY OF KNOX

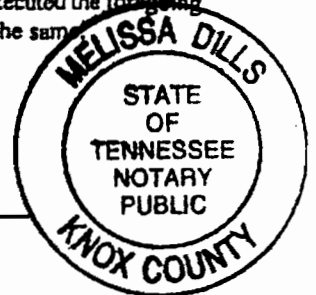
Before me, a Notary Public of the State and County aforesaid, personally appeared Douglas S Hodge
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing
bond on behalf of DSH & Associates, and he acknowledged to me that he executed the same.

WITNESS my hand and seal this 23rd day of May, 2011.

My Commission Expires:

09-06- 2011

Melissa Dills
Notary Public



ACKNOWLEDGMENT OF SURETY

Georgia
STATE OF ~~TENNESSEE~~
COUNTY OF Fulton

Before me, a Notary Public of the State and County aforesaid, personally appeared David R. Brett
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the
foregoing bond on behalf of "See Below", the within named Surety, a corporation licensed to do business in the
State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state
pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, and that he as such an individual being authorized to do so,
executed the foregoing bond, by signing the name of the corporation by himself and as such individual.

WITNESS my hand and seal this 31st day of January, 2011.

My Commission Expires:

January 23, 2013

Judy McDonald
Notary Public Judy McDonald

"Companion Property and Casualty Insurance Company"



APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the
sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory
Authority, State of Tennessee, this _____ day of _____, 20____.

Name:
Title:

ACCOUNT NUMBER

WFB-112409

Refer to this number on all
correspondence**NOTICE OF INTENT TO CANCEL INSURANCE**

Westfield Bank, FSB
4992 Foote Road
Medina, OH 44256
Phone: (800) 368-8930

<http://www.westfield-bank.com>

Check your account online: Your username is "WFB-112409". Your password is "z48463H" unless you have changed it.

NOTICE DATE

5/12/2011

EFFECTIVE DATE

5/12/2011

Borrower

DSH & Associates, LLC
4028 Taliluna Ave
Knoxville, TN 37919

(00286376)

Agent or Broker

P & C Risk Services, LLC
110 W. Washington Ave.
Athens, TN 37303

TO THE INSURED

Your payment due 5/2/2011 on your Premium Finance Agreement with the LENDER has not been received. You are hereby notified of LENDER'S intent to cancel your insurance policy(ies) listed below on 5/27/2011 unless payment is received in our office by said date.

If payment is received in our office by 5/12/2011, please pay 750.48.

If payment is received in our office after 5/12/2011, an additional late charge of 50.00 is due.

Policy Number	Effective Date	Insurance Company	Premium	Taxes/Fees
V11253100101	11/2/2010	Beazley Insurance Company	3,319.00	0.00

If you have already remitted the amount shown above to our office, then please disregard this notice.

Doug Hodge

From: Doug Hodge <hodge.dsh@gmail.com>
Sent: Tuesday, May 17, 2011 11:27 AM
To: Douglas Hodge
Subject: Fwd: Approved!

----- Forwarded message -----

From: **McElligott, Julia** <JMcElligott@bbandt.com>
Date: Tue, Jan 25, 2011 at 2:39 PM
Subject: Approved!
To: Doug <hodge.dsh@gmail.com>

Both bonds are approved! Here are the basic details:

Annual premium = \$540 for each bond (\$1080 total), payable to BB&T Insurance Services, Inc.
Collateral = 25% (\$5000 for each bond) in the form of a Cashier's Check.
\$100 collateral handling fee
Corporate + personal indemnity (no spousal)

I need to send to you an application (with Indemnity agreement) for each of the bonds and will do so today. In this email I'll provide more details of how to get these bonds in your hands.

Please call to discuss further if you like - I'll be working on your apps.

Thanks!

Julie

Julie McElligott, CIC
Preferred Bond Unit
BB&T Insurance Services
PO Box 31128
Raleigh, NC 27622
Mail Code: 175-04-01-15
Direct: (919) 716-9779 / (877) 643-6227 ext 1, 31
Fax (888) 831.8413
jmcelligott@BBandT.com

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--

Douglas S. Hodge, Ph.D., PMP

Operations Manager

Cell: 865-755-8066

Fax: 866-480-5953

e-mail: hodge.dsh@gmail.com

Attachment #3

Electrical Rate Backup

THE INFORMATION ON THIS BILL IS BASED ON THE
LATEST AVAILABLE DATA FROM THE UTILITY.

**LAFOLLETTE UTILITIES**

P.O. BOX 1411

LAFOLLETTE, TN 37766

(423) 562-3316

(800) 352-1340

ACCOUNT NUMBER	40926-032	CYCLE NO.	1
METER NUMBER	ELE-14442257, WTR-34840215		
CUSTOMER NAME SERVICE ADDRESS	TRIMBACH PROPERTIES 123 NORTHBRIDGE LN D D		
METER READING DATE	ELE-03-04-11, WTR-03-03-11		
BOOK/SEQUENCE NO.	141/465	DUE DATE:	03-29-11

SERVICE	DATE	DEVIATION READING	CURRENT READING	MULTIPLIER METER DEMAND	AMOUNT DUE	AMOUNT PAID
ELECTRIC (KWH)	03-07-11	24337	25333	1	996	109.98
WATER	03-07-11	427	429	1	2	21.33
Water Sales Tax						1.97
SEWER						54.48

As of May 2011 LaFollette Charges

\$.09433 per kWatthr

PREVIOUS AMOUNT BILLED	PAYMENTS	ADJUSTMENTS	BALANCE FORWARD	OTHER DEBITS AND CREDITS	CURRENT CHARGES	AMOUNT DUE
208.83	208.83	0.00	0.00	0.00	187.76	187.76

BUDGET BILLING Y-T-D DIFFERENCE

AMOUNT DUE AFTER DUE DATE
200.84

COMPARE YOUR USAGE

PERIOD	DAYS	KWH USED	DAILY AVG KWH	WATER GALS USED	DAILY AVG GALS
CURRENT	26	996	38	2	0
LAST MONTH	33	1233	37		
YEAR AGO	27	725	26		

PAID 3-22-11
539.64
CK# 1615

Attachment #4

DSH Financial Statements

DSH & Associates, LLC
Balance Sheet
As of November 2, 2011

	<u>Nov 2, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
BB&T DSH Checking	61,165.58
BB&T Savings	500.00
DSH & Associates	1,057.28
Hodge Personnel	-26.23
Money Market	328.38
131.10 · UTILITY CHECKING - BB&T	4,736.59
Total Checking/Savings	67,761.60
Accounts Receivable	
Accounts Receivable	26,941.76
Total Accounts Receivable	26,941.76
Total Current Assets	94,703.36
Fixed Assets	
Furniture and Equipment	7,485.68
Total Fixed Assets	7,485.68
TOTAL ASSETS	<u>102,189.04</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20001 · Accounts Payable	100.00
Total Accounts Payable	100.00
Other Current Liabilities	
24000 · Payroll Liabilities	9.69
Total Other Current Liabilities	9.69
Total Current Liabilities	109.69
Total Liabilities	109.69
Equity	
30300 · Doug's Draws	-103,820.75
30400 · Doug's Equity	7,600.00
32000 · Retained Earnings	140,065.36
Net Income	58,234.74
Total Equity	102,079.35
TOTAL LIABILITIES & EQUITY	<u>102,189.04</u>

DSH & Associates, LLC
Profit & Loss
January 1 through November 2, 2011

	Jan 1 - Nov 2, 11
Ordinary Income/Expense	
Income	
400.00 · OPERATING REVENUES	
521.00 · FLAT RATE REVENUES	
521.10 · RESIDENTIAL REVENUES	3,105.36
521.30 · RENTAL DWELLING REVENUES	360.00
Total 521.00 · FLAT RATE REVENUES	3,465.36
Total 400.00 · OPERATING REVENUES	3,465.36
42600 · Construction Income	65,838.18
42700 · Consulting Income	98,185.32
536.00 · OTHER WASTEWATER REVENUES	200.00
Total Income	167,688.86
Cost of Goods Sold	
53500 · Subcontracted Services	10,794.96
53600 · Subcontractors Expense	86,723.47
Total COGS	97,518.43
Gross Profit	70,170.43
Expense	
401.00 · OPERATING EXPENSES	
715.00 · POWER PURCHASED(ELECTRIC)	117.64
720.00 · MATERIALS AND SUPPLIES	374.98
735.00 · CONTRACT SERVICE-TESTING	866.00
765.00 · REGULATORY COMMISSION EXPENSES	25.00
775.00 · MISCELLANEOUS EXPENSES	106.42
Total 401.00 · OPERATING EXPENSES	1,490.04
64300 · Meals and Entertainment	10,445.65
Total Expense	11,935.69
Net Ordinary Income	58,234.74
Net Income	58,234.74

DSH & Associates, LLC
Statement of Cash Flows
January 1 through November 2, 2011

	<u>Jan 1 - Nov 2, 11</u>
OPERATING ACTIVITIES	
Net Income	58,234.74
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-18,331.76
Net cash provided by Operating Activities	39,902.98
FINANCING ACTIVITIES	
30400 - Doug's Equity	7,600.00
Net cash provided by Financing Activities	7,600.00
Net cash increase for period	47,502.98
Cash at beginning of period	20,258.62
Cash at end of period	<u><u>67,761.60</u></u>

Attachment #5

DSH Current Bank Statement



640-04-01-00 40504 5 C 001 30 S 66 002
DSH & ASSOCIATES LLC
4028 TALILUNA AVE
KNOXVILLE TN 37919-8361

Your account statement

For 09/30/2011

Contact us



BBT.com



(800) BANK-BBT or
(800) 226-5228

Great partners providing flexible employer solutions!

BB&T and ADP® have partnered to provide flexible payroll, tax/compliance and HR solutions for employers of small, medium or large businesses.

ADP's cost-effective, easy-to-use solutions help you streamline your payroll process, improve productivity and simplify administration.

We manage the time-consuming tasks of:

- payroll processing,
- employee payroll tax filing, and
- compliance with tax- and employee-related legislation so you can focus on running your business.

ADP ensures that your payroll needs are met on time, every time.

For more information, please contact the nearest BB&T financial center or your BB&T relationship manager or visit BBT.com/payrollservices

(c) 2011, Branch Banking and Trust Company. ADP and ADP Logo are registered trademarks of ADP, Inc.

■ BUSINESS VALUE 500 CHECKING 0000116953927

Account summary

Your previous balance as of 08/31/2011	\$12,347.64
Checks	- 1,904.00
Other withdrawals, debits and service charges	- 2,145.80
Deposits, credits and interest	+ 8,350.00
Your new balance as of 09/30/2011	= \$16,647.84

Checks

DATE	CHECK #	AMOUNT(\$)	DATE	CHECK #	AMOUNT(\$)	DATE	CHECK #	AMOUNT(\$)
09/09	1024	300.00	09/15	1026	635.00	09/16	1028	119.00
09/21	1025	25.00	09/14	1027	825.00			
Total checks								= \$1,904.00

Other withdrawals, debits and service charges

DATE	DESCRIPTION	AMOUNT(\$)
09/13	BB&T ONLINE BILL PAYMENT BB&T Financial, FSB 09-13-11 404601119189394	2,045.80
09/15	PREAUTHORIZED TRANSFER ACCOUNT NUMBER 0000116553740	100.00
Total other withdrawals, debits and service charges		= \$2,145.80

■ BUSINESS VALUE 500 CHECKING 0000116953927 (continued)

Deposits, credits and interest

DATE	DESCRIPTION	AMOUNT(\$)
09/29	BB&T BUSINESS ONLINE TRANSFER TRANSFER FROM SAVINGS 0000415877196 09-29-11	750.00
09/29	BB&T BUSINESS ONLINE TRANSFER TRANSFER FROM CHECKING 0000116948893 09-29-11	7,600.00
Total deposits, credits and interest		= \$8,350.00

BB&T Cash Rewards

ACCOUNT NUMBER ENDING.	STATUS	AS OF	EARNED BALANCE(\$)
*****3927	Active	00/00	
Logon to BB&T OnLine to find the latest cash back offers from participating retailers.			



640-04-01-00 40504 0 C 001 30 50 002
DSH & ASSOCIATES LLC
UTILITY CHECKING
4028 TALILUNA AVE
KNOXVILLE TN 37919-8361

Your account statement

For 09/30/2011

Contact us



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(800) 226-5228

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For more information, please contact the nearest BB&T financial center or your BB&T relationship manager or visit BBT.com/payrollservices

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■ BUSINESS VALUE 500 CHECKING 0000116954265

Account summary

Your previous balance as of 08/31/2011	\$4,946.79
Checks	- 58.82
Other withdrawals, debits and service charges	- 0.00
Deposits, credits and interest	+ 0.00
Your new balance as of 09/30/2011	= \$4,887.97

Checks

DATE	CHECK #	AMOUNT(\$)
09/06	975001	58.82
Total checks		= \$ 58.82

BB&T Cash Rewards

ACCOUNT NUMBER ENDING	STATUS	AS OF	EARNED BALANCE(\$)
*****4265	Active	00/00	

Logon to BB&T OnLine to find the latest cash back offers from participating retailers.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

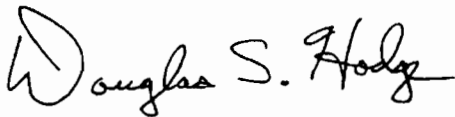
August 30th, 2011

IN RE:

PETITION OF DSH & ASSOCIATES, LLC FOR APPROVAL TO
AMEND ITS RATES AND CHARGES

DOCKET NO. 11-00162

Respectively Submitted,

A handwritten signature in black ink that reads "Douglas S. Hodge". The signature is written in a cursive, flowing style.

Douglas S. Hodge, Ph.D., PMP
DSH & Associates, LLC
Operations Manager
4028 Taliluna Avenue
Knoxville, TN 37919
865-755-8066

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

September 9th, 2011

IN RE: PETITION OF DSH & ASSOCIATES, LLC FOR APPROVAL TO AMEND
ITS RATES AND CHARGES

DOCKET No.

PETITION OF DSH & ASSOCIATES, LLC FOR APPROVAL
TO AMEND ITS RATES AND CHARGES

DSH & Associates, LLC, a Tennessee limited liability corporation authorized to conduct and conducting a public utility business in the State of Tennessee, does hereby simultaneously file with the Tennessee Regulatory Authority (TRA) this Petition and revised schedule of tariffs to become effective one (1) month after date of issue and requests that the TRA investigate DSH's present and projected earnings and hear and determine that the increase rates as reflected in its tariffs that it has filed to become effective October 1, 2011, are just and reasonable. In support of this request, DSH avers that:

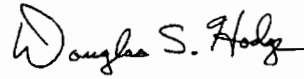
1. DSH is a public utility as defined in T.C.A 65-4-101 and is engaged in providing residential and commercial wastewater collection, treatment, and dispersal to customers as of July 11, 2011, subject to the jurisdiction and supervision of the Authority pursuant to Chapter 4 and Chapter 5 of Title 65 of Tennessee Code Annotated.
2. DSH's initial rates, approved on July 11, 2011, were rates that their existing customers had incurred by the previous provider of services prior DSH's getting TRA's CCN approval and transfer of the State Operating Permit (SOP) for Lakeside Estates Subdivision. The rates approved on July 11, 2011 will not provide, and cannot be made to provide, sufficient revenues to cover all the costs incurred in providing adequate wastewater service.
3. DSH has the responsibility to its customers to provide them with the best wastewater service available. This responsibility includes meeting the present and future requirements of customers, and ensuring that adequate funding is available for maintaining system plant and equipment at an efficient operating level.
4. Under the present rates, DSH is operating at a significant loss and the business cannot continue to exist without changing the revenue structure to meet expenses of providing necessary service. Exhibit 1A provides expected revenues/expenses for the next five years with the existing rates and Exhibit 1B provides expected revenues/expenses with the new proposed rates. Exhibit 1C provides an estimate on what LaFollette Utility brought in as revenue from July 31, 2010 through July 31, 2011.
5. The proposed new rates for residential and commercial customers are consistent with rates that have been approved by TRA for other wastewater utility companies.

WHEREFORE, the Company requests the TRA to:

1. Review and approve the revised schedule of rates filed with the Commission and adopt the Tariffs filed to become effective October 1, 2011, or as soon thereafter as lawfully permitted.

This the 9th day of September, 2011.

DSH & Associates, LLC

A handwritten signature in black ink that reads "Douglas S. Hodge". The signature is written in a cursive style with a large, stylized 'D' and 'H'.

By: Douglas S. Hodge, Ph.D., PMP
Title: President

**BEFORE THE TENNESSE REGULATORY AUTHORITY
NASHVILLE, TENNESSE**

August 30th, 2011

IN RE:

PETITION OF DSH & ASSOCIATES, LLC FOR APPROVAL TO AMEND
ITS RATES AND CHARGES

DOCKET NO: 11-00162

PRE-FILED DIRECT TESTIMONY OF DOUG HODGE

Question: State your name for the record and your position with the Petitioner, DSH & Associates (DSH), LLC.

Answer: Doug Hodge. I am the operations manager and owner of DSH. My business address is 4028 Taliluna Avenue, Knoxville, TN, 37919.

Question: What is the business of DSH?

Answer: To provide environmentally friendly and affordable wastewater service to communities where wastewater service is not currently available. DSH also has an engineering/construction group within the company that will support those technical areas of potential projects.

Question: What are the responsibilities of your position?

Answer: I am responsible for the day to day operation and financial functions of DSH & Associates, LLC. My responsibilities include financial statement preparation and analysis.

Question: Would you please describe your educational background and business experience?

Answer: I have over 20 years of experience in environment/water/wastewater treatment system design and construction, research & development, design and construction management. I earned a Bachelor's degree in Mathematics from Colorado College in 1984, a Master's and Ph.D. degrees in Environmental Engineering from University of Southern California in 1991 and 1993, respectively. I have managed the design and construction of over \$500M worth of projects since the early 90's.

Question: What is the source of information used in the company's accounting exhibits?

Answer: The information contained in the accounting exhibits was

prepared from the financial and operational records of the Company and experience in the wastewater field.

Question: Were the company's accounting exhibits prepared by your or under your supervision?

Answer: Yes they were.

Question: Does this conclude your pre-filed testimony?

Answer: Yes

I swear that the foregoing testimony is true and correct to the best of my knowledge and belief.

Douglas S. Hodge

Douglas S. Hodge, Ph.D., PMP
Operations Manager

Subscribed and sworn to me this 15th day of September 2011

Notary Public

Melissa Dills

County of

Knox

My Commission Expires

09-06-11



CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above and foregoing Pre-filed testimony of Doug Hodge has been served upon the Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, Tennessee 37243. By the method of incorporation into this submittal documentation.

On this 15th day of September 2011

Douglas S. Hodge
Douglas S. Hodge, Ph.D., PMP

EXHIBIT 1-A

Build-out Cost Analysis (5-yr)

For Lakeside Estates Treatment System

With Existing Rates

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2012

Assumptions:	2012	2013	2014	2015	2016	Total
Total number of lots in subdivision	200	200	200	200	200	200
Number of non-resident/developer property owners	4	4	4	4	4	4
Number of resident property owners	3	4	6	8	10	10
Commercial Overnight Rental property owners	27	29	32	34	36	36
Number of property owners not attached to System	6	6	6	6	6	6
Unsold lots	164	161	156	152	148	148
Annual residents providing tap fee	1	3	5	4	4	4
						17

Estimated Expenses

Routine Maintenance	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	30	\$ 16.71	\$ 501	\$ 6,016	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	30	\$ 1.92	\$ 58	\$ 691	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 277	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone line	Line	12	\$ 55	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line					The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	30	\$ 2.00	\$ 60	\$ 720	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	30	\$ 2.80	\$ 84	\$ 1,008	Based on experience hours and hourly rates on similar projects.
TRA Inspection Fee	Inspection	1	\$ 250	\$ 21	\$ 250	Based on TRA published rates.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Subtotal				\$ 1,770	\$ 21,240	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				37	\$ 448	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 42	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 32	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 32	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				46	\$ 554	
Anticipated Annual Billing Cost						
Postage	postage	34	\$ 0.64	\$ 21.76	\$ 261	
Printing	page	136	\$ 0.10	\$ 13.60	\$ 163	
Paper	page	136	\$ 0.05	\$ 6.80	\$ 82	
Labor	page	136	\$ 0.50	\$ 68.00	\$ 816	Based on experience hours and hourly rates on similar projects.
Misc.	page	136	\$ 0.05	\$ 6.80	\$ 82	
Subtotal					\$ 1,404	
TOTAL ESTIMATED EXPENSES					\$ 29,656	
Estimated Revenue						
Fees Charged to Customers						
Non Resident Customer Access Fee	Access Fee	4	\$ -	\$ -	\$ -	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Resident Customer Monthly Fee	Monthly Fee 3		\$ 54.48	\$ 163	\$ 1,961	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 27		\$ 54.48	\$ 1,471	\$ 17,652	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee 1		\$ 3,750.00	\$ 313	\$ 3,750	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners. \$ are in an Escrow
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Return Check Fee	Returned check 2		\$ 25.00	\$ 3	\$ 38	Estimate based on experience
Late Fees and Back Payment	Late fee 2		\$ 2.00	\$ 0	\$ 3	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00	\$ 3	\$ 40	Estimate based on experience
Reconnect Fees	Reconnect 1		\$ 35.00	\$ 3	\$ 35	Estimate based on experience
Subtotal				\$ 1,957	\$ 23,478	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					30	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 215	

Monthly Escrow \$ per customer					\$ 17.94	
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Estimated Yearly Income 2012 \$ (6,177)

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2013					
Assumptions:	2013	2014	2015	2016	
Total number of lots in subdivision	200	200	200	200	
Number of non-resident/developer property owners	4	4	4	4	
Number of resident property owners	4	6	8	10	
Commercial Overnight Rental property owners	29	32	34	36	
Number of property owners not attached to System	6	6	6	6	
Unsold lots	161	156	152	148	
Annual residents providing tap fee	3	5	4	4	

Estimated Expenses					
Routine Maintenance	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240
Maintenance Operator Cost (resident & rental)	Homes	33	\$ 16.71	\$ 551	\$ 6,617
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200
Tax Cost (Franchise - Excise and Federal)	Homes	33	\$ 1.92	\$ 63	\$ 760
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319
Office telephone line	Line	12	\$ 55.00	\$ 55	\$ 660
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660
Local Management Fee	Month	33	\$ 2.00	\$ 66	\$ 792
Corporate Management Fee	Month	33	\$ 2.80	\$ 92	\$ 1,109

Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.

Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system todate.

Amount furnished by DSH's CPA - Roger Goins and book keeper.

Cost projection includes property tax and income tax. Based on project income, property value, and operating costs

Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.

Based on actual incurred costs from BB&T Insurance Services, Inc.

Based actual insurance costs from P&C Risk Services, LLC

Office phone line based on experience.

The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.

Based on experience hours and hourly rates on similar projects.

Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee 4		\$ -	\$ -		These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee 4		\$ 54.48	\$ 218	\$ 2,615	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 29		\$ 54.48	\$ 1,580	\$ 18,959	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee 3		\$ 3,750.00	\$ 938	\$ 11,250	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check 2		\$ 25.00	\$ 4	\$ 50	Estimate based on experience
Late Fees and Back Payment	Late fee 2		\$ 2.00	\$ 0	\$ 4	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00			
Reconnect Fees	Reconnect 1		\$ 35.00	\$ 3	\$ 35	Estimate based on experience
Subtotal				\$ 2,743	\$ 32,913	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					33	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 196	

Monthly Escrow \$ per customer					\$ 16.31	
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Estimated Yearly Income

2013

\$ 2,265

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 1,957	\$ 23,489	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				42	\$ 503	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 48	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 36	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 36	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				52	\$ 622	
Anticipated Annual Billing Cost						
Postage	postage	42	\$ 0.64	\$ 26.88	\$ 323	0
Printing	page	168	\$ 0.10	\$ 16.80	\$ 202	0
Paper	page	168	\$ 0.05	\$ 8.40	\$ 101	0
Labor	page	168	\$ 0.50	\$ 84.00	\$ 1,008	
Misc.	page	168	\$ 0.05	\$ 8.40	\$ 101	0
Subtotal					\$ 1,734	
TOTAL ESTIMATED EXPENSES					\$ 32,303	
Estimated Revenue						
Fees Charged to Customers						

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee 4		\$ -	\$ -	\$ -	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee 6		\$ 54.48	\$ 327	\$ 3,923	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 32		\$ 54.48	\$ 1,743	\$ 20,920	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee 5		\$ 3,750.00	\$ 1,563	\$ 18,750	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check 3		\$ 25.00	\$ 6	\$ 75	Estimate based on experience
Late Fees and Back Payment	Late fee 3		\$ 2.00	\$ 1	\$ 6	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00			
Reconnect Fees	Reconnect 1		\$ 35.00	\$ 3	\$ 35	Estimate based on experience

Subtotal				\$ 3,642	\$ 43,709	
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Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					38	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 170	

Monthly Escrow \$ per customer					\$ 14.16	
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Estimated Yearly Income

					\$ 11,406	
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2014

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2015

Assumptions:	2015	2016
Total number of lots in subdivision	200	200
Number of non-resident/developer property owners	4	4
Number of resident property owners	8	10
Commercial Overnight Rental property owners	34	36
Number of property owners not attached to System	6	6
Unsold lots	152	148
Annual residents providing tap fee	4	4

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	42	\$ 16.71	\$ 702	\$ 8,422	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system today.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	42	\$ 1.92	\$ 81	\$ 968	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone Line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	42	\$ 2.00	\$ 84	\$ 1,008	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	42	\$ 2.80	\$ 118	\$ 1,411	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 2,051	\$ 24,614	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				44	\$ 531	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 50	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 38	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 38	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				55	\$ 656	
Anticipated Annual Billing Cost						
Postage	postage	46	\$ 0.64	\$ 29.44	\$ 353	0
Printing	page	184	\$ 0.10	\$ 18.40	\$ 221	0
Paper	page	184	\$ 0.05	\$ 9.20	\$ 110	0
Labor	page	184	\$ 0.50	\$ 92.00	\$ 1,104	
Misc.	page	184	\$ 0.05	\$ 9.20	\$ 110	0
Subtotal					\$ 1,899	
TOTAL ESTIMATED EXPENSES					\$ 33,627	
Estimated Revenue						
Fees Charged to Customers						

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee 4		\$ -	\$ -	\$ -	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee 8		\$ 54.48	\$ 436	\$ 5,230	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 34		\$ 54.48	\$ 1,852	\$ 22,228	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee 4		\$ 3,750.00	\$ 1,250	\$ 15,000	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check 4		\$ 25.00	\$ 8	\$ 100	Estimate based on experience
Late Fees and Back Payment	Late fee 4		\$ 2.00	\$ 1	\$ 8	Estimate based on experience
Disconnected Fees	Disconnect 1		\$ 40.00			
Reconnect Fees	Reconnect 1		\$ 35.00	\$ 3	\$ 35	Estimate based on experience
Subtotal				\$ 3,550	\$ 42,601	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					42	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 154	

Monthly Escrow \$ per customer					\$ 12.81	
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Estimated Yearly Income 2015 \$ 8,974

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2016

Assumptions:	2016
Total number of lots in subdivision	200
Number of non-resident/developer property owners	4
Number of resident property owners	10
Commercial Overnight Rental property owners	36
Number of property owners not attached to System	6
Unsold lots	148
Annual residents providing tap fee	4

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	46	\$ 16.71	\$ 769	\$ 9,224	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	46	\$ 1.92	\$ 88	\$ 1,060	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone Line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	46	\$ 2.00	\$ 92	\$ 1,104	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Corporate Management Fee	Month	46	\$ 2.80	\$ 129	\$ 1,546	Based on experience hours and hourly rates on similar projects.
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 2,145	\$ 25,738	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				47	\$ 558	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 53	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 40	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 40	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				58	\$ 690	
Anticipated Annual Billing Cost						
Postage	postage	50	\$ 0.64	\$ 32.00	\$ 384	
Printing	page	200	\$ 0.10	\$ 20.00	\$ 240	
Paper	page	200	\$ 0.05	\$ 10.00	\$ 120	
Labor	page	200	\$ 0.50	\$ 100.00	\$ 1,200	
Misc.	page	200	\$ 0.05	\$ 10.00	\$ 120	Based on experience hours and hourly rates on similar projects.
Subtotal					\$ 2,064	
TOTAL ESTIMATED EXPENSES					\$ 34,951	

Estimated Revenue										
		Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments			
Fees Charged to Customers										
	Non Resident Customer Access Fee	Access Fee	4	\$ -	\$ -	\$ -	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.			
	Resident Customer Monthly Fee	Monthly Fee	10	\$ 54.48	\$ 545	\$ 6,538	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.			
	Commercial Overnight Rental property owners	Monthly Fee	36	\$ 54.48	\$ 1,961	\$ 23,535	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.			
	Tap Fees Collected and escrowed	Tap Fee	4	\$ 3,750.00	\$ 1,250	\$ 15,000	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.			
	Tap fees that will be collected from unpaid lot owners	Tap Fee	0	\$ 3,750.00	\$ -	\$ -	Estimate based on experience			
	Return Check Fee	Returned check	5	\$ 25.00	\$ 10	\$ 125	Estimate based on experience			
	Late Fees and Back Payment	Late fee	5	\$ 2.00	\$ 1	\$ 10	Estimate based on experience			
	Disconnect Fees	Disconnect	1	\$ 40.00						
	Reconnect Fees	Reconnect	1	\$ 35.00	\$ 3	\$ 35	Estimate based on experience			
Subtotal					\$ 3,770	\$ 45,243				

Estimated Escrow Requirements

Escrow Calculations										
Number of years included in calculation										1
Number of customers										46
Estimated Annual Non Routine Maintenance									\$ 6,458	
Annual Escrow \$ per customer									\$ 140	
Montly Escrow \$ per customer									\$ 11.70	

Estimated Yearly Income 2016 \$ 10,292

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For 5 Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
<i>Revenue: Monthly Fees</i>	\$ 19,728	\$ 21,663	\$ 24,959	\$ 27,601	\$ 30,243	\$ 124,194
<i>Revenue: Placed in Escrow for Future Treatment System Expansion</i>	\$ 3,750	\$ 11,250	\$ 18,750	\$ 15,000	\$ 15,000	\$ 63,750
<i>Estimated Expenses</i>	\$ 29,656	\$ 30,649	\$ 32,303	\$ 33,627	\$ 34,951	\$ 161,185
<i>Estimate Profit</i>	\$ (9,927)	\$ (8,985)	\$ (7,344)	\$ (6,026)	\$ (4,708)	\$ (36,991)

EXHIBIT 1-B

Build-out Cost Analysis (5-yr)

For Lakeside Estates Treatment System

With New Proposed Rates

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year

2012

Assumptions:	2012	2013	2014	2015	2016	Total
Total number of lots in subdivision	200	200	200	200	200	
Number of non-resident/developer property owners	4	4	4	4	4	
Number of resident property owners	3	4	6	8	10	
Commercial Overnight Rental property owners	27	29	32	34	36	
Number of property owners not attached to System	6	6	6	6	6	
Unsold lots	164	161	156	152	148	
Annual residents providing tap fee	1	3	5	4	4	17

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	30	\$ 16.71	\$ 501	\$ 6,016	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	30	\$ 1.92	\$ 58	\$ 691	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 277	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone Line	Line	12	\$ 55	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	30	\$ 2.00	\$ 60	\$ 720	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	30	\$ 2.80	\$ 84	\$ 1,008	Based on experience hours and hourly rates on similar projects.
TRA Inspection Fee	Inspection	1	\$ 250	\$ 21	\$ 250	Based on TRA published rates.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Routine Maintenance						
Subtotal				\$ 1,770	\$ 21,240	
Septic tank pumping	Pumping Events	4	\$ 240	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				37	\$ 448	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 42	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 32	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 32	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				46	\$ 554	
Anticipated Annual Billing Cost						
Postage	postage	34	\$ 0.64	\$ 21.76	\$ 261	
Printing	page	136	\$ 0.10	\$ 13.60	\$ 163	
Paper	page	136	\$ 0.05	\$ 6.80	\$ 82	
Labor	page	136	\$ 0.50	\$ 68.00	\$ 816	Based on experience hours and hourly rates on similar projects.
Misc.	page	136	\$ 0.05	\$ 6.80	\$ 82	
Subtotal					\$ 1,404	
TOTAL ESTIMATED EXPENSES					\$ 29,656	
Estimated Revenue						
Fees Charged to Customers						
Non Resident Customer Access Fee	Access Fee 4		\$ 10.00	\$ 40	\$ 480	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Resident Customer Monthly Fee	Monthly Fee 3		\$ 44.53	\$ 134	\$ 1,603	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 27		\$ 90.83	\$ 2,453	\$ 29,430	These are billings for commercial customers billed monthly. Based on \$102.53 per month per residential customer.
Tap Fees Collected and escrowed	Tap Fee 1		\$ 3,750.00	\$ 313	\$ 3,750	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners. \$ are in an Escrow
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Return Check Fee	Returned check 2		\$ 25.00	\$ 3	\$ 38	Estimate based on experience
Late Fees and Back Payment	Late fee 2		\$ 2.00	\$ 0	\$ 3	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00	\$ 3	\$ 40	Estimate based on experience
Reconnect Fees	Reconnect 1		\$ 50.00	\$ 4	\$ 50	Estimate based on experience
Subtotal				\$ 2,949	\$ 35,394	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					30	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 215	

Monthly Escrow \$ per customer					\$ 17.94	
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Estimated Yearly Income

2012

\$ 5,738

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2013

Assumptions:	2013	2014	2015	2016
Total number of lots in subdivision	200	200	200	200
Number of non-resident/developer property owners	4	4	4	4
Number of resident property owners	4	6	8	10
Commercial Overnight Rental property owners	29	32	34	36
Number of property owners not attached to System	6	6	6	6
Unsold lots	161	156	152	148
Annual residents providing tap fee	3	5	4	4

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	33	\$ 16.71	\$ 551	\$ 6,617	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	33	\$ 1.92	\$ 63	\$ 760	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing					Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	12	\$ 433.00	\$ 433	\$ 5,196	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Office telephone line	Line	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience. The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	33	\$ 2.00	\$ 66	\$ 792	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	33	\$ 2.80	\$ 92	\$ 1,109	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 1,840	\$ 22,083	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				39	\$ 469	per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 44	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 33	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 33	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				48	\$ 580	
Anticipated Annual Billing Cost						
Postage	postage	37	\$ 0.64	\$ 23.68	\$ 284	0
Printing	page	148	\$ 0.10	\$ 14.80	\$ 178	0
Paper	page	148	\$ 0.05	\$ 7.40	\$ 89	0
Labor	page	148	\$ 0.50	\$ 74.00	\$ 888	
Misc.	page	148	\$ 0.05	\$ 7.40	\$ 89	Based on experience hours and hourly rates on similar projects.
Subtotal					\$ 1,527	0
TOTAL ESTIMATED EXPENSES					\$ 30,649	
Estimated Revenue						
Fees Charged to Customers						

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee 4		\$ 10.00	\$ 40	\$ 480	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee 4		\$ 44.53	\$ 178	\$ 2,137	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 29		\$ 90.83	\$ 2,634	\$ 31,610	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee 3		\$ 3,750.00	\$ 938	\$ 11,250	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check 2		\$ 25.00	\$ 4	\$ 50	Estimate based on experience
Late Fees and Back Payment	Late fee 2		\$ 2.00	\$ 0	\$ 4	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00			
Reconnect Fees	Reconnect 1		\$ 50.00	\$ 4	\$ 50	Estimate based on experience
Subtotal				\$ 3,798	\$ 45,581	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					33	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 196	

Monthly Escrow \$ per customer					\$ 16.31	
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Estimated Yearly Income

2013

\$ 14,933

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2014

Assumptions:	2014	2015	2016
Total number of lots in subdivision	200	200	200
Number of non-resident/developer property owners	4	4	4
Number of resident property owners	6	8	10
Commercial Overnight Rental property owners	32	34	36
Number of property owners not attached to System	6	6	6
Unsold lots	156	152	148
Annual residents providing tap fee	5	4	4

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	38	\$ 16.71	\$ 635	\$ 7,620	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	38	\$ 1.92	\$ 73	\$ 876	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	38	\$ 2.00	\$ 76	\$ 912	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	38	\$ 2.80	\$ 106	\$ 1,277	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 1,957	\$ 23,489	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				42	\$ 503	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 48	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 36	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 36	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				52	\$ 622	
Anticipated Annual Billing Cost						
Postage	postage	42	\$ 0.64	\$ 26.88	\$ 323	0
Printing	page	168	\$ 0.10	\$ 16.80	\$ 202	0
Paper	page	168	\$ 0.05	\$ 8.40	\$ 101	0
Labor	page	168	\$ 0.50	\$ 84.00	\$ 1,008	Based on experience hours and hourly rates on similar projects.
Misc.	page	168	\$ 0.05	\$ 8.40	\$ 101	0
Subtotal					\$ 1,734	
TOTAL ESTIMATED EXPENSES					\$ 32,303	
Estimated Revenue						
Fees Charged to Customers						

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee	4	\$ 10.00	\$ 40	\$ 480	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee	6	\$ 44.53	\$ 267	\$ 3,206	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee	32	\$ 90.83	\$ 2,907	\$ 34,880	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee	5	\$ 3,750.00	\$ 1,563	\$ 18,750	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee	0	\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check	3	\$ 25.00	\$ 6	\$ 75	Estimate based on experience
Late Fees and Back Payment	Late fee	3	\$ 2.00	\$ 1	\$ 6	Estimate based on experience
Disconnected Fees	Disconnect	1	\$ 40.00			
Reconnect Fees	Reconnect	1	\$ 50.00	\$ 4	\$ 50	Estimate based on experience
Subtotal				\$ 4,787	\$ 57,447	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					38	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 170	

Monthly Escrow \$ per customer					\$ 14.16	
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Estimated Yearly Income

2014

\$ 25,144

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2015

Assumptions:	2015	2016
Total number of lots in subdivision	200	200
Number of non-resident/developer property owners	4	4
Number of resident property owners	8	10
Commercial Overnight Rental property owners	34	36
Number of property owners not attached to System	6	6
Unsold lots	152	148
Annual residents providing tap fee	4	4

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	42	\$ 16.71	\$ 702	\$ 8,422	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system todate.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	42	\$ 1.92	\$ 81	\$ 968	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone Line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	42	\$ 2.00	\$ 84	\$ 1,008	Based on experience hours and hourly rates on similar projects.
Corporate Management Fee	Month	42	\$ 2.80	\$ 118	\$ 1,411	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 2,051	\$ 24,614	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects. Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps						Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafollette electrical utility.
Effluent Pumps				4	\$ 50	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 38	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 38	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				55	\$ 656	
Anticipated Annual Billing Cost						
Postage	postage	46	\$ 0.64	\$ 29.44	\$ 353	0
Printing	page	184	\$ 0.10	\$ 18.40	\$ 221	0
Paper	page	184	\$ 0.05	\$ 9.20	\$ 110	0
Labor	page	184	\$ 0.50	\$ 92.00	\$ 1,104	Based on experience hours and hourly rates on similar projects.
Misc.	page	184	\$ 0.05	\$ 9.20	\$ 110	0
Subtotal					\$ 1,899	
TOTAL ESTIMATED EXPENSES					\$ 33,627	
Estimated Revenue						
Fees Charged to Customers						

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Non Resident Customer Access Fee	Access Fee 4		\$ 10.00	\$ 40	\$ 480	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee 8		\$ 44.53	\$ 356	\$ 4,275	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee 34		\$ 90.83	\$ 3,088	\$ 37,060	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer. This fee is transferable to subsequent property owners.
Tap Fees Collected and escrowed	Tap Fee 4		\$ 3,750.00	\$ 1,250	\$ 15,000	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee 0		\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check 4		\$ 25.00	\$ 8	\$ 100	Estimate based on experience
Late Fees and Back Payment	Late fee 4		\$ 2.00	\$ 1	\$ 8	Estimate based on experience
Disconnect Fees	Disconnect 1		\$ 40.00			
Reconnect Fees	Reconnect 1		\$ 50.00	\$ 4	\$ 50	Estimate based on experience
Subtotal				\$ 4,748	\$ 56,973	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					42	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 154	

Monthly Escrow \$ per customer					\$ 12.81	
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Estimated Yearly Income

2015

\$ 23,346

Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For Year 2016

Assumptions:	2016			
Total number of lots in subdivision	200			
Number of non-resident/developer property owners	4			
Number of resident property owners	10			
Commercial Overnight Rental property owners	36			
Number of property owners not attached to System	6			
Unsold lots	148			
Annual residents providing tap fee	4			

Estimated Expenses

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Routine Maintenance						
Maintenance Operator Cost (Non-resident)	Lots	4	\$ 5.00	\$ 20	\$ 240	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for non-resident services.
Maintenance Operator Cost (resident & rental)	Homes	46	\$ 16.71	\$ 769	\$ 9,224	Cost based on the amount DSH & Associates will charge to maintain the wastewater system wastewater components for residence service. This is based on conversations with Jeff Brownfield (Braeburn) and Eddy Troxell (LaFollette) and their experience with the system to date.
Accounting, tax preparation books setup	Hours	2	\$ 50.00	\$ 100	\$ 1,200	Amount furnished by DSH's CPA - Roger Goins and book keeper.
Tax Cost (Franchise - Excise and Federal)	Homes	46	\$ 1.92	\$ 88	\$ 1,060	Cost projection includes property tax and income tax. Based on project income, property value, and operating costs
Plant operator salary and testing	Sampling and Testing	12	\$ 433.00	\$ 433	\$ 5,196	Based on pricing provided by our operator for monthly and quarterly sampling and testing requirements per our SOP. Based on subcontractor quote for services.
Performance Bond	Event	1	\$ 1,280.00	\$ 107	\$ 1,280	Based on actual incurred costs from BB&T Insurance Services, Inc.
Insurance	Coverage	12	\$ 276.58	\$ 277	\$ 3,319	Based actual insurance costs from P&C Risk Services, LLC
Office telephone line	Line	12	\$ 55.00	\$ 55	\$ 660	Office phone line based on experience.
Plant Control System phone line	Line	12	\$ 55.00	\$ 55	\$ 660	The telephone line is necessary for the computer (PLC) automation to call in and report any problem. Based on estimate by local phone company.
Local Management Fee	Month	46	\$ 2.00	\$ 92	\$ 1,104	Based on experience hours and hourly rates on similar projects.

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Corporate Management Fee	Month	46	\$ 2.80	\$ 129	\$ 1,546	Based on experience hours and hourly rates on similar projects.
TRA Inspection Fee	Inspection	1	\$ 250.00	\$ 21	\$ 250	Based on TRA published rates.
Subtotal				\$ 2,145	\$ 25,738	
Non Routine Maintenance						
Septic tank pumping	Pumping Events	4	\$ 240.00	\$ 80	\$ 960	Pumping of holding tanks associated with centralized treatment system. Based on \$240 per pumping event. Verbal quote from Jeff Brownfield (Braeburn)
Replacing pump & alarm systems	Replacement	2	\$ 1,949.00	\$ 325	\$ 3,898	Replacement cost for pumps and alarms associated with centralized treatment system. Assume 1 pump and alarm system will have to be replaced once a year for a total event cost of \$1949. Based on Orenco experience with similar installed systems - pump and alarm quote were obtained.
Normal wear/tear items, hoses, float switches, lights	Replacement	10	\$ 20.00	\$ 17	\$ 200	Based on experience hours and hourly rates on similar projects.
UV lamps	Lamp	4	\$ 350.00	\$ 117	\$ 1,400	Replacement cost for UV lamps associated with the system. The system utilizes 4 lamps. Assume each lamp required replacement once every year. Lamp and labor is approx. \$350 based on verbal quote from Jeff Brownfield (Braeburn)
Subtotal		14			\$ 6,458	
Anticipated Electrical Usage & Costs						
Treatment Pumps				47	\$ 558	Based on 18 hours/day of operation, 365 days per year, \$0.09433 per kWatthr. Based on actual bill and phone conversation with Lafolette electrical utility.
Effluent Pumps				4	\$ 53	Based on 4 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
UV Lamps & Solenoids				3	\$ 40	Based on 2 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Misc.				3	\$ 40	Based on 6 hours/day of operation, 365 days per year, \$0.09433 per kWatthr.
Subtotal				58	\$ 690	
Anticipated Annual Billing Cost						
Postage	postage	50	\$ 0.64	\$ 32.00	\$ 384	
Printing	page	200	\$ 0.10	\$ 20.00	\$ 240	
Paper	page	200	\$ 0.05	\$ 10.00	\$ 120	
Labor	page	200	\$ 0.50	\$ 100.00	\$ 1,200	Based on experience hours and hourly rates on similar projects.
Misc.	page	200	\$ 0.05	\$ 10.00	\$ 120	
Subtotal					\$ 2,064	
TOTAL ESTIMATED EXPENSES					\$ 34,951	

	Units	# of Units	Unit Rate	Monthly Cost	Yearly Cost	Comments
Estimated Revenue						
Fees Charged to Customers						
Non Resident Customer Access Fee	Access Fee	4	\$ 10.00	\$ 40	\$ 480	These are billings for non-resident customers billed yearly. Based on \$120 per year per non-resident property owner.
Resident Customer Monthly Fee	Monthly Fee	10	\$ 44.53	\$ 445	\$ 5,344	These are billings for resident customers billed monthly. Based on \$45 per month per resident customer.
Commercial Overnight Rental property owners	Monthly Fee	36	\$ 90.83	\$ 3,270	\$ 39,240	These are billings for commercial customers billed monthly. Based on \$102.53 per month per resident customer.
Tap Fees Collected and escrowed	Tap Fee	4	\$ 3,750.00	\$ 1,250	\$ 15,000	A one time tap fee required at purchase of property. This fee is transferable to subsequent property owners.
Tap fees that will be collected from unpaid lot owners	Tap Fee	0	\$ 3,750.00	\$ -	\$ -	Estimate based on experience
Return Check Fee	Returned check	5	\$ 25.00	\$ 10	\$ 125	Estimate based on experience
Late Fees and Back Payment	Late fee	5	\$ 2.00	\$ 1	\$ 10	Estimate based on experience
Disconnect Fees	Disconnect	1	\$ 40.00			
Reconnect Fees	Reconnect	1	\$ 50.00	\$ 4	\$ 50	Estimate based on experience
Subtotal				\$ 5,021	\$ 60,249	

Estimated Escrow Requirements

Escrow Calculations						
Number of years included in calculation					1	
Number of customers					46	
Estimated Annual Non Routine Maintenance					\$ 6,458	
Annual Escrow \$ per customer					\$ 140	

Monthly Escrow \$ per customer				\$ 11.70	
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Estimated Yearly Income	2016	\$ 25,298
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Lakeside Estates Waste Water Treatment System

Estimated Costs and Revenues For 5 Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Revenue: Monthly Fees	\$ 31,644	\$ 34,331	\$ 38,697	\$ 41,973	\$ 45,249	\$ 191,894
Revenue: Placed in Escrow for Future Treatment System Expansion	\$ 3,750	\$ 11,250	\$ 18,750	\$ 15,000	\$ 15,000	\$ 63,750
Estimated Expenses	\$ 29,656	\$ 30,649	\$ 32,303	\$ 33,627	\$ 34,951	\$ 161,185
Estimate Profit	\$ 1,988	\$ 3,683	\$ 6,394	\$ 8,346	\$ 10,298	\$ 30,709

EXHIBIT 1-C

Estimate Revenue for LaFollette Utility from
July 31, 2010 through July 31, 2011
Based on information provided Eddy Troxell
(LaFollette Utilities)

LaFollette Estimate Revenue

From July 31, 2010 to July 31, 2011

Number of Customers	Month	Year	Billing Rate	Total Revenue
26	Aug 1st	2010	\$ 54.48	\$ 1,416.48
26	Sept	2010	\$ 54.48	\$ 1,416.48
26	Oct	2010	\$ 54.48	\$ 1,416.48
26	Nov	2010	\$ 54.48	\$ 1,416.48
26	Dec	2010	\$ 54.48	\$ 1,416.48
26	Jan	2011	\$ 54.48	\$ 1,416.48
26	Feb	2011	\$ 54.48	\$ 1,416.48
26	Mar	2011	\$ 54.48	\$ 1,416.48
26	April	2011	\$ 54.48	\$ 1,416.48
26	May	2011	\$ 54.48	\$ 1,416.48
26	June	2011	\$ 54.48	\$ 1,416.48
26	July 31st	2011	\$ 54.48	\$ 1,416.48

TOTAL			\$ 16,997.76
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05/04/11 09:22:00 LAFOLLETTE UTILITIES
SEWER CUSTOMERS IN BOOK 141
MARCH 2011 STATISTICS

MAY 4, 2011

PAGE 1

ROUTE #	ACCT#	SUB#	NAME	SERVICE	AMT BILLED
141	40926	32	TRIMBACH PROPERTIES	5	54.48
141	45147	2	CASTRO, PATRICK	5	54.48
141	46124	1	KOOSER, EILEEN THERESE	5	54.48
141	46412	1	BECKER, ANN & TOM	5	54.48
141	46714	1	SHEPARD, STASIA & CHRIS	5	54.48
141	46763	1	MOORMAN, GEORGE & MARY	5	54.48
141	46979	1	KNOPE, SUE ANN	5	54.48
141	47231	4	LAKEFRONT CONDOMINIUMS LLC	5	54.48
141	47231	6	LAKEFRONT CONDOMINIUMS LLC	5	54.48
141	47231	9	LAKEFRONT CONDOMINIUMS LLC	5	54.48
141	47231	11	LAKEFRONT CONDOMINIUMS LLC	5	54.48
141	47234	1	TRIMBACH, LARRY	5	54.48
141	47399	1	RANDOLPH, BRETT & LENORA	5	54.48
141	47399	2	RANDOLPH, BRETT & LENORA	5	54.48
141	47464	1	MUNN, RONALD & DIANA	5	54.48
141	47748	1	FORSCHNER, ROBERT	5	54.48
141	47749	1	BERTKE, JOHN	5	54.48
141	47749	2	BERTKE, JOHN	5	54.48
141	47780	1	GRAHAM, DANIEL J	5	54.48
141	47836	2	FTB MANAGEMENT SERVICES	5	54.48
141	48372	1	FEHRING, MARK	5	54.48
141	48377	1	GATE PROPERTY	5	54.48
141	48594	1	LAKE NORRIS DREAM MAKER II, LLC	5	54.48
141	49036	1	FIX, ANN MARIE & JEROME	5	54.48
141	49068	1	SIEMORE, JEFF & CYNTHIA	5	54.48

FINAL TOTALS
TOTAL 1,416.48
COUNT 26

*** END OF REPORT ***

REVISED TARIFF PAGES

SECTION	SHEET	REVISION	SECTION	SHEET	REVISION
1	1	Original			
1	2	1 st Revised			
1	3	Original			
1	4	Original			
1	5	Original			
1	6	Original			
2	1	Original			
2	2	1 st Revised			
2	3	Original			
2	4	Original			
3	1	Original			
3	2	1 st Revised			
4	1	Original			
4	2	1 st Revised			
4	3	Original			

notice will be sent to the customer. If payment is not received within 30 days, service will be turned off from the customer's property as per the Sewer Service Contract Agreement (Attachment 14) executed by the customer with no additional notice being sent. No service shall be reconnected if disconnected for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees. The disconnection fee is \$40. The reconnection fee is \$50 plus all back payments.

Returned Checks

A check returned by the bank will incur a fee of \$25.

Changes in Ownership, Tenancy of Service

A new application and contract must be made and approved by the Company on any change in ownership of property, or tenancy, or in the service as described in the application. In the event of a failure of a new owner or tenant to make such application, the Company shall have the right to discontinue service until such new application is made and approved.

Sewer System Access Fee

The owner of each property parcel, which is provided a service connection when the sewer system is built, will be required to pay a sewer access fee of \$120.00 per year. This fee will be payable each July 1st. As each Customer attaches to the Service Connection and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee will not be charged.

Engineering, Material and Construction Standards

General: This specification covers the type of sewer system required for various design conditions of sewers constructed by developers.

1. The requirements called for are a minimum in all cases. Bedding conditions, material specifications, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer.
2. Design and construction of sewer lines shall meet the requirements of the State of Tennessee Department of Environment. Any conflicts between company and state requirements shall be resolved so that the more restrictive shall govern.
3. All sewage collection system components are to be watertight. This includes Building Outfall lines, all tanks, Collector Lines, Service Lines and Main Lines.
4. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be watertight.
5. Septic Pump and Septic Gravity Tanks are to be installed near the customer's building to be served. The tanks are to be set in a level condition and tested for water tightness before backfilling.
6. STEP septic tanks must meet the specifications outlined in this document. Size of STEP tanks must be approved by DSH and will be based on the number of bedrooms in the home and the intended use of the home.
7. All pipe is to be PVC. Classes and sizes will be per Engineer's design and in all cases Schedule 40 will be the minimum allowable.
8. Only wastewater drains are to be connected to the sewer system. No water sources such as roof drains, sump pumps, condensate lines and swimming pools shall be connected to the sewer system.

Special Pretreatment Sewage Requirements

For all sewage connections the Company reserves the right to require any non-residential user to provide special pretreatment for any high strength effluent before discharge into its sewage system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to cover the cost of treatment of high strength effluent or industrial waste, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its sewage system.

Additionally, if excessive volumes of sewage are received, the Company may require the Customer to monitor flow volume and increase surge holding capacity at the Customer's expense. All customers will be required to follow the Owners User Manual for an effluent collection system supplied to them by the Company (Attachment 1). These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other things. All requirements (and notification of repair costs associated with the system abuse) are established in the Customer's Sewer Subscription Contract with the Company.

RESIDENTIAL RATE SHEET/EXPLANATION

The monthly sewer charge per customer is \$ 44.53

<u>FEES:</u>	<u>TOTAL</u>
Non-Payment	5%
STEP System Installation	\$6,000
Tap Fee	3,750/lot
Disconnection	\$ 40.00
Reconnection	\$ 50.00
Returned Check	\$ 25.00
Access Fee	\$120/yr

*Escrow amount is included in total \$17.94

** Tap fee is for homes with 3 bedrooms or less

Explanation

FFR.D:	Rate Class I: Standard Base RSF/Fixed Film Reactor Treatment Rate	\$ 23.03
E1:	RSF Escrow Rate	\$ 17.94
<u>B1:</u>	<u>Standard bonding charge of</u>	<u>\$ 3.56</u>
	Total	\$ 44.53

Estimate Tap Fees

Tap Fees for each new unit will be derived based on the number of Bedrooms as listed in the table below:

Daily Flowrate	Number of Bedrooms	Estimated Tap Fee
300	3	\$ 3,750
400	4	\$ 5,000
500	5	\$ 6,250
600	6	\$ 7,500
700	7	\$ 8,750
800	8	\$ 10,000
900	9	\$ 11,250
1000	10	\$ 12,500

STEP System Installation:

- For a 3 bedroom unit/300 gallons per day, STEP systems will be installed for \$6,000. If larger STEP systems are required, they will be quoted on an individual basis. The installation of the STEP systems includes a 15% markup by the utility.

COMMERCIAL RATE SHEET Overnight Rental Units

The monthly sewer charge per customer is based on the monthly average daily flow monitored from the unit being served. A minimum of \$69.53 per month will be charged for up to the first 300 gallons per day of average daily flow. (I) For each additional 100 gallons per day of average daily flow, up to a total of 1,000 gallons per day, an additional charge of \$15.00 per month per 100 gallons will be levied. For average daily flows over 1,000 gallons per day, an additional monthly charge of \$157.95 per 1,000 gallons of average daily flow will apply.

<u>COMMERCIAL W/O FOOD</u>	<u>FLOWRATE</u>		<u>TOTAL**</u>	<u>ESCROW***</u>
	<u>BETWEEN (GPD)</u>			
Tier 1	0	300	\$ 69.53	\$ 15.95
Tier 2.1	301	400	\$ 84.53	\$ 19.49
Tier 2.2	401	500	\$ 99.53	\$ 23.02
Tier 2.3	501	600	\$ 114.53	\$ 26.56
Tier 2.4	601	700	\$ 129.53	\$ 30.10
Tier 2.5	701	800	\$ 144.53	\$ 33.63
Tier 2.6	801	900	\$ 159.53	\$ 37.17
Tier 2.7	901	1000	\$ 174.53	\$ 40.71
Tier 3.1	1001	2000	\$ 332.48	\$ 77.95
Tier 3.2	2001	3000	\$ 490.43	\$ 115.19
Tier 3.3	3001	4000	\$ 648.38	\$ 152.43
Each additional tier			\$ 157.95	\$ 37.24

Each customer will be billed the minimum monthly charge unless DSH determines that the customer's measured usage exceeds an average of 300 gallons per day over a thirty day period. Unless otherwise stated in this tariff, measured usage will be based on a customer's actual or estimated usage, averaged over a thirty-day period.

Actual usage may be measured in any of the following ways:

- Effluent flow meter.
- STEP pump. Usage will be measured by multiplying the period of elapsed pumping time shown on the pump times the capacity of the pump.
- In the absence of an effluent flow meter or a STEP pump, usage will be assumed to be equal to the customer's usage of potable water as shown on the customer's potable water meter.

If a customer is charged in excess of the minimum monthly fee, DSH will measure the customer's actual usage at least once every ninety days using one of the methods described above and display on the customer's statement the usage and measurement method used. In any month in which DSH does not measure the company's actual usage, the customer's monthly bill will be based on the customer's estimated monthly usage. No less than once every ninety days DSH will bill (or credit) the customer for any differences between an estimated bill and actual measured usage.

If a customer's usage exceeds the average daily design flow for three consecutive months, the customer may be required to pay any capital costs associated with increasing the capacity of that portion of the system designed and dedicated to serve that customer. For purposes of this section, DSH must measure actual usage for three consecutive months using one of the methods described above.

If DSH determines that a customer's usage meets the criteria described above, DSH will notify the

cost to the customer. The notice will also state that if the customer believes that his usage does not meet the criteria described above or that the charge to the customer is unjust and unreasonable, the customer may file a written complaint with the Tennessee Regulatory Authority, located at 460 James Robertson Parkway, Nashville, TN, 37243. Unless the TRA orders otherwise, the filing of a complaint will not delay the proposed construction work but may initiate a proceeding in which the TRA will determine whether, under the terms of this tariff, the customer is responsible for the cost of the construction work.

- ** Bonding amount of \$3.56 included
- *** Escrow amount is included

STEP System Installation:

- For a 3 bedroom unit/300 gallons per day, STEP systems will be installed for \$6,000. If larger STEP systems are required, they will be quoted on an individual basis. The installation of the STEP systems includes a 15% markup by the utility.

Estimate Tap Fees:

Daily Flowrate	Number of Bedrooms	Estimate Tap Fee
300	3	\$3,750.00
400	4	\$5,000.00
500	5	\$6,250.00
600	6	\$7,500.00
700	7	\$8,750.00
800	8	\$10,000.00
900	9	\$11,250.00
1000	10	\$12,500.00