

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Mr. John C. Baker
817 Highgrove Circle
Franklin, TN 37069

Dear Mr. Baker:

Thank you for taking the time to voice your concerns to the Tennessee Regulatory Authority ("TRA"), particularly my office. As always, I welcome the opportunity to provide consumers with as much information as possible and be responsive to all issues.

Since this matter is still an open docket, I must limit my response only to inform you of the decisions made by the TRA so far. Berry's Chapel's petitioned the TRA for a rate increase of approximately \$399,000 annually. Subsequently, evidence was gathered by the TRA Staff from the company, and then the Panel of Directors granted intervention to the Consumer Advocate and Protection Division of the Tennessee Attorney General's Office ("CAPD") so their office could also gather evidence and present its case to the TRA.

The TRA conducted an evidentiary hearing on the petition, which was noticed and open to the public. Berry's Chapel and the CAPD both filed testimony supporting their respective positions and had witnesses available for cross examination. Members from the Homeowners Association were also given an opportunity to speak.

The CAPD supported a rate increase of approximately \$152,000 annually. After examination of the evidence in the record, the TRA Panel voted to allow Berry's Chapel to increase its rates by approximately \$181,000 annually. To generate this amount of addition revenue along with recovery of deferred costs from the May 2010 flood, the Panel voted to establish residential rates as follows:

Monthly customer charge (includes no water usage)	\$30.00
Volumetric charge per 1000 gallons (billed pro rata)	6.37
Flood surcharge (for twelve months)	8.93

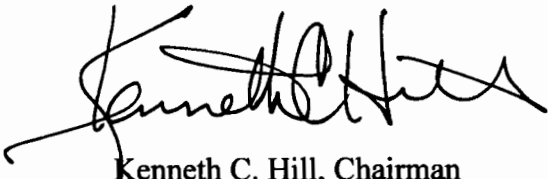
I can tell you, however, that one of the main reasons that I voted for a new rate design that includes a monthly charge of \$30.00 is that a higher fixed rate affords the utility a better opportunity for stabilized revenues. And while it may be true that low volume users pay more per 1,000 gallons of use than higher volume users, there are certain fixed costs that remain regardless of usage. In this specific case, I voted for the rate design that I felt best for consumers as a whole as well as the utility on a going forward basis.

Regarding over-collected fees, the TRA determined that Berry's Chapel was a public utility subject to its jurisdiction for the time period that it collected the overpayment. Because of this ruling, it appears that the monies collected by Berry's Chapel without TRA permission were done so illegally. However, the TRA's decision on its jurisdiction has been challenged in the Tennessee Court of Appeals, and the TRA cannot make a determination on a refund to those customers until the higher court matter is concluded. The TRA and the Attorney General are vigorously defending the case, and at the conclusion of the suit, if the TRA prevails, the TRA will continue its proceedings to ensure that the monies which the TRA believes were illegally collected are refunded.

As far as the appellate process, any party to the proceeding has the right to first ask the TRA to reconsider its decision and then the right to appeal the TRA's decision to the Tennessee State Appellate Court. Other than the utility, the only other party to the proceeding was the CAPD, which represents consumers on such issues. Therefore, I suggest that you contact that agency regarding consumer appellate rights.

I hope this letter sufficiently addresses your concerns. As always please do not hesitate to call or write my office at any time.

Sincerely,



Kenneth C. Hill, Chairman
Tennessee Regulatory Authority

C: Docket File