

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re:

PETITION OF LAUREL HILLS
CONDOMINIUMS PROPERTY
OWNERS ASSOCIATION
FOR A CERTIFICATE OF PUBLIC
CONVEYANCE AND NECESSITY.

Docket No. 12-00030

MOTION TO COMPEL RESPONSES OF LAUREL HILLS CONDOMINIUMS
PROPERTY OWNERS ASSOCIATION TO FIRST DISCOVERY REQUESTS
OF THE CUSTOMER INTERVENERS OR, ALTERNATIVELY, REQUEST
FOR SUBPOENA DUCES TECUM FOR MOY TOY, LLC

Come now the Customer Interveners and move the Tennessee Regulatory Authority to compel Laurel Hills Condominiums Property Owners Association ("Laurel Hills") to fully and completely respond to the discovery requests that they filed in this matter and served on Thursday, September 20, 2012. The discovery responses at issue are as follows:

7.

Reference to Laurel Hills' response to the staff data request, Response No. 1: \$400,000.00 promissory note, explain how Moy Toy, LLC ("Moy Toy") posted and accounted for the \$400,000.00 transaction in their ledger.

Response: Laurel Hills objects to this request. Moy Toy is not a party to this proceeding and Laurel Hills does not control Moy Toy

The information requested was not provided.

8.

Reference to Laurel Hills response to staff data request, Response No. 1:

\$400,000.00 promissory note, provide a copy of Moy Toy, LLC's 2011 federal tax return to reflect the proper asset reporting.

Response: Laurel Hills objects to this request. Moy Toy is not a party to this proceeding and Laurel Hills does not control Moy Toy.

One of the issues in this case is the propriety of the \$400,000.00 note to Moy Toy from Laurel Hills for the purchase of part of the water system. This \$400,000.00 price tag is particularly at issue because Moy Toy, LLC and Laurel Hills are related parties. It is questioned whether this was a legitimate arm's length transaction or not. When Laurel Hills purchased part of the water system from Moy Toy, the purchase was recorded by crediting notes payable and debiting owner equity. Normally, when an asset is purchased, the fair market value of the asset is recorded as a debit to fixed assets and any excess is recorded as good will. The fixed assets are depreciated over the useful life and good will is amortized over a period of fifteen (15) years. From the way that Laurel Hills recorded the purchase of the water system, it appears that Laurel Hills was either fully aware that there was no value related to the assets purchased or that the purchase had no economic basis and the recording of the transaction was only intended to book the \$400,000.00 owed to Moy Toy without any actual transfer of assets and monetary value. As stated in the Direct Testimony of Ron Hill, Certified Public Accountant, a copy of the Moy Toy corporate tax return for the year of the sale of the water utility would allow the reader to determine if Moy Toy properly recorded the transfer of the water system as a sale of trade or business asset as required by the IRS regulations and would shed

light on whether Laurel Hills' recording of the asset purchase was an intentional attempt to distort the facts or simply an inadvertent accounting error.

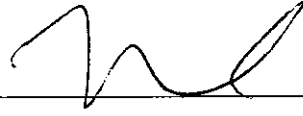
Moy Toy and Laurel Hills are related entities as seen in the Direct Testimony of Christopher Cline filed on behalf of the Consumer Advocate Division. Michael McClung and Phillip Guettler are President and Corporate Secretary of Laurel Hills and are further minority owners of Moy Toy, LLC. Mr. Guettler is apparently the Managing Member of Renegade Florida Management, LLC which is the General Partner in Renegade Florida Management, Ltd. which is the Managing Member of Moy Toy.

Accordingly, Mr. Guettler and Mr. McClung who are officers of Laurel Hills are further in control of Moy Toy and have the tax return for Moy Toy in their possession, custody or control. Upon simple request they could obtain the tax return required from Moy Toy, LLC. It is asked that the Motion to Compel be entered to require this discovery be produced.

Discovery is permitted on "any matter that bears on or reasonably could lead to other matters which could bear on any of the case's issues". Kuehne & Nigel, Inc. v. Preston, Skahaan & Smith International, Inc., 202 WL 138965 at 3, (Tenn. App. 2002). Accordingly, the Order should be entered requiring the response. The discovery sought further appears reasonably calculated to lead to the discovery of admissible evidence meeting the standard in T.R.C.P. 26.02(1). The requested information meets these standards as it is important in determining whether the \$400,000.00 note was an insider deal and a sham.

Alternatively, the Customer Interveners move this Court for the issuance of a subpoena duces tecum to Moy Toy, LLC.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to be 'Melanie E. Davis', written over a horizontal line.

MELANIE E. DAVIS, Attorney for
Customer Interveners
Tennessee Bar No. 017947
Kizer & Black Attorneys, PLLC
329 Cates Street
Maryville, Tennessee 37801
Telephone: (865) 980-1625

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of the foregoing of MOTION TO COMPEL RESPONSES OF LAUREL HILLS CONDOMINIUMS PROPERTY OWNERS ASSOCIATION TO FIRST DISCOVERY REQUESTS OF THE CUSTOMER INTERVENERS OR, ALTERNATIVELY, REQUEST FOR SUBPOENA DUCES TECUM FOR MOY TOY, LLC has been served upon the following:

David Foster, Chief Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Shiva Bozarth, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

John J. Baroni, Attorney
Consumer Advocate Division
Office of the Attorney General
P.O. Box 20207
425 5th Avenue North, 2nd Floor
Nashville, TN 37243-0500

Donald L. Scholes, Attorney
Branstetter, Stranch and Jennings, PLLC
227 Second Avenue North, 4th Floor
Nashville, TN 37201-1631

Benjamin A. Gastel, Attorney
Branstetter, Stranch and Jennings, PLLC
227 Second Avenue North, 4th Floor
Nashville, TN 37201-1631

by mailing a true and accurate copy via U.S. Mail, postage prepaid, this the 3rd day of October, 2012

Kizer & Black Attorneys, PLLC:



Melanie E. Davis