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October 15, 2012

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Sharla Dillon, Clerk

Tennessee Regulatory Authority

460 James Robertson Parkway

Nashville, Tennessee 37243

In Re: Petition of Laurel Hills Condominiums Property Owners Association for
a Certificate of Public Conveyance and Necessity
Docket No. 12-00030

Dear Ms. Dillon:

Please find attached hereto the Third Discovery Request of Gary Haiser, et al to Laurel Hills Condominiums Property Owners Association which I would appreciate you filing in the above matter. I will be forwarding to you today by first class mail the original and four copies of this document.

Should you have any questions, please give me a call at the direct dial number above.

With kindest regards, I am

Very truly yours,



Melanie E. Davis

MED:ps
Enclosures

October 15, 2012

cc: Shiva Bozarth, General Counsel
John Baroni, Attorney
Donald Scholes, Attorney
Benjamin Gastel, Attorney
John Moore, et al

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

THIRD DISCOVERY REQUEST OF GARY HAISER; JOHN MOORE; GERALD
NUGENT; ROY PERRY; JOHN PETERS; JOEL MATCHAK; ROBERT ADKINS;
JOE GARNER; TERRY COPE; ROBERT SCHWARTZ; ONUS WILLIAMS; GENE
MANERS; MICHAEL KRABOUSANOS; WENDELL BLAIR; LUKE DUNN; DAVID
BREG; KENT LATHAM; CORTEZ INVESTMENT GROUP, INC.; JIMMY
DOUGLAS; THOMAS BAUER; DONALD SANDLIN; JUDY SCALES PATTERSON;
ISAAC GAMBLE; RENEE TODD; RICHARD KNAPP; JOHN CHAMBERS; JOHN
P. PETERS REVOCABLE TRUST; AND CUMBERLAND POINT CONDOMINIUM
OWNERS ASSOCIATION TO LAUREL HILLS CONDOMINIUMS PROPERTY
OWNERS ASSOCIATION

To: Laurel Hills Condominiums Property Owners Association
c/o Donald L. Scholes, Esq
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue North
Fourth Floor
Nashville, TN 37201-1631

This discovery request is hereby served on Laurel Hills Condominiums Property
Owners Association, ("Laurel Hills" or "Company"), pursuant to Rules 26, 33, 34 and
36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. and Reg. 1220-1-2-
11. We request that full and complete responses be provided pursuant to the
Tennessee Rules of Civil Procedure. The responses are to be produced at the office of

Melanie Davis, Kizer and Black Attorneys, PLLC, 329 Cates Street, Maryville, Tennessee 37801, on or before 4:00 p.m.(EDT). October 26, 2012.

PRELIMINARY MATTERS AND DEFINITIONS

See Consumer Advocate Discovery Request

SECOND DISCOVERY REQUEST

1. Gary Haiser, et al ("Customers") specifically incorporates each and every Data Request filed by the TRA on August 28, 2012 in this Docket as if fully stated herein. The Customers expressly reserve the right to seek supplemental responses and/or file a motion to compel if the Customers determine that any responses to the Data Request are inadequate or incomplete.

RESPONSE:

2. Gary Haiser, et al ("Customers") specifically incorporates each and every Discovery Request filed by the Consumer Advocate on September 14, 2012 in this Docket as if fully stated herein. The Customers expressly reserve the right to seek supplemental responses and/or file a motion to compel if the Customers determine that any responses to the Discovery Request are inadequate or incomplete.

RESPONSE:

3. Gary Haiser, et al ("Customers") specifically incorporates each and every Discovery Request filed by the TRA Staff on September 18, 2012 in this Docket as if fully stated herein. The Customers expressly reserve the right to seek supplemental responses and/or file a motion to compel if the Customers determine that any responses to the Discovery Request are inadequate or incomplete.

4. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #4; as originally requested, provide all Laurel Hills POA bank statements from January 2010 to August 2012 (only June 2011 through August 2012 are attached).

RESPONSE:

5. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #9; as requested, please provide a detailed break out of all costs associated with the water tower rehabilitation; in addition please define the plan with phases, timelines and costs associated with each timeline or phase; indicate any ability to finance the repairs over time.

RESPONSE:

6. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #9; explain why Laurel Hills submitted a detailed estimate from Pittsburgh Tank and Tower on July 18, 2012 to the TRA (TRA Response #1) when Laurel Hills already contracted and paid 10% of the total cost to begin repairs on June 9, 2011 to Preferred Tank and Tower (Laurel Hills Response to Customer Interveners First Request dated September 27, 2012).

RESPONSE:

7. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #9; explain the rational why Laurel Hills initiated a

contract with Preferred Tank and Tower in June, 2011 (Laurel Hills Response to Customer Interveners First Request dated September 27, 2012), then submitted a plan to the Tennessee Department of Environment and Conservation (TDEC) to eliminate the water tower which was approved and now wants to again rehabilitate the water tower, or why was it important in June 2011, not important in December 2011 and is now important in 2012.

RESPONSE:

8. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #5; identify any approval by any authority (state, federal or other) approving Laurel Hills rate increase from \$25.00 to the \$86.40 for all customers prior to the rate increase being implemented in June 2011 and, if no approval was received, explain why this rate increase should be legally recognized.

RESPONSE:

9. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #9; explain why it would be economically preferable for Laurel Hills to use Pittsburgh Tank and Tower to complete the water tank repairs if Laurel Hills has already contracted with and paid 10% of the total cost to Preferred Tank and Tower who offered a phased approach and will finance the repairs over time.

RESPONSE:

10. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #10; since this response states that due to Chancellor

Thurman's ruling in February, 2012, Laurel Hills could only "charge" customers \$43.20 for water, explain why customers continued to be billed for \$86.40 per month from March to July 2012 (Response #5, Laurel Hills Aging Accounts Receivable status as of August 24, 2012).

RESPONSE:

11. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #10; since this response (and many previous responses) states that beginning in November 2011, many customers simply stopping paying their water bills altogether, define what "many" means and explain why the Laurel Hills 2011 General Ledger (Response #4 attachment) indicates approximately \$7623.60 of water revenue was received in November 2011 by laurel Hills.

RESPONSE:

12. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #1 (Water Bills); explain the huge increase in the Crab Orchard Utility water bill for September 28, 2011, and if caused by the approximate 1,000,000 gallon leak that occurred on Roy Perry's property, explain the circumstances surrounding this loss, to include how long it took to identify the leak, how long it took to repair the leak, who repaired the leak and whether Laurel Hills is seeking the cost of this repair as part of the costs submitted to the TRA for consideration of its proposed water rates.

RESPONSE:

13. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #1 (phone bill): explain why the telephone bill for Michael McClung (owner of account) should be considered as a cost of the water system and if for Laurel Hills official use, why is it not in Laurel Hills name.

RESPONSE:

14. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #1 (phone bill): identify all other phone lines currently used and paid for by Laurel Hills and specify which are used in the "staffed" office, and for each voice line in the "staffed" office, provide a copy of the bill showing the call detail for each from January to August 2012.

RESPONSE:

15. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #17: in this response (and many others) Laurel Hills states that it is unfair for the timeshare members to subsidize the water system. Given the information supplied by Laurel Hills of a zero percent occupancy rate of the timeshares (Response 22), an increase in the timeshare maintenance fees from \$300 to \$1650 in a two year period (Response 19), its inability to collect but \$14,300 of \$130,000 in total maintenance fees for 2011 (Response 4, 2011 General Ledger), the receipt of \$47,023 in 2011 water revenue (Response 4, 2011 General Ledger) and allocating approximately 50% of all "common" expenses to water customers (Michael McClung's Pre-filed Testimony), explain how and why the water system is not actual subsidizing the failing Laurel Hills timeshare operations.

RESPONSE:

16. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #4: in reference to the bank statement electronic banking (EB) debit and credit transactions , identify who are the owners of accounts 0110550054, 0082593213, 0110550038, and any other accounts, and there relationship to Laurel Hills.

RESPONSE:

17. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #4: provide detail and invoice for check #1057 to Wolfe-McClane.

RESPONSE:

18. Reference Laurel Hills response to the TRA Staff Data Request dated September 7, 2012, Response #4: in reference to the 2011 General Ledger (Response 4) showing a credit entry of \$33.07 to close out a former checking account, identify this account and the owner and provide all bank statements and copies of checks from September 2010 through its closure.

RESPONSE:

19. Further to the discovery request #22 filed by the Consumer Advocate on September 14, provide copies of the coverage description pages for policies 03088215, 03083096, and any other policies not listed in Laurel Hills Response to the Staff data Request, Response #1. Although Laurel Hills response promised this information by supplemental response, it has not been provided effective this date.

RESPONSE:

20. In reference to Laurel Hills Response to the Customers First Data Request, Response #12: VEC Summary and reference the electronic copies of the 2011 and 2012 profit and loss detail, utilities account, explain why the electric amounts for the Mullinix Drive station match the VEC Summary for 2012 but exceed the VEC Summary for 2011. Laurel Hills' response indicated that the 2011 electric bills included amounts attributable to timeshare operations. Provide revised Water Income and Expense spreadsheet (attached electronically to Laurel Hills response to the TRA Staff Data Request) correcting this omission.

RESPONSE:

21. In reference to Laurel Hills Response to the Customers First Data Request, Response #17: in this response Laurel Hills states that the former owners of the water system did not have sufficient funds to pay the fine. Verify that the legal previous owner and operator of the water system was Moy Toy, LLC. Identify all actions taken, on behalf of the water customers, to recoup the fines paid by Laurel Hills from previous owners' neglect.

RESPONSE:

22. Explain the \$11,000 received by Laurel Hills from Moy Toy, LLC in 2011, and since Laurel Hills did not yet own the water system, identify its purpose, the terms for repayment if any, and the individual (not entity) that approved (signed by Moy Toy) and accepted (Laurel Hills) disbursement.

RESPONSE:

23. In reference to Laurel Hills Response to the Customers First Data Request, Response #18; in Laurel Hills response to the TRA Staff Data Request it stated that there are 8 timeshare units and in Response #18, they state that there are approximately 200 weeks deeded which accounts for only 50% of the total timeshare units (8 units times 50 weeks). Explain the status of the remaining 200 units, if they are spread across all 8 units or confined to one or more specific units and if they were ever deeded.

RESPONSE:

24. In reference to Laurel Hills Response to the Customers First Data Request, Response #18; in this response, Laurel Hills states "Laurel Hills, realizing that collection of maintenance fees from owners will never reach 100%, sets the maintenance fee based on the estimation of how many timeshare owners will actually pay the maintenance fees". Identify if the business model described for setting timeshare rates is, or will be used for water operations, if not explain the prudent steps Laurel Hills will take to collect the fees due by all water customers and not further encumber those responsible individuals who do pay their water bills with paying for the expenses of those customers who don't pay.

RESPONSE:

25. In reference to Laurel Hills Response to the Customers First Data Request, Response #21; given that Laurel Hills borrowed money from Renegade Mountain Timeshares, LLC to finance water operations and does not own any timeshares as stated in the response, state the purpose and business functions that

Renegade Mountain Timeshares, LLC was organized to perform and state specifically all business interactions between Renegade Mountain Timeshares, LLC and Laurel Hills.

RESPONSE:

26. In reference to Laurel Hills Response to the Customers First Data Request, Response #23; since the response states that minutes of the December 22, 2011 meeting were not kept, please provide a statement from Michael McClung, Phillip Guettler and Darren Guettler as to where the meeting was held, who attended the meeting, what subjects were covered and discussed, the actual resolutions derived and approved and the final vote for each.

RESPONSE:

27. In reference to Laurel Hills Response to the Customers First Data Request, Response #24/25; Laurel Hills' responses state that they are under no obligation to maintain a Customer Complaint Log which is in contradiction to Rule 1200-5-1.17(24) which states "All community water systems must establish and maintain a file of customer complaints". Given this deficiency was cited in the 2006, 2007 and 2011 TDEC Sanitary Surveys, identify whether Laurel Hills is or is not required to maintain a Customer Log/file, and if so has Laurel Hills maintained this log/file as required.

RESPONSE:

28. In reference to Laurel Hills Response to the Customers First Data Request, Response #24/25; in Laurel Hills' responses provided they state that all

email and hardcopy complaints obtained from a reasonable search were attached to the Response, however no documents were attached as stated. Indicate whether these attachments were intentionally or unintentionally omitted and if unintentionally omitted, resubmit. Additionally state whether any director, officer or employee of Laurel Hills has knowledge of any additional complaints from water customers where documents are not available to record such complaints.

RESPONSE:

29. In reference to Laurel Hills Response to the Customers First Data Request, Response #28: in Laurel Hills' response provided they state that the requested bank statements were provided as part of their response to the TRA initial Staff Data Request, however the specific bank statements were not attached as stated. Indicate whether these attachments were intentionally or unintentionally omitted. If unintentionally omitted, resubmit, if intentionally omitted, explain the reason they were omitted.

RESPONSE:

30. In reference to the 2011 General Ledger provided by Laurel Hills in their Response to the Staff Data Request (Response 4); Identify whether the amounts paid to VEC for electric from January to April 2011 were for timeshare operations only, or whether the amounts included the electric meter at the Mullinix pump station. If for timeshare operations only explain the significant increase in electric used for timeshare operations in relationship to those same months in 2012. If the total bill includes the Mullinix Pump Station electric, indicate why laurel Hills

paid these amounts when Moy Toy, LLC was the legal owner and operator of the water system.

RESPONSE:

31. **Reference** the Direct Pre-filed Testimony of Christopher Klein, dated October 1, 2012: being specific to identify individuals representing any entities involved explain why the \$400,000 loan between Moy Toy, LLC and Laurel Hills, and the \$53,000 loan between Renegade Mountain Timeshares, LLC and Laurel Hills are “at arm’s length transactions”.

RESPONSE:

32. In reference to Laurel Hills Response to the Customers First Data Request, Response #6 (Revocable License): paragraphs 3 and 6 of the referenced document state that Laurel Hills must receive written permission from Moy Toy, LLC prior to performing many repairs and improvements, including the installation of shutoff valves. Submit all approval requests sent and approved by Moy Toy, LLC for, but not limited to, the installation of all valves, valve boxes and repairs to customer Nugent’s and Perry’s water connections. If not dated, identify the date each document was submitted and approved (signed).

RESPONSE:

33. In reference to Laurel Hills Response to the Customers First Data Request, Response #6 (Revocable License): paragraph 4 refers to a Conveyance Agreement; provide a copy of the Conveyance Agreement and any attachments. Also

what person (not entity) negotiated the Conveyance Agreement for Moy Toy, LLC and for Laurel Hills.

RESPONSE:

34. In reference to Laurel Hills Response to the Customers First Data Request, Response #31: the original data request was for copies of receipts submitted by Darrell McQueen to laurel Hills for reimbursement, two checks in the amount of \$97.68 and \$1517.19 respectively. The data provided to Response 31 consisted of two receipts for \$344.13 and \$122.93 respectively totaling \$456.14. Submit remainder of receipts (\$1147.81) submitted by Darrell McQueen seeking reimbursement by Laurel Hills

RESPONSE:

35. In reference to Laurel Hills Response to the Customers First Data Request, Response # 31; the Preferred Tank and Tower contract submitted by laurel Hills in response to data request #31 had a firm date of work beginning on the water tower not later than September 1, 2011. An additional hand written note was later added to extend the date of contract execution and initialed by Michael McClung, but was not initialed by Preferred Tank and Tower representatives. Submit a copy of the referenced contract showing the extension of the start date initialed by both parties. Is this contract still in force one year later or was the initial payment of \$3387.50 (10% down) lost or returned as a result of any failure to begin work by September 1, 2011?

RESPONSE:

36. Provide detailed invoices showing hours and work description for all work performed by Renegade Resources, LLC for 2011 and 2012.

RESPONSE:

37. Provide detailed invoices showing hours, work description and who (individual) performed the management work Renegade Mountain Timeshares, LLC for all 2011 and 2012 management fees attributed to water operations.

RESPONSE:

Gary Haiser, John Moore, Gerald Nugent
and others as listed above.

By Counsel:



MELANIE E. DAVIS,
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 **THIRD REQUEST FOR DISCOVERY BY GARY HAISER; JOHN MOORE; GERALD NUGENT, ET AL TO LAUREL HILLS** has been served upon the following:

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

Jean Stone, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

John J. Baroni, Esq
Consumer Advocate Division
Office of the Attorney General
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Benjamin A. Gastel, Esq
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 15 day of October, 2012

Kizer & Black Attorneys, PLLC



Melanie E. Davis