

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF TENNESSEE</b>	)	
<b>WASTEWATER SYSTEMS, INC., FOR</b>	)	<b>DOCKET NO. 14-00136</b>
<b>APPROVAL OF CAPITAL</b>	)	
<b>IMPROVEMENT SURCHARGES AND</b>	)	
<b>FINANCING ARRANGEMENTS</b>	)	

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**RESPONSE TO DISCOVERY REQUESTS FROM THE CONSUMER ADVOCATE**

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**INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

1. The Petition states that the requested surcharge of \$3.27 is based on the amount of the loan to finance the Cedar Hill, Maple Green, and Smoky Village projects. If the entire amount of the loan (\$725,000) is approved by the Tennessee Regulatory Authority ("TRA") and all funds are not used to complete these projects, will the customers receive a refund? If the customers will not receive a refund, how will the excess funds be used?

**RESPONSE:**

**There will be no left-over funds. The bank loan is a construction type loan and will only be drawn down as needed to pay bills. Customers will only be charged for money actually spent.**

2. Have TWSI's customers been notified of the proposed rate increases as of the date of this discovery request? Provide copies of any and all notifications to TWSI's customers regarding the proposed rate increase and/or assessments requested in the Petition.

**RESPONSE:**

**TWSI has had discussions about these repairs and the costs with the homeowners' association at Summit View. TWSI customers will be notified through publication as described in TRA Rule 1220-4-1-.05(1) and (2).**

3. Provide all documentation submitted to First Bank in support of the loan application to finance the projects for Cedar Hill, Maple Green, and Smoky Village.

**RESPONSE:**

**See TWSI's response to TRA Staff Data Requests 2, 7, 8 & 11.**

4. Provide a complete copy of the loan agreement between First Bank and TWSI to finance the projects for Cedar Hill, Maple Green, and Smoky Village.

**RESPONSE:**

**The complete loan agreement document containing these terms does not yet exist at this time. It will be written by First Bank after the TRA has approved the loan and the parties are ready to sign. The terms of the loan agreement are set forth in an exhibit attached to the Petition.**

5. Refer to the Direct Testimony of Charles Hyatt in this Docket No. 14-00136. Provide the names of all lending institutions with which TWSI or any affiliates of TWSI have

discussed financing these capital projects. Provide all supporting documentation for these discussions.

**RESPONSE:**

**TWSI discussed this loan with four banks: Wilson Bank & Trust, Pinnacle Financial Partners, First Bank, & Sun Trust. Documents related to those discussions are attached in Exhibit 1.**

6. Refer to the Direct Testimony of Charles Hyatt in this Docket No. 14-00136. Explain why TWSI's customers should be charged for litigation costs comparable to a rate case when TWSI has not filed for a general rate case. Does TWSI plan to file a general rate case during the calendar year 2015?

**RESPONSE:**

**This filing is comparable to a rate case in its impact on customers, the time and resources devoted to this case by the TRA Staff, and the cost to TWSI of preparing the filing and litigating the matter through to its conclusion. These expenses, like the events at the four sites, are unexpected and not within TWSI's budget for regulatory expenses. TWSI is entitled to recover these unanticipated costs. TWSI tentatively plans to file a general rate case in the last quarter of 2015.**

7. Provide a list of list of affiliates of TWSI. The term "affiliate" is defined in the Preliminary Matters and Definitions section above.

**RESPONSE:**

**See TWSI's response to TRA Data Request #4 and to Question 8, below.**

8. For the calendar year 2014 to the present day, provide a list of all compensation provided by TWSI or any of its affiliates to Charles Hyatt, Charles Pickney, Jr., Robert Pickney, William Pickney, and Thomas Pickney. The term "compensation" is defined in the Preliminary Matters and Definition section above. Note whether the compensation was provided by TWSI or an affiliate of TWSI. If compensation is provided by an affiliate, note which affiliate provided the compensation. Provide all documents used in determining your response.

**RESPONSE:**

**TWSI is wholly owned by Adenus Group. Adenus Group also owns Alabama Wastewater and Commonwealth Wastewater, the regulated wastewater companies serving Alabama and Kentucky. Adenus Group also owns:**

**Adenus Operations, which provides operations and maintenance services for Alabama Wastewater, Commonwealth Wastewater, and non-jurisdictional treatment facilities in Tennessee.**

**Adenus Technologies, which designs, builds and sells component parts of treatment facilities and also provides remote monitoring of all facilities.**

**Adenus Capacity, which builds and owns excess capacity at wastewater treatment facilities which are held for future service.**

**Adenus Solutions Group, which provides construction, engineering and licensing services.**

**TWSI has both full time and part-time employees. The part-time employees work for affiliated entities and bill TWSI only for work performed that benefits TWSI. Exhibit 2 shows all compensation paid by TWSI to employees, both full time and part-time,**

during 2014. See Responses to Staff Data Requests 5 and 6 for detailed schedules showing all costs allocated or directly assigned to TWSI by an affiliate. See Response to Staff Data Request 11 for financial information on each affiliate.

TWSI objects to that part of the question which asks how much various individuals are paid by other Adenus-owned companies. Those expenses are not charged to Tennessee ratepayers and therefore are not relevant to this case.

9. For TWSI and all its affiliates, provide a current list of all employees, officers, managers, or anyone receiving any form of compensation in exchange for work performed. Provide information for the calendar year 2014 to the present day. Provide the first and last name of the employee, officer, manager, or other person. State whether the person is employed by TWSI or an affiliate of TWSI, and provide the person's annual compensation. If the person receives compensation from an affiliate of TWSI, please note which affiliate. Provide all documents used in determining your response.

**RESPONSE:**

**See the Response to Question 8.**

10. With respect to the expansion of the Summit View wastewater system, the Petition states that the one-time assessment is needed as a direct result of customer usage. Explain the process for arriving at this conclusion. Provide estimates and other supporting documentation that support your statement that the one-time estimate will cover the cost of providing the additional capacity. What are TWSI's plans if the amount is under or over-estimated?

**RESPONSE:**

See TWSI's response to TRA Data Request #42. As explained in the Petition, the system was designed to handle 8,000 gallons per day based on usage estimates provided by property owners when the system was designed. Since the need for additional treatment facilities is the direct result of unanticipated usage by customers in Summit View, TWSI recommends that the cost of the additional facilities be charged to those customers. The cost of the additional facilities will be determined through a bidding process.

11. With respect to the Cedar Hill project, the Petition states that the estimated cost is \$300,000. Explain the process for arriving at this estimate. Provide the first name, last name, and business address of the person or persons who made the estimate. Provide all documents used to determine the estimated cost.

**RESPONSE:**

See data response #62(a). Roy Denney, 849 Aviation Parkway, Smyrna, TN 37167

12. With respect to the Maple Green project, the Petition states that the estimated cost is \$250,000. Explain the process for arriving at this estimate. Provide the first name, last name, and business address of the person or persons who made the estimate. Provide all documents used to determine the estimated cost.

**RESPONSE:**

See data response #46(a). Roy Denney, 849 Aviation Parkway, Smyrna, TN 37167

13. With respect to the Smoky Village project, the Petition states the estimated cost is \$175,000. Explain the process for arriving at this estimate. Provide the first name, last name, and business address of the person or persons who made the estimate. Provide all documents used to determine the estimated cost.

**RESPONSE:**

**See data response #83. Roy Denney, 849 Aviation Parkway, Smyrna, TN 37167**

14. With respect to the Summit View project, the Petition states that the estimated cost is \$330,000. Explain the process for arriving at this estimate. Provide the first name, last name, and business address of the person or person(s) who made the estimate. Provide all documents used to determine the estimated cost.

**RESPONSE:**

**See data response #26. Roy Denney, 849 Aviation Parkway, Smyrna, TN 37167**

15. The Petition states that for the Maple Green property, "[a] subsequent investigation revealed that the opening of the sinkhole was a naturally occurring event and unrelated to any alleged maintenance issues" and refers to a letter from Geotek Engineering Company, Inc., to Adenus Operations, LLC, attached as Exhibit C to the Company's Petition. Provide all supporting documentation for this conclusion. Also, provide all communications between TDEC and TWSI concerning this investigation.

**RESPONSE:**

**That statement is a quotation from a report by Geotek Engineering. A copy of the report is attached to the Petition. TWSI has no other supporting documentation. TWSI**

**has also provided the report to TDEC and filed an appeal of the Commissioner's Order. A copy of the appeal is attached as Exhibit 3.**

16. With respect to the Maple Green property, did TDEC's approval of a Corrective Action Plan take construction costs into consideration? Did TWSI consider alternative plans for repair that would be more cost-effective? If so, what alternatives were considered? Provide supporting documentation and cost estimates for alternative plans.

**RESPONSE:**

**The CAP submitted by TWSI includes an estimate of the cost of the Plan. Therefore, TDEC presumably took that information into account when approving the Plan, but TWSI has no direct knowledge of that. TWSI considered using a recirculating sand filter ("RSF") instead of a wetlands design, but the cost of the RSF would have been approximately 50% more.**

17. With respect to the Smoky Village property, provide a copy of the Corrective Action Plan referred to in the Direct Testimony of Charles Hyatt in this Docket No. 14-00136. Did TDEC's approval of a Corrective Action Plan take construction costs into consideration? Did TWSI consider alternative plans for repair that would be more cost-effective? If so, what alternatives were considered? Provide supporting documentation and cost estimates for alternative plans.



**RESPONSE:**

**See Response to Question 16. Considering the geography and availability of land in the area, the CAP proposed by TWSI and approved by TDEC was the only practical alternative.**

18. With respect to the Cedar Hill property, explain why TWSI should charge customers for a project that has not yet been approved by TDEC and for technology that TDEC considers experimental according to its letter dated November 4, 2014, attached as Exhibit E to the Company's Petition.

**RESPONSE:**

**As stated in the Petition, TWSI will not borrow money to repair Cedar Hill until TDEC has approved a Corrective Action Plan. To avoid further delay, TWSI asks that the TRA approve the full loan amount with the understanding that no money will be spent on Cedar Hill until TDEC has approved a CAP and TWSI has contracted with the lowest, qualified bidder.**

19. Provide the name(s) of engineers TWSI will be using for the Summit View, Cedar Hill, Maple Green, and Smoky Village projects. Provide the first and last name of the engineer(s), along with the engineer(s)'s business address and phone number. If more than one engineer has been selected, identify each engineer(s) and which project(s) they will be working on.

**RESPONSE:**

**Roy Denney, 849 Aviation Parkway, Smyrna, TN 37167. Mr. Denney may be reached by contacting TWSI.**

20. Provide copies of all contracts or other agreements between TWSI or any of its affiliates regarding any goods or services obtained for the Summit View, Cedar Hill, Maple Green, and Smoky Village projects. If no goods or services have been obtained for these projects, provide all communications documenting any steps or discussions with respect to the procurement of goods and services for these projects.

**RESPONSE:**

**Since TWSI has decided to solicit bids for each project, no goods or services have been obtained at this time.**

21. Does the Company anticipate the purchase or provision of any good or service from any party professionally or personally related to TWSI, its affiliates, or its officers, managers, or employees, including the purchase of land, with funds made available by loan requested? If so, please clearly indicate the professionally or personally related party, the amount of funds involved, and the good or service provided.

**RESPONSE:**

**The lowest qualified bidder will choose from whom to purchase goods and services needed for each project. TWSI does not know whether the successful bidder will choose to purchase goods or services from a TWSI affiliate. TWSI itself will purchase land at Summit View and Smoky Village. A related entity has already purchased the land at both**

sites and has contracted to sell it to TWSI. Copies of TWSI's contracts to buy the land at each site have been provided. See Data Response 82(d) and 29.

22. Provide a list of contractors that TWSI considers to be qualified to perform the work necessary to properly repair the facilities at Summit View, Smoky Village, Cedar Hill and Maple Green. Also indicate the nature of any prior dealings that these contractors have had with TWSI or any of its affiliates.

**RESPONSE:**

**Barger & Sons, Utility Capacity Corp, Ecostruct, and Rutherford Utility. TWSI formerly used Utility Capacity Corp. to maintain TWSI treatment sites in East Tennessee. Adenus Technologies has sold components of wastewater treatment systems to Ecostruct and Rutherford Utility.**

23. For the Summit View, Smoky Village, Cedar Hill and Maple Green projects, provide a list of alternative methods, and anticipated cost, for resolving the TDEC violations. For example, at Summit View TWSI has indicated that it intends to expand the drip field in order to resolve the TDEC violation. Would another method such as installing storage to later treat effluent at non-peak times also be an economically feasible alternative?

**RESPONSE:**

**Maple Green – see #16 above response. Smoky Village has no other alternative means. Drip dispersal is preferred method rather than NPDES. Summit View has to expand the system. Other treatment systems are available, but would require us to abandon the existing treatment rather than expand the RSF. This is the most viable**

**solution. Installing a storage tank would not resolve the need to expand treatment capacity. Cedar Hill alternative would be repair the existing sinkholes and line the pond with an approved liner. That solution would still be subject to another sinkhole opening.**

24. Provide a copy of the TDEC Waterlog that is referenced in the Company's response to TRA Data Requests 1-24, 1-25, 1-44, 1-45, 1-60, 1-61, 1-80, and 1-81.

**RESPONSE:**

**TDEC "Water Log" contains TDEC's internal files on water and wastewater projects. TWSI does not have that information. It is TWSI's understanding that employees of the TRA and the CAPD may have access to those records.**

25. How long does the Company anticipate the work at each site to take once repairs are commenced?

**RESPONSE:**

**Each site will range from 8 weeks to 26 weeks, depending on weather conditions.**

26. Explain how the Company plans to minimize the risk that the Maple Green system will not face the same issue once the repairs to the sink hole are made (e.g. sink hole emerging beneath the lagoon).

**RESPONSE:**

**TWSI is not recommending repairing the deep cell lagoon because of the expense and risk of another sinkhole. We are proposing a shallow freestanding wetlands at Maple Green.**

27. Refer to the Company's response to TRA Data Requests 1-39 and 1-62. Both of these responses indicate that the Company has filed an appeal to the TDEC Order. Explain why the Company considers it appropriate to request debt relief for repairs from the TRA at the same time it is requesting an appeal of the TDEC Order.

**RESPONSE:**

**TWSI is only appealing certain conditions of TDEC's orders. Regardless of the outcome of these appeals, Summit View has to be expanded and Cedar Hill has to be repaired. The appeals will not impact the need for or the cost of these projects.**

28. Please identify each person who you expect to call as fact witness or expert witness at the hearing on the merits in this docket.

**RESPONSE:**

**Charles Hyatt and Roy Denney.**

29. Please provide a copy of the Certificate of Convenience and Necessity ("CCN") for each facility for which TWSI is seeking a capital improvement surcharge or other charge in Docket No. 14-00136, namely Summit View Resort, Maple Green, Cedar Hill, and Smoky Village.

- a. For each such facility please cite the language in each particular CCN, and/or TWSI's initial CCN before it was amended to add each such facility, that provides TWSI the authority to: (1) impose a capital surcharge; and (2) expand, construct or make future additions to any facility.

**RESPONSE:**

The TRA Orders give TWSI both the authorization and obligation to provide service at each site in accordance with TWSI's tariffs and the rules of the TRA. The Orders may be found on the TRA website (Cedar Hill, 05-00212; Summit View, 06-00078; Smoky Village, 05-00145; Maple Green, 00-01128). Once TWSI has a certificate to provide service at a particular site or territory, TWSI does not require additional authority to expand, construct or make additions to any facility. See T.C.A. § 65-4-201. TWSI does not have the right to impose a capital surcharge except as provided in its tariffs and approved by the TRA.

30. Refer to the Rebuttal Testimony of Charles Hyatt, President of TWSI, in Docket No. 13-00017. In his testimony, Mr. Hyatt states that according TWSI's business model the Company does not have to increase rates for other customers if a development fails. In his Direct Testimony in this Docket No. 14-00136, Mr. Hyatt affirms that TWSI's business model "protects ratepayers if a development fails." In this Docket No. 14-00136, TWSI is seeking to charge customers for the failure of a development's infrastructure, in contradiction to TWSI's stated business model, including charging customers located outside the development(s) where the infrastructure has failed. Explain why the Company is seeking to charge customers in a manner outside of its stated business model.

**RESPONSE:**

TWSI is not seeking to charge customers in a manner outside of its stated business model. Mr. Hyatt was referring to a "development" that might fail, not a treatment system.

31. Refer to the Rebuttal Testimony of Charles Hyatt, President of TWSI, in Docket No. 13-00017. In his testimony, Mr. Hyatt states that according to TWSI's business model, customers do not have to finance a rate base. Explain why, according to TWSI's business model, customers should have to finance a loan to TWSI, as requested in this Docket No. 14-00136, if they are not required to finance a rate base.

**RESPONSE:**

**TWSI has no rate base because the developer pays for the system and gives it to TWSI as a contribution in aid of construction. That has no relation to how TWSI finances these four projects.**

32. Provide the first and last name of the individual responding to these interrogatories and requests for production of documents. Affirm that this individual is authorized by TWSI to respond on the Company's behalf.

**RESPONSE:**

**Charles Hyatt – President TWSI**

**Roy Denney – Engineer Adenus Group, LLC**

**Suzanne Christmas – Accountant Adenus Group LLC**

33. Pursuant to Tenn. R. Civ. P. 33.01, affirm under oath that the responses contained herein are true, accurate, and complete. A verification is provided on the following page.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

By: \_\_\_\_\_

  
Henry Walker (B.P.R. No. 000272)  
Bradley Arant Boult Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203  
Phone: 615-252-2363  
Email: [hwalker@babbc.com](mailto:hwalker@babbc.com)



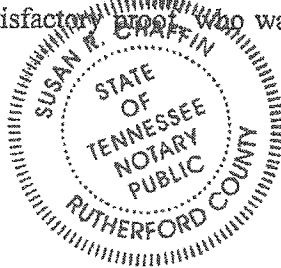
VERIFICATION OF INTERROGATORY RESPONSES

I, Charles Hyatt (please print or type the name of the individual who responded to the interrogatories on behalf of TWSI), being the authorized representative of TWSI for the purpose of responding to these interrogatories and requests for production of documents and the individual identified in Question 33 above, being duly sworn, affirm that the interrogatory responses set forth above are true, accurate, and complete.

Charles R. Hyatt  
Signature of individual who responded to these interrogatories and identified in Question 33 above.

County of Rutherford  
State of Tennessee

On this the 27 day of March, 2015, personally appeared before me, the above named Charles R. Hyatt (please print or type name of person responding to these interrogatories on behalf of TWSI and identified in Question 33) known to me personally or made known to me by satisfactory proof who was duly sworn and on oath executed the above verification.



Susan R. Chaffin  
Notary Public

My Commission expires:

2/20/2018

## EXHIBIT 1

5

Charles Hyatt

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**From:** John Foster <jfoster@wilsonbank.com>  
**Sent:** Thursday, August 21, 2014 2:55 PM  
**To:** Charles Hyatt (charles.hyatt@adenus.com)  
**Subject:** Term Sheet - Tennessee Wastewater  
**Attachments:** loan@wilsonbank.com\_20140821\_142909.pdf

Here is the term sheet that you requested outlining the rate and term if we were approve a loan for you all. Let me know if you need anything further. Thanks

John Foster  
Senior Vice President  
Wilson Bank & Trust  
623 W Main St.  
Lebanon, TN 37087  
NMLS: 447446  
Phone:615-547-5648 Fax:615-443-6172  
jfoster@wilsonbank.com

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## Community Financial Centers

TROUSDALE  
Bank & Trust

DeKalb  
Community Bank

Community Bank  
of Smith County

Offices of Wilson Bank & Trust Lebanon, TN

MEMBER FDIC



August 21, 2014

Tennessee Wastewater Systems Inc.  
849 Aviation Parkway  
Smyrna, TN. 37167

Dear Charles Hyatt,

We have discussed your loan request for \$500,000 and the following is the terms and structure that we have discussed if the loan were to be approved.

**BORROWERS/GUARANTORS:** Tennessee Wastewater Systems Inc. / Personal guaranties of principals involved with Tennessee Wastewater Systems Inc., to be approved by bank.

**USE OF PROCEEDS:** Repairs to treatment facilities of Tennessee Wastewater Systems Inc.

**TERMS:** Amount: \$500,000.00

Interest Rate: 5.00%

Term: Fixed for 5 years, then rate adjusts annually to prime plus .50%. Floor of 4.75%

Loan Fee: \$5000.00

Payments: Monthly Principal and Interest payments up to 20 year maximum

Refinance Penalty: 1% during first 60 months.

**COLLATERAL:** 1<sup>st</sup> mortgage on real estate to be determined. This would need to be unencumbered, marketable real estate that is not a wastewater treatment facility with a maximum 70% loan to value. Collateral to be approved by bank

**LOAN DOCUMENTS:** The loan will be subject to loan documentation in form and substance satisfactory to Wilson Bank & Trust, including a loan agreement containing certain representations, warranties and covenants, and a deed of trust, assignment of leases and rents and security agreement. In addition, Wilson Bank & Trust may require a survey, mortgagee's title commitment (and following closing, a policy), flood zone certification and evidence of insurance with respect to the subject real property, all in form and substance satisfactory to Wilson Bank & Trust and at borrower's expense. An appraisal of the property will be required. The appraisal and title work will be commissioned by Wilson Bank & Trust.

**EXPENSES:** All out-of-pocket expenses incurred in negotiation and documentation of

the loan, including attorney's fees and expenses would be paid by borrower.

  
John Foster  
Sr. Vice President

**\*\*\*\*This is not a loan commitment. This is the parameters that Wilson Bank & Trust will set up a loan if it were to be approved by our Board of Directors at our next Board meeting in September. \*\*\*\***

## Charles Hyatt

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**From:** Hatcher, Scott <Scott.Hatcher@PNFP.COM>  
**Sent:** Thursday, April 10, 2014 10:08 AM  
**To:** Charles Hyatt  
**Subject:** loan

Charles,

Below are the proposed terms. Committee meets on 4/21.

Loan Amount: \$500,000  
Term: 1 year  
Rate: Prime +2, Floor of 6%  
Collateral: TNWW A/R outside of TRA, assignment of the state contract  
Guarantors: 4 brothers, Adenus Group, LLC  
Other: State funds to come to specific TNWW Pinnacle account

Need FY13 CPA Reviewed statement prior to committee meeting  
Need updated PFS' on the guarantors, existing statements dated 12/31/13

Call w/questions.

743-8313

## Charles Hyatt

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**From:** Horrell.David <David.Horrell@SunTrust.com>  
**Sent:** Monday, October 6, 2014 2:35 PM  
**To:** 'Charles.Hyatt@adenus.com'  
**Subject:** Loan Request

Charles,

I appreciate the opportunity you gave me to consider the loan request for Tennessee Wastewater Systems. As I mentioned on the phone, after some preliminary underwriting, SunTrust has decided to not move forward with the credit request.

I wish you all the best and hope we can do business sometime in the future.

Best Regards,

David Horrell  
Vice President, Commercial Banking  
SunTrust Bank

Office: 615.748.5515  
Mobile: 615.504.8014

Mail Code: TN-Nashville-4843  
401 Commerce St.  
Suite 4400  
Nashville, TN 37219

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[ST:XCL]

## EXHIBIT 2



TNWW Intercompany Changes  
January 2014

<u>Employee Name</u>	<u>Hourly Rate</u>	<u>Billable Hours</u>	<u>Wages Expense</u>	<u>FICA Expense</u>	<u>Total Charges</u>
Raven Barrientos	\$14.00	54.50	\$763.00	\$58.37	\$821.37
Rhea Cason	\$16.83	108.00	\$1,817.64	\$139.05	\$1,956.69
Susan Chaffin	\$12.50	120.00	\$1,500.00	\$114.75	\$1,614.75
Charles Hyatt	\$65.29	32.00	\$1,769.28	\$135.35	\$1,904.63
Martina Pena	\$14.42	58.25	\$839.97	\$64.26	\$904.22
Charles Pickney	\$45.00	5.00	\$225.00	\$17.21	\$242.21
Matt Pickney	\$32.93	44.00	\$1,448.92	\$110.84	\$1,559.76
<b>Total Billable Salaries/Wages Expense</b>			<b>\$8,363.81</b>	<b>\$639.83</b>	<b>\$9,003.64</b>
<b>TOTAL GROUP OVERHEAD CHARGES</b>					<b><u>\$9,003.64</u></b>

TNWW Intercompany Changes  
February 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Raven Barrantos	\$14.00	67.00	\$938.00	\$71.76	\$1,009.76
Rhea Cason	\$16.83	120.00	\$2,019.60	\$154.50	\$2,174.10
Susan Chaffin	\$12.50	120.00	\$1,500.00	\$114.75	\$1,614.75
Charles Hyatt	\$55.29	56.00	\$3,096.24	\$236.86	\$3,333.10
Martina Pena	\$14.42	39.50	\$569.59	\$43.57	\$613.16
Charles Pickney	\$45.00	7.00	\$315.00	\$24.10	\$339.10
Matt Pickney	\$32.93	50.00	\$1,646.50	\$125.96	\$1,772.46
Total Billable Salaries/Wages Expense			\$10,064.93	\$771.50	\$10,856.43
TOTAL GROUP OVERHEAD CHARGES					<u>\$10,856.43</u>

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TNWW Intercompany Changes  
March 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Raven Barrantos	\$14.00	62.00	\$868.00	\$66.40	\$934.40
Rhea Cason	\$16.83	112.50	\$1,893.38	\$144.84	\$2,038.22
Susan Chaffin	\$12.50	76.00	\$950.00	\$72.68	\$1,022.68
Charles Hyatt	\$55.29	51.00	\$2,819.79	\$215.71	\$3,035.50
Charles Pickney	\$45.00	13.00	\$585.00	\$44.75	\$629.75
Matt Pickney	\$32.83	56.00	\$1,844.08	\$141.07	\$1,985.15
Total Billable Salaries/Wages Expense			\$8,960.25	\$685.46	\$9,645.70
TOTAL GROUP OVERHEAD CHARGES					
Paydates: 3/6/14, 3/20/14					
					ops
					TNWW
					\$9,645.70

TNWV

April 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Raven Barrientos	\$14.00	64.50	\$903.00	\$69.08	\$972.08
Rhea Cason	\$16.83	117.00	\$1,969.11	\$150.64	\$2,119.75
Susan Chaffin	\$12.50	120.00	\$1,500.00	\$114.75	\$1,614.75
Charles Hyatt	\$55.29	25.00	\$1,382.25	\$105.74	\$1,487.99
Charles Pickney	\$45.00	21.00	\$945.00	\$72.29	\$1,017.29
Matt Pickney	\$32.93	58.00	\$1,909.94	\$146.11	\$2,056.05
Total Billable Salaries/Wages Expense			\$8,609.30	\$658.61	\$9,267.91
TOTAL GROUP OVERHEAD CHARGES					\$9,267.91
Paydates: 4/3/14, 4/17/14					

OK

TNWW Intercompany Changes  
May 2014

<u>Employee Name</u>	<u>Hourly Rate</u>	<u>Billable Hours</u>	<u>Wages Expense</u>	<u>FICA Expense</u>	<u>Total Charges</u>
Raven Barrientos	\$14.00	97.50	\$1,365.00	\$104.42	\$1,469.42
Rhea Cason	\$16.83	179.50	\$3,020.99	\$231.11	\$3,252.09
Susan Chaffin	\$12.50	180.00	\$2,250.00	\$172.13	\$2,422.13
Charles Hyatt	\$55.29	64.00	\$3,538.56	\$270.70	\$3,809.26
Charles Pickney	\$45.00	7.00	\$315.00	\$24.10	\$339.10
Matt Pickney	\$32.93	77.00	\$2,535.61	\$193.97	\$2,729.58
Madison Shrout	\$11.00	29.50	\$324.50	\$24.82	\$349.32

Total Billable Salaries/Wages Expense

\$13,349.66

\$1,021.25

\$14,370.90

TOTAL GROUP OVERHEAD CHARGES

\$14,370.90

Paydates: 5/1/14, 5/15/14, 5/29/14

TNWW Intercompany Changes  
June 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Raven Barrantos	\$14.00	58.50	\$819.00	\$62.65	\$881.65
Rhea Cason	\$16.83	110.00	\$1,851.30	\$141.62	\$1,992.92
Susan Chaffin	\$12.50	120.00	\$1,500.00	\$114.75	\$1,614.75
Charles Hyatt	\$55.29	40.00	\$2,211.60	\$169.19	\$2,380.79
Charles Pickney	\$45.00	8.00	\$360.00	\$27.54	\$387.54
Matt Pickney	\$32.93	42.00	\$1,383.06	\$105.80	\$1,488.86
Madison Shrout	\$11.00	34.00	\$374.00	\$28.61	\$402.61
Total Billable Salaries/Wages Expense			\$6,498.96	\$650.17	\$9,149.13

TOTAL GROUP OVERHEAD CHARGES

Paydates: 6/12/14, 6/26/14

\$9,149.13

TNWW Intercompany Changes  
July 2014

<u>Employee Name</u>	<u>Hourly Rate</u>	<u>Billable Hours</u>	<u>Wages Expense</u>	<u>FICA Expense</u>	<u>Total Charges</u>
Suzanne Christman	\$35.00	12.50	\$437.50	\$33.47	\$470.97
Roy Denney	\$38.46	60.00	\$2,307.60	\$176.53	\$2,484.13
Charles Hyatt	\$55.29	28.00	\$1,548.12	\$118.43	\$1,666.55
Bob Pickney	\$48.08	0.00	\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00	0.00	\$0.00	\$0.00	\$0.00
<b>Total Billable Salaries/Wages Expense</b>			<b>\$4,293.22</b>	<b>\$328.43</b>	<b>\$4,621.65</b>
<b>TOTAL GROUP OVERHEAD CHARGES</b>					<b>\$4,621.65</b>
Paydates: 7/10/14, 7/24/14					

TNWW Intercompany Changes  
August 2014

<i>Employee Name</i>	<i>Hourly Rate</i>	<i>Billable Hours</i>	<i>Wages Expense</i>	<i>FICA Expense</i>	<i>Total Charges</i>
Suzanne Christman	\$35.00	18.25	\$638.75	\$48.86	\$687.61
Roy Denney	\$38.46		\$0.00	\$0.00	\$0.00
Charles Hyatt	\$55.29	79.00	\$4,367.91	\$334.15	\$4,702.06
Bob Pickney	\$48.08		\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00		\$0.00	\$0.00	\$0.00
<b>Total Billable Salaries/Wages Expense</b>			<b>\$5,006.66</b>	<b>\$383.01</b>	<b>\$5,389.67</b>

**TOTAL GROUP OVERHEAD CHARGES**  
Paydates: 8/7/14, 8/21/14, 9/4/14

\$5,389.67

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TNWW Intercompany Changes  
September 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Suzanne Christman	\$35.00	16.50	\$577.50	\$44.18	\$621.68
Roy Denney	\$38.46		\$0.00	\$0.00	\$0.00
Charles Hyatt	\$55.29	39.00	\$2,156.31	\$164.96	\$2,321.27
Bob Pickney	\$48.08		\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00		\$0.00	\$0.00	\$0.00
Total Billable Salaries/Wages Expense			\$2,733.81	\$209.14	\$2,942.95
TOTAL GROUP OVERHEAD CHARGES					\$2,942.95
Paydates: 9/18/14, 10/2/14					

TNWW Intercompany Changes  
October 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Suzanne Christman	\$35.00	16.50	\$577.50	\$44.18	\$621.68
Roy Denney	\$38.46		\$0.00	\$0.00	\$0.00
Charles Hyatt	\$55.29	20.00	\$1,105.80	\$84.59	\$1,190.39
Bob Pickney	\$48.08		\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00		\$0.00	\$0.00	\$0.00
<b>Total Billable Salaries/Wages Expense</b>			<b>\$1,683.30</b>	<b>\$128.77</b>	<b>\$1,812.07</b>

**TOTAL GROUP OVERHEAD CHARGES**  
Paydates: 10/2/14, 10/16/14, 10/30/14

\$1,812.07

OR

TNWW Intercompany Changes  
November 2014

Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Suzanne Christman	\$35.00	12.50	\$437.50	\$33.47	\$470.97
Roy Denney	\$38.46		\$0.00	\$0.00	\$0.00
Charles Hyatt	\$55.29	49.00	\$2,709.21	\$207.25	\$2,916.46
Bob Pickney	\$48.08		\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00		\$0.00	\$0.00	\$0.00
Total Billable Salaries/Wages Expense			\$3,146.71	\$240.72	\$3,387.43
TOTAL GROUP OVERHEAD CHARGES					<u>\$3,387.43</u>

*CB*

TNWW Intercompany Changes  
December 2014

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Employee Name	Hourly Rate	Billable Hours	Wages Expense	FICA Expense	Total Charges
Suzanne Christman	\$35.00	14.00	\$490.00	\$37.49	\$527.49
Roy Denney	\$38.46		\$0.00	\$0.00	\$0.00
Charles Hyatt	\$55.29	4.00	\$221.16	\$16.92	\$238.08
Bob Pickney	\$48.08		\$0.00	\$0.00	\$0.00
Charles Pickney	\$45.00		\$0.00	\$0.00	\$0.00
Total Billable Salaries/Wages Expense			\$711.16	\$54.40	\$765.56
TOTAL GROUP OVERHEAD CHARGES					<u>\$765.56</u>

✓

### **EXHIBIT 3**

SunTrust Plaza  
401 Commerce Street  
Suite 800  
Nashville, TN 37219  
(615) 782-2200  
(615) 782-2371 Fax  
www.stites.com

March 4, 2014

William L. Penny  
(615) 782-2308  
(615) 742-0707 FAX  
bill.penny@stites.com

**HAND DELIVERED**

Commissioner Robert J. Martineau  
C/O E. Joseph Sanders, General Counsel  
Department of Environment  
And Conservation  
2<sup>nd</sup> Floor, William R. Snodgrass Building  
Nashville, Tennessee 37243

**RE: In the Matter of : Tennessee Wastewater Systems, Inc., and Adenus  
Solutions Group, LLC, Adenus Operations, LLC, Maple Green Reclamation  
Facility – SOP-01028  
Case No. WPC14-0020**

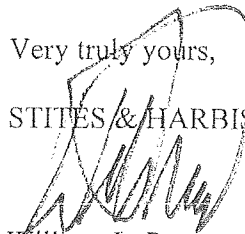
Dear Joe:

Please find enclosed an Answer to Emergency Order on behalf of Tennessee Wastewater Systems, Inc., Adenus Solutions Group, LLC and Adenus Operations, LLC.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

STITES & HARBISON, PLLC

  
William L. Penny

WLP:ncj

Cc: Devin Wells, Esq.

16974N:140154:1042141:1:NASHVILLE

**STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION**

**IN THE MATTER OF:**

**TENNESSEE WASTEWATER SYSTEMS,  
INC. AND ADENUS SOLUTIONS GROUP,  
LLC, ADENUS OPERATIONS, LLC**

**Respondents.**

**DIVISION OF WATER  
RESOURCES**

**Case No. WPC14-0020**

**ANSWER TO EMERGENCY ORDER**

Tennessee Wastewater Systems, Inc. ("TWS"), Adenus Solutions Group, LLC and Adenus Operations, LLC submits this Answer to the Emergency Order issued by the Commissioner of the Tennessee Department of Environment and Conservation on February 5, 2014.

TWS holds State Operating Permit (SOP) No. SOP-01028 for its Maple Green Reclamation Facility in Coopertown, Robertson County, Tennessee. The facility is operated by Adenus Operations, LLC. The SOP allows the operation of septic tanks, effluent collection system, deep cell lagoon, and drip irrigation system serving homes and businesses in the area. Tennessee Wastewater Systems applied for the SOP on August 30, 2001 and, on September 10, 2001, received a letter from TDEC stating that the site appeared suitable. Preliminary engineering plans were submitted on November 6, 2001 and revised on December 31, 2001 to reflect recommendations in Geotek, Inc.'s geotechnical study of December 17, 2001. On

February 6, 2002, TDEC approved the final plans and specifications and gave permission to construct. On March 6, 2007, TDEC certified that construction of the effluent lagoon was in compliance.

On February 1, 2014 Adenus Operations personnel responded to an overnight alarm indicating a low level in the treatment lagoon. The on-call personnel reviewed the alarm at 8:00 a.m. and arrived at the site at 9:00 a.m. Upon arrival at the site, Adenus Operations personnel observed multiple collapses in the Southeast corner of the lagoon. Adenus Operations personnel reported the incident to the Division of Water Resources (the "Division") by email at 4:00 p.m. on February 1, 2014. The incident constituted an upset within the meaning of Paragraph II. C. 4. of the SOP and was unavoidable.

Respondents took immediate steps to prevent additional wastewater from entering the sinkholes. A large earthen berm was constructed in the competent portion of the deep cell lagoon for that purpose which successfully stopped additional flows into the sinkholes. Construction to strengthen and build a larger levee continued for a week. The berm was constructed to contain approximately 2.5 million gallons at a lagoon elevation of 6 feet, allowing 2 feet of freeboard.

TDEC issued a Temporary Water Contact Advisory on February 2, 2014 and lifted it on February 5, 2014 after samples taken did not reflect any threat to the public. TWS engaged Geotek on or about February 4, 2014 to evaluate whether any maintenance issues or location of the drip lines may have contributed to the collapse. In a letter dated February 19, 2013, Geotek concluded, "Based on our observations and the above information, it is our present opinion that the sinkholes formed due to natural karst-sinkhole activity unrelated to any alleged maintenance issues or to the location of the drip lines."



In the meantime, TWS and Adenus Operations personnel continued to monitor the lagoon and met on several occasions with TDEC officials to address the concern about the continued use of the lagoon. The influent to the lagoon is now flowing into an improvised aeration tank with the tank effluent discharging to the uncompromised portion of the lagoon. The lagoon itself is also being aerated.

On February 14, 2014, TWS, through its construction group, Adenus Solutions Group, submitted a Preliminary Engineering Report for the Remediation and Modification of the Maple Green Reclamation Facility. To eliminate concern with the continued use of the deep cell lagoon, TWS plans to construct a 35,000 gallon per day Free Water Surface wetland treatment system on the existing site and remediation of the current lagoon to establish the proper cover vegetation to prevent soil erosion. The construction is estimated to take 5 months and cost approximately \$160,000.00. This solution is subject to approval by the Tennessee Regulatory Authority and financing for the project.

In further response to the Emergency Order, Respondents would show as follows:

1. Respondents admit the allegations in Paragraph I;
2. Respondents admit the allegations in Paragraph II, but would show service of process for this action only should be through the undersigned.
3. Respondents deny the allegations in Paragraph III. Adenus Operations, LLC is the operator under the Permit. Adenus Solutions Group, LLC is a construction company. Service of process of this action only should be through the undersigned.
4. Respondents admit the allegations in Paragraph IV. Service of process for this action only shall be through the undersigned.

5. Respondents admit that the Commissioner with the concurrence of the Governor has the authority to issue emergency orders, but would show that the statutory authority speaks for itself and would deny any language inconsistent with the express language of the regulatory and statutory citations.

6. Respondents admit the allegations in Paragraph VI of the Order.

7. Respondents generally admit the allegations in Paragraph VII. Tennessee Wastewater Systems applied for the SOP on August 30, 2001 and, on September 10, 2001, received a letter from TDEC stating that the site appeared suitable. Preliminary engineering plans were submitted on November 6, 2001 and revised on December 31, 2001 to reflect recommendations in Geotek, Inc.'s geotechnical study of December 17, 2001. On February 6, 2002, TDEC approved the final plans and specifications and gave permission to construct. On March 6, 2002, TDEC certified that construction of the effluent lagoon was in compliance. Respondents had installed temporary drip lines for purposes of establishing vegetation. These temporary drip lines functioned in the same manner as the originally designed drip lines.

8. The Respondents generally admit the allegations in Paragraph VIII, but do not have knowledge of communication with the Tennessee Emergency Management Agency.

9. The Respondents understand TWRA responded to the incident and talked with Adenus Operations personnel, but have no knowledge of the matters identified by TWRA.

10. In response to the allegations in Paragraph X, Respondents began immediately to construct an earthen berm to stop the flow of wastewater into the compromised area. This construction activity continued until the berm was adequately containing all flows.

11. In response to the allegations in Paragraph XI, Respondents admit that they reported the incident, but that the report speaks for itself. However, Respondents consider the incident an upset within the meaning of Paragraph II. C 4 of the SOP rather than a bypass.

12. Respondents admit the allegations in Paragraph XII. Respondents worked diligently to stabilize the situation and improve the berm.

13. Respondents admit the allegations in Paragraph XIII.

14. In response to the Order in Paragraph XIX, Respondents took immediate action to comply with each paragraph. After consultation with the Commissioner, Respondents installed an aeration tank which aerates the effluent prior to discharge into the lagoon. The lagoon is also aerated. Respondents began a weekly sampling protocol by sampling for BOD5 to assure that the effluent receives effective secondary treatment. Permission was granted to continue to use the temporary drip lines. In addition, the Respondents have submitted preliminary engineering plans that will eliminate the lagoon entirely in favor of a Free Water Surface wetland and reclaiming the lagoon.

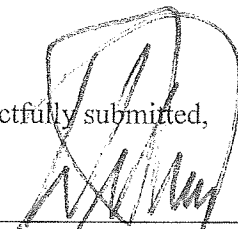
The Respondents expect to pay all reasonable costs associated with the investigation of the release and oversight as stated in Paragraph III of the Order. However, at present, they have not received any invoice for such expenses.

NOW, HAVING FULLY ANSWERED, the Respondents accept the Emergency Order and its requirements, but appeal the Emergency Order to preserve their rights to challenge any requirements that may be unreasonable, arbitrary and capricious or beyond the scope of authority of the Department and the Emergency Order. Respondents also request that Adenus Solutions Group be dismissed from this action as they are not a proper party to this proceeding.

Respondents further reserve any rights they may have to challenge any future action that may result from this matter. Respondents understand the gravity of this unavoidable incident and will continue to work with the Division to assure prompt and effective resolution to all issues.

Dated: the 4th day of March, 2014

Respectfully submitted,



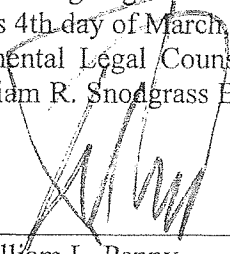
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William L. Penny (Sup. Ct. No. 009606)  
STITES & HARBISON PLLC  
SunTrust Plaza  
401 Commerce Street  
Suite 800  
Nashville, TN 37219-2490  
Telephone: (615) 782-2200

*Counsel for Respondents*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing ANSWER AND PETITION FOR HEARING was served by hand delivery, on this 4th day of March, 2014 upon E. Joseph Sanders, General Counsel, and Devin Wells, Environmental Legal Counsel, Tennessee Department of Environment and Conservation, 2<sup>nd</sup> Floor, William R. Snodgrass Bldg., 312 Rosa Parks Avenue, Nashville, Tennessee 37243.



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William L. Penny

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