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September 14, 2015

\* ALSO ADMITTED IN GA  
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Ms. Sharla Dillon  
Docket Room Manager  
Tennessee Regulatory Authority  
502 Deaderick Street  
4<sup>th</sup> Floor  
Nashville, TN 37243

*Via Hand Delivery*

Re: Laurel Hills Condominium Association Answer to Petition  
Docket No. 15-00047

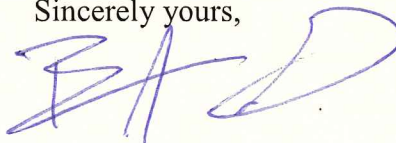
Dear Sharla:

I have enclosed an original and five copies of the Answer to Petition in the above styled case.

This Answer and this cover letter are being filed electronically by electronic mail this same date. Please return the additional copy of the Response stamp filed to me.

Thank you for your assistance.

Sincerely yours,



Benjamin Gastel

Enclosures

cc: Shiva Bozarth  
Vance Broemel  
Melanie Davis

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

**In Re:**

**PETITION OF EAGLES NEST LLC  
FOR WATER SERVICE TO BE  
PROVIDED TO IT IN THE USUAL  
COURSE OF BUSINESS AS A PROSPECTIVE  
CUSTOMER OF THE WATER SYSTEM  
OWNED BY LAUREL HILLS  
CONDOMINIUM ASSOCIATION**

**NO.15-00047**

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**LAUREL HILLS CONDOMINIUM ASSOCIATION ANSWER TO PETITION**

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COMES NOW and Respondent, Laurel Hills Condominium Property Owners' Association ("Laurel Hills") hereby files a response to the Petition filed by Eagles Nest, LLC ("Eagles Nest") and answers the individual allegations as follows:

1. Laurel Hills admits that Eagles Nest is a Nevada LLC and that it owns real property on Renegade Mountain (such property, the "Eagles Nest Development") near the water system currently owned by Laurel Hills (collectively the "Renegade Mountain Water System"). Laurel Hills does not contest service of the Petition.

2. Laurel Hills is without sufficient information to admit or deny whether Eagles Nest needs water from the Renegade Mountain Water System to develop its property and Laurel Hills does not dispute Eagles Nest's desire to develop property on Renegade Mountain. Laurel Hills is without sufficient information to know whether other sources of water are available to Eagles Nest but admits that the Eagles Nest Development could access the Renegade Mountain Water System but Laurel Hills is without sufficient knowledge to admit or deny whether an

extension of the system by a mere two feet would be sufficient to allow connection to a proposed service line on Eagles Nest's property. Laurel Hills admits that some extension of the Renegade Mountain Water System would be required to provide service to the property owned by Eagles Nest.

3. Laurel Hills does not dispute the allegation that Eagles Nest is a potential customer of the Renegade Mountain Water System and recognizes that it is in its interest to provide service to the Eagles Nest Development. Laurel Hills does not dispute the legality of Eagles Nest invoking Tenn. Code Ann. § 65-2-107.

4. The allegations of paragraph 4 are admitted.

5. The allegations of paragraph 5 are admitted.

6. Laurel Hills admits that as of April 2015 it continued to own the Renegade Mountain Water System and that it was subject to a Show Cause Proceeding as of that date. All other allegations of paragraph 6 are denied.

7. The allegations of paragraph 7 have been largely mooted by developments in the Show Cause Proceeding in that Laurel Hills has reached a settlement with the Tennessee Regulatory Authority to resolve the Show Cause Proceeding. Laurel Hills admits that certain customers of the Renegade Mountain Water System were denied intervention in the Show Cause Proceeding and that the Consumer Advocate's intervention in that proceeding was also denied. Currently the Consumer Advocate continues to pursue an appeal of that decision denying them intervention, but it appears the Show Cause Proceeding has been largely resolved. The terms of this resolution have been submitted to the Tennessee Regulatory Authority for approval, and in a voice vote at the August Status Conference, the Tennessee Regulatory Authority approved the terms of settlement and the parties currently await a formal written and signed order to formally

finalize this resolution. Without reciting the terms of the settlement agreement, Laurel Hills states that it requires, subject to certain conditions, that Laurel Hills place the Renegade Mountain Water System into voluntary receivership and cease owning and operating the Renegade Mountain Water System.

8. Laurel Hills admits that Eagles Nest seeks an order to compel it to provide service to the Eagles Nest Development. Laurel Hills never opposed such relief or opposed extending service to the Eagles Nest Development, but rather made clear that it did not believe that it was clear under Tennessee law that Laurel Hills had the authority to provide such a service. State law could be read to require Laurel Hills, because it does not have a certificate of public convenience, to first petition the Tennessee Regulatory Authority for permission to extend its service lines, which Eagles Nest readily admits is required for Laurel Hills to provide service to the Eagles Nest Development. As a result of this open question, Laurel Hills, and in a desire not to violate state law, has not so extended service and awaits a decision by the Tennessee Regulatory Authority to allow such an extension of service. However, given that Laurel Hills is on the verge of no longer owning and operating the Renegade Mountain Water System, Laurel Hills avers that it is not a proper party to this lawsuit, and the pending receiver, once established should be substituted in as the true-party in interest.

9. Laurel Hills does not have sufficient information to admit or deny the allegations contained in Exhibit A. Laurel Hills admits that Eagles Nest has requested service from Laurel Hills. Laurel Hills admits that Exhibit B is a true and accurate copy of an email from counsel of Laurel Hills. To the extent any response is required to any additional allegation contained in paragraph 9, denied.

10. Laurel Hills admits that in the normal operation of a public utility, it would be reasonable to accept additional customers. Laurel Hills further avers, however, that without a certificate of public convenience, its ability to extend service in this instance is an open question under Tennessee law and specifically Tenn. Code Ann. §§ 65-4-114(2) and 65-4-201(b). Laurel Hills is without sufficient information to admit or deny whether Renegade Mountain could “exist” or be “developed” without additional customers connecting to the Renegade Mountain Water System.

11. The allegations of this paragraph are admitted.

12. The allegations of this paragraph are denied. TRA Rule 1220-4-3.19 is not the only statute and regulation implicated by the current situation. Laurel Hills lacks a certificate and therefore its legal authority to extend its water system is simply unclear. Tenn. Code Ann. § 65-4-114(2) and 65-4-201(b) each contemplate that a public utility obtain TRA approval prior to extending a system. In the normal course of events a public utility operating with a certificate would have a defined service territory wherein it would be required to provide service to customers and potential customers in accordance with TRA Rule 1220-4-3.19. Laurel Hills is not in that position and at the time Eagles Nest had made its request, Laurel Hills was under a Show Cause Proceeding where the TRA was threatening to fine it up to \$50 per day for even operating the Renegade Water System without a certificate, even though the TRA and one state court had ordered it to provide service. In this situation, Laurel Hills took the reasonable position that extending further a system that the TRA continued to believe was unlawful, would subject Laurel Hills to additional fines and penalties. Out of an abundance of caution, Laurel Hills did request the TRA provide guidance on how to handle the situation, and the TRA refused to provide such informal guidance.

13. In the normal course of events, Laurel Hills would not oppose Eagles Nest connection to the Renegade Mountain Water System so long, if Laurel Hills remains the system operator at that time, that the applicable fees and expenses are paid and so long as the TRA expressly permits Laurel Hills to so extend service. However, given the settlement agreement in the Show Cause Proceeding, it would appear a far more reasonable path forward would be to have Eagles Nest await appointment of the receiver and work with the receiver on how best to connect new customers to the Renegade Mountain Water System and any fees applicable for such a connection.

14. The allegations of paragraph 14 are denied to the extent that they claim that divestiture of the Renegade Mountain Water System is not imminent. Laurel Hills is without sufficient information to admit or deny the remaining allegations in paragraph 14.

15. Laurel Hills would not oppose an expedited hearing on this matter so long as, as set forth above, said expedited hearing occurs after the receiver is appointed and the Renegade Mountain Water System is transferred to it. Laurel Hills respectfully submits this hearing should be stayed pending such a development so that the real party in interest may participate and Laurel Hills can avoid the substantial costs of having to litigate this proceeding. Laurel Hills reminds the TRA that its current rate structure does not contemplate and does not provide for legal expenses for this type of proceeding.

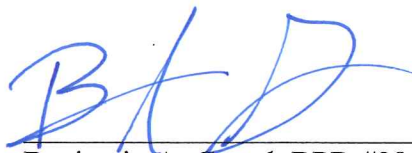
**WHEREFORE RESPONDENT RESPECTFULLY REQUESTS:**

1. This matter be stayed pending appointment of the receiver and transfer of the Renegade Mountain Water System to said appointed receiver;

2. That once the receiver is appointed, the receiver be substituted into this proceeding as the relevant party-in-interest and Laurel Hills subsequently dismissed from this proceeding; and

3. For such other and further relief as the TRA may allow.

**Respectfully Submitted,**

A handwritten signature in blue ink, appearing to be 'BAG', is written over a horizontal line.

Benjamin A. Gastel, BPR #28699  
K. Grace Stranch, BPR #33567  
Branstetter, Stranch & Jennings, PLLC  
223 Rosa L. Parks Avenue  
Suite 200  
Nashville, Tennessee 37203  
Tel: 615-254-8801  
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*Attorney for Respondent*

**CERTIFICATE OF SERVICE**

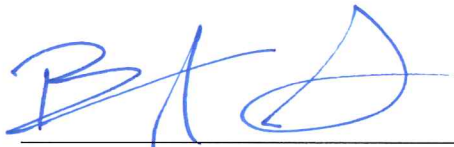
I hereby certify that a true and exact copy of the foregoing document has been served on the following by U. S. Mail, postage prepaid:

Shiva Bozarth, General Counsel, BPR #22685  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505  
*Attorney for TRA Staff*

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

Melanie Davis  
Kizer & Black Attorneys, PLLC  
329 Cates Street  
Maryville, TN 37801

This the 14th day of September, 2015.

  
\_\_\_\_\_  
Benjamin A. Gastel