

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TN

January 19, 2016

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| IN RE: |) | |
| |) | |
| PETITION OF TENNESSEE |) | |
| WASTEWATER SYSTEMS, INC., FOR |) | DOCKET NO. <u>16-00007</u> |
| APPROVAL OF CAPITAL |) | |
| IMPROVEMENT ASSESSMENT FOR |) | |
| STARR CREST RESORTS |) | |

**PETITION OF TENNESSEE WASTEWATER SYSTEMS, INC., FOR APPROVAL OF
CAPITAL IMPROVEMENT ASSESSMENT FOR STARR CREST RESORTS**

Tennessee Wastewater Systems, Inc. ("TWSI") petitions the Tennessee Regulatory Authority ("TRA") to approve pursuant to T.C.A. §65-5-101 and 103, an assessment on the homeowners of the Starr Crest Resort subdivision of approximately \$450,000 to allow the utility to make necessary repairs and improvements to the on-site wastewater treatment facilities.

Starr Crest Resort is located in Sevier County, TN and consists of 135 cabins and 8 undeveloped lots. When the development was initially planned the wastewater facilities were designed to treat up to 28,000 gallons per day based on representations the initial developer made to the utility regarding the size of the cabins. The cabins were built larger than the builder represented and are used as rental properties which typically have greater wastewater needs than residential properties. Through the years these commercial cabins have become some of the most desirable rentals in the region and occupancy has steadily grown to the point where the existing wastewater treatment facilities are inadequate to meet the demands of the resort. In an effort to remedy this problem, the Starr Crest Owner's Association ("SCOA") and TWSI have endeavored to devise a mutually agreeable solution for both the expansion of and payment for the system.

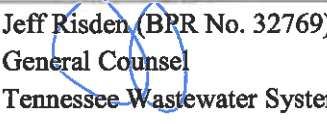
The expanded system will allow for treatment of up to 60,000 gallons per day. This capacity is based on historical flow data and is more consistent with the larger flows seen during higher occupancy periods. In addition to the increased treatment capacity, a holding tank will be installed to allow for greater storage capacity on peak flow days and the drip field will be expanded.

To pay for this expansion of the system the cabin and lot owners of Starr Crest have agreed to be assessed by TWSI to cover the costs of the project. The current estimated amount of the expansion is \$450,000. TWSI and SCOA have agreed that the assessment will be made on existing cabin owners based on the sketched square footage of their cabin and on lot owners based on the square footage of the cabin they have committed to build. The cabin and lot owners will be assessed in two payments, each due at the beginning of the two phases of construction.

This capital improvement project is necessary to protect the health and environment, to ensure the reliability of the utility plant, and is in the public interest to allow for continued growth in the development by way of additional cabin construction and increased rentals. TWSI and the SCOA have spent considerable time coming to an agreement on how to best proceed with expanding the existing wastewater treatment facilities and paying for the improvements – an agreement which is memorialized in the attached Exhibit A. TWSI now asks that the TRA approve the assessment so that work may begin on this project as soon as practical.

Respectfully submitted,

By: _____


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**Memorandum of Understanding
Between
Tennessee Wastewater Systems, Inc.
And
Starr Crest Resort Owners Association**

The purpose of this Memorandum of Understanding is to outline the needs, responsibilities, and processes by which **Tennessee Wastewater Systems, Inc. ("TWSI")** and **Starr Crest Resort Owners Association ("SCOA")** will work cooperatively to expand the existing wastewater treatment facilities.

RECITALS

WHEREAS, TWSI is a public utility with a Certificate of Convenience and Necessity ("CCN") and State Operating Permit ("SOP") which allows it to provide wastewater treatment services to the residents at Starr Crest Resort.

WHEREAS, in 2002 TWSI began providing wastewater treatment services through the use of a 28,000 gallon per day ("gpd") bioclear wastewater treatment facility to the residents at Starr Crest Resort.

WHEREAS, the wastewater treatment system at Starr Crest Resort is no longer adequate to handle flows of wastewater when the resort is at or near capacity.

WHEREAS, the SCOA was formed to act as the governing body for the cabin and lot owners of Starr Crest Resort.

WHEREAS, the SCOA has been given express consent to act on behalf of the homeowners of Starr Crest Resort in all matters pertaining to this and all other agreements related to expanding the wastewater treatment system, including but not limited to, design, construction, regulatory approval, financing, and operations.

WHEREAS, all of the existing cabins, cabins under construction, cabins to be built, and vacant lots are privately owned and made available as commercial rental properties at the owner's discretion.

WHEREAS, the SCOA, the homeowners, and TWSI desire to remedy the issues with the current wastewater treatment facility and work cooperatively to expand the wastewater treatment facility to accommodate peak flows of wastewater from the existing cabins and provide adequate capacity to accommodate lot owners who eventually develop their lots and are entitled to sanitary sewer service per Section 8.

The parties agree to the following:

1. Cabins/Lots to be Serviced: 135 existing cabins plus 8 additional vacant lots as discussed in Section 2.

2. Additional Lots: Any new construction/building on the included vacant lots shall be limited to between 1400 and 2600 square feet. Lot owners intending to have sewer service will have to declare and pay for the square footage at which they “buy-in” and pay along with the current cabin owners.

3. Expanded Wastewater Facility: The new capacity for the system will be 60,000 gpd. This capacity is based on historical flow data and the square footage of the existing cabins and size limitations for building on the agreed upon vacant lots. As part of the expansion of the system a bigger holding tank will be installed to allow for storage capacity on peak flow days and the drip field will be expanded.

4. Payment: Payment for the expanded wastewater system will be through an assessment made by TWSI to each cabin and/or lot owner. The assessment will be made based on the sketched square footage of existing cabins as determined by the county property assessor. Lot owners will be assessed based on the square footage of the cabin they have committed to build. All owners will be assessed by TWSI in two (2) increments, at the start of each phase of expansion.

5. RFP Process: TWSI agrees to have an open Request for Proposals to determine the most cost effective method of completing the work. A related company to TWSI - Adenus Solution Group will give a proposed contract price to complete the work. Plans and specification will be made available to any competent licensed contractor with experience in this type of work. SCOA will be able to participate in the process with regard to assisting in soliciting and evaluating the bids. SCOA will have the ability to approve bids that meet the standards as established by TWSI for the treatment system.

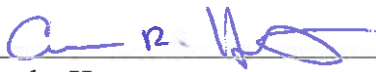
6. Regulatory Approvals: TWSI will apply to the Tennessee Department of Environment and Conservation (“TDEC”) for a modified SOP to operate the expanded treatment system. A docket will need to be opened with the Tennessee Regulatory Authority (“TRA”) for approval of any agreement between TWSI and SCOA related to the assessment of the wastewater system. SCOA agrees to be present and support any agreement between the Parties with regard to any hearings before any regulatory body.


7. Cost: TWSI provided to SCOA a ballpark estimate of \$450,000 to expand the system as discussed above. This estimate was presented to the homeowners by the SCOA at their August 31, 2015 meeting and authority was given to SCOA by the homeowners to proceed with the plans and assessment. SCOA and the homeowners understand that this estimate is an approximation and the final amount will be subject to the RFP process outlined in Section 5.

8. SCOA: SCOA has resolved any outstanding issues related to the resort’s developer, determined which lot owners will need to be assessed as part of the system expansion, obtained release letters from those lot and cabin owners that will not require sewer service, and has provided TWSI with a complete list of all cabin and lot owners. Only those vacant lots so designated per Section 2 will be allowed to tap in to and use this expanded system. Any later added lots will be subject to the approval of both the SCOA and TWSI and the lot owner will be responsible for any additional costs to further expand the system to accommodate its use.

The terms of this Memorandum of Understanding shall become effective immediately upon approval of both parties. This agreement shall remain in effect until amended by written consent of both parties.

Agreed and accepted by:

 Date: 1-18-2016
Charles Hyatt
President
Tennessee Wastewater Systems, Inc.

 Date: 1-11-2016
Deborah Mason
President
Starr Crest Owner's Association