

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

IN RE:

**PETITION OF LHWS WATER SYSTEM
IN RECEIVERSHIP FOR APPROVAL OF
ADJUSTMENTS OF ITS RATES AND
CHARGES**

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DOCKET NO. 16-00012

**FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND
PROTECTION DIVISION TO LAUREL HILLS WATER SYSTEM IN RECEIVERSHIP**

To: Laurel Hills Water System in Receivership
c/o Robert E. Moore, Jr., Esq.
Receivership Management, Inc.
1101 Kermit Drive, Suite 735
Nashville, TN 37217

This Discovery Request is hereby served upon Laurel Hills Water System in Receivership, ("LHWS"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & 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 the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 315 Deaderick Street, 19th Floor, UBS Tower, Nashville, Tennessee 37243, c/o Erin Merrick, on or before 4:00 p.m. Central time, March 11, 2016.

PRELIMINARY MATTERS AND DEFINITIONS

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by LHWS which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that

LHWS's supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Laurel Hills Water System in Receivership, Receivership Management, Inc., ("RMI" or "Receiver") and all employees, agents and representatives thereof, as well as any subsidiary, affiliate or parent companies associated with LHWS or Receiver.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. A complete answer must provide a response which includes all matters known or reasonably available to the

company.

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each

must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the

information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

In the event Receiver has a technical objection to a discovery request or cannot provide the specific information requested, the Consumer Advocate will make available the consultants it has employed for this docket to have discussions with the responding witnesses of Receiver in order to resolve any technical matter pertaining to the discovery requests.

Provide all responses in the format which they are maintained such as Microsoft Excel or Microsoft Word format with all formulas intact.

FIRST DISCOVERY REQUESTS

1. Paragraph 10 of the *Order Appointing Receiver* provides as follows:

The compensation of the Receiver, counsel, clerks and assistants and all expenses of taking possession of Laurel Hills' water system and conducting the proceeding (hereinafter Receivership fees and costs") shall be submitted monthly, shall be approved by the Court and shall be paid out of the funds or assets of Laurel Hills' water system, if such funds are available. If, through the progression of the Receivership, funds or assets of Laurel Hills' water system are not available to pay Receivership fees and costs, then those fees and costs will be taxed as court costs to be paid by the Authority to the Receiver. In such instance(s), the Receiver will present the Receivership fees and costs to the Court for approval as a request for interim tracing of costs while simultaneously invoicing the Receivership fees and costs to the Authority, who will pay the Receivership fees and costs upon approval of the Court. The Authority reserves the ability to recoup amounts so paid if later there are assets or funds available for such recoupment.

Has the Receiver received any payment from the TRA after the Chancery Court for Cumberland County issued an order approving the payment of fees and expenses with those fees and costs to be taxed to the TRA? If so, list the amounts paid.

2. When the Receiver agreed to take on this receivership, did he believe that the Tennessee Regulatory Authority (“TRA”) would pay your receivership fees and costs if the receivership did not have sufficient assets? If yes, please state the basis of that belief and provide all documents, if any, relied upon in forming that belief.

RESPONSE:

3. Describe the Receiver’s attempts to gain ownership and control of the entire LHWS—with specific references to the water tower and the parcel where it sits—and attempts to obtain an irrevocable license agreement to operate LHWS.

RESPONSE:

4. Did the Settlement Agreement and Release (“Settlement Agreement”) between Laurel Hills Condominiums Property Owners Association (“Laurel Hills”) and the TRA Party Staff provide that Laurel Hills should obtain a license for all pipes and pumps as well as effectuate the transfer of the water tower and water tower parcel? If so, was the Settlement Agreement successful in obtaining the license and transfer?

5. Admit or deny that there exists a quitclaim deed between Moy Toy, LLC, (“Moy Toy”) and RMI, dated February 3, 2016. If admitted, provide the quitclaim deed and state when and where the quitclaim deed was recorded (include book and page number).

RESPONSE:

6. Refer to the quitclaim deed in Request 5, above. The “Property” described therein was previously conveyed to Moy Toy by warranty deed. Explain why RMI received only a quitclaim deed from Moy Toy.

RESPONSE:

7. Refer to the quitclaim deed in Request 5, above. Admit or deny that the water tower itself is included in the “Property” conveyed to RMI. If admitted, indicated the corresponding provision in the quitclaim deed.

RESPONSE:

8. With respect to the “Property” defined in the quitclaim deed in Request 5, above, please provide:

- a. A survey of the Property;
- b. Copies of all title policies and/or commitments affecting the Property;
- c. Copies of all deeds affecting the Property;
- d. Copies of all deeds of trust or promissory notes affecting the Property;
- e. Copies of any and all other restraints and/or conditions on the Property and/or the use thereof; and
- f. Copies of all financing documents affecting the Property beginning with the conveyance of the Property to Moy Toy.

RESPONSE:

9. Page 1 of the quitclaim deed in Request 5 states, “The Property shall be used for water utility purposes only.” Page 2 of the quitclaim deed in Request 5 reserves for Moy Toy “the right of an easement to install and maintain an antenna and supporting appurtenances on top of the water now located on the Property and any replacement thereof.” With respect to these restrictions, explain:

- a. Whether these restrictions are consistent with the *First Addendum to Settlement Agreement and Release* that was approved in Docket 12-00077;
- b. How these restrictions affect the Receiver's use of the water tower for the LHWS; and
- c. The effect of these restrictions on Cumberland County's involvement with LHWS.

RESPONSE:

10. Admit or deny that there exists an irrevocable license agreement between Moy Toy and Laurel Hills Condominium Property Owners Association ("Laurel Hills POA"), dated February 3, 2016. If admitted, provide the license agreement. If you recorded this license agreement, state when and where it was recorded (include book and page number).

RESPONSE:

11. Refer to the license agreement in Request 10, above. State whether Laurel Hills POA has transferred its license to RMI. If such transfer has occurred, provide all documents evidencing this transfer.

RESPONSE:

12. Explain whether the TRA and Laurel Hills POA have now properly fulfilled all transfers of property rights included in the *Settlement Agreement and Release* and *First Addendum to the Settlement Agreement and Release* approved in TRA Docket 12-00077. Identify all deficiencies.

RESPONSE:

13. If there are deficiencies in response to Request 12, above, explain what is necessary for the Receiver to gain ownership and control of the entire LHWS—with specific references to the

water tower and the parcel where it sits—and to obtain an irrevocable license agreement to operate LHWS, and assess whether the Receiver will be able to gain and obtain such.

RESPONSE:

14. If there are deficiencies in response to Request 12, above, and the Receiver does not gain ownership and control of the entire LHWS or obtain an irrevocable license agreement to operate LHWS, how long will you be able to provide water service?

RESPONSE:

15. Please state the total amount of expenses for any work performed to date on behalf of LHWS that relates to gaining ownership and control of the entire LHWS or obtaining an irrevocable license agreement to operate LHWS.

RESPONSE:

16. Does the Receiver know of any receiverships that had so few or no assets as to be called a “no-asset receivership?” If so, please explain the nature of a “no-asset receivership.”

RESPONSE:

17. Does the Receiver know of any no-asset receiverships where the State of Tennessee, or an agency thereof, has sought the appointment of a receiver and where the administrative costs of the receivership were paid by the State of Tennessee, or an agency thereof? If so, describe such cases, including but not limited to, receiverships managed by, or using employees of, a state agency such as the Department of Commerce and Insurance.

RESPONSE:


18. Does the Receiver know of any legal bar to the TRA acting as a no-asset receiver?

RESPONSE:

19. Please identify by name all witnesses you may call to testify in this Docket.

RESPONSE:

RESPECTFULLY SUBMITTED,


ERIN MERRICK (BPR #033883)
Assistant Attorney General
Vance L. Broemel (BPR #011421)
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Consumer Protection and Advocate Division
P.O. Box 20207
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(615) 741-8722
(615) 741-1026 – FAX

Dated: Mar. 3, 2016

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Robert E. Moore, Jr., Esq.
Receivership Management, Inc.
1101 Kermit Drive, Suite 735
Nashville, TN 37217
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LHWS Water System in Receivership
Post Office Box 25
Crossville, Tennessee 38555

Tennessee Regulatory Authority ("Party Staff")
Shiva Bozarth, Esq.
502 Deaderick Street
Nashville, TN 37243

on this the 3rd day of March, 2016.


Erin Merrick