

CUMBERLAND BASIN WASTEWATER SYSTEMS

April 30, 2018

Chairman, Tennessee Public Utility Commission
c/o Sharla Dillon, Dockets and Records Manager
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Docket No. 18-00055


Re: Petition of Cumberland Basin Wastewater Systems to Post Alternative Financial Security

Ms. Dillon:

Cumberland Basin Wastewater Systems files the attached petition to post alternative financial security.

I have also enclosed a check in the amount of \$25.00 for the required filing fee. Please contact me if you have any questions or need additional information.

Respectfully submitted,


Tim Huddleston, President

Enclosures

Cc: William H. Novak

150 Construction Drive
Livingston, TN 38570
931-403-5310

PETITION OF CUMBERLAND BASIN)
WASTEWATER SYSTEMS TO POST) DOCKET NO. _____
ALTERNATIVE FINANCIAL SECURITY)
)

TPUC Rule 1220-4-13-.07(2)(a) requires wastewater utilities to post one hundred percent (100%) of the gross annual revenue in the most recent Commission Form UD20 or \$20,000, whichever is greater. As shown in the table below, CBWS's receipts for calendar year 2017 were approximately \$34,000 of which approximately \$2,600 was related to escrow liabilities leaving net utility revenues of approximately \$31,000.

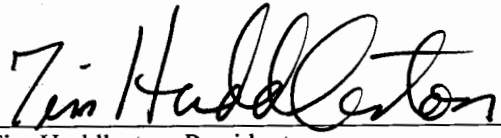
	Total Receipts	Less Escrow Liability	Net Revenues
January, 2017	\$13,357.32	\$21.09	\$13,336.23
February	1,204.88	21.09	1,183.79
March	84.00	21.09	62.91
April	420.00	21.09	398.91
May	0	304.95	-304.95
June	0	304.95	-304.95
July	0	304.95	-304.95
August	0	304.95	-304.95
September	2,407.05	319.89	2,087.16

October	1,013.50	334.83	678.67
November	1,114.00	334.83	779.17
December	13,988.89	334.83	13,654.06
Total	\$33,589.64	\$2,628.54	\$30,961.10

On March 28, 2007, the First National Bank of Tennessee issued an irrevocable letter of credit to the TPUC on behalf of CBWS in the amount of \$20,000. On March 26, 2018 the original letter of credit was extended through March 28, 2020. Both the original and extension letters from the bank are included here as Attachment #1. CBWS asks the Commission to approve this letter of credit in the amount of \$20,000 as sufficient financial security to comply with Commission rules since it exceeds 50% of the \$31,000 in net revenues described above (or \$16,000). The Commission has already approved a financial security target of 50% of net revenues in its new wastewater rules that were approved in Docket 16-00112. Although the new rules are not yet official, they do reflect the intent of the Commission. In addition, the Commission's existing rules allow it to determine financial security on a case-by-case basis.¹ CBWS therefore asks the Commission to recognize and approve \$16,000 as the appropriate amount for its financial security. In support of this petition, we have attached the testimony of Tim Huddleston as Attachment #2.

Therefore, CBWS asks that this petition be granted and that the Commission approve this alternative form of financial security in accordance with TPUC Rule 1220-4-13-.07(5).

Respectfully submitted:

By: 
Tim Huddleston, President
Cumberland Basin Wastewater Systems
150 Construction Drive
Livingston, TN 38570

¹ See current TPUC Rule 1220-4-13-.07(8).

ATTACHMENT #1
IRREVOCABLE LETTER OF CREDIT



214 EAST MAIN STREET
P.O. BOX 379
LIVINGSTON, TN 38570
PHONE 931.823.1261
FAX 931.403.4275
TELEPHONE BANKING 931.403.4488
TIME & TEMPERATURE 931.823.1234
WWW.FNBOTN.COM

March 26, 2018

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

REFERENCE: Cumberland Basin Wastewater Systems, LLC

Company ID # as assigned by the TRA:
Irrevocable Letter of Credit #201100591-00001
Effective Date: March 28, 2007

Sir/Madam:

This letter is to inform you that our Letter of Credit aforementioned issued to the Tennessee Regulatory Authority on the aforementioned effective date for the benefit of our customer referenced above has been amended as follows:

The maturity date of the Letter of Credit has been extended to March 28, 2020.

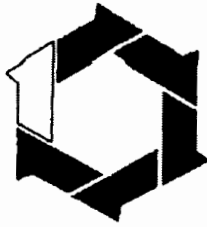
All other terms and conditions of the original Letter of Credit will remain in full force and effect.

Respectfully,

A handwritten signature in cursive script, appearing to read "Charles Maynard".

Charles Maynard
Senior Vice President

CM/dr



**FIRST
NATIONAL
BANK**
OF TENNESSEE

214 EAST MAIN STREET
P.O. BOX 379
LIVINGSTON, TN 38570
TELEPHONE 931.403.4444
FAX 931.403.4275
WWW.FNBOTN.COM

Letter of Credit

March 28, 2007

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

REFERENCE: Cumberland Basin Wastewater Systems, LLC

Company ID # as assigned by the TRA:
Irrevocable Letter of Credit #201100591-00001
Effective Date: March 28, 2007

Sir/Madam:

You have requested of (First National Bank of Tennessee, hereinafter called the "Lender") that we establish an irrevocable letter of credit which will remain available on behalf of (Cumberland Basin Wastewater Systems, LLC, hereinafter the "Company") who has applied to the Tennessee Regulatory Authority (the "Authority") for authority to provide public wastewater services in the State of Tennessee. The purpose of this letter of credit is to secure payment of any monetary obligation imposed against the Company, its representatives, successors or assigns, in any contested case proceeding brought under Tenn. Comp. R. & Regs. Chapter 1220-4-13 by or on behalf of the Authority.

We hereby establish and issue, in favor of the Authority, an irrevocable letter of credit in the amount of Twenty Thousand and no/100 Dollars (\$20,000.00) lawful money of the United States of America. Upon entry of an Order that finds a monetary obligation pursuant to Chapter 1220-4-13, the Authority may draw upon this letter of credit, at any time and from time to time, by delivering a Letter of Credit Notice, substantially in the form set forth below ("Notice"), which the Draw Amount should be delivered and shall be signed by an official designated and duly authorized by the Authority, to Lender at the address listed below, or to such other address as the Lender shall notify the Authority in writing by certified mail. Promptly after the delivery of each Notice, the Lender

hereby covenants and agrees to deliver, by wire transfer of immediately available funds, the Draw Amount to the Bank Account.

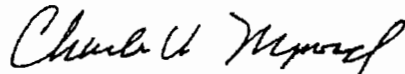
This letter of credit shall be deemed automatically renewed without amendment for successive one-year periods and may be canceled by the Lender by giving thirty (30) days advanced written notice by certified mail of such cancellation to the Authority and the Company, it being understood that the Lender shall not be relieved of liability that may be accrued under this letter of credit prior to the date of cancellation.

Failure to renew this letter of credit shall allow the Authority to draw upon it without the necessity of the Authority being required to hold a hearing concerning the Principal's operation or Certificate of Public Convenience and Necessity. In such an event and upon a directive from the Authority, the Lender hereby covenants and agrees to deliver by wire transfer of immediately available funds the maximum sum of this letter of credit to the Bank Account to enable the continued operation of the public wastewater utility.

The Lender hereby represents and warrants that it is qualified and authorized to issue this letter of credit and is a bank designated by the Treasurer of the State of Tennessee as an authorized depository for the deposit of state funds.

Except as otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credit (1993 Revision) International Chamber of Commerce Publication No. 500, or any revisions thereto.

Very Truly Yours,
First National Bank of Tennessee

A handwritten signature in cursive script, appearing to read "Charles V. Maynard".

Charles V. Maynard
Vice President
P. O. Box 379
Livingston, TN 38570

ATTACHMENT #2
TESTIMONY OF TIM HUDDLESTON

PETITION OF CUMBERLAND BASIN WASTEWATER SYSTEMS TO POST ALTERNATIVE FINANCIAL SECURITY

DIRECT TESTIMONY of TIM HUDDLESTON

April 30, 2018

1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION***
2 ***FOR THE RECORD.***

3 ***A1.*** My name is Tim Huddleston. My business address is 150 Construction Drive,
4 Livingston, TN, 38570. I am the President and Owner of Cumberland Basin
5 Wastewater Systems (CBWS).
6

7 ***Q2. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
8 ***PROCEEDING?***

9 ***A2.*** The purpose of my testimony is to present to the Commission the underlying
10 methodology used by CBWS to support its petition to post alternative financial
11 security.
12

13 ***Q3. WHY IS CBWS ASKING THE COMMISSION TO APPROVE AN***
14 ***ALTERNATIVE TO ITS EXISTING RULES FOR FINANCIAL SECURITY***
15 ***AT THIS TIME?***

16 ***A3.*** TPUC Rule 1220-4-13-.07(2)(a) requires wastewater utilities to post one hundred
17 percent (100%) of the gross annual revenue in the most recent Commission Form
18 UD20 or \$20,000, whichever is greater. As shown in the table below, CBWS's
19 receipts for calendar year 2017 were approximately \$34,000 of which
20 approximately \$2,600 was related to escrow liabilities leaving net utility revenues
21 of approximately \$31,000.
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23
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Q4. HAS THE COMMISSION RECENTLY ACTED TO AMEND ITS CURRENT RULES FOR FINANCIAL SECURITY FROM WASTEWATER UTILITIES?

A4. Yes. In Docket 16-00112, the Commission approved new rules for wastewater utilities that adopt a financial security target of 50% of net revenues. Although the new rules are not yet official, they do reflect the intent of the Commission. In addition, the Commission's existing rules allow it to determine financial security

1 on a case-by-case basis.¹ CBWS therefore requests that the Commission
2 recognize and approve 50% of CBWS's net receipts or \$16,000 (\$31,000 * 50%)
3 as the appropriate amount for its financial security.
4

5 ***Q5. DOES THIS COMPLETE YOUR TESTIMONY?***

6 ***A5.*** Yes it does.

¹ See current TPUC Rule 1220-4-13-.07(8).

PETITION OF CUMBERLAND BASIN WASTEWATER SYSTEMS TO POST ALTERNATIVE FINANCIAL SECURITY

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I, Tim Huddleston, on behalf of Cumberland Basin Wastewater Systems, hereby certify that the attached direct testimony represents my opinion in the above referenced case.

Tim Huddleston
Tim Huddleston

Sworn to and subscribed before me this 23rd day of April, 2018.

Angie Hite
NOTARY PUBLIC

My commission expires: 7-11-2020