

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

REC'D TN  
REGULATORY AUTH.  
'89 JUL 15 PM 1 19

IN RE: PETITION OF LYNWOOD UTILITY )  
CORPORATION TO CHANGE AND )  
INCREASE RATES AND CHARGES )

EXECUTIVE SECRETARY  
DOCKET NO. 9900507

PETITION

Petitioner, Lynwood Utility Corporation (Lynwood), a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, does hereby file with the Tennessee Regulatory Authority (Authority) this Petition and a revised tariff to become effective thirty (30) days after the date of issue and requests that the Authority, pursuant to T.C.A. § 65-5-201, et seq., hear and determine that the increased rates as reflected in the revised tariff are just and reasonable. In support of this request, Lynwood avers:

1. Lynwood is a public utility as defined by T.C.A. § 65-4-101 and is subject to the regulation of this Authority. It was granted its original Certificate of Convenience and Necessity from the Public Service Commission on June 14, 1976, to provide sewer service in Williamson County. Lynwood currently serves customers located in the Cottonwood Subdivision and Legends Ridge Subdivision, a few residences near these subdivisions, and Walnut Grove Elementary School.

2. Under existing rates Lynwood's revenues and revenue projections are not sufficient to cover Lynwood's operating expenses. Lynwood's rates and charges must be revised to permit it to meet its operating expenses, to earn a fair rate of return, and to provide funds to maintain its sewer plant and facilities to serve existing and future customers within its certificated service area.

3. On June 28, 1998, Lynwood entered into a Utilities Agreement with Lumbermen's Investment Corporation (LIC) in which Lynwood agreed to provide sewer service to a residential

subdivision known as River Landing which is being developed by LIC. LIC has employed Smith Crowe Property Company, LLC as development manager for the River Landing development. A copy of the Utilities Agreement and two amendments to the Utilities Agreement are attached as Exhibit 1 to this Petition. When the Utilities Agreement was executed, LIC anticipated that River Landing would have approximately 187 residential lots. LIC agreed to finance the expansion of the Lynwood sewage treatment plant to increase the plant's capacity to serve River Landing. The expansion will give Lynwood additional capacity to serve not only the additional 187 lots in River Landing but also additional capacity to provide sewer service to other future developments in its service area. Lynwood agreed to reimburse LIC for expansion costs of the sewer plant attributable to the additional capacity not necessary to serve River Landing.

3. After entering into the Utilities Agreement with LIC, Lynwood defaulted on an outstanding loan to First Tennessee Bank. Lynwood had borrowed \$305,000.00 to finance the construction of improvements to its sewer plant to serve the Legends Ridge subdivision. At the time Lynwood obtained this loan from First Tennessee Bank, David A. Terry owned 100% of the stock of Lynwood. Mr. Terry was also the developer of the Legends Ridge subdivision.

4. After Lynwood defaulted on the loan to First Tennessee Bank, LIC became concerned about the financial viability of Lynwood. To make sure that Lynwood remained in operation so that River Landing would have sewer service available, LIC began providing management and financial assistance to Lynwood. On December 16, 1998, First Tennessee Bank assigned its Note from Lynwood to LIC. LIC began providing funds to Lynwood to meet certain operating expenses. On December 16, 1998, Lynwood entered into a management agreement with Utility Holdings, Inc. in which Utility Holdings, Inc. assumed the day-to-day operations of Lynwood. Utility Holdings, Inc.

is a Tennessee corporation owned by SC Ventures, L. P. The general partners of SC Ventures, L. P. have common ownership with the owners of Smith Crowe Property Company, LLC.

5. On May 12, 1999, Southern Utility Corporation purchased the stock of Lynwood. The shareholders of Southern Utility Corporation are also the owners of Smith Crowe Property Company, LLC.

6. Lynwood has an immediate need for increased revenue simply to meet its operating expenses. LIC is financing improvements to the Lynwood sewer plant and will contribute to Lynwood the cost of the plant expansion necessary to make sewer service available to River Landing.

7. The prior owners of the stock of Lynwood have severely neglected maintaining an adequate rate structure which would permit it to meet its operational expenses, provide sufficient funds for capital improvements, and permit the owners to earn a fair rate of return. Since Lynwood was granted its certificate in 1976, it has only had one rate increase in 1986. As a result the rate increase which will be necessary just to meet Lynwood's operating expenses is substantial. Lynwood contends that a 100% increase in monthly service rates will still not permit it to meet its operating expenses.

8. Currently, rates for monthly sewer service are based upon the number of bedrooms in a residential unit. Lynwood asserts that monthly sewer rates based upon water usage is a better method to use in charging its customers for sewer service; therefore, the revised tariff includes rates based upon water usage of each customer. Lynwood is currently negotiating with the City of Franklin and H. B. & T. S. Utility District which provide water service to its customers to bill and collect its sewer charges based on water usage.

9. Lynwood has filed simultaneously with this Petition a revised tariff effective August 14, 1999 designed to produce additional annual revenues of \$209,101.00 which is attached as Exhibit 2. Attached as Exhibit 3 is a pro forma income statement for Lynwood which shows the revenue deficiency for the 1999 calendar year under existing rates. Attached as Exhibit 4 is a pro forma income statement for Lynwood which shows the revenue deficiency for the 2000 calendar year under existing rates. Attached as Exhibit 5 is a pro forma income statement for Lynwood which shows the revenue and expenses for the 2000 calendar year under rates proposed by Lynwood in its revised tariff.

10. Even with the grant of the rate increase requested in this petition, Lynwood will still not receive enough revenue to meet its operating expenses. The average bill for a residential customer will increase from \$15.63 to \$45.00 a month. Lynwood avers that the proposed rate changes are necessary and proper and are designed to meet the present and future needs of its customers and future customers in its service area in an economically feasible manner. The revised tariff also make a few changes to its rules and regulations.

WHEREFORE, Lynwood requests the Authority to:


1. Schedule a hearing upon proper notice for the presentation of evidence as to the rates necessary to provide adequate sewer service to its customers and a fair rate of return to the corporation.

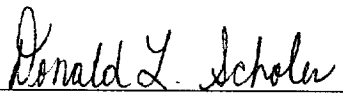
2. Enter an Order approving Lynwood's revised schedule of rates to become effective on August 14, 1999, or as soon as lawfully permitted.

3. Grant such other and additional relief as may be required in light of the evidence to be produced at the hearing.

This the 14<sup>th</sup> day of July, 1999.

LYNWOOD UTILITY CORPORATION

By:   
Davis Lamb, President

  
Donald L. Scholes  
BRANSTETTER, KILGORE, STRANCH & JENNINGS  
227 Second Avenue, North  
Fourth Floor  
Nashville, TN 37201-1631  
(615) 254-8801  
*Attorney for Petitioner*

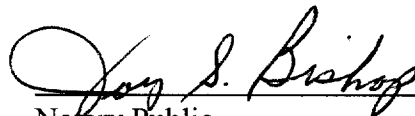
State of Tennessee       )  
                                      )  
County of Williamson     )

I, Davis Lamb, make oath that he is the President of Lynwood Utility Corporation, the Petitioner herein; that he has read the foregoing Petition and contents thereof, and that the contents thereof are true to the best of his knowledge, information, and belief.



\_\_\_\_\_  
Davis Lamb

Sworn to and subscribed before me this 14<sup>th</sup> day of July, 1999.



\_\_\_\_\_  
Notary Public

My Commission Expires:

11/24/2004

UTILITIES AGREEMENT

THIS AGREEMENT is entered into by and between LUMBERMEN'S INVESTMENT CORPORATION ("Lumbermen's") and LYNNWOOD UTILITY CORPORATION ("Lynnwood").

WITNESSETH:WHEREAS:

1. Lumbermen's is developing a residential subdivision in Williamson County, Tennessee, consisting of approximately 187 single family residential lots, to be known as River Landing (the "Subdivision").

2. Lynnwood has agreed to provide sewer service for the Subdivision.

3. In order for Lynnwood to adequately serve the Subdivision, it will be necessary that its existing sewer treatment plant be expanded.

4. Lumbermen's has agreed to pay the expenses of such expansion in accordance with the terms and conditions stated hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Sewer Service. Lynnwood shall provide sewer service to the Subdivision in accordance with its standard rate structure and service contracts.

2. System Upgrade. Lumbermen's shall contribute the necessary funds to expand the Lynnwood sewage treatment plant in

general accordance with the letter written by Alley & Associates, which is attached hereto as Exhibit A (the "Expansion Plan"). Upon completion of the Expansion Plan, Lynnwood will have the capacity to provide sewer service to the total number of lots approved by the State of Tennessee (the "Total Capacity"). The difference between the total number of lots approved by Williamson County for the Subdivision and the Total Capacity shall be defined as the "Additional Capacity."

3. Access Fees. A fee will be allocated to each lot which is served by Lynnwood as a result of the Expansion Plan and shall be calculated by dividing the total cost of completing the Expansion Plan by the Total Capacity (the "Access Fee"). All of the lots in the Subdivision shall be exempted from the payment of the Access Fee. However, the developer(s) of all other lots which will be served by Lynnwood as a result of the Expansion Plan shall be required to pay the Access Fee to Lynnwood.

4. Tap Fees. The purchasers of lots in the Subdivision shall be charged a tap fee of \$1,800.00 per lot for the right to connect to the sewer system.

5. Reimbursement to Lumbermen's. Lumbermen's shall be reimbursed for that portion of the expenses incurred in the completion of the Expansion Plan which is attributable to the Additional Capacity (the "Reimbursement Obligation"). This shall be accomplished by the payment to Lumbermen's of all future Access Fees received by Lynnwood until such reimbursement is complete in accordance with the terms of a reimbursement agreement to be

executed by the parties in connection herewith (the "Reimbursement Agreement"). The Reimbursement Agreement, among other things, shall obligate Lynnwood to pay the Reimbursement Obligation in full in the event Lynnwood is sold or merges into another entity.

6. Applicable Law. The terms and conditions hereof shall be governed by and construed in accordance with the laws of the State of Tennessee.

7. Attorneys' Fees. Should any party to this Agreement employ an attorney or attorneys to enforce any of the terms and conditions hereof, or to protect any right or interest created or evidenced hereby, the nonprevailing party in any action pursued in courts of competent jurisdiction shall pay to the prevailing party all reasonable costs, damages and expenses, including attorneys' fees and expenses, expended or incurred by the prevailing party.

8. No Joint Venture. Nothing contained herein or in any related document shall be deemed to create a joint venture or partnership among the parties for any purpose whatsoever.

9. Counterparts. This Agreement may be executed in any number of counterparts and each counterpart hereof shall be deemed to be an original instrument, but all counterparts hereof taken together shall constitute but a single instrument.

10. Effective Date. This Agreement shall be effective as of the date of the signature of the last party to sign.

WITNESS the signatures of the undersigned on the dates indicated hereinafter.

LUMBERMEN'S INVESTMENT CORPORATION

By: 

Title: SR.V.P.

Date: 6/26/98

LYNNWOOD UTILITY CORPORATION

By: 

Title: President

Date: 6/28/98

## FIRST AMENDMENT TO UTILITIES AGREEMENT

THIS AGREEMENT is entered into by and among LUMBERMEN'S INVESTMENT CORPORATION ("Lumbermen's"), LYNWOOD UTILITY CORPORATION ("Lynwood"), DAVE TERRY ("Terry"), LEGEND'S PROPERTIES, INC. ("Legend's") and TERRY PROPERTIES, LLC ("Terry Properties").

WITNESSETH:

WHEREAS:

1. Lumbermen's and Lynwood entered into a Utilities Agreement with an effective date of June 28, 1998, a copy of which is attached hereto as Exhibit A.

2. Lumbermen's and Lynwood wish to amend the terms of the Utilities Agreement as provided hereinafter.

3. Terry joins in this Agreement in his capacity as is the sole stockholder of Lynwood to evidence his consent to the terms hereof.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Under the terms of the Utilities Agreement, Lumbermen's agreed to fund the cost of the Expansion Plan (as defined in the Agreement). Based upon the budget which is attached hereto as Exhibit B, the parties have agreed that the cost of implementing the Expansion Plan is \$900,000.00 (the "Expansion Costs"). In the event the Expansion Costs exceed \$900,000.00, then Lumbermen's shall be reimbursed for the excess costs by the payment of tap fees charged by Lynwood for homes constructed in River Landing Subdivision.

2. The Expansion Costs shall be considered to be a part of Lumbermen's "Capital Investment" in River Landing Subdivision as that term is defined in the River Landing Agreement executed by and among Lumbermen's, Legend's and Terry Properties with an effective date of June 2, 1998. Legend's and Terry Properties join in this Agreement for the purpose of evidencing their agreement to the preceding sentence.

3. Although work on the Expansion Plan has not yet commenced, Lynwood has requested and Lumbermen's has agreed to pay certain expenses incurred for improvements to and the operation of the Lynwood treatment plant (the "Plant"), a list of which expenses are attached hereto as Exhibit C (the "Expenses"). Payment of the Expenses shall be considered to be part of the Expansion Costs.

4. The Plant as well as the stock of Lynwood (the "Stock") is subject to a first lien in favor of First Tennessee National Bank ("First Tennessee") in connection with a loan to Lynwood in the approximate amount of \$350,000.00 (the "Loan"). Lumbermen's has requested and Lynwood has agreed to provide Lumbermen's the option to either pay off or purchase the Loan. In either event, the funds expended by Lumbermen's in this regard would be secured by the following:

- (a) A first priority deed of trust on the land and improvements which comprise the Plant.
- (b) A first priority security agreement covering all machinery, equipment, fixtures, furniture, contract rights, inventory, accounts, tap fees, access fees and all other items of personalty located at or used in connection with the Plant.
- (c) A first priority pledge and security agreement covering all the stock of Lynwood.

5. Lynwood and Terry hereby grant to Lumbermen's an option to purchase Lynwood for a price of \$500,000.00 (the "Option"). The Option shall be effective as long as any of the obligations of Lynwood remain outstanding under this Agreement, or, for a period of six (6) months from the effective date hereof, whichever period is longer. The Option shall be exercisable at any time prior to its termination by Lumbermen's providing written notice to Lynwood and Terry of its intention to purchase Lynwood. In the event Lumbermen's elects to exercise the Option, the parties shall proceed in good faith and with diligence to prepare and execute a commercially reasonable contract to more particularly document the terms and conditions of the purchase (the "Purchase Contract"). The Purchase Contract shall include, among other things, a provision stating that Lumbermen's obligation to complete the purchase is contingent upon the completion of a due diligence review of the Plant which shall be satisfactory to Lumbermen's in all respects. In this regard, Lynwood shall allow Lumbermen's, its agents or consultants access to the Plant (and all information relating thereto) for the purpose of conducting such inspections and reviews as Lumbermen's deems necessary. Subject to a favorable decision by Lumbermen's following completion of its due diligence review, the parties shall proceed with the closing of the purchase in accordance with the terms of the Purchase Contract. Any and all liens or encumbrances against the assets or the Stock of Lynwood will be satisfied by Lynwood and/or Terry prior to or in connection with the closing.

6. The obligations of Lumbermen's under the Utilities Agreement (as amended hereby) are contingent upon its obtaining all necessary governmental and regulatory approvals for the development of River Landing Subdivision with a minimum of 187 single family residential lots.

7. The parties each agree to keep confidential all information concerning the subject matter of this Agreement, except for necessary disclosure to partners, employees, accountants, attorneys and lenders. No public announcements concerning the transaction contemplated herein shall be made by any party without the prior consent of the others.

8. This Agreement shall be deemed effective upon the date it has been signed by all parties hereto.

WITNESS the signatures of the undersigned on the dates indicated hereinafter.

LEGEND'S PROPERTIES, INC.

By: David A. Terry  
Title: President  
Date: 11/3/98

LUMBERMEN'S INVESTMENT CORPORATION

By: Glenn K. Pruitt  
Title: Ex. VP  
Date: 11/9/98

TERRY PROPERTIES, LLC

By: David A. Terry  
Title: Chief Manager  
Date: 11/3/98

LYNWOOD UTILITY CORPORATION

By: David A. Terry  
Title: President  
Date: 11/3/98

Dave Terry  
DAVE TERRY  
Date: 11/3/98

## SECOND AMENDMENT TO UTILITIES AGREEMENT

THIS SECOND AMENDMENT is entered by and among LUMBERMEN'S INVESTMENT CORPORATION ("Lumbermen's"), LYWOOD UTILITY CORPORATION ("Lynwood"), DAVE TERRY, ("Terry"), LEGENDS PROPERTIES, INC. ("Legends") and TERRY PROPERTIES, LLC ("Terry Properties").

WITNESSETH:

WHEREAS:

1. Lumbermen's and Lynwood entered into a Utilities Agreement with an effective date of June 28, 1998 (the "Agreement").
2. The Agreement has been previously amended by First Amendment to Utilities Agreement with an effective date of November 9, 1998 (the "First Amendment").
3. The parties wish to further amend the terms of the Agreement as provided hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Paragraph 1 of the First Amendment is amended to provide that the Expansion Costs (as defined therein) shall consist of the following:

(a) All funds advanced by Lumbermen's to maintain, operate and upgrade the Lynwood waste water treatment plant (the "Plant"), including all funds advanced by Lumbermen's pursuant to the terms of this Agreement, and all amendments thereto.

(b) All expenses incurred by Lumbermen's in connection with obtaining and maintaining all required permits and licenses for the operation of the Plant.

(c) All funds advanced by Lumbermen's in connection with the purchase of that certain loan from First Tennessee Bank National Association to Lynwood, dated May 30, 1997, in the original principal amount of \$305,000.00.

(d) All funds advanced by Lumbermen's in connection with the replacement and/or issuance of letters of credit and/or bonds in favor of governmental authorities regarding improvements to the Plant.

(e) A preferred return to Lumbermen's equal to 35% of all of the Expansion Costs described hereinabove.

2. Paragraph 5 of the First Amendment is hereby amended by the deletion of the last sentence of said paragraph and the substitution in its place of the following:

Any and all debts secured by liens or encumbrances against the assets of Lynwood or the Stock, including any liens securing obligations of Lynwood to Lumbermen's, shall be paid prior to or at the time of the said closing, at least to the extent of the proceeds thereof.

3. Except as amended hereby, the terms and conditions of the Agreement, as previously amended, shall remain in full force and effect.

WITNESS the signatures of the undersigned on the dates indicated hereinafter.

LUMBERMEN'S INVESTMENT CORPORATION

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

LYNWOOD UTILITY CORPORATION

By: David A Terry

Title: president

Date: 12/16/98

David A Terry  
DAVE TERRY

LEGENDS PROPERTIES, INC.

By: David A Terry

Title: president

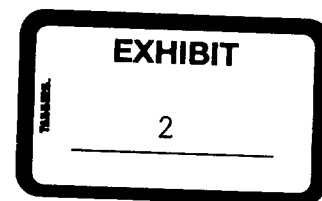
Date: 12/16/98

TERRY PROPERTIES, LLC

By: David A Terry

Title: manager

Date: 12/16/98



TARIFF OF

**LYNWOOD UTILITY CORPORATION**

CONSISTING OF

SCHEDULE OF RATES, TERMS AND CONDITIONS

FOR

SANITARY SEWER SERVICE

APPLYING TO

LYNWOOD UTILITY SERVICE BOUNDARIES  
FRANKLIN, TENNESSEE

NO MODIFICATION OF THESE SCHEDULES SHALL BE  
MADE EXCEPT FOR THE PURPOSE OF CANCELLING OR  
SUPERSEDING PREVIOUSLY ISSUED SCHEDULES

ISSUED BY: LYNWOOD UTILITY CORPORATION  
DAVIS LAMB, PRESIDENT  
ADDRESS: P. O. BOX 1264, FRANKLIN, TN 37065-1264

**STATE OF TENNESSEE  
REGULATORY AUTHORITY**

ISSUE DATE: JULY 15, 1999  
EFFECTIVE DATE: AUGUST 14, 1999

## **RULES AND REGULATIONS**

### **Governing the Sewerage and Sewage Treatment System of LYNWOOD UTILITY CORPORATION**

#### **Statement of Purpose**

The general purposes of these rules and regulations are:

1. To establish procedures for furnishing sewerage and sewage treatment services on a uniform basis to customers within the service area boundary of the LYNWOOD UTILITY CORPORATION.
2. To provide standards and procedures for:
  - a. Acceptable sewage characteristics
  - b. Excessive sewage volume
  - c. Engineering design standards
  - d. Construction and inspection requirements
  - e. Quality of materials

#### **Definition of Terms**

1. Corporation – The Corporation shall mean the Lynwood Utility Corporation.
2. Engineer – The word Engineer shall mean the consulting engineer of the Lynwood Utility Corporation.
3. Customer – The word Customer shall mean any person, firm, corporation, association or government unit furnished sewerage services by the Corporation.
4. Property – The word Property shall mean all facilities owned and operated by the Corporation.
5. Authority – The word Authority shall mean the Tennessee Regulatory Authority.
6. Trunk Sewer – The words Trunk Sewer shall mean a sewer that runs parallel to a natural drainage channel and receives sewage from many tributary branches and terminates at the sewage treatment plant or major lift station.

7. Collector Sewer – The words Collector Sewer shall mean those sewers running within the development and conveying the sewage to the trunk sewer.
8. Lateral Sewer – The words Lateral Sewer shall mean those sewers extending from the Collector Sewer to the property line of the Customer
9. Building Sewer – The words Building Sewer shall mean that sewer extending from the Customer's property line to his place of business or residence.

#### Authorization of Rules and Regulations

The LYNWOOD UTILITY CORPORATION, a corporation organized and engaged in business as a public utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority on June 14, 1976 under Docket No. U6162, submits the following statement of its rules and regulations in compliance with Rule 602.2.

#### Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewerage Customer of the Lynwood Utility Corporation.

#### Utility Items on Private Property

The Corporation shall not furnish on or maintain any items or appurtenances for sewer service on the customer's premises without execution of an agreement for an easement or encroachment. No property of the Corporation shall be located on the premises of customers except the sewer shut-off valve, and the Corporation shall be responsible for the shut-off valve. The Building Sewer shall be maintained by the Customer.

#### Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth.
2. For misrepresentation in the application.
3. For adding to the Property or fixtures without notice to the Corporation.
4. For failure to protect the connections, service lines or fixtures in good order.
5. For molesting any service pipes or any property of the Corporation in any way whatsoever.

6. Vacancy of premises.
7. For violation of any rules of the Corporation.
8. For disconnecting or re-connecting service by any party other than a duly authorized agent of the Corporation without the consent of the Corporation.

#### Non-Payment Penalties

A penalty of five (5%) percent of the monthly charge will be due after the 10<sup>th</sup> day of each month for which a bill has been rendered. After twenty (20) days non-payment after the first day of the month in which the bill is payable, the Corporation may shut-off the customer's service; provided, however, the Corporation will give the customer an additional fifteen (15) days' notice before discontinuation. A fee of Twenty-five and No/100 (\$25.00) Dollars will be charged for disconnection and a Twenty-five and No/100 (\$25.00) Dollars fee will be charged for reconnection of service, plus the actual cost of remedying any damage to the shut-off value or other facilities. No service shall be turned on again if discontinued for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees.

#### Change of Ownership, Tenancy or Service

A new application and agreement must be made and approved by the Corporation on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Corporation shall have the right to discontinue service until such new application is made and approved.

#### Security Deposits

Each new Customer, before connection or reconnection, of the service may be required to make a refundable deposit to secure payment of sewerage bills in an amount double the monthly bill for that particular type of customer. Interest as approved by the Authority will be paid on any such refundable deposit.

#### SPECIAL PRETREATMENT SEWAGE REQUIREMENTS

For all sewerage connections, in addition to the customary tap fees, the Corporation reserves the right to require any non-residential user to provide special treatment for any high strength effluent before discharge into its sewerage system. The Corporation may, upon the basis

of recognized engineering standards and treatment cost, increase the tap fees or flat rate charges to cover the cost of treatment of highstrength effluent or industrial waste, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its sewerage system.

#### Damages

The Corporation shall in no event be responsible for maintaining any service line owned by the Customer, nor for damages created by sewage escaping therefrom, nor for defects in lines, or fixtures, on the property of the Customer. The Customer shall at all times comply with all regulations of the Tennessee Regulatory Authority, and the Corporation, relating to the service lines and shall make all changes in his line required on account of grade or otherwise.

All leaks in any pipe are fixture on the premises of the Customer shall be immediately repaired. On failure to repair any such leak, the service may be discontinued until repairs are made.

#### In Event of Emergency

The Corporation shall not be liable to the Customer for interruption in service, or for damages or inconvenience as a result of any interruption, stoppage, etc., which was beyond the reasonable control of the Corporation.

#### Extension Plan

The Corporation will furnish sewer services to all property owners whose lands abut the trunk sewer. The sewer service charges and tap fees included in Appendix I do not include costs for constructing collector and lateral sewers nor do they include costs for constructing trunk sewers and lift stations. Any collector and/or lateral sewers required to service such abutting properties shall be constructed at the cost of those parties desiring it and these sewers shall become the property of the Corporation to be credited to the account for contribution in aid of construction. If the said desiring party does not wish to construct his own collector and lateral sewers, the Corporation may construct them and charge the developer the total project costs for same.

The plans for extension of sewer service shall be phased according to the engineering report attached and made a part of these Rules and Regulations.

Plans for any extensions shall be reviewed and approved by the Engineer prior to construction.

#### Contributions in Aid of Construction & Advances in Aid of Construction

All contributions and advances, whether in the form of property or cash, shall be increased by a cash flow payment to the utility, in an amount equal to 33% of the contribution or advance. The contribution or advance will be equal to the "original cost" if in the form of property or face value if in the form of cash.

#### Contracts for Service

Each customer before installation of service shall be required to execute on the appropriate forms furnished by the Corporation.

1. A sewer service contract (Attachment No. 1)
2. The application and contract for sewer tap services (Attachment No. 2)

#### Customer Billing Forms

All customer billings shall be on a standard form whether residential, commercial or industrial. A copy of the form is attached hereto (Attachment No. 3).

#### Public Contact

Mr. Davis Lamb  
Southern Utility Corporation  
5214 Maryland Way, Ste 405  
Brentwood, TN 37027

#### Tennessee Regulatory Authority

The utility in its operation shall conform with all the applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority.

# **LYNWOOD UTILITY CORPORATION**

## **MONTHLY SEWER SERVICE BILLING**

### **Residential, Condominium, House or Apartment:**

Charge per 1,000 gallons  
(actual or assumed flow) . . . . . \$ 5.77

Minimum monthly charge . . . . . \$15.00

### **Non-Residential:**

Charge per 1,000 gallons  
(actual or assumed flow) . . . . . \$ 7.21

Minimum monthly charge . . . . . \$20.00

## **TAP FEES**

Residential : . . . . . \$2,750.00

### **Non-Residential :**

Charge per gallon per day  
(Computed by multiplying the peak monthly  
usage during the first year by 12 divided  
by 365 days.) . . . . . \$ 7.86

## **SEWER CONNECTION FEES**

Residential or Non-Residential: . . . . . \$250.00

## **GENERAL FEES**

Returned Check Charge: . . . . . \$20.00

## SEWER SERVICE CONTRACT

## SEWER SERVICE CONTRACT

The Undersigned, being the \_\_\_\_\_  
(Owner, Owner's Agent)  
property located at \_\_\_\_\_, does hereby  
(Number) (Street)  
request a permit to install and connect a building sewer to serve \_\_\_\_\_  
at said location.

1. \_\_\_\_\_ Square Feet \_\_\_\_\_ Bedrooms

2. The name and address of the person or firm who will perform the proposed work is :  
\_\_\_\_\_

3. Plans and specifications for the proposed building sewer are attached hereunto as Exhibit "A".

In consideration of the granting of this permit, the undersigned agrees:

- a. To accept and abide by all rules and regulations of the Lynwood Utility Corporation and of all other pertinent County and State regulations.
- b. To maintain the building sewer at no expense to the Lynwood Utility Corporation.
- c. To notify the Lynwood Utility Corporation, when the building sewer is ready for inspection and connection to the public sewer, but before any portion of the work is covered.
- d. The applicant understands that he will receive a monthly bill from the Corporation for sewerage services finished. A penalty provision of five (5%) percent of the monthly charge applies on all bills after the 10<sup>th</sup> day of each month for which a bill has been rendered and will give the Corporation the right to collect such penalty. The failure to pay said bill the 20<sup>th</sup> days of the month following said bill will give the Corporation the immediate right to discontinue the furnishing of service, or to enforce a lien against the applicant's property, provided, however, applicant shall first be given an additional 15 days notice. Applicant understands and acknowledges that failure to pay the monthly service or other charges when due may result in a lien against his property. Applicant understands that the acceptance of this application by the Corporation is conditioned upon execution of the document creating a lien against applicant's property for non-payment. It is further agreed and understood that discontinuance of service by the Corporation shall be germinated only in WRITTEN NOTICE to the Corporation and that this contract shall be in effect at all times pending such notice.

- e. No roof drains or other storm water will be connected to or allowed to flow into the sewerage system.

Date \_\_\_\_\_

Signed \_\_\_\_\_  
(Applicant)

\$ \_\_\_\_\_ Security deposit paid.

\_\_\_\_\_  
(Address of Applicant)

Application approved and permit issued:

Date \_\_\_\_\_

By \_\_\_\_\_

LYNWOOD UTILITY CORPORATION

**CONTRACT FOR SEWER  
TAP SERVICES**

## **CONTRACT FOR SEWER TAP SERVICES**

The undersigned applicant hereby applies to the LYNWOOD UTILITY CORPORATION, hereinafter referred to as Corporation to supply sewer service to the premises hereinafter described and agrees to pay for such services when statement for same is rendered therefor in accordance with the rates, charges and rules and regulations in effect at the time the service is rendered.

The undersigned agrees to abide by and be subject to all the rules and regulations promulgated by the Corporation as approved by the Tennessee Regulatory Authority governing the installation and the use of sewer services and agrees that the Corporation may require from the undersigned or tenant of the premises a cash deposit of such amount as the Corporation deems adequate as security for payment of services rendered these premises pursuant to this contract.

It is specifically agreed and understood that the applicant will make no claim for damage on account of the interruption of sewage disposal resulting from accident or when necessary to make alterations, repairs or improvements, or when services are discontinued on account of non-payment of bills.

It is further agreed and understood that the applicant shall pay the full amount of cost of service at the effective rates approved by the Tennessee Regulatory Authority in accordance with the rules and regulations of the Corporation. All rates and charges are on file in the Corporation offices and at the Tennessee Regulatory Authority.

The applicant understands that he will receive a monthly bill from the Corporation or its designated representative for sewerage services furnished. A penalty provision applies on all bills after the 10<sup>th</sup> day of each month for which a bill has been rendered and will give the Corporation the right to collect such penalty. The failure to pay said bill by the 20<sup>th</sup> day of the month following said bill will give the Corporation the immediate right to discontinue the furnishing of service, or to enforce a lien against the applicant's property. Applicant understands and acknowledges that failure to pay the monthly service or other charges when due may result in a lien against his property. Applicant understands that the acceptance of this application by the Corporation is conditioned upon execution of the document creating a lien against applicant's property for non-payment.

It is further agreed and understood that discontinuance of service by the Corporation shall be terminated only in WRITTEN NOTICE to the Corporation and that this contract shall be in effect at all times pending such notice.

#### TAPPING PROVISIONS

Wherein in this contract the applicant purchases a sewer tap the following terms and conditions shall apply:

It is understood by and between the parties hereto that the consideration hereinafter enumerated is for the privilege of tapping the sewer mains of the Corporation, and does not include any other right, title or interest or any other or further privilege than the privilege to tap said main, under the terms and conditions herein set forth. These taps are sold for lots known as house Nos. \_\_\_\_\_ of \_\_\_\_\_, Williamson County, Tennessee, or lot Nos. \_\_\_\_\_ of \_\_\_\_\_ Subdivision, a plan of which is recorded in Book No. \_\_\_\_\_, Page \_\_\_\_\_, Register's Office, Williamson County, Tennessee.

It is further understood and agreed that each tap herein purchased will be used only for the sole benefit of the occupants of one house only, located on the lot for which said tap is sold and for no other persons, property or purpose and that in the event an additional house or houses are built on said property, that a tap privilege will have to be purchased for each additional house, and further that the tap privilege herein purchased cannot be shifted or changed to any other house or any other lot, except with the written consent and approval of the Corporation, and upon such terms and conditions as the Corporation may require.

It is further understood and agreed that upon the failure on the part of the undersigned applicant, or the heirs, representatives, successors or assigns of the applicant to pay when due, any obligation incurred under this contract, that such failure shall immediately entitle the Corporation to disconnect said tap or taps from its sewer main, or mains, and discontinue the privilege and retain the amount already paid to it, by the applicant as rental or liquidated damages.

It is further understood and agreed that any abuse of said sewer tap privilege by the violation of any of the terms, provisions and conditions of this contract, by the undersigned, or any of the privies of the applicant, even after the payment of the consideration herein mentioned, that any such abuse or violation by

the undersigned or any tenant, lessee, agent, heir, representative, successor, assign or grantee of the undersigned, shall give to the Corporation, the immediate right to disconnect said pipe or taps from its mains and discontinue said tapping privileges, retaining the money paid for said tapping privilege, as rental or liquidated damages

It is further expressly understood and agreed by and between the parties that the Corporation shall not be required to establish any lateral mains or any pipes within the property line of the undersigned, and that all pipes within the property line of the undersigned shall be laid by and be the property of the undersigned, except the sewer shut-off valve, and that the Corporation shall not be required to maintain or inspect any pipe or pipes upon the property or premises of the undersigned except the sewer shut-off valve.

It is further understood and agreed that the sewer tap privilege herein purchased is merely a personal privilege and is not a part of the real estate which said tap is to service and that said tapping privilege here purchased, does not automatically pass with the title in said real estate, and neither can the undersigned nor any other person, transfer or assign said sewer tap privilege except in writing and except it obtain written consent of the Corporation.

It is understood that the failure on the part of the Corporation to take advantage of any breach of this agreement shall not be construed as a waiver, the right herein given being continuing ones.

The Corporation may at any time when necessary for repairs or for any other reason whatsoever shut off the sewer service from the applicant property without being liable in any way.

It is further understood and agreed that this contract shall in no way be deemed for the benefit of any third persons, but is only an agreement existing between the parties hereto, and their privies and that there is no implied or express covenants, representations, or warranties, not expressly stated herein.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 1999.

\_\_\_\_\_  
Applicant

LYNWOOD UTILITY CORPORATION

BY: \_\_\_\_\_

Payment Made:

\_\_\_\_\_  
Acknowledge of Receipt of  
Payment Made

Sewer Tapping Fee ..... \$ \_\_\_\_\_

By \_\_\_\_\_  
LYNWOOD UTILITY CORPORATION

\_\_\_\_\_  
APPLICANT

**Lynnwood Utility District  
1999 Profit and Loss Projection  
Based on Current Rate Structure**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	1999 Total
<b>Revenues:</b>													
Sewer Fees:													
(a) Cottonwood Residents	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	87,788
(b) Legends Ridge Residents	700	700	700	700	700	700	700	700	700	700	700	700	8,400
(c) Miscellaneous Residents	93	93	93	93	93	93	93	93	93	93	93	93	1,116
(d) Walnut Grove Elem. School	787	787	787	787	787	787	787	787	787	787	787	787	9,444
(e) River Landing Residents	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Interest Income</b>													
<b>Other</b>													
<b>Total Revenues</b>	8,894	8,894	8,894	8,894	8,894	8,894	8,894	8,894	8,894	8,894	8,894	8,894	108,781
<b>Expenses:</b>													
<b>Operating:</b>													
Waste Water Treatment Operator	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Laboratory Analysis	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	25,920
Plant Supplies	193	193	193	193	193	193	193	193	193	193	193	193	2,316
Chlorine	614	791	488	214	1,155	750	750	750	750	750	750	750	8,522
Solids Disposal	0	0	0	0	6,228	3,850	3,000	3,000	3,000	3,000	3,000	3,000	30,061
Liability Insurance	0	0	3,123	0	0	0	0	0	0	0	0	0	3,123
Property Taxes	0	0	0	7,486	0	0	0	0	0	0	0	0	7,486
State Franchise & Excise	0	0	0	0	0	0	0	0	0	0	0	0	0
Electricity for Plant	1,977	1,886	3,732	2,340	2,222	1,900	1,900	1,900	1,900	1,900	1,900	1,900	25,457
Electricity for Pump Stations	36	37	76	37	0	40	40	40	40	40	40	40	469
Telephone	236	0	144	64	0	100	100	100	100	100	100	100	1,144
Water for Plant	1,238	1,562	2,770	1,500	1,664	1,500	1,500	1,500	1,500	1,500	1,500	1,500	19,234
Water for Pump Stations	8	6	18	8	18	10	10	10	10	10	10	10	110
Trash Removal	1,615	0	360	180	180	90	90	90	90	90	90	90	2,965
Repair & Maintenance:													
Building	0	0	0	0	370	370	370	371	371	371	371	371	4,565
Equipment	0	0	0	0	370	370	370	371	371	371	371	371	4,565
Treatment Plant	0	0	0	0	247	247	247	247	247	247	247	247	2,964
Pump Station	0	0	0	260	0	123	123	123	123	123	123	123	1,444
<b>Total Operating Expenses</b>	9,580	8,601	14,974	14,457	15,252	12,300	11,450	11,452	11,452	11,452	11,452	11,452	143,874
<b>Net Results From Operations</b>	(686)	293	(6,080)	(5,563)	(6,358)	(3,406)	(2,556)	(2,558)	(2,558)	(2,558)	(2,558)	(2,558)	(35,093)
<b>Office and Overhead:</b>													
Contract Office Expenses	447	365	227	154	134	300	300	300	300	300	300	300	3,467
Off Site Management / Overhead	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Office Supplies	0	0	37	0	28	25	25	25	25	25	25	25	241
Postage & Delivery	0	46	66	33	0	0	0	0	0	0	0	0	533
Printing & Reproduction	331	0	0	0	0	0	0	0	0	0	0	0	331
Accounting / Professional Services	200	200	667	0	367	2,000	0	0	0	0	0	0	3,434
Licenses & Fees	0	0	317	0	0	0	0	0	0	0	0	0	317
Membership Dues	105	0	0	0	0	0	0	0	0	0	0	0	105
Miscellaneous	0	24	0	95	0	0	0	0	0	0	0	0	119
Debt Service - principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service - Interest	0	0	0	0	2,470	2,405	2,372	2,339	2,306	2,272	2,238	2,206	28,440
Depreciation - Plant & Equipment	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	49,368
Amortization - Deferred Rate Case Cost	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Office and Overhead</b>	8,197	7,779	8,438	4,366	7,114	11,902	9,844	9,811	9,970	9,912	9,878	10,651	108,092
<b>Total Expenses</b>	17,777	16,380	23,412	18,823	22,366	24,202	21,294	21,263	21,422	21,364	21,330	22,103	251,966
<b>Net Income</b>	(6,883)	(7,486)	(14,516)	(9,959)	(13,244)	(15,080)	(12,172)	(12,129)	(12,268)	(12,186)	(12,147)	(13,105)	(143,185)
<b>Add Back:</b>													
Depreciation Expense	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	4,114	49,368
Amortization Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash Flow</b>	(4,769)	(3,372)	(10,404)	(5,845)	(9,130)	(10,966)	(8,058)	(8,012)	(7,998)	(7,915)	(7,866)	(8,924)	(93,149)

Average Residential Rate Per Gallon \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920 \$0.001920

(based on 1998 historical usage for Cottonwood Subdivision of 260 gallons per unit per day)

EXHIBIT

3

**Lynnwood Utility District  
2000 Profit and Loss Projection  
Based on Current Rate Structure**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2000 Total
<b>Revenues:</b>													
Sewer Fees:													
(a) Cottonwood Residents	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	7,314	87,768
(b) Legends Ridge Residents	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	12,240
(c) Miscellaneous Residents	93	93	93	93	93	93	93	93	93	93	93	93	1,116
(d) Walnut Grove Elem. School	787	787	787	787	787	787	787	787	787	787	787	787	9,444
(e) River Landing Residents	16	33	49	81	114	146	179	211	244	276	309	325	1,983
Interest Income													
Other													
<b>Total Revenues</b>	<b>9,230</b>	<b>9,262</b>	<b>9,293</b>	<b>9,340</b>	<b>9,388</b>	<b>9,436</b>	<b>9,484</b>	<b>9,531</b>	<b>9,579</b>	<b>9,627</b>	<b>9,675</b>	<b>9,708</b>	<b>113,551</b>
<b>Expenses:</b>													
Operating:													
Waste Water Treatment Operator	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Laboratory Analysis	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	15,744
Plant Supplies	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Chlorine	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	15,744
Sludge Disposal	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,800
Liability Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
State Franchise & Excise	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	21,996
Electricity for Plant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Electricity for Pump Stations	42	42	42	42	42	42	42	42	42	42	42	42	504
Telephone	105	105	105	105	105	105	105	105	105	105	105	105	1,260
Water for Plant	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	18,900
Water for Pump Stations	11	11	11	11	11	11	11	11	11	11	11	11	132
Trash Removal	95	95	95	95	95	95	95	95	95	95	95	95	1,140
Repair & Maintenance:													
Building	389	389	389	389	389	389	389	389	389	389	389	389	4,672
Equipment	389	389	389	389	389	389	389	389	389	389	389	389	4,672
Treatment Plant	259	259	259	259	259	259	259	259	259	259	259	259	3,108
Pump Station	129	129	129	129	129	129	129	129	129	129	129	129	1,548
<b>Total Operating Expenses</b>	<b>15,611</b>	<b>13,778</b>	<b>17,068</b>	<b>21,278</b>	<b>13,778</b>	<b>13,778</b>	<b>13,778</b>	<b>13,778</b>	<b>13,780</b>	<b>13,780</b>	<b>13,780</b>	<b>13,780</b>	<b>177,957</b>
<b>Net Results From Operations</b>	<b>(6,381)</b>	<b>(4,516)</b>	<b>(7,765)</b>	<b>(11,938)</b>	<b>(4,390)</b>	<b>(4,342)</b>	<b>(4,294)</b>	<b>(4,247)</b>	<b>(4,201)</b>	<b>(4,153)</b>	<b>(4,105)</b>	<b>(4,074)</b>	<b>(84,408)</b>
<b>Office and Overhead:</b>													
Contract Office Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Managers Salary	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Clerical Salary	1,867	1,867	1,867	1,867	1,867	1,867	1,867	1,867	1,867	1,867	1,867	1,867	22,404
Payroll Taxes	467	467	467	467	467	467	467	467	467	467	467	467	5,604
Health Insurance	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Office Supplies	26	26	26	26	26	26	26	26	26	26	26	26	312
Postage & Delivery	0	0	131	0	0	131	0	0	131	0	0	132	525
Printing & Reproduction	350	0	0	0	0	0	0	0	0	0	0	700	1,050
Accounting / Professional Services	210	210	700	2,000	2,000	0	0	0	0	0	0	0	5,120
Licenses & Fees	0	0	333	0	0	0	0	0	0	0	0	0	333
Membership Dues	110	0	0	0	0	0	0	0	0	0	0	0	110
Miscellaneous	0	0	25	0	0	0	0	0	0	0	0	0	25
Debt Service - principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service - interest	2,204	2,170	2,135	2,100	2,065	2,029	1,993	1,957	1,921	1,884	1,847	1,810	24,115
Depreciation - Plant & Equipment	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	45,660
Amortization - Deferred Rate Case Cost	167	167	167	167	167	167	167	167	167	167	167	167	2,004
<b>Total Office and Overhead</b>	<b>12,405</b>	<b>11,912</b>	<b>12,856</b>	<b>13,632</b>	<b>13,597</b>	<b>11,862</b>	<b>11,525</b>	<b>11,489</b>	<b>11,584</b>	<b>11,416</b>	<b>11,379</b>	<b>12,174</b>	<b>145,662</b>
<b>Total Expenses</b>	<b>28,017</b>	<b>25,690</b>	<b>29,914</b>	<b>34,910</b>	<b>27,375</b>	<b>25,470</b>	<b>25,303</b>	<b>25,267</b>	<b>25,364</b>	<b>25,196</b>	<b>25,159</b>	<b>25,954</b>	<b>323,619</b>
<b>Net Income</b>	<b>(18,787)</b>	<b>(16,428)</b>	<b>(20,621)</b>	<b>(25,570)</b>	<b>(17,987)</b>	<b>(16,034)</b>	<b>(15,819)</b>	<b>(15,736)</b>	<b>(15,785)</b>	<b>(15,569)</b>	<b>(15,484)</b>	<b>(16,248)</b>	<b>(210,059)</b>
<b>Add Back:</b>													
Depreciation Expense	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	45,660
Amortization Expense	167	167	167	167	167	167	167	167	167	167	167	167	2,004
<b>Total Cash Flow</b>	<b>(14,815)</b>	<b>(12,456)</b>	<b>(16,649)</b>	<b>(21,596)</b>	<b>(14,015)</b>	<b>(12,062)</b>	<b>(11,847)</b>	<b>(11,764)</b>	<b>(11,813)</b>	<b>(11,597)</b>	<b>(11,512)</b>	<b>(12,276)</b>	<b>(162,404)</b>
<b>Average Residential Rate Per Gallon</b>	<b>\$0.001920</b>	<b>\$0.001921</b>	<b>\$0.001921</b>	<b>\$0.001921</b>	<b>\$0.001922</b>	<b>\$0.001922</b>	<b>\$0.001923</b>	<b>\$0.001923</b>	<b>\$0.001923</b>	<b>\$0.001924</b>	<b>\$0.001924</b>	<b>\$0.001925</b>	

(based on 1998 historical usage for Cottonwood Subdivision of 280 gallons per unit per day)

EXHIBIT

4

TAMM

**Lynnwood Utility District  
2000 Profit and Loss Projection  
Based on Proposed Rate Structure  
Of .005788 per Gallon**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2000 Total
<b>Revenues:</b>													
Sewer Fees:													
(a) Cottonwood Residents	22,493	21,042	22,493	21,768	22,493	21,768	22,493	21,768	21,768	22,493	21,768	22,493	265,587
(b) Legends Ridge Residents	3,114	2,956	3,207	3,148	3,300	3,238	3,393	3,439	3,373	3,532	3,463	3,625	39,788
(c) Miscellaneous Residents	186	174	186	180	186	186	186	186	186	186	186	186	2,196
(d) Walnut Grove Elem. School	787	788	788	790	791	792	793	794	795	796	797	798	9,510
(e) River Landing Residents	46	67	139	225	325	405	511	604	675	790	855	929	5,562
Interest Income													
Other													
<b>Total Revenues</b>	<b>26,627</b>	<b>25,047</b>	<b>26,814</b>	<b>26,111</b>	<b>27,065</b>	<b>26,383</b>	<b>27,376</b>	<b>27,517</b>	<b>26,790</b>	<b>27,797</b>	<b>27,062</b>	<b>28,032</b>	<b>322,652</b>
<b>Expenses:</b>													
Operating:													
Waste Water Treatment Operator	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Laboratory Analysis	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	15,744
Plant Supplies	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Chlorine	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	15,744
Sludge Disposal	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,800
Liability Insurance	0	0	3,280	0	0	0	0	0	0	0	0	0	3,280
Property Taxes	0	0	0	7,500	0	0	0	0	0	0	0	0	7,500
State Franchise & Excise	1,833	0	0	0	0	0	0	0	0	0	0	0	1,833
Electricity for Plant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Electricity for Pump Stations	42	42	42	42	42	42	42	42	42	42	42	42	504
Telephone	105	105	105	105	105	105	105	105	105	105	105	105	1,260
Water for Plant	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	18,900
Water for Pump Stations	11	11	11	11	11	11	11	11	11	11	11	11	132
Trash Removal	95	95	95	95	95	95	95	95	95	95	95	95	1,140
Repair & Maintenance:													
Building	389	389	389	389	389	389	389	389	389	389	389	389	4,672
Equipment	389	389	389	389	389	389	389	389	389	389	389	389	4,672
Treatment Plant	259	259	259	259	259	259	259	259	259	259	259	259	3,108
Pump Station	129	129	129	129	129	129	129	129	129	129	129	129	1,548
<b>Total Operating Expenses</b>	<b>15,811</b>	<b>13,778</b>	<b>17,058</b>	<b>21,278</b>	<b>13,778</b>	<b>13,778</b>	<b>13,778</b>	<b>13,778</b>	<b>13,780</b>	<b>13,780</b>	<b>13,780</b>	<b>13,780</b>	<b>177,957</b>
<b>Net Results From Operations</b>	<b>11,016</b>	<b>11,269</b>	<b>9,756</b>	<b>4,833</b>	<b>13,317</b>	<b>12,605</b>	<b>13,598</b>	<b>13,739</b>	<b>13,010</b>	<b>14,017</b>	<b>13,282</b>	<b>14,252</b>	<b>144,695</b>
<b>Office and Overhead:</b>													
Contract Office Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Bill Processing Fee (5%)	2,130	2,004	2,145	2,089	2,168	2,111	2,190	2,201	2,143	2,224	2,165	2,243	25,812
Managerial Salary	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Chemical Salary	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	20,004
Payroll Taxes	467	467	467	467	467	467	467	467	467	467	467	467	5,604
Health Insurance	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Office Supplies	28	28	28	28	28	28	28	28	28	28	28	28	312
Postage & Delivery	0	0	131	0	0	131	0	0	131	0	0	132	525
Printing & Reproduction	350	0	0	0	0	0	0	0	0	0	0	0	700
Accounting / Professional Services	210	210	700	2,000	2,000	0	0	0	0	0	0	0	5,120
Licenses & Fees	0	0	333	0	0	0	0	0	0	0	0	0	333
Membership Dues	110	0	0	0	0	0	0	0	0	0	0	0	110
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	25
Debt Service - principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service - Interest	2,204	2,170	2,135	2,100	2,065	2,029	1,993	1,957	1,921	1,884	1,847	1,810	24,115
Depreciation - Plant & Equipment	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	45,660
Amortization - Deferred Rate Case Cost	167	167	167	167	167	167	167	167	167	167	167	167	2,004
<b>Total Office and Overhead</b>	<b>14,556</b>	<b>13,916</b>	<b>15,001</b>	<b>15,721</b>	<b>13,765</b>	<b>13,803</b>	<b>13,715</b>	<b>13,690</b>	<b>13,727</b>	<b>13,640</b>	<b>13,544</b>	<b>14,417</b>	<b>171,474</b>
<b>Total Expenses</b>	<b>30,147</b>	<b>27,694</b>	<b>32,059</b>	<b>36,999</b>	<b>29,543</b>	<b>27,581</b>	<b>27,493</b>	<b>27,468</b>	<b>27,507</b>	<b>27,420</b>	<b>27,324</b>	<b>28,197</b>	<b>349,431</b>
<b>Net Income</b>	<b>(3,521)</b>	<b>(2,846)</b>	<b>(5,245)</b>	<b>(10,866)</b>	<b>(2,447)</b>	<b>(1,198)</b>	<b>(117)</b>	<b>48</b>	<b>(717)</b>	<b>378</b>	<b>(262)</b>	<b>(185)</b>	<b>(26,780)</b>
<b>Add Back:</b>													
Depreciation Expense	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	45,660
Amortization Expense	167	167	167	167	167	167	167	167	167	167	167	167	2,004
<b>Total Cash Flow</b>	<b>451</b>	<b>1,326</b>	<b>(1,273)</b>	<b>(6,916)</b>	<b>1,525</b>	<b>2,774</b>	<b>3,655</b>	<b>4,020</b>	<b>3,255</b>	<b>4,350</b>	<b>3,710</b>	<b>3,607</b>	<b>20,694</b>
<b>Average Monthly Residential Bill</b>	<b>\$46.47</b>	<b>\$43.48</b>	<b>\$46.47</b>	<b>\$44.97</b>	<b>\$46.47</b>	<b>\$44.97</b>	<b>\$46.47</b>	<b>\$46.47</b>	<b>\$44.97</b>	<b>\$46.47</b>	<b>\$44.97</b>	<b>\$46.47</b>	

(Based on 1998 historical usage for Cottonwood Subdivision of 260 gallons per unit per day)