

July 3, 2000

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OFFICE OF THE  
EXECUTIVE SECRETARY

K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Pkwy  
Nashville, TN 37243-0505  
FAX: 741-0515

RECEIVED  
JUL 10 2000

Dear Mr. Waddell,

TN REGULATORY AUTHORITY  
GENERAL COUNSEL'S OFFICE

I am writing you in response to the article in the Williamson AM this past Thursday. Needless to say I was quite surprised and as you could imagine, a little upset in the fact that I was unavailable to respond with any information. Therefore I would like to address these issues herein.

1. Tap Fees at Legends Ridge - Being a principal of both Legends Ridge and, at the time Lynnwood Utility, apparently an error was made in waiving tap fees for the first sections of Legends Ridge. We were informed that this was not an acceptable policy. I have corrected this error and Legends Ridge, LLC has come to an agreement with the present owner of Lynnwood Utility to pay these tap fees. I believe the Petition states that this issue be considered for the increase in tap fees (new construction) not for the rate increase issue.
2. Overbilling Walnut Grove Elementary School - During the 2 year ownership of Lynnwood Utility we employed the same bookkeeper, accounts receivable and CPA firm as the previous owner. We billed what the previous owner had billed and this has been confirmed by all accounting personnel. It is my understanding that the billing rate for Walnut Grove was established, when the school was first built, by a third party and all rates were approved by the then Public Service Commission. The current Petition states that under the NEW proposed rates and customer water usage there is apparently an overbilling. Is that an overbilling - or a reduction based on a NEW billing procedure.
3. All accounting and tax preparation was done by Kraft CPA. The TRA requires that all tax returns be submitted for review and possible audit. Any and all accounting is available to answer any financial questions you might have. The facility has been in an anemic financial situation for along time. All financials will verify that.

In your pursuit to look into these issues we will be very willing to assist you in any possible way we can. I would also request that you inquire with State Officials and Inspectors, the plant engineers - past and present, the consulting engineers and all accounting personnel. You will then discover that due to lack of a rate increase over the Past 18 Years the facility did not have the capital to upgrade and maintain itself properly. The only reason the facility was acquired was to correct the several compliance issues. The plant was upgraded immediately with a new clarifier and new aeration equipment so that it could then operate per State requirements.

I have also enclosed a memo dated August 24, 1998, which was sent out to all Cottonwood Homeowners, that updated the residents of the Lynnwood situation. Also be advised that we did approach the Cottonwood HOA Board at one of the monthly meetings with the proposal that they (the HOA) pursue the ownership of Lynnwood Utility prior to its acquisition by the present owner. This should be noted in the Board meeting minutes.

It's such an unfortunate and personally damaging situation that misinformation, incomplete truths and important facts have been left out and there is very little an individual can do. Even if all the facts are recognized at a later date, the personal damage can never be reversed. Therefore I hope you can be expedient in your review process and find closure with my involvement as to these issues. Everyone will agree that an increase in rate structure was needed, however, the amount is the issue for the current parties involved.

Sincerely,

David A. Terry

cc: Cottonwood Homeowners  
Legends Ridge Homeowners  
Bob Adgent - Williamson County Planning Director - Via FAX  
Stan Tyson - Williamson County Commissioner - Via FAX  
Nancy Williams - Williamson County Commissioner - Via FAX  
Richard Collier - Tennessee Regulatory Authority - Via FAX  
Charlie Reasor - White & Reasor, PLC - Via FAX  
Nader Baydoun - Baydoun & Reese - Via FAX

enclosures: Memo dated August 24, 1998, to Cottonwood Residents

# LYNNWOOD UTILITY CORPORATION

August 24, 1998

Mr. Randy Jones  
Cottonwood Homeowners Association Board  
170 Cottonwood Drive  
Franklin, TN 37069

Dear Randy,

We have discussed the History of the Lynnwood Plant at your Board meetings on several occasions. In light of the recent articles I think it is necessary for the residents of Cottonwood to receive additional information.

## History

The Lynnwood Plant was built approximately 18 years ago to service the Cottonwood development and a proposed Cottonwood II. The facility was permitted 600,000 gal/day but its design features would only accommodate approximately 127,000 gal/day. Most of the original equipment was still in place until the recent upgrade. The Lynnwood District had approved additional taps for Legends Ridge in 1995 when the project received county approval. After the first 20 taps were issued I learned that there were compliance issues and maintenance/operating issues. These issues would not only jeopardize the completion schedule of Legends Ridge but cost all users substantial improvement dollars. I could never receive an answer as to how and when these issues were going to be resolved or by whom. In June 1996 I acquired the facility to correct the issues and complete Legends Ridge. I immediately contracted our Engineers to do a Engineering Evaluation Report of the facility. We put a plan in place with the following goals in mind:

1. Bring the plant back into compliance.  
This has been a 2 year project.

<u>Item</u>	<u>Time Frame</u>
Engineering Report	6 months
Construction Plans	3 months
County Approvals	3 months
State Approvals	3 months
Construction	9 months

2. Maintain the existing rate structure to Cottonwood and not have an assessment for the upgrade.

Plant upgrade can either be funded with debt (loans or bonds) or with capital from new development. With debt rates must increase. The Legends Ridge Project has been able to fund (\$400,000) the initial upgrade.

3. Assist Farmington, Meadowgreen and Hillsboro Acres in obtaining some type of sewer system.

This in itself would be a tremendous benefit to the entire Lynnwood basin. Many homes in these communities are experiencing septic tank failure and some septic fields that were built in the flood zone have tremendous sewage problems in the event of any rainfall.

We have also been working on this for the past 2 years and many residents of these communities have put in a lot of time and effort with Lynnwood to find a solution.

In a two year period we have accomplished several things:

1. The upgrades are in places that will bring the plant into compliance
2. Cottonwood rates have not increased and no assessments have been requested.
3. We now have the capital available from the River Landing Project (\$800,000) to build the necessary plant capacities required not only for River Landing but for Farmington, Meadowgreen and Hillsboro Acres. This capital will also provide additional upgrades to the Cottonwood System.

Plant Capacity

The plants present design for 200,000 gallons/day handles the following:

- 483 Cottonwood
- 1 Walnut Grove Elementary
- 150 Legends Ridge
- 62 Available for River Landing

We have requested to increase the facility to 400,000 gallons/day for the following:

- 125 Balance of River Landing
- 96 Farmington (Existing Homes)
- 223 Meadowgreen (Existing Homes)
- 143 Hillsboro Acres (Existing Homes)
- 20 Chapelwood (Existing/New Homes)
- 1 Church of Christ (Existing Church)

We could reduce this request to an additional 40,000 - 50,000 gallons/day if we were only interested in expansion for River Landing. But we now have the ability to have capacity in place, paid by new development, as we try to provide affordable service for existing homes. Secondly, the basic economics of running the Lynnwood facility requires more users.

Cottonwood

The HOA Board has been very helpful and I appreciate the support that they have given Lynnwood while these upgrades were being handled. They communicate on a regular basis and always address issues and concerns.

Next Step

We have contracted a firm to clean and televise approximately 29,000 linear feet of the sewer line in Cottonwood. This work will include jetting, root cutting, removal of debris and television inspection. This work will allow us to locate any damaged pipelines and establish a repair schedule.

The contractor does need access to the manholes in the streets so please send notice to all homeowners to be careful of men and equipment in the streets. This work will occur over the next 60 days.

In Closing

Lynnwood has been a serious problem. With the upgrades in place Lynnwood can now be an answer to other issues in the Lynnwood Basin. Those that are aware of all the issues have been very supportive and I appreciate that support.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Terry". The signature is stylized with a large, looped "D" and a cursive "Terry".

Dave Terry