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**VIA ELECTRONICALLY**

Hon. James Allison, Chairman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**RE: Joint Petition of Tennessee-American Water Company, the City of Whitwell, Tennessee, and the Town of Powells Crossroads, Tennessee, for Approval of a Purchase Agreement and a Water Franchise Agreement and for the Issuance of a Certificate of Convenience and Necessity, TRA Docket No. 12-00157**

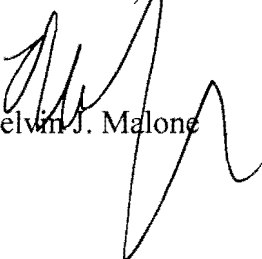
Dear Chairman Allison:

Enclosed please find the original and thirteen (13) copies of the *Direct Testimony of Cindy Easterly Adopting Testimony of Steve Hudson* in the above-captioned matter. An additional copy is also enclosed to be file-stamped for our records.

If you have any questions or require additional information, please let me know.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS &  
CANNADA, PLLC

  
Melvin J. Malone

clw  
Enclosure  
cc: Parties of Record

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BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**DOCKET NO. 12-00157**

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**DIRECT TESTIMONY OF  
CINDY EASTERLY ADOPTING TESTIMONY OF STEVE HUDSON**

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**Q: PLEASE STATE YOUR NAME AND PLACE OF RESIDENCE.**

**A:** My name is Cindy Holland Easterly. I am a resident of the City of Whitwell, Tennessee ("Whitwell"). I currently serve as the Mayor of Whitwell. Accordingly, I am personally familiar with the facts contained in the testimony of Steve Hudson regarding Tennessee American Water Company's ("TAWC") purchase of Whitwell's water system. Mayor Hudson passed away on December 28, 2012. I was appointed to serve as Mayor on January 3, 2013.

**Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?**

**A:** The purpose of my testimony is to adopt the testimony previously filed in this matter by Mayor Steve Hudson supporting the approval of the purchase of the assets that make up Whitwell's water system and the grant of a Certificate of Public Convenience and Necessity to TAWC. A copy of Mayor Hudson's testimony is attached as **Exhibit 1**.

**Q: ARE YOU FAMILIAR WITH THE TESTIMONY OF STEVE HUDSON?**

**A:** Yes. I have reviewed the testimony of Mayor Steve Hudson, and I am familiar with its contents.

**Q: IF ASKED THE SAME QUESTIONS AS ARE IN THE DIRECT TESTIMONY OF STEVE HUDSON, WOULD YOU ANSWER EACH QUESTION THE SAME?**

**A:** Yes.

Q: DO YOU WISH TO ADOPT THE TESTIMONY OF STEVE HUDSON  
WITHOUT CHANGES?

A: Yes.

No further questions.

*Cindy Holland Easterly Mayor*  
Cindy Holland Easterly, Mayor

Sworn to and subscribed before me this  
19 day of April, 2013

*Frances Kelly*  
Notary Public

My Commission Expires: 11-12-13



# EXHIBIT 1

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

DOCKET NO. 12- 00157

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**DIRECT TESTIMONY OF  
STEVE HUDSON**

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1    **Q:    PLEASE STATE YOUR NAME AND PLACE OF RESIDENCE.**

2    A:    My name is Steve Hudson. I am a resident of the City of Whitwell, Tennessee  
3           ("Whitwell"). I am also the Mayor of Whitwell. Accordingly, I am personally familiar  
4           with the facts associated with Tennessee-American Water Company's ("TAWC")  
5           purchase of Whitwell's water system.

6    **Q:    WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?**

7    A:    The purpose of my testimony is to provide information to support the Joint Petition,  
8           which seeks in part the approval of the purchase of the assets that make up Whitwell's  
9           water system and the grant of a Certificate of Public Convenience and Necessity to  
10          TAWC. The Asset Purchase Agreement between TAWC and Whitwell (the "Purchase  
11          Agreement") is attached to the Joint Petition as **Exhibit A**.

12   **Q:    PLEASE GIVE THE AUTHORITY A BRIEF HISTORY OF WHITWELL'S**  
13   **WATER SYSTEM AND THE EVENTS THAT LED UP TO THE**  
14   **NEGOTIATIONS BETWEEN WHITWELL AND TAWC IN REGARD TO THE**  
15   **TRANSFER OF THE ASSETS OF WHITWELL'S WATER SYSTEM.**

16 A: Whitwell currently owns and operates a water supply system that serves approximately  
17 2,750 customers, the majority of which are located outside of the Whitwell corporate  
18 boundaries. The system relies on the Sequatchie River as its sole source of supply for its  
19 1.2 million gallons per day water treatment plant. The distribution system consists of  
20 approximately 45 miles of pipe, 5 pump stations, 7 storage tanks and 108 hydrants  
21 within the City of Whitwell, the Town of Powell's Crossroads, Tennessee,  
22 unincorporated portions of Marion County, Tennessee and unincorporated portions of  
23 Sequatchie County, Tennessee, the location of such systems are generally shown on the  
24 map attached to the Joint Petition as **Exhibit C** (collectively the "System").

25 Since Whitwell's acquisition of the West Valley Water Association ("WVWA") in 2004,  
26 Whitwell has been plagued by excessive water losses in the System. Prior to the  
27 acquisition, WVWA was a bulk sales customer of Whitwell. In addition, during the hot,  
28 dry summer months, flows in the Sequatchie River can get very low. Intake  
29 modifications are necessary to accommodate these low flows, as well as an  
30 interconnection with neighboring water systems.

31 While I am familiar with TAWC through my personal business dealings, others in  
32 Whitwell were introduced to TAWC during the WVWA deliberations as TAWC had at  
33 one time entertained the possibility of acquiring the WVWA system. Since that time,  
34 there have been on-again, off-again discussions with TAWC about the acquisition of the  
35 System.

36 Whitwell has done an admirable job of managing the System to date, but significant  
37 infrastructure upgrades and improvements are required to meet current and future  
38 customer demands. Some potential customers have been denied water service because of  
39 the System's limitations. The impact of such improvements on customers' rates is a  
40 challenge, as Whitwell has among the highest water rates in the Sequatchie Valley.

41 Over the past several years, Whitwell had been operating its water system under the  
42 oversight of the Water and Wastewater Financing Board of the Tennessee State  
43 Comptroller of the Treasury's Office due to System financial losses. The financial  
44 challenges have been remedied for now. However, the high System water losses remain  
45 an issue. It has been a challenge for our small community to maintain the System, invest  
46 in infrastructure replacement and keep rates as low as possible particularly with less and  
47 less grant funding available. It is apparent that a professionally run organization, like  
48 TAWC, is in a better position to make the necessary capital investments and properly  
49 manage the assets while keeping rates reasonably low to support our community for years  
50 to come. Preparing Whitwell for the future is the basic premise behind this transaction.

51 **Q: HAS THE COMMUNITY BEEN SUPPORTIVE OF THE TRANSFER OF THE**  
52 **SYSTEM TO TAWC?**

53 A: Yes. The community supports this transaction. Without addressing Whitwell's need for  
54 an alternative source of water and making other necessary improvements to the System,  
55 there was essentially little growth potential in the area. Also, the quality of the water  
56 provided by the System needs improvements as well.

57 Q: ARE YOU AWARE OF ANY OPPOSITION OR OBJECTIONS TO TAWC'S  
58 REQUEST FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY  
59 FROM THOSE CURRENTLY SERVED BY THE SYSTEM?

60 A: No, I am not.


61 Q: THE PURCHASE AGREEMENT ALSO CONTAINS THE GRANT OF A  
62 FRANCHISE TO TAWC TO ALLOW IT TO CONTINUE OPERATING WITHIN  
63 THE PUBLIC RIGHTS OF WAY. PLEASE DESCRIBE THE EXTENT OF THE  
64 NEGOTIATIONS OVER THE TERMS AND CONDITIONS OF THE  
65 PURCHASE AGREEMENT, INCLUDING THE FRANCHISE.

66 A: There were numerous meetings and discussions between TAWC and representatives of  
67 Whitwell over the terms and conditions of the Purchase Agreement and franchise. These  
68 were arms-length negotiations and both parties were represented by attorneys. The  
69 Purchase Agreement went through numerous drafts, and there was significant give and  
70 take in the negotiations.


71 Q: IN YOUR OPINION, IS THE ACQUISITION BY TAWC OF THE SYSTEM, AND  
72 THE FRANCHISE PROVIDED IN THE PURCHASE AGREEMENT, IN THE  
73 PUBLIC INTEREST?

74 A: Yes. The Purchase Agreement and the franchise are necessary and proper for the public  
75 convenience and properly conserves and protects the public interest both today and in the  
76 future. On behalf of Whitwell, I am requesting that the Authority approve the Joint  
77 Petition, including the granting of a Certificate of Convenience and Necessity to TAWC  
78 to serve all of the customers currently served by the System.

79 No further questions.

  
\_\_\_\_\_  
Steve Hudson

Sworn to and subscribed before me this  
18 day of December, 2012

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

My Commission Expires: 2-9-15

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