
BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE:)	
)	
PETITION OF TENNESSEE)	DOCKET NO. 15-00071
WASTEWATER SYSTEMS, INC.,)	
FOR APPROVAL OF LOANS)	

DIRECT TESTIMONY OF CHARLES HYATT

Q: What is your name and occupation?

A: I am Charles Hyatt, president of Tennessee Wastewater Systems, Inc. ("TWSI").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain the purpose and necessity of the loans and promissory note that are the subject of this petition.

Q: Would you summarize the petition?

A: TWSI asks the Authority to approve financing obligations in the amount of \$221,171.30 including a loan from Wilson Bank and Trust for \$75,796.47; two loans from First Bank for a total of \$106,902.33; and a promissory note to private land sellers for \$38,472.50. The loans are for the purchase of two pick-up trucks and two Kubota excavators. The promissory note is for the purchase of land neighboring a drip field in Dyer's Hollow.

Q: Why are the loans for the trucks and excavators necessary?

A: The trucks are replacing older trucks in our fleet which are currently used by facility operators. The trucks are used for transportation to and from the facilities, maintenance calls, and line locates. The excavators are used to fix and repair the collection lines and facilities. The trucks and excavators are used every day in the ordinary course of our business and are considered by us to be reasonable business expenditures.

Q: Why is the promissory note for the land at Dyer's Hollow necessary?

A: The land was always intended to be purchased and used as part of the drip field at Dyer's Hollow. When the land for the original drip field was purchased, TWSI and the landowners executed a contract that gave TWSI an option to purchase the adjoining property with first right of refusal should another purchaser wish to buy the property. However TDEC did not feel this option arrangement met their requirement of proof of ownership of the treatment site. To rectify this issue, TWSI had to execute its option on the adjoining property which required issuing the promissory note to the sellers of the property.

Q: How are these loans different than the line of credit petitioned for in Docket 14-00136?

A: The funding petitioned for in Docket 14-00136 is an unsecured line of credit and because it is unsecured, the bank requires TWSI to gain approval from the TRA before making the funds available. Unlike the financing petitioned for in Docket 14-00136, there is nothing extraordinary about the loans we are currently asking the Authority to approve. In this petition, we are asking for approval of financing arrangements necessary for TWSI to conduct its normal business operations and comply with TDEC rules and regulations. The loans and note are secured by collateral -- the items themselves -- which provides the security necessary for the banks and land sellers to move forward with the financing without additional assurances from the TRA in the event TWSI were to default on any of these obligations.

Q: What impact will these loans have on customer rates?

A: In the short term, there will be no impact on customer rates. We are not petitioning the Authority for an increase in rates, just the approval of these financing arrangements. We do anticipate filing a rate case at some point in the future at which time all the utility's expenses will be considered as we seek to determine a fair and reasonable rate structure. However, at this time we do not have a timeframe in mind in which we plan to file that case.

Q: How do these financing arrangements address any public interest concerns?

A: The financing arrangements are consistent with the public interest and will not impair the ability of TWSI to perform services to the customer. The public interest does not include just the rate the customers are asked to pay, the public also has an interest in the proper operation, management, and maintenance of their wastewater systems by the utility. These loans allow TWSI to continue to provide the highest level of service to its customers and remain responsive to their needs.

Q: Does this complete your testimony?

A: Yes.

ACKNOWLEDGMENT

State of Tennessee)
County of Rutherford)

Personally appeared before me, Susan R. Chaffin, notary public of this county, Charles Hyatt, the within named witness, with whom I am personally acquainted, and who acknowledged that such person executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 12 day of October, 2015

Susan R. Chaffin
Notary

My commission expires: 2/20/2018

