

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TN

April 27, 2017

IN RE:

PETITION OF TENNESSEE

WASTEWATER SYSTEMS, INC.,

TO POST ALTERNATIVE FINANCIAL

SECURITY

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DOCKET NO. 17-00034

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 attest to the accuracy of the facts stated in the Petition to Post

Alternative Financial Security filed April 26, 2017.

Q. Would you summarize the Petition?

A. TWSI is requesting the Commission permit TWSI to reduce the amount of its current financial security bond of \$1,248,882 to \$300,000. TWSI current bond filed with the Commission in the amount of

\$1,248,882 represents 66% of the annual revenues of the utility based on the most recent UD20 filing.

Recently the Commission voted to adopt new rules regarding the amount of financial security a wastewater utility is required to carry. The new rules specify a wastewater utility must file financial security with the Commission equal to 50% of the utility's annual revenues with a minimum of \$20,000 and maximum of \$300,000. Though these rules are not yet in effect, TWSI is asking that the Commission exercise its discretion under the current rules to set TWSI's financial security obligation at the new maximum cap which the Commission has deemed to be reasonable.

Q. Why does TWSI believe a reduction in the amount of the current bond to \$300,000 to be reasonable?

A. TWSI advocated for the \$300,000 maximum cap on the financial security requirement during the comment period on the new rules. As support for this position, TWSI relied on the bonding requirements its sister company, Alabama Wastewater Systems, Inc. is subject to in Alabama, the fact that the Commission has repeatedly found that it is unlikely that all TWSI facilities will fail at the same time thus a bond of 100% of its revenues was not necessary, and given the cost of the bond, needed capital is unnecessarily tied up to secure the financing rather than available for the company to use in other ways to the benefit of its ratepayers.

We believe that since the Commission accepted TWSI's comments and adjusted the proposed financial security rules to incorporate the suggested maximum cap of \$300,000, the Commission agrees with TWSI that \$300,000 is a reasonable amount to assure the Commission that the funds to operate a failed or insolvent system are in place in the unlikely event either of those events happen.

Q. How does a reduction in the amount of the bond benefit the ratepayer?

A. The bond TWSI currently has in place costs roughly \$43,000 per year to maintain. This cost is paid by the ratepayer through a \$1.21 monthly charge on their wastewater bill. If the bond is reduced to \$300,000, the customer will save almost \$1 per bill as the cost of the bond will drop to approximately \$9000 which is around a 25-cent bond charge to the customers' monthly bill.

Q. Any further comments about the petition?

A. TWSI is not requesting treatment under the new rules which are not yet in effect. We are simply asking that the Commission exercise its discretion under its current rules to approve the reduction of TWSI's bond to \$300,000 which is an amount the Commission has determined through the adoption of the proposed rules to be reasonable.

Q. Does this complete your testimony?

A. Yes.

AFFIDAVIT

My name is Charles Hyatt and the attached is direct testimony and is true and correct to the best of my knowledge.

C. R. Hyatt
Charles Hyatt

County of Rutherford)
State of Tennessee)

On this 27 day of April, 2017, personally appeared before me, the above-named Charles Hyatt known to me personally who was duly sworn and on oath executed the above Affidavit.

Susan R. Chaffin
Notary

My commission expires: 02/20/2018

