

September 22, 2020

VIA ELECTRONIC FILING

Hon. Kenneth C. Hill, Chairman c/o Ectory Lawless, Docket Room Manager Tennessee Public Utility Commission 502 Deaderick Street, 4th Floor Nashville, TN 37243 TPUC.DocketRoom@tn.gov

RE: Joint Petition of Tennessee-American Water Company and Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc. for the Approval of an Asset Purchase Agreement and for the Issuance of a Certificate of Convenience and Necessity; Docket No. 20-00011

Dear Chairman Hill:

Please find attached for filing the *Rebuttal Testimony of TAWC Witnesses Elaine K. Chambers, Grady Stout, and Brian Queen, and the Rebuttal Testimony of Thunder Air, Inc. Witnesses Dane Bradshaw and John Thornton* in the above-captioned docket. As the Rebuttal Testimony of Witnesses Elaine Chambers, Brian Queen, Grady Stout, John Thornton and Dane Bradshaw contain **CONFIDENTIAL INFORMATION**, Public and Confidential versions of their respective testimony are enclosed.

Also, attached as an exhibit to TAWC Witness Brian Queen's Rebuttal Testimony is **CONFIDENTIAL EXHIBIT BQ – Rebuttal - 1**, which contains **CONFIDENTIAL INFORMATION** and is being submitted **UNDER SEAL** as **CONFIDENTIAL AND PROPRIETARY**. We have attached a CONFIDENTIAL version of this exhibit to Mr. Queen's CONFIDENTIAL Testimony, as well as a Public version of this exhibit to the Public version of Mr. Queen's Testimony.

As required, one (1) hard copy will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER, SNOW LLP

Me

Attachments

cc: Elaine Chambers, TAWC

William H. Horton, Thunder Air, Inc.

Daniel P. Whitaker III, Consumer Advocate Unit

The Pinnacle at Symphony Place 150 3rd Avenue South, Suite 1600 Nashville, TN 37201 MELVIN J. MALONE 615.651.6705 melvin.malone@butlersnow.com

T 615.651.6700 F 615.651.6701 www.butlersnow.com

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Daniel P. Whitaker III
Assistant Attorney General
Economic and Regulatory Section
Financial Division, Consumer Advocate Unit
Office of the Tennessee Attorney General
War Memorial Building, 2nd Floor
301 6th Avenue North
Nashville, TN 37243
Daniel.Whitaker@ag.tn.gov

This the 22nd day of September, 2020.

54715197.v1

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 20-00011

REBUTTAL TESTIMONY

OF

DANE BRADSHAW

ON

JOINT PETITION OF TENNESSEE-AMERICAN WATER COMPANY AND THUNDER AIR, INC. D/B/A/JASPER HIGHLANDS DEVELOPMENT, INC. FOR THE APPROVAL OF AN ASSET PURCHASE AGREEMENT AND FOR THE ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY

1	Q:	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2	A:	My name is Dane Bradshaw. I am the President of Thunder Air, Inc. d/b/a Jasper Highlands
3		Development, Inc. ("Thunder Air, Inc."). I also serve as the President of the Jasper
4		Highlands Property Owners Association ("JHPOA"). My business address is 104
5		Battlecreek Road, South Pittsburg, TN 37380.
6		
7	Q:	DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON
8		BEHALF OF THUNDER AIR, INC.?
9	A:	Yes. I filed Direct Testimony.
10		
11	Q:	WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?
12	A:	The purpose of my Rebuttal Testimony is to rebut portions of the Pre-filed Direct
13		Testimony of William H. Novak, witness for the Consumer Advocate Unit of the Financial
14		Division of the Office of the Attorney General ("Consumer Advocate" or "CA").
15		
16	Q.	ARE YOU SPONSORING ANY EXHIBITS?
17	A.	Yes, I am. I am sponsoring attached EXHIBIT DB – REBUTTAL – 1 . I will discuss this
18		exhibit further in my Rebuttal Testimony below.
19		
20	Q.	WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECTION AND
21		SUPERVISION?
22	A.	Yes.
23		

1	Q.	WHAT WERE THE SOURCES OF DATA USED TO PREPARE THE EXHIBIT
2		LISTED ABOVE?
3	A.	The information used to prepare the exhibits was obtained from the books of account and
4		business records of Thunder Air, Inc. and other internal sources that I examined during the
5		course of investigating the matters addressed in this testimony and from information in the
6		record in this case.
7		
8	Q.	DO YOU CONSIDER THIS INFORMATION RELIABLE AND OF THE TYPE
9		THAT IS NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH
10		PURPOSES?
11	A.	Yes.
12		
13	Q.	DOES THE EXHIBIT LISTED ABOVE ACCURATELY SUMMARIZE THE
14		INFORMATION AND THE RESULTS OF THE ANALYSIS OF THE
15		INFORMATION?
16	A.	Yes.
17		
18	Q.	IN HIS TESTIMONY (PP. 7-8), MR. NOVAK EXPRESSED CONCERN ABOUT
19		THE INCREASE IN THE PURCHASE PRICE IN THIS CASE FROM THE ASSET
20		PURCHASE AGREEMENT IN DOCKET NO. 18-00099. CAN YOU EXPLAIN
21		THE REASON FOR THE INCREASE IN THE PURCHASE PRICE?
22	A.	Yes. When the Joint Petitioners completed negotiations on the Purchase Price for the Asset
23		Purchase Agreement that is attached to the Joint Petition in this proceeding (the "APA" or

"Purchase Agreement"), a fair amount of time had passed since the agreement underlying
Docket No. 18-00099. During this passage of time, Thunder Air, Inc. has added more
water infrastructure and customers. Under the agreement in Docket No. 18-00099, the
Purchase Price was \$1,500,000, and the development consisted of only Phases 1 and 2
(Phase 3 was not complete at the time of execution of the agreement in Docket No. 18-
00099). Under the APA, the Purchase Price is \$2,398,200 and covers Phases 1, 2, and 3 of
the development. Phase 3 adds approximately 25,000 linear feet of installed water lines,
200 sold properties to end users, and 45 additional customers. The remaining portion of the
Purchase Price consists of Post-Closing Payments, up to a total of \$898,200 to Thunder
Air, Inc. Specifically, Tennessee-American Water Company ("Tennessee American" or
"TAWC") will pay \$1,800 per connection for customers who are added to the Thunder Air,
Inc. water system being acquired (the "System") and remain customers for 12 consecutive
months. It is important to note here that Thunder Air, Inc. will be incurring the cost on the
front end to extend the water lines for such new customers. This puts the risk on Thunder
Air, Inc., not Tennessee American, to add more customers to the System. Thunder Air, Inc.
can only receive any Post-Closing Payments if the customer base for the System expands.
For these reasons, Mr. Novak's implication in his Pre-filed Direct Testimony (pp. 7-8) that
the Purchase Price increased by nearly \$900,000 for no justifiable reason is misleading. If
Thunder Air, Inc. receives any portion of the Post-Closing Payments, then new customers
are being added to the System and the System is expanding.

1	Q:	DO YOU AGREE WITH MR. NOVAK'S CHARACTERIZATION ON PAGE 13
2		OF HIS PRE-FILED TESTIMONY THAT THUNDER AIR, INC.'S CUSTOMER
3		GROWTH PROJECTIONS ARE "HIGHLY SPECULATIVE"?
4	A:	I do not. The following are the water customers in the Jasper Highlands community as of
5		the end of each year, as provided in my response to DR 2-2(a):
6		December 31, 2017 – 80 customers
7		December 31, 2018 – 123 customers
8		December 31, 2019 –166 customers
9		Part of my duties and responsibilities as the President of Thunder Air, Inc. is to assist in
10		developing and to monitor and oversee growth projections in the development community.
11		As I outlined in my Pre-filed Direct Testimony (pp. 3-4), our projections are based in part
12		on lot sales and previous year home builds. Using this historical and performance data has
13		resulted in Thunder Air, Inc. meeting or exceeding projections in the Thunder Air, Inc.
14		development community that the System serves. See Pre-filed Direct Testimony of Thunder
15		Air, Inc. Witness Dane Bradshaw, pp. 3-4. For instance, our projections for the year ending
16		December 31, 2019, were 150.
17		
18		As with most businesses, the success of the Thunder Air, Inc. development community is
19		based in part of how we manage our projections. So, we take our growth projections very
20		seriously. Otherwise, we run the risk of failing, along with other associated consequences.
21		Therefore, we avoid unfounded and unrealistic projections, as such do not aid the overall
22		success of Thunder Air, Inc. Despite Mr. Novak's unsupported claim, Thunder Air, Inc.
23		has consistently met or exceeded its projections.

1		Q. WHAT ARE YOUR CURRENT PROJECTIONS:
2		A. For the end of year 2020, we had projected approximately 210 customers. At this
3		time, there are 180 water customers served by the System. Considering the number of
4		homes breaking ground each week, the number of homes submitted for approval and are
5		in the design phase, the need to add more approved builders, and number of lots sold, we
6		remain confident in our 2020 year-end estimates.
7		
8		Rural communities in Tennessee have experienced a recent boom in real estate, which we
9		have experienced as well. Thunder Air, Inc. has already sold approximately 925 properties
10		to end users, and our demographic is pre-retirees/retirees as their primary residence. Rarely
11		are these second homes.
12		
13		Mr. Novak may not have appreciated the scale of this development. Attached as EXHIBIT
14		DB – REBUTTAL - 1 are aerial views showing the current status of the development.
15		
16	Q.	DID THUNDER AIR, INC. UNDERTAKE THE PROVISION OF OTHER
17		SERVICES TO SUPPORT THE DEVELOPMENT?
18	A.	Yes. We also have the example of the fiber utility for the Thunder Air, Inc. development.
19		An entity affiliated with Thunder Air, Inc. previously provided fiber internet service to
20		owners in the development, and such business was recently sold to SVEConnect for
21		. The customer connections/installs since that sale have exceeded the expectations
22		of SVEConnect. Thunder Air, Inc. never desired to be involved in a utility business, but it
23		became necessary due to the lack of existing service.

1		
2	Q.	ON PAGE 6, LL 4-8 OF HIS PRE-FILED TESTIMONY, MR. NOVAK ASSERTED
3		THAT SOFT COSTS TOTALING OVER WERE NOT RECORDED
4		TO THE BOOKS OF THUNDER AIR, INC., RESULTING IN AN INFLATED
5		BOOK VALUE OF ITS WATER DISTRIBUTION ASSETS. DO YOU AGREE
6		WITH MR. NOVAK'S ASSERTION? IF NOT, PLEASE EXPLAIN.
7	A.	The gross utility plant in service reported by Thunder Air in the Response to
8		CONFIDENTIAL Supplement DR 1-15 was . Thunder Air did not make any
9		claims that the soft costs of were capitalized costs, and thereby included in the
10		book value of the water distribution assets on the books of Thunder Air. The property
11		ledgers produced only reflect capitalized costs.
12		
13	Q.	ON PAGE 6, LL 11-14 OF HIS PRE-FILED TESTIMONY, MR. NOVAK ASSERTS
14		THAT THE UTILITY PLANT IN SERVICE VALUE OF WAS NOT
15		SUPPORTED BY THUNDER AIR'S PROPERTY LEDGERS. DO YOU AGREE?
16		IF NOT, PLEASE EXPLAIN.
17	A.	As previously explained in our Response to CONFIDENTIAL Supplemental DR 2-11,
18		the general ledger information does not include certain overhead and supplemental
19		equipment costs that have not yet been charged directly to the water system accounts in
20		Thunder Air, Inc.'s accounting system. These costs were estimated to be \$13-14/linear foot
21		of underground pipe installed based on internal market analyses performed.
22		

- 1 Q. HOW DO YOU RESPOND TO MR. NOVAK'S ASSERTION (P. 7, LL 8-11)
- 2 REGARDING THE BENEFICIAL NATURE OF THE ACQUISITION?
- 3 A. Contrary to Mr. Novak, I continue to believe that the acquisition and Joint Petition are
- beneficial. The development and the System continue to grow and expand. Also, as Mr.
- Novak noted, even though our general ledger does not yet reflect all the System assets, the
- 6 record still supports the acquisition and Joint Petition, as the \$2,398,200 Purchase Price
- 7 remains below book value.
- 8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 9 A. Yes. I reserve the ability to submit further testimony as is appropriate.

EXHIBIT DB – REBUTTAL - 1





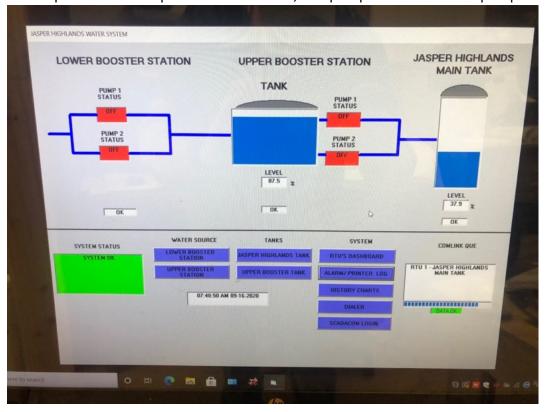








Fiber Optic control components for the tank, and pumps located at each pump house and tank



Control software for the Fiber optic communications for the tank and the pumps.



Main 269,000 gallon water storage tank



Upper Pump Station and backup generator.



Interior of upper pump station. Two 480V 3 Phase 30 hp pump motors with room for future expansion to a third pump if needed.



3 phase 480V power supply and ATS for backup generator.



115V stepdown transformer for 115V accessories



 $8000\mbox{-}\mathrm{gallon}$ underground storage tank fed from the lower pump station and into the upper pump station.



Lower pump station outside view.



Interior view lower pump station. Two 480V 3 Phase 50 hp pump motors with room for future expansion to a third pump if needed.



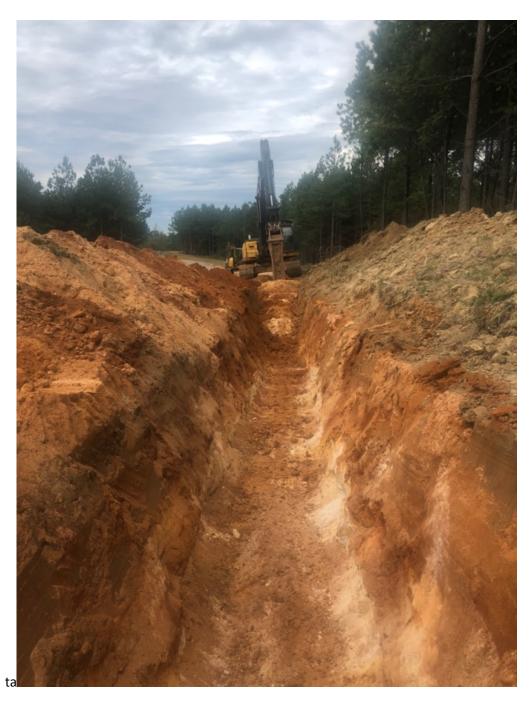
Lower pump station stainless steel power supply panels.



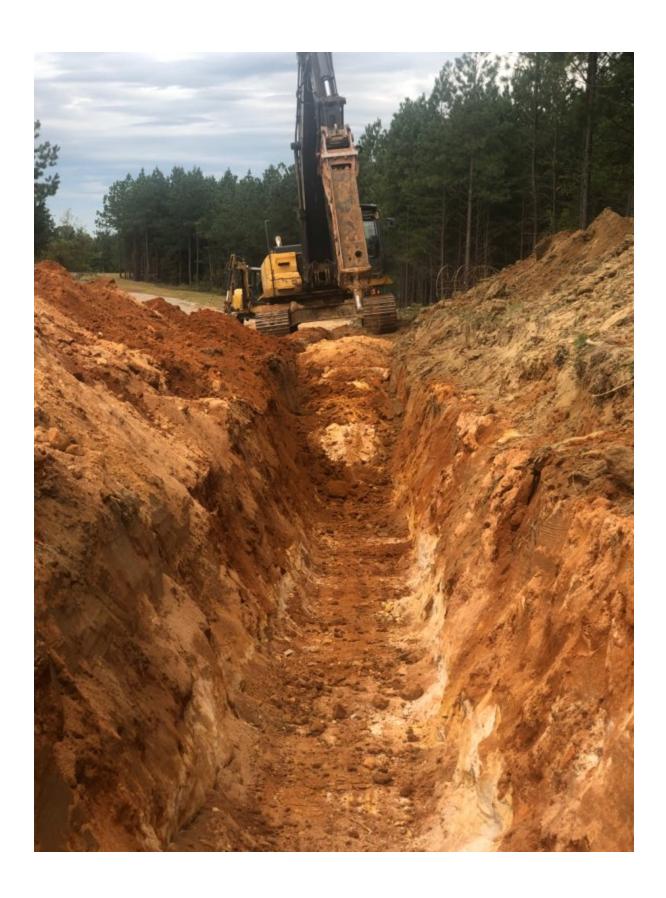
Lower pump station pump motor control panels.



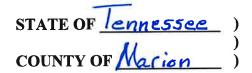
Lower pump station 115V step down transformer and circuit panel.



Hammering sandstone for water line pipe trenches.







BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Dane Bradshaw, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc. before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, his testimony would be as set forth in his pre-filed testimony in this matter.

Dane Bradshaw

Sworn to and subscribed before me

this 31st day of Sootember, 2020.

Notary PublicOF

My Commission Expires: 02/06/2023