

PETITIONER'S EXHIBIT DB-1

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 20- 00011

DIRECT 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**

SPONSORING PETITIONER'S EXHIBITS:

PETITIONER'S EXHIBITS DB 1 - 4

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

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"). Accordingly, I am personally
5 familiar with the underlying background associated with Tennessee-American Water
6 Company's ("TAWC") purchase of the water system owned by Thunder Air Inc. (the
7 "System").

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

9 A: The purpose of my testimony is to support the Joint Petition, which seeks the approval of
10 the purchase of the assets that make up the System and the grant of a Certificate of Public
11 Convenience and Necessity to TAWC. The Asset Purchase Agreement between TAWC
12 and Thunder Air Inc. (the "Purchase Agreement") is attached to the Joint Petition as
13 **Exhibit A.**

14 **Q: PLEASE GIVE THE COMMISSION A BRIEF HISTORY OF THUNDER AIR**
15 **INC.'S WATER SYSTEM.**

16 A: Thunder Air Inc.'s residential mountaintop community is part of a 9,000-acre mountain
17 atop the Cumberland Plateau with 21.3 miles of bluff frontage. While well water is not
18 necessarily uncommon in this region, Thunder Air Inc. determined that finding a solution
19 to provide a community water supply was in the best interest of the development and its
20 future residents. With no access to tax incremental financing ("TIF's") or like thereof,
21 Thunder Air Inc. privately funded and successfully executed the launch of the System.
22 Thunder Air Inc. owns the System that provides water services to customers within its
23 growing development. While Thunder Air Inc. owns and oversees the System, the System

is operated by JHPOA. JHPOA reviews and modifies SCADA, collects water quality samples as required by the Tennessee Department of Environment and Conservation (“TDEC”), reads water meters, investigates and repairs any potential leaks and installs new water services. The location of the development and the System are generally shown on the map attached to the Joint Petition as **Exhibit B**.

Q. HAS THE DEVELOPMENT AND SYSTEM GROWN OR EXPANDED IN THE LAST YEAR OR SO?

A. Yes. The development just expanded into its third phase within the past year, opening an additional 200 lots for homes to be built upon and we are currently expanding into the next phases. Within the past three years, across the entire development, over 800 lots have been sold to property owners from 47 different states. Over 160 homes have either been built or are currently under construction, which is an increase of nearly 60 homes since 2018. The development also recently opened a restaurant and wellness center in the fall of 2019. All these customers are served or will be served by the System.

Q. PLEASE EXPLAIN THE EVENTS THAT LED UP TO THE NEGOTIATIONS BETWEEN THUNDER AIR INC. AND TAWC IN REGARD TO THE TRANSFER OF THE ASSETS OF THE SYSTEM.

A. In the fall of 2017, TAWC held a reception at Thunder Air Inc.’s scenic Pat’s Summitt Pavilion and was invited on a follow up tour of the System. After being very impressed with the up to date infrastructure, new water tank, and overall quality of the system, our conversations continued. After multiple site visits and due diligence, both Parties began searching for a win/win scenario that would lead to the sale and purchase of the System.

46 The core business of Thunder Air Inc. is real estate development. The core business of
47 TAWC is the provision of safe and reliable water. In the long-run, a well-established,
48 professionally run utility, like TAWC, whose core business is water, is in an excellent
49 position to make the necessary capital investments that will be required in the future and
50 to properly manage the assets while keeping rates reasonably low to support our
51 community for years to come. Preparing Thunder Air Inc. d/b/a Jasper Highlands
52 Development Inc. for the future is the basic premise behind this transaction.

53 There were a few starts and stops along the way in getting to where we are today. But, both
54 the development and the System continued to expand.

55 There were numerous meetings and discussions between TAWC and representatives of
56 Thunder Air Inc. over the terms and conditions of the Purchase Agreement. These were
57 arms-length negotiations and both Parties were represented by attorneys. There was
58 significant give and take by both TAWC and Thunder Air Inc. during this process.

59 **Q. DID RECENT AND PROJECTED GROWTH IN THE THUNDER AIR INC.**
60 **DEVELOPMENT COMMUNITY IMPACT THE PURCHASE PRICE?**

61 A. Yes. Recent growth impacted the price, as we have consistently met projections.

62 **Q. WHAT IS THE BASIS OR UNDERLYING METHODOLOGY OF THE GROWTH**
63 **PROJECTIONS?**

64 A. The projections are based upon lot sales and previous years home builds. As the
65 development has moved further along, we are even more confident in using our historical
66 data and performance to project future growth.

67 **Q. HAS THUNDER AIR INC. DEVELOPED PREVIOUS PROJECTIONS WITH**
68 **RESPECT TO THE THUNDER AIR INC. DEVELOPMENT COMMUNITY? IF**
69 **SO, WERE THESE PAST PROJECTIONS ACCURATE?**

70 A. Yes, prior projections were accurate and met.

71 **Q: WHAT IS THE PURCHASE PRICE FOR THE SYSTEM IN THE PURCHASE**
72 **AGREEMENT?**

73 A. The purchase price for the System agreed upon by the Parties is Two Million Three
74 Hundred and Ninety-Eight Thousand Two Hundred Dollars (\$2,398,200.00).

75 **Q: WHAT ASSETS ARE BEING ACQUIRED BY TAWC FROM THUNDER AIR**
76 **INC. UNDER THE PURCHASE AGREEMENT?**

77 A: The assets that are the subject of the Purchase Agreement include all of Thunder Air Inc.'s
78 assets that are or could constitute part of the transmission and distribution infrastructure
79 and equipment that comprise the System, such as real property, tangible personal property,
80 records, permits and intangible rights and property utilized in the operation of the System.
81 These assets are set forth in Section 1 of Article 1 of the Purchase Agreement.

82 **Q: DOES THE PURCHASE AGREEMENT ALSO CONTAIN PROVISIONS FOR**
83 **EXPANSION AND GROWTH?**

84 A: Yes, in Article 2 and Article 6. I can provide some background here. TAWC
85 Witness Grady Stout can certainly provide some detail here as well. When building a
86 development, it is generally customary for the developer to initially incur the costs of
87 deploying infrastructure that permits new customers in the development to connect to
88 TAWC's water system. At a later time, usually when the customer is actually added to
89 TAWC's water system, TAWC issues a refund to such developer to cover the costs of, or

reimburse the developer for, the deployment of infrastructure that permits new customers in the development to connect to TAWC's mains.

Further, as I referenced earlier in my testimony, the Thunder Air Inc. d/b/a Jasper Highlands Development Inc. community is still being developed and has not yet reached capacity. As the build-out and further development continues, more customers will be served by the System. In order for the development to continue as planned, it is prudent and necessary for provisions to be in place subsequent to the acquisition for expansion of the System, as additional new customers are brought onto TAWC's system. Though they operate differently, these provisions in the Purchase Agreement address expansion and growth.

Q: WHAT IS THE TOTAL NUMBER OF GALLONS THAT THE SYSTEM IS CAPABLE OF SERVING?

A: The pump stations are rated at 245,000 gallons per day, and the tank has the capacity to hold 262,000 gallons.

Q: WHAT IS THE TOTAL NUMBER OF GALLONS BILLED TO CUSTOMERS BY MONTH OVER A TWELVE (12) MONTH PERIOD?

A: The total usage billed to customers between November 2018 and October 2019 is identified in the attached **Exhibit DB-2**.

Q: ARE THERE OTHER ITEMS OF INFORMATION THAT YOU WISH TO PROVIDE THE COMMISSION IN RELATION TO THE JOINT PETITION?

A: Yes. I believe the financial statements, including balance sheets, income statements and statements of cash flow for the past three (3) years relative to the System being transferred to TAWC may assist the Commission. They are attached as **CONFIDENTIAL AND**

113 **PROPRIETARY Collective Exhibit DB-3.** The 2018 tax returns for the System being
114 transferred to TAWC may be helpful as well. They are attached as **CONFIDENTIAL**
115 **AND PROPRIETARY Collective Exhibit DB-4.** These exhibits are being submitted
116 **UNDER SEAL as CONFIDENTIAL AND PROPRIETARY.**

117 **Q: CAN YOU PROVIDE COPIES OF THREE DIFFERENT CUSTOMER BILLS BY**
118 **CUSTOMER TYPE FROM THE MOST RECENT MONTH AVAILABLE?**

119 A: Yes. Please see the attached **Confidential Exhibit DB-5, submitted UNDER SEAL as**
120 **CONFIDENTIAL AND PROPRIETARY.**

121 **Q: IN YOUR OPINION, IS THE ACQUISITION BY TAWC OF THE SYSTEM AND**
122 **THE GRANT OF A CCN TO TAWC BOTH IN THE PUBLIC INTEREST?**

123 A: Yes. The Purchase Agreement and the Certificate of Convenience and Necessity to TAWC
124 are necessary and proper for the public convenience and properly conserves and protects
125 the public interest both today and in the future. On behalf of Thunder Air Inc., I am
126 requesting that the Commission approve the Joint Petition, including the granting of a
127 Certificate of Convenience and Necessity to TAWC to serve all of the customers currently
128 served by the System and to serve future customers of the System.

129 **Q. ARE THE CUSTOMERS OF THE SYSTEM AWARE OF THE TRANSACTION**
130 **THAT IS THE SUBJECT OF THE PURCHASE AGREEMENT?**

131 A. Yes, the customers of the System have been made aware of the transaction that is the
132 subject of the Purchase Agreement.

133 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

134 A. Yes it does.

EXHIBIT DB - 2

Jasper Highlands Water System
Water Usage and Usage Billed
October 31, 2019

Reading	Invoice	Total Usage Billed to Customers
Nov-18	Dec-18	355,760
Dec-18	Jan-19	266,260
Jan-19	Feb-19	242,220
Feb-19	Mar-19	219,430
Mar-19	Apr-19	256,605
Apr-19	May-19	528,267
May-19	Jun-19	1,396,908
Jun-19	Jul-19	1,128,820
Jul-19	Aug-19	1,241,870
Aug-19	Sep-19	1,584,636
Sep-19	Oct-19	1,612,444
Oct-19	Nov-19	1,063,670
		<u>9,896,890</u>

EXHIBIT DB - 3

PUBLIC VERSION

EXHIBIT DB - 4

PUBLIC VERSION

EXHIBIT DB - 5

PUBLIC VERSION

Jasper Highlands Water System

104 Battlecreek Road
S. Pittsburg, TN 37380
USA

INVOICE

Invoice Number: WM-3502
Invoice Date: Sep 5, 2019
Page: 1

Duplicate

Voice: 423-939-3050

Fax: 423-228-4500

Bill To:

Ship to:

Customer ID	Customer PO	Payment Terms	
L173		Net 10 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Airborne		9/15/19

Quantity	Item	Description	Unit Price	Amount
108,290.00	P001	Previous Month Water Meter Reading (gal)		
112,380.00	C001	Current Month Water Meter Reading (gal)		
4,090.00	U001	Current Month Water Usage (gal)		
1.00	W002	Minimum Water Usage Charge (2,500 gal minimum)	67.50	67.50
15.90	W001	2500-5000 Gallons (\$1.70/100 gallons)	1.70	27.03
1.00	S001	Water Sales Tax	9.22	9.22
Subtotal				103.75
Sales Tax				
Total Invoice Amount				103.75
Payment/Credit Applied				103.75
TOTAL				0.00

Check/Credit Memo No: 1478

Jasper Highlands Water System

104 Battlecreek Road
S. Pittsburg, TN 37380
USA

INVOICE

Invoice Number: WM-3534
Invoice Date: Sep 5, 2019
Page: 1

Duplicate

Voice: 423-939-3050

Fax: 423-228-4500

Bill To:

Ship to:

Customer ID	Customer PO	Payment Terms	
James Wessell		Net 10 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Airborne		9/15/19

Quantity	Item	Description	Unit Price	Amount
24,600.00	P001	Previous Month Water Meter Reading (gal)		
25,300.00	C001	Current Month Water Meter Reading (gal)		
700.00	U001	Current Month Water Usage (gal)		
1.00	W002	Minimum Water Usage Charge (2,500 gal minimum)	67.50	67.50
Subtotal				67.50
Sales Tax				
Total Invoice Amount				67.50
Payment/Credit Applied				67.50
TOTAL				0.00

Check/Credit Memo No: 1170

Jasper Highlands Water System

104 Battlecreek Road
S. Pittsburg, TN 37380
USA

Voice: 423-939-3050
Fax: 423-228-4500

INVOICE

Invoice Number: Wellness-3606
Invoice Date: Sep 5, 2019
Page: 1
Duplicate

Bill To:**Ship to:**

Customer ID	Customer PO	Payment Terms	
TAI		Net 10 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Airborne		9/15/19

Quantity	Item	Description	Unit Price	Amount
12,320.00	P001	Wellness-Previous Month Water Meter Reading (gal)		
16,000.00	C001	Current Month Water Meter Reading (gal)		
3,680.00	U001	Current Month Water Usage (gal)		
1.00	W002	Minimum Water Usage Charge (2,500 gal minimum)	67.50	67.50
11.80	W001	2500-5000 Gallons (\$1.70/100 gallons)	1.70	20.06
1.00	S001	Water Sales Tax	8.54	8.54
Subtotal				96.10
Sales Tax				
Total Invoice Amount				96.10
Payment/Credit Applied				96.10
TOTAL				0.00

Check/Credit Memo No: 22646

STATE OF TENNESSEE)
COUNTY OF Marion)

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 3rd day of February, 2020.

Notary Public

My Commission Expires: 02/06/2023

