

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:)
)
PETITION OF TENNESSEE) **DOCKET NO. 15-00025**
WASTEWATER SYSTEMS, INC.)
TO AMEND ITS CERTIFICATE)
OF CONVENIENCE AND NECESSITY)

TESTIMONY OF CHARLES PICKNEY, JR.

Q. What is your name?

A. Charles Pickney, Jr.

Q. What is your job?

A. I am the Chairman of the Board of Aenus Group, LLC. At the time the 2008 rate case (Docket 08-00202) was prepared I was the President of Tennessee Wastewater Systems, Inc.

Q. Have you previously submitted testimony in this case?

A. No.

Q. What is the purpose of this reply testimony?

A. I am responding to the "Consumer Advocate's Statement in Opposition" to our application to provide wastewater service to the Enclave at Dove Lake in Williamson County.

Many of the arguments made in that brief have no factual basis. I want specifically to respond to the implication that unregulated sales of capacity by Aenus Capacity are somehow

inappropriate or have resulted in higher rates for TWSI's customers. I also want to address the implication that TWSI has not been completely forthcoming with the TRA about these unregulated sales of capacity.

Q. Please address the role of Adenus Capacity, LLC and the effect that has on customers of Tennessee Wastewater, Inc.

A. In early 2006 I met with Ms. Darlene Standley, who was then the head of the TRA Energy and Water Division, to discuss the scope and structure of a proposed rate case that we hoped to file at a later date. For the last fifteen years or so, I have kept a daily journal of my activities. I still have notes of those discussions between Ms. Standley and me. The topic of related companies was discussed at length. One of those companies was On-Site Capacity Development Co. (Later Adenus Capacity, LLC).

I explained to Ms. Standley that over time we had received several requests from county and municipal officials requesting wastewater service. There would usually be some immediate identifiable need such as a school or businesses but invariably the county or city officials needed a sewer facility that could serve an area and help create economic activity and jobs. Tennessee Wastewater Systems did not have access to the necessary capital to invest in the sewer system with the needed capacity. To try to do so would have increased rates tremendously.

To try to meet this need, the owners of Tennessee Wastewater Systems worked with the county and municipal officials to find local partners with a business interest in the community that would make an investment in a sewer system. The investors would acquire land and build a sewer system that had the capability of serving that area. (Capacity would be sold as the community needed it.) The owners of Adenus Capacity and the other investors raised the capital

to build the community "capacity" sewer systems knowing that the chances of breaking even in the first ten years was low. The main motivation for those involved was to help the community to get the sewer system they needed. Unfortunately for the owners of Adenus Capacity, after investing in a few systems it was not viable to continue to create new "capacity" systems due to financial constraints. No new "capacity" systems have been created in the last five years and no new ones are likely.

Q. Please respond to the excerpt from Hal Novak's prefiled testimony in Docket 14-00136 that is quoted in the Consumer Advocate's "Statement" in this docket.

A. The statement made by Mr. Novac that TWSI is funneling away revenues from capacity sales to recover higher rates is false. Just the opposite is true. Rate payers would be hurt if the costs and revenues from these systems were the responsibility of rate payers. The basic facts of these "capacity" systems have been known to the TRA since I discussed them with Darlene Standley in 2006. Over the years our company has consistently provided the books and financial records of all of our affiliated companies to the TRA. The reviews of those financial records have supported the facts as I have presented them here.

Q. Does this conclude your testimony?

A. Yes.

RESPECTFULLY SUBMITTED,

Charles Pickney, Jr.