

TENNESSEE PUBLIC UTILITY COMMISSION

RECEIVED

2019 AUG 20 PM 4:20
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243
T.P.U.C. DOCKET ROOM

August 20, 2019

Limestone Water Utility Operating Company, LLC
c/o Josiah Cox
Central States Water Resources, Inc.
500 Northwest Plaza Drive, Suite 500
St. Ann, Missouri 63074-2220

RE: Docket No. 19-00035 Joint Application of Cartwright Creek, LLC, and Limestone Water Utility Operating Company, LLC for Authority to Sell or Transfer Title to the Assets, Property, and Real Estate of a Public Utility and for a Certificate of Public Convenience and Necessity.

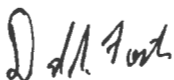
Dear Mr. Cox:

Please provide the information as outlined on the attached Data Request. Pursuant to Tennessee Public Utility Commission Rule 1220-1-1-.03(4), submit either an electronic response along with an original and four (4) written copies or an original written response and thirteen (13) copies.

Please note that the requisite number of written copies of all requested information must be provided to the Docket Manager and electronic responses, if filed, must be in .pdf format. In addition, please provide all spreadsheet/accounting data on a flash drive in Excel format as well as in pdf format.

All information should be provided no later than 2 p.m., Thursday September 12, 2019. Should you have questions regarding the attached request, please contact Patsy Fulton at 615-770-6887.

Sincerely,



David Foster
Director, Utilities Division

C: Docket File
Thomas L. Kolschowsky
Henry M. Walker
Charles B. Welch, Jr.
Brittany L. Davis

Limestone Data Request # 1
Docket # 19-00035

General/Organizational

1. In accordance with Commission Rules, provide names, addresses, phone numbers and the percent ownership of members for each of these LLC's: US Water Systems, LLC. ("*US Water*"), First Round CSWR, LLC. ("*First Round*") and Limestone Water Utility Operating Company, LLC ("*Limestone*").
2. Provide an organization chart with names, corporate addresses and telephone numbers for each officer or key personnel for US Water.
3. Provide a description of the duties and/or services that US Water performs and its business relationship with Limestone.
4. Provide a copy of Operating Agreements for US Water, First Round, Limestone, and Limestone Holding.
5. Provide an organization chart with names, addresses, title and percent ownership of the officers and key personnel for Central States Water Resources, Inc. ("*CSWR*") and Limestone Water Utility Operating Company, LLC ("*Limestone*").
6. Provide a separate summary for each affiliate listed below from the Corporate Organization Chart, including details as to the specific duties/responsibilities/services that each of the affiliates will provide to: (1) Limestone; (2) Limestone Water Utility Holding Company; (3) Tennessee CSWR; (4) Central States Water Resources, Inc.; (5) First Round CSWR, LLC; and (6) US Water Systems, LLC.
7. Exhibit #5 of the *Petition* is a list of one water operating company, five wastewater operating companies and four additional operating companies that provide both water and wastewater in Missouri and Arkansas (ten in total). Page 4 of the Pre-Filed Testimony of Josiah Cox, however, states that CSWR has acquired and is currently operating nine small water and 16 wastewater systems in Missouri and Arkansas. Please explain and reconcile.
8. In accordance with Commission Rules, provide a complete proposed tariff for Limestone, including all proposed rates, terms and conditions.

Technical

9. Resumes were provided for key personnel with technical expertise, including Jami A. Favor, Kaleb P Stephens and Jacob O. Freeman. Are all three current full-time or part-

time employees of CSWR? Please explain in detail what responsibilities each will have for the operations of Limestone. Please provide a copy of the employment contracts.

10. How long has Philip W. Macias, CPA been employed by CSWR? Is Mr. Macias currently a full time employee of CSWR or under a contract with CWSR? Please provide any contracts for his employment.
11. Provide a copy of the contract with the Operations and Maintenance (O&M) firm that will manage the daily wastewater operations of the wastewater system. If one does exist, please explain the process for choosing a management firm and how it will impact customer rates.
12. Provide sample copies of the management reports produced from the centralized computerized maintenance management system that CSWR developed for monitoring the performance of the water and wastewater systems, including tracking the maintenance and testing that the O&M contractors provide. (refer to page 6 of Mr. Cox's Testimony).
13. Please a copy of the contract with the billing and customer service firm that Limestone intends to hire. If one does exist, please explain the process for choosing a management firm. And how it will impact customer rates.
14. Provide the name, home address and telephone number of the technical contact person responsible for and knowledgeable about the applicant's proposed operations in Tennessee according to Commission Rule 1220-04-13-.17(2)(d)(3).
15. Provide copies of the TDEC applications for the transfer of all SOPs to Limestone.
16. Identify and explain who is "*Limestone Creek*" referred to in the *Sample Notice* filed with the *Petition* to customers of the proposed transfer?
17. Should the proposed *Sample Notice* to the customers state "customers in Williamson County" instead of Franklin County?
18. Provide a ledgeable map of the territory being requested/transferred providing details in accordance with the requirements of Commission Rule 1220-04-13-.17(2)(7)(i-v).

Financial

19. CSWR is paying \$880,000 for acquiring Cartwright Creek, LLC. Please provide a detailed analysis and explanation as to how the \$880,000 purchased price was determined, including all relevant studies and analysis and any materials relied upon. Further, provide copies of any due diligence reports performed by CSWR or another entity relating to the proposed purchase of Cartwright Creek, LLC. Please discuss whether the Commission's approval of Cartwright Creek LLC's petition in Docket No. 19-00034 will affect the proposed purchase price.

20. Provide a \$300,000 performance bond or irrevocable letter of credit pursuant to Tennessee Public Utility Commission Rule 1220-04-13-.07 and 1220-04-13-.08.
21. Page #5 of the *Petition* states that Exhibit 7 is *Central States Water Resources, Inc.*'s ("CSWR") Consolidated Balance Sheet and Income Statement for the most recent fiscal year; however, Exhibit 7 states that it is the Consolidated Balance Sheet and Income Statement for *First Round CSWR, LLC and Subsidiaries*, year ending 12/31/2018. Is Exhibit 7 of the *Petition* for Central States Water Resources, Inc. or First Round CSWR, LLC and its subsidiaries?
22. Based upon the Consolidated Balance Sheet and Income Statement submitted with the petition for First Round CSWR and the pro-forma Balance Sheet and Income Statement submitted CSWR subsequent to the Cartwright acquisition, please explain in detail how these entities can continue to meet their financial obligations in order to remain solvent and continue operating as a going concern.
23. Provide the year-end 2018 financial statement for US Water Systems, LLC inclusive of Balance Sheet, Income Statement and Statement of Cash Flows.
24. Provide federal income tax returns for the last two years for US Water Systems, LLC, First Round CSWR, LLC and Central States Water Resources, Inc.
25. Provide a chart of accounts for the wastewater utility, following the NARUC Uniform System of Accounts (USA) for wastewater utilities.
26. Provide a listing of the original investors, including names, phone numbers and addresses (refer to on page 3-4 of the Pre-Filed Testimony).
27. Provide an itemization of the long-term debt stated on the Balance Sheet for First Round CSWR. Provide a listing and a copy of the long-term debt note(s) and/or contracts showing loan terms including (payee(s), interest rate(s), duration of loans, and the beginning and ending dates of long-term loans.
28. Provide the name, address, phone number and financial statements for the new investor mentioned on pg. 4 of Josiah Cox's testimony. Provide a copy of the contract with the new investor showing amounts invested and terms associated with investment.
29. Provide an itemization of the APIC and identify who provided the APIC? If it was more than one investor, please provide a list of names, addresses, telephone numbers and percent of ownership.
30. Provide an itemization by site(s) of the Preliminary Survey and Investigative Charges for Year End December 31, 2018 (include all relevant documentation).
31. Describe the methodology in detail that CSWR or any other affiliate will use to allocate costs to each utility for all management, financial reporting, underground utility safety,

Commission and environmental regulatory management and reporting, operations oversight, utility asset planning, engineering planning, ongoing utility management and any other fees. If a cost allocation manual or any other written documentation explaining the allocation processes exists, provide a copy.

32. Provide an explanation of all fees for services allocated to Limestone from any affiliate. This should include all charges for all services regulatory management and reporting, operations oversight, utility asset planning, engineering planning, ongoing utility maintenance, utility record keeping, final customer dispute management, management of non-employee contractors, any consulting fees and any other labor hour charge for services. If a cost allocation manual or any other written documentation explaining the allocation processes exists, provide a copy.
33. Provide six-month interim financial statements ending June 30, 2019 for First Round.

Pro Forma Financial Statements

34. Page #5 of the *Petition* states that Exhibit 8 is included as the Pro Forma Income Statement and Balance Sheet for Limestone's first three years of its proposed operation of the Cartwright Creek systems; however, the document that is included as Exhibit 8 only provides one year of information. Accordingly, please provide the following:
- a. Pro Forma Income Statements for 1st three years after year end 12/31/2018 for *First Round*.
 - b. Pro Forma Income Statements for 1st three years after year end 12/31/2018 for *CSWR*.
 - c. Pro Forma Income Statements for 1st three years of operation for *Limestone*. Show each year separate and include in the calculation utility revenues the number of projected customers and the customer rates used (please provide the calculations in excel format with working formulas). Also, include the operation and maintenance expenses by account number and provide the basis and/or assumptions used to arrive at these amounts.
35. Provide the name(s), address(s), email address(s) of any investors that will provide funds to the utility.
36. Provide a detailed explanation and itemization of the amount included on the Pro Forma Balance Sheet for the Construction Work in Progress described in a footnote as the total of engineering and permitting costs at time of acquisition. Identify the engineering costs and permitting costs by line item, by project and by system? Include dates billed and paid and/or assumptions made.
37. Please provide a schedule/itemization of the "Other Assets" the Pro forma Balance Sheet for First Round CSWR Sewer Acquisition.

38. Please provide a detailed calculation and explanation for the acquisition adjustment included on the Pro-forma financial statements for Limestone, including all relevant studies and analysis and any materials relied upon. Please indicate the proposed amortization period that Limestone intends to utilize for the acquisition adjustment. Please discuss whether the Commission's approval of Cartwright Creek LLC's petition in Docket No. 19-00034 will affect the proposed acquisition adjustment.

Managerial/Financial

39. Provide the depreciation rates the applicant intends to use for each plant account that will be on Limestone's books. Include the estimated useful life of each account. Absent a depreciation study, explain the basis for these rates.
40. Provide a copy of CSWR's business plan referred to on page 5 of Josiah Cox's testimony.
41. Will all utility real estate (land for drip fields, lagoons, and treatment system) within the three Cartwright Creek wastewater systems (Grassland, The Hideaway and Arrington) be titled in the Utility's name *Limestone Water Utility Operating Company, LLC*. Please provide copies of the proposed deeds/titles.
42. Provide a copy of any contract in place between any of CSWR, its affiliates or subsidiaries with investors that indicate continuance of any investments.
43. Provide a copy of the contract between Limestone and CSWR to provide management services to the utility, including all associated expenses.
44. Provide an itemized list of the \$2.3 million in repairs proposed for The Grasslands as stated on page 6 of the Petition. This list should include materials and labor, sorted by job and jobs summarized by project. Please discuss whether the Commission's approval of Cartwright Creek LLC's petition in Docket No. 19-00034 will affect the projected \$2.3 million in repairs.
45. Further on page 6 of the Petition, it is stated that, "If authorizations sought in this Joint Petition Application are granted, CSWR and Limestone are willing to make those investments." Please identify the source of existing funds available to make those necessary investments. If money will be provided by investors, provide a copy of the investor's written commitment/contract with CSWR, First Round or any other affiliate.
46. Provide a projected timeline of the completing the necessary repairs/improvements at The Grasslands by project phase, with the beginning date of regulatory approval.
47. Does Limestone intend to provide wastewater services to Hardeman Springs? If so, why is Hardeman Springs is not included in the *Petition*.

48. If Docket 19-00042, *Petition of Cartwright creek, LLC to amend service territory to include the Wilson Parcel and Garrett Parcel for the Troubadour Development in Williamson County*, is approved for Cartwright Creek, will Limestone then request to have those Parcel's added to its CCN or will Cartwright Creek retain those?
49. Is it Limestone's intent to purchase/transfer the Hideaway territory as it now exists or is it Limestone's intent to transfer the territory as Troubadour, using the new engineered design in Docket 19-00042?
50. For the Companies listed on Exhibit 5 of the Petition and any companies purchased subsequent to this petition, please provide the date each system was purchased, the amount of capital investment to purchase each system and the amount of capital investment infused to each company by year subsequent to purchase.
51. Please identify and quantify any anticipated economies of scale for expenses that Cartwright Creek's ratepayers can anticipate to receive as a result of this purchase for the initial three years of operations.
52. Provide the journal entries that Limestone intends to record on its books or any of the affiliate's books to reflect the amount of the purchase price and the acquisition adjustment.
53. Please provide a statement in the Pre-Filed Testimony in accordance with Tennessee Public Utility Commission Rule 1220-.04-13-.17(2)(f)(5): *A statement that the applicant is aware of the requirement of Rule 1220-04-13-.09(7) concerning the completion of the construction of the wastewater system within three years of TPUC's written approval of the CCN.*