

FARRIS BOBANGO PLC

ATTORNEYS AT LAW

Nashville · Memphis

PHILIPS PLAZA  
414 UNION STREET, SUITE 1105  
NASHVILLE, TENNESSEE 37219

(615) 726-1200 telephone · (615) 726-1776 facsimile

Charles B. Welch, Jr.  
cwelch@farris-law.com

Direct Dial:  
(615) 6874230

April 2, 2020

**VIA ELECTRONIC FILING**

Chairman Robin L. Morrison  
c/o Ectory Lawless  
Tennessee Public Utilities Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

**Re:** *Docket No. 19-00062, Joint Application of Aqua Utilities Company, LLC, and Limestone Water Utility Operating Company for Authority to Sell or Transfer Title to the Assets, Property, and Real Estate of a Public Utility and for a Certificate of Convenience and Necessity*

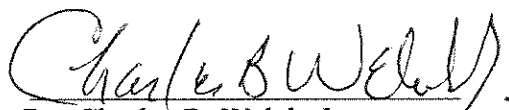
Dear Chairman Morrison:

The original, Direct Testimony of Josiah Cox, filed in the above referenced Docket inadvertently contained confidential and proprietary information. Please remove the Direct Testimony of Mr. Cox and replace it with the enclosed version. The Consumer Advocate Division is aware of this inadvertent disclosure of confidential information and raised no objection to replacing the testimony with the correct version.

As required, an original of this filing will be mailed to the Docket Manager. Please contact me if you have any questions concerning this filing or require additional information.

Sincerely,

FARRIS BOBANGO PLC

  
By: Charles B. Welch, Jr.

Cc: Vance Bromel  
Karen H. Stachowski

**DIRECT TESTIMONY  
OF JOSIAH COX  
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

**WITNESS INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Josiah Cox. My business address is 500 Northwest Plaza Drive Suite 500. St. Ann Missouri, 63074.

**Q. WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY OPERATING COMPANY, LLC (LIMESTONE OR COMPANY)?**

A. I hold the office of President of Limestone. I also am President of Central States Water Resources, Inc. ("CSWR"), a Limestone affiliate. Later in my testimony I will describe CSWR's relationship to Limestone and discuss the role CSWR would play in Limestone's future operations if the Commission approves the Joint Application in this case.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.**

A. I received a Bachelor of Science with a major in Environmental Science from the University of Kansas. Professionally I have worked at the Kansas state biological survey, where I performed a wildlife habitat study. I then worked at a civil engineering firm where I was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. I focused mainly on the water and wastewater side of the civil engineering business and participated in every part of that business from waste-load allocation studies (now known as the anti-degradation processes), design, permitting, project management, and construction management. I also ran the firm's environmental consulting division and was the second private consultant to submit a water quality impact study in the state of Missouri in 2003. I joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, I raised money from a group of investors and formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. I served as the Chief Operating Officer, and finally Chief Executive Officer, I obtained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. We have done full engineering design of multiple whole community wastewater and water infrastructure systems including wells, water distribution, water

treatment, water storage, wastewater conveyance, and wastewater treatment plants and taken these designs through federal and state administered permitting processes in Missouri. The engineering firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign off.

During this time, I began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which I graduated in 2007.

In addition, starting in 2008, I took over the operations of an existing rural sewer district, and I still operate a system managing the functioning, testing, and maintenance of the system. I also act as the administrator for this municipal system performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

A. The purpose of my testimony is to describe Limestone 's proposal to acquire all assets currently used by Aqua Utilities Company, Inc., ("Aqua") to provide water and wastewater utility service to customers in Hardin County, Tennessee, and explain why both Limestone and Aqua believe their proposed transaction is in the public interest. I also will describe Limestone's relationship to CSWR, the role CSWR would play in Limestone's operation of the sewer systems at issue in this case, and the benefits Limestone' relationship with CSWR would bring to customers served by those systems. Finally, to the extent applicable, I will provide the Commission information required by TPUC Rule 122 0-04-13- .17(2)( f).

**BACKGROUND INFORMATION REGARDING  
LIMESTONE AND ITS AFFILIATES**

**Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT LIMESTONE AND CSWR.**

A. Limestone is a limited liability company formed to acquire Aqua's assets. If the Commission grant's the requests the Joint Applicants have made in this case, Limestone would operate the three wastewater systems being acquired from Aqua.

Limestone is an affiliate of CSWR. A corporate organization chart illustrating that relationship was filed in this case as Exhibit 4 to the Joint Application.

In late 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies. In early 2011, I went to the capital markets to raise money to implement my plan. Over a period of approximately three years, I met with over fifty-two infrastructure investment groups trying to raise necessary financing. In February 2014, I achieved my goal, and I used the debt and equity capital I was able to raise to start CSWR. Since its formation, CSWR has acquired, and currently is operating, through various affiliates, 9 small water and 16 wastewater systems in Missouri and Arkansas. In Missouri, those systems are regulated by

the Missouri Public Service Commission. In Arkansas, the systems are outside the Arkansas Public Service Commission's jurisdiction due to annual revenue thresholds. CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.

In 2018, I was able to attract an additional large institutional private equity investor, which allowed me to expand the scope of my business plan beyond Missouri and Arkansas. This new investor is allowing CSWR to form companies for the purpose of acquiring distressed water and wastewater systems in additional states including Tennessee.

**Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE ACQUISITION AND OPERATION OF DISTRESSED WATER AND WASTEWATER SYSTEMS?**

A. CSWR's business plan is to pursue the purchase and recapitalization of failing water and wastewater systems and to operate those systems as investor-owned regulated utilities. Many of those systems are not currently regulated, and of those that are regulated by state utility commissions many, if not most, are out of compliance with commission rules and with federal or state pollution laws and regulations. Many of those companies do not even have the federal or state permits required to lawfully operate those systems. We also have found that many of the regulated companies have not increased their rates for a decade or more and, as a result, they don't have the financial resources necessary to build, maintain, and replace assets used to provide service or to bring their operations into compliance with rapidly-changing environmental and water quality regulations. Some of these companies are in receivership and, therefore, lack access to capital necessary to improve their systems. Because it has made the effort to find investment capital and investors who are willing to make investments and take risks necessary to bring small water and wastewater systems into compliance with current statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire distressed systems, invest capital necessary to construct or repair physical facilities, and operate those systems in a way that satisfies customers, regulators, and investors alike. CSWR's business plan and the expertise its personnel provide to affiliates have proven successful in multiple states, and there is every reason to believe that record of success would continue if Limestone is authorized to acquire Aqua's assets and is given the authority to operate those assets in the areas where Aqua currently provides service.

**Q. IF THE AUTHORIZATIONS REQUESTED IN THE JOINT APPLICATION ARE GRANTED, WOULD LIMESTONE HIRE EMPLOYEES TO PROVIDE SERVICE IN THE AREAS CURRENTLY SERVED BY AQUA?**

A. No, Limestone would not hire Aqua's current employees to operate those systems.

**Q. THEN HOW DOES LIMESTONE PROPOSE TO PROVIDE SERVICE TO CUSTOMERS OF THOSE SYSTEMS?**

A. If the Joint Application is approved, Limestone would hire a local third-party Operations

and Maintenance (O&M) firm that has knowledgeable and experienced personnel, carries the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations of the systems at issue in this case. In addition to its service obligations during normal business hours, the O&M firm would be required to have a 24-hour emergency service line for service disruption. In addition, notice of all service disruption calls would be forwarded to me, as Limestone's president. CSWR has developed a centralized computerized maintenance management system (CCMS) that monitors the performance of our drinking water and wastewater systems and allows CSWR to track the ongoing maintenance and testing of O&M contractors at all our facilities. CSWR uses GIS survey information to accurately map all infrastructure assets which leads to proactive on-going targeted ongoing infrastructure re-investment as part of overall CSWR ownership.

Limestone also will hire a billing and customer service firm to send out bills and handle service-related billing questions. Historically, CSWR has always ensured the billing firm we hire has in place or quickly can establish an online billing system to receive credit card and e-checks from customers and a Limestone-specific customer service email account to field ongoing customer interactions. The customer service representatives are available during normal business hours, can take messages twenty-four hours a day, and all customer correspondence is recorded and logged to consumers' accounts to ensure the highest level of service.

While day-to-day operational, billing, and customer service functions would be provided by non-employee contractors, all management, financial reporting, underground utility safety and location services, Commission regulatory reporting, environmental regulatory reporting and management, operations oversight, utility asset planning, engineering planning, ongoing utility maintenance, utility record keeping, and final customer dispute management would be performed by personnel at CSWR's corporate office, with proportional costs for those services passed down to Limestone. CSWR personnel also would monitor the activities of the non-employee contractors to make sure the systems are being operated and maintained properly and customers' needs are being met. The resumes of CSWR personnel who, in addition to me, will be responsible for providing services or oversight to Limestone's operation were attached to the Joint Application as Exhibit 8.

**Q. PLEASE DESCRIBE YOUR AFFILIATES' EXPERIENCE WITH WASTEWATER/SEWER SYSTEMS.**

A. On the wastewater side of the business, our group of affiliated companies has purchased 16 wastewater treatment plants with associated sewer pumping stations, gravity force mains, and gravity conveyance lines. In Missouri, the companies have designed, permitted, and completed construction, with Missouri Department of Natural Resources approval, of approximately \$5 million of sanitary sewer systems since March of 2015. These improvements include wastewater line repairs to remove infiltration and inflow, building sewer main extensions, the repair of multiple lift stations, the construction of lift stations, the closure of an existing regulatory impaired wastewater system, building two fully activated sludge plants, constructing moving bed bio-reactor plants (MBBR), converting two failing wastewater systems into sludge storage/flow equalization and treatment basins, converting failed mechanical systems to I-Fast systems, and constructing

various other wastewater supporting improvements. Central States has completed the design and construction permitting for major wastewater improvements for two additional wastewater systems in Missouri, and for new utility acquisitions recently approved in an Elm Hills Utility Operating Company, Inc. acquisition case. These designs include constructing two moving bed bio-reactor plants (MBBR) and constructing various other wastewater supporting improvements. CSWR has also completed or is in the permitting process with the Arkansas Department of Environmental Quality (ADEQ) the design of improvements associated with ten additional wastewater plants in Arkansas.

**Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?**

A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar services for water and wastewater systems in Missouri and Arkansas. I already described my background and experience in the water and wastewater utility industry and resumes of the key members of CSWR's senior team who would be involved in Limestone's operations were filed as Exhibit 6 to the Joint Application. Each of those senior leaders, and the other CSWR employees who would assist them, is well-qualified to meet the demands of Limestone and its customers and of this commission and other regulators charged with overseeing Limestone's operations. That level of experience and expertise CSWR currently provides affiliated systems in Missouri and Arkansas and that it would bring to Limestone if the Joint Application is approved is not usually available to small systems like those at issue in this case. But CSWR's business model provides these assets to its affiliates and does so, through economies of scale CSWR's centralized management structure can achieve, at a lower cost than would be the case if Limestone or a similarly-sized company had to acquire or provide such expertise and support on its own.

**Q. HAS YOUR GROUP OF AFFILIATED COMPANIES TAKEN STEPS TO IMPROVE SERVICES AT THE SYSTEMS IT NOW OPERATES?**

A. Yes. In addition to the capital improvements made on all of the systems, the organization has built from scratch customer service systems at each utility that comply with the Missouri Commission's rules and provide benefits to the customers. This includes 24-hour emergency service phone lines for potential service issues, on-call emergency service contractor personnel, implementation of a computerized maintenance management system for wastewater and drinking water utility assets, customer dissemination of Missouri Department of Natural Resources mandated drinking water testing information, on-line bill-pay options, up-to-date website bulletins about current service status, and service initiation or discontinuance procedures.

**Q. DO LIMESTONE AND CSWR HAVE THE FINANCIAL CAPACITY TO FINANCE, OWN, AND OPERATE THE SYSTEMS YOU PROPOSE TO ACQUIRE FROM AQUA?**

A. Yes, Limestone and CSWR have the financial capacity to finance, own, and operate the three systems we propose to acquire from Aqua.

**DESCRIPTION OF THE PROPOSED TRANSACTION**

**Q. PLEASE DESCRIBE THE WATER AND WASTEWATER SYSTEMS LIMESTONE PROPOSES TO ACQUIRE FROM AQUA.**

A. As I mentioned earlier in my testimony, Limestone proposes to acquire water and wastewater systems from Aqua that are located in Hardin County. Maps and aerial photographs showing the areas to be acquired from Aqua were filed as Exhibit 1 to the Joint Application.

Terms of the proposed asset sale are governed by an Agreement for the Sale of Utility System, as amended ("Agreement"), between Aqua and Limestone. A copy of the Agreement, as amended, was filed as Exhibit 9 to the Joint Application, and a copy of the document assigning all assets acquired from Aqua to Limestone was filed as Exhibit 10.

No closing date for the transaction has been set, but the Agreement identifies various conditions precedent, including obtaining all required regulatory approvals, that must be satisfied before the transaction can close. Section 17 of the Agreement also authorizes CSWR to assign all its rights to the acquired assets to an affiliated entity. In accordance with that section, at closing CSWR will transfer to Limestone all sewer system assets acquired from Aqua.

**Q. IF THE COMMISSION APPROVES THE JOINT APPLICATION, IS LIMESTONE WILLING AND ABLE TO MAKE ANY IMPROVEMENTS NECESSARY TO BRING AQUA'S WATER AND WASTEWATER SYSTEMS UP TO STANDARD AND INTO COMPLIANCE?**

A. Yes. If the Commission grants Limestone the authority it seeks in the Joint Application, Limestone and CSWR are willing and able to invest capital necessary to bring the Aqua systems up to standard and into compliance. As I described previously, because of the affiliated structure of which they are part, Limestone and CSWR have access to capital adequate to make current improvements to that system and to continue to operate it in a manner that complies with applicable statutes, rules, and regulations and is in the public interest.

**Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT FOR THE AQUA SYSTEMS AT ISSUE IN THIS CASE?**

A. Initially, Limestone proposes to adopt the tariffs, rules, and rates currently in effect for the Aqua systems. However, if the revenue requirement for any or all those systems increase - as likely would be the case given the additional capital investment needed for system upgrades and improvements - or as our own operating experience dictates, in the near-term future Limestone may petition the Commission to increase rates or change certain operating regulations. In the future, Limestone also may also seek authority to consolidate the rates of the three systems it proposes to acquire.

**Q. ARE LIMESTONE AND CSWR FAMILIAR WITH THE COMMISSION'S RULES AND REGULATIONS GOVERNING WASTEWATER UTILITIES AND DO YOU PLEDGE TO OPERATE THE THREE SYSTEMS IN A MANNER THAT COMPLIES WITH THOSE RULES AND REGULATIONS?**

A Yes, we have familiarized ourselves with the Commission's rules and regulations and pledge to operate the three systems in a manner that complies with all Commission requirements.

**Q. DO YOU BELIEVE THE PROPOSED TRANSACTIONS ARE IN THE PUBLIC INTEREST?**

A Yes. I believe the proposed acquisition of Aqua's water and wastewater systems would be consistent with and would promote the public interest. Limestone and CSWR are fully qualified, in all respects, to own and operate the systems to be acquired and to otherwise provide safe and adequate service.

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

A. Yes, it does.