

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
JOINT APPLICATION OF AQUA)	
UTILITIES COMPANY, LLC, AND)	DOCKET NO. 19-00062
LIMESTONE WATER UTILITY)	
OPERAITNG 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)	

**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST
TO LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

To: Charles B. Welch, Jr., Esq. Tyler A. Cosby, Esq. Farris Bobango PLC 414 Union Street, Suite 1105 Nashville, TN 37219 Telephone: (614) 726-1200 Email: cwelch@farris-law.com Email: tcosby@farris-law.com	Limestone Water Utility Operating Company, LLC c/o Josiah Cox Central States Water Resources, Inc 500 Northwest Plaza Drive, Suite 500 St. Ann, MO 63074-2220 Telephone: (314) 736-4672 Email: jcox@cswrgroup.com
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This First Discovery Request is hereby served upon Limestone Water Utility Operating Company, LLC (Company) and Central States Water, Inc. (CSWR) and pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, War Memorial Building, 301 6th Avenue North, Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 2:00 p.m. (CDT), February 18, 2020.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular shall include the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

(a) “You,” “Your,” “Company,” or “Limestone Water,” shall mean Limestone Water Utility Operating Company, LLC and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(b) “Central States Water” or “CSWR LLC” shall mean Central States Water Resources, LLC and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(c) “Central States Water” or “CSWR Inc” shall mean Central States Water Resources, Inc. and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(d) “Affiliate” shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, “control” is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term “Affiliate” shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an “Affiliate.”

(e) “Communication” shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.

(f) “Document” shall have the broadest possible meaning under applicable law. “Document” shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in

any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made.

(g) "Person" shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(h) "Identify" with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person's relationship, whether business, commercial, professional, or personal with you;
 - ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
 - iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
 - iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.
- (i) "And" and "or" shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.
- (j) "Including" shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

A. GENERAL

- 1-1. 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); CSWR LLC; Tennessee Central States Water, LLC (TN CSWR); and Limestone Water Utility Holding Company, LLC (Limestone Holding).¹,

RESPONSE:

- 1-2. Refer to the *Amended Joint Application*, Appendix A, II(2)(a)(3) and Exhibit 3. In Appendix A, II(2)(a)(3), you state that the Company's sole member is Limestone Holding, which is "a Missouri limited liability company." A search on the Missouri Secretary of State's for "Limestone Water Utility Holding Company, LLC" resulted in "no records to display." However, a search of the Tennessee Secretary of State Office's business records and found a record for a Tennessee corporation named Limestone Water Utility Holding Company, LLC. In Exhibit 3, the Operating Agreement refers to Limestone Water and Limestone Holding as both being Tennessee limited liability companies. Explain and reconcile the discrepancy in statement in the Amended Application Appendix A, Exhibit 3, and the search of the records of the Secretary of State's Office for Tennessee and Missouri.

RESPONSE:

- 1-3. Refer to TPUC Docket No. 19-00062, *Initial Joint Application*, Exhibit 4, and TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 5. In the *Initial Joint Application*, US Water was located at the top of the organizational structure. In this

¹ *Tenn. Comp. R. & Regs Rule 1220-04-13-.17(2)(a)3* (December 2018).

Amended Joint Application, the organization chart does not identify US Water. Provide responses to the following questions:

- a. Has US Water been dissolved or is no longer in existence as a corporate entity?
- b. Provide the description of the duties and/or services that US Water performed and its business relationship with Limestone Water or Limestone Holding that existed at the time of the initial Joint Application for this Docket.
- c. Does US Water perform work for CSWR (Inc. or LLC) or any of CSWR affiliates? If yes, identify and describe the work or services.
- d. With the change in the organizational structure, what entity or entities now perform the duties and provide the services previously provided by US Water to Limestone Water or Limestone Holding?

RESPONSE:

1-4. Refer to TPUC Docket No. 19-00062, *Initial Joint Application*, Exhibit 4, and TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 5. In the organization chart in the *Initial Joint Application*, Central States Water Resources, Inc. was located between First Round CSWR LLC and the specific state affiliates. However, in the *Amended Joint Application*, the organization chart does not identify First Round CSWR LLC. Instead, the organization chart identifies CSWR LLC and it has switched locations with Central States Water Resources, Inc. Provide responses to the following questions:

- a. If First Round CSWR LLC is not the same entity as CSWR LLC, answer or provide the following:
 - i. Has First Round CSWR LLC been dissolved or is no longer in existence as a corporate entity?
 - ii. Provide the description of the duties and/or services that First Round CSWR LLC performed and its business relationship with Limestone Water or Limestone Holding that existed at the time of initial Joint Application of this Docket.
 - iii. What entity or entities will now perform the duties and provide the services previously provided by First Round CSWR LLC to Limestone Water or Limestone Holding?

- b. If First Round CSWR LLC is the same entity as CSWR LLC, answer or provide the following:
 - i. Provide a narrative of the reason for the change in the organization structure resulting in CSWR LLC having direct oversight of the various state CSWR LLCs rather than CSWR Inc.
 - ii. Have the responsibilities and duties of CSWR LLC and CSWR Inc been altered due to the change in the organization structure? If so, provide an explanation of the change.

RESPONSE:

1-5. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Appendix A, II(2)(a)(4).

You state that CSWR LLC “will provide technical and financial support and will assume responsibility for overseeing day-to-day operations” of Limestone Water’s systems.

Respond to the following:

- a. Provide a description detailing the transactions, direct or indirect, that occur or are expected to occur between Limestone Water and CSWR LLC as required under *Tenn. Comp. R. & Regs Rule 1220-04-13-.17(2)(a)4*.
- b. Provide all associated expenses for this operating agreement for the oversight of the day-to-day operations.
- c. Since CSWR LLC will assume the responsibility for overseeing day-to-day operations of Aqua Utilities in Tennessee, provide a copy CSWR LLC’s license to engage in business within the State of Tennessee.

RESPONSE:

1-6. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 3. You provided an Operating Agreement between Limestone Water and Limestone Holding. Provide a copy of all other operating agreements Limestone Water and Limestone Holdings have with their affiliates.

RESPONSE:

1-7. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 15. The Company provided an organization chart for CSWR LLC. However, the Company did not provide an organization chart for CWSR Inc. Provide an organization chart for CSWR Inc.

RESPONSE:

1-8. 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 Water; (2) Limestone Holding; (3) Tennessee CSWR; (4) CSWR Inc.; and (5) CSWR LLC.²

RESPONSE:

1-9. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 3. Mr. Cox states that “Limestone would operate the three wastewater systems being acquired from Aqua Utilities.” (emphasis added). However, the Company states that Aqua Utilities has water and wastewater systems and provides the State Operating Permit, SOP-92082, for the wastewater system.³ Explain and reconcile this discrepancy on the number and type of systems that Aqua Utilities would transfer to Limestone Water if the sale is approved by the Commission.

RESPONSE:

² In Exhibit 15 to its *Amended Joint Application*, the Company provided an organization chart for “CSWR”, but it is unclear if this is CSWR Inc. or CSWR LLC. However, no summary of the specific duties/responsibilities/services was provided with the organizational structure.

³ *Amended Joint Application* at p. 4 and Exhibit 16.

1-10. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4, and *Amended Joint Application*, Exhibit 5. In his testimony, Mr. Cox states that “CSWR has acquired, and currently is operating, through various affiliates, nine small water and 16 wastewater systems in Missouri and Arkansas.” In Exhibit 5, the organization chart shows 12 different operating companies in Missouri and Arkansas. For each operating company identified in Exhibit 5, list the number and type of system (water or wastewater) it operates in Missouri or Arkansas.

RESPONSE:

1-11. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4. In his testimony, Mr. Cox states “CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.” However, in a review of dockets with the Kentucky Public Service Commission, it appears that the Kentucky Commission has approved the transfer of “wastewater treatment plants, collection systems and other assets” of eight utility companies.⁴ Has the Company completed the acquisition of each of these 8 systems? If yes, provide the date each system was purchased, the amount of capital investment to purchase each system and the proposed amount of capital investment for upgrades and repairs of each system.

RESPONSE:

⁴ Order, *In the Matter of: Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by P.R. Wastewater management, Inc., Marshall County Environmental Services, LLC, LH Treatment Company, LLC, Kingswood Development, Inc., Airview Utilities, LLC, Brocklyn Utilities, LLC, Fox Run Utilities, LLC and Lake Columbia Utilities, Inc.*, Kentucky PSC Case No. 2019-00104 (August 14, 2019). The Kentucky PSC Order can be accessed at https://psc.ky.gov/pscscf/2019%20Cases/2019-00104/20190814_PSC_ORDER.pdf.

1-12. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4. In his testimony, Mr. Cox states “CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.” In a review of dockets with the Kentucky Public Service Commission, it appears there is a pending application in Case No. 2019-00360.⁵ Is this correct? Are there any other pending applications with the Kentucky Commission?

RESPONSE:

1-13. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, pp. 4, 7. In his testimony, Mr. Cox states “CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.” Mr. Cox also states that the Louisiana Public Service Commission recently approved an acquisition of water and wastewater systems that serve approximately 30,000 customers. Respond to the following:

- a. Identify the docket/case number in this proceeding before the Louisiana Commission.
- b. Identify all pending proceedings before the Louisiana Commission. Include the docket/case number for each proceeding.

RESPONSE:

⁵ *Verified Joint Application for Approval of Acquisition and Transfer of Owners and Control*, Kentucky PSC Case No. 2019-00360 (October 21, 2019). A copy of the Joint Application before the Kentucky PSC can be accessed at https://psc.ky.gov/pscecf/2019-00360/keckert%40mcbrayerfirm.com/10212019035129/191021_JA_Joint_Application.pdf.

- 1-14. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4. In his testimony, Mr. Cox states “CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.” Provide a list of the pending cases/dockets before the Missouri Commission. In the listing, provide the docket/case number of each pending application.

RESPONSE:

- 1-15. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 13. Should the proposed *Sample Notice* to the customers also include the Pelican Pointe subdivision as one of the service areas?

RESPONSE:

- 1-16. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 13. Should the proposed *Sample Notice* to the customers refer to TPUC Docket No. 19-00062?

RESPONSE:

B. SUFFICIENT MANAGERIAL ABILITY

- 1-17. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibits 12, 15. Resumes were provided for key personnel with technical expertise, including Jami A. Favor, Kaleb P. Stephens and Jacob O. Freeman. The resumes for each do not document their employment with CSWR (Inc. or LLC) or any identified affiliates. However, the three are identified in the organizational chart for CSWR located in Exhibit 15. Respond to the following:

- a. How long has each been employed by CSWR?

- b. Are all three current full-time or part-time employees of CSWR?
- c. Explain in detail what responsibilities each will have for the operations of Limestone Water.
- d. Provide a copy of the employment contracts.

RESPONSE:

1-18. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibits 12, 15. Phillip Macias' resume does not show that he is currently an employee of CSWR (Inc. or LLC). However, the organization chart of CSWR in Exhibit 15 identifies Mr. Macias as the CFO.

Respond to the following:

- a. How long has Mr. Macias been employed by CSWR?
- b. Confirm that Mr. Macias currently is a full-time employee of CSWR.
- c. If Mr. Macias is not a full-time employee, explain the nature of his employment (part-time or under a contract) with CWSR?
- d. Provide any contracts for his employment. Explain, in detail, his responsibilities for the operations of Limestone Water.

RESPONSE:

1-19. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibits 12, 15. Resumes were provided for key personnel with technical expertise, including Forrest (Todd) Thomas. His resume identifies his employment with CSWR but does not provide a description of his duties and responsibilities. The organizational chart of CSWR in Exhibit 10 identifies Mr. Thomas as the Senior Vice President. Respond to the following:

- a. Confirm that Mr. Thomas is currently a full-time employee of CSWR.
- b. If Mr. Thomas is not a full-time employee, explain the nature of his employment (part-time or under a contract) with CWSR?

- c. Provide any contracts for his employment.
- d. Explain, in detail, his responsibilities for the operations of Limestone Water.

RESPONSE:

- 1-20. 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 not exist, explain the process for choosing a management firm and how it will impact customer rates.

RESPONSE:

- 1-21. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 6. 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.

RESPONSE:

- 1-22. Provide a copy of the contract with the billing and customer service firm that Limestone Water intends to hire. If one does not exist, explain the process for choosing a management firm.

RESPONSE:

C. SUFFICIENT TECHNICAL ABILITY

- 1-23. Provide the most recent engineering and/or environmental studies regarding Aqua Utilities' water and wastewater systems that are the subject of the proposed transaction.

RESPONSE:

- 1-24. Refer to the *Amended Joint Application*, Appendix A, II(2)(d)(1). The Company states that it has not filed or applied for a State Operating Permit with TDEC but is waiting for authority to acquire the system first. The Company does not mention the transfer of the operation of the water system. Has the Company researched the steps necessary for authorization from TDEC to operate a public water system? If so, provide a description of the required steps for such authorization.

RESPONSE:

- 1-25. Provide a projected timeline of the completing the necessary repairs/improvements to the Aqua Utilities' water and wastewater systems, with the beginning date of regulatory approval.

RESPONSE:

D. SUFFICIENT FINANCIAL ABILITY

- 1-26. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 7, Purchase and Sale Agreement. Provide a detailed analysis and explanation as to how the [REDACTED] purchase price was determined, including all relevant studies and analysis and any materials relied upon. Further, provide copies of any due diligence reports, calculations, studies or other relevant

information performed by CWSR (Inc or LLC) or another entity relating to the proposed purchase of Aqua Utilities.

RESPONSE:

- 1-27. Provide a copy of the audited 2019 financial statements for Central States Water and all its affiliates. If not yet available, when will the audited financial statement be available and provide a copy when available.

RESPONSE:

- 1-28. CONFIDENTIAL EXHIBIT REFERENCE. Refer to *Amended Joint Application*, p. 5 and Exhibit 11. The *Amended Joint Application* states that Exhibit 11 includes the Pro Forma Income Statement and Balance Sheet for Limestone's first three years of its proposed operation of the Aqua Utilities systems; however, the document that is included as Exhibit 11 only provides one year of information. Accordingly, provide the following:

- a. Pro Forma Income Statements for first three years after year end 12/31/2018 for CWSR (Inc. or LLC).
- b. Pro Forma Income Statements for first three years of operation for Limestone Water. 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 expense category and provide the basis and/or assumptions used to arrive at these amounts.

RESPONSE:

- 1-29. Provide the depreciation rates the applicant intends to use for each plant account that will be on Limestone Water's books. Include the estimated useful life of each account. Absent a depreciation study, explain the basis for these rates.

RESPONSE:

- 1-30. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 11. Identify and provide a detailed discussion of nature and need for the projects associated with prospective Construction Work In Progress.

RESPONSE:

- 1-31. CONFIDENTIAL EXHIBIT REFERENCE. Refer to the *Amended Joint Application*, Exhibit 10. Provide an itemization of the long-term debt stated on the Balance Sheet for Limestone Water. 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.

RESPONSE:

- 1-32. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4. In his testimony, Mr. Cox states that a "large institutional private equity investor" has allowed the Company to expand its business plan beyond Missouri and Arkansas. Provide the name, address, phone number and financial statements for the new institutional private equity investor. Provide a copy of the

contract with the new investor showing amounts invested and terms associated with the investment.

RESPONSE:

- 1-33. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 10. Provide an itemization of the Additional Paid in Capital by source. Identify the name(s), amounts and ownership percentages of each investor.

RESPONSE:

- 1-34. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 4. In his testimony, Mr. Cox refers to a CSWR business plan. Provide a copy of this business plan.

RESPONSE:

- 1-35. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Application*, Exhibit 10. With regard to Pre-Survey Investment charges, provide a comprehensive explanation of the nature of these costs, further identified by state jurisdiction in which such costs were incurred. If certain costs do not directly relate to any individual state jurisdiction, classify such costs as ‘common.’

RESPONSE:

- 1-36. 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.

RESPONSE:

- 1-37. Provide an explanation of all fees for services allocated to Limestone Water 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.

RESPONSE:

- 1-38. With respect to the Acquisition Premium provide the following information:
- a. Provide a comprehensive explanation why Total Plant in Service is identified as the purchase price rather than the Plant in Service Balance of Aqua, with the residual amount of the purchase price identified as Acquisition Premium.
 - b. Provide a comprehensive explanation supporting the proposed regulatory treatment of the Acquisition Premium in future ratemaking proceedings.
 - c. Identify the appropriate amortization period that should be associated with the Acquisition Adjustment.

RESPONSE:

1-39. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, p. 6. In the *Amended Joint Application*, the Company states that it plans to add a “new, real-time chlorine monitoring system to the water system and remote monitoring equipment to both the water and wastewater systems.” Estimate the anticipated capital expenditures for the first three years of operation, split into the following categories:

- a. Real-time chlorine monitoring system.
- b. Remote monitoring equipment.
- c. Any other anticipated capital expenditure.

RESPONSE:

1-40. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 12. In his testimony, Mr. Cox states that, “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 Aqua Utilities’ systems up to standard and into compliance.” 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 (Inc or LLC), Limestone Water, or any other affiliate.

RESPONSE:

1-41. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 5. For the Companies listed on Exhibit 5 and any companies purchased subsequent to this application, 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.

RESPONSE:

1-42. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 7, Purchase and Sale Agreement. Respond to the following:

- a. Due to the reorganization of CSWR LLC and CSWR Inc in the organization chart, as shown in this Docket's Amended Application Exhibit 5, is CSWR Inc still the purchaser or is CSWR LLC?
- b. Provide copies of the Purchase and Sales Agreement's Exhibits A, B, D, E, F, G, H.

RESPONSE:

1-43. Provide a comprehensive listing of the criteria Limestone Water believes should be used by the Commission to determine whether a utility acquisition is in the public interest.

RESPONSE:

1-44. Provide a specific list of the "...related accounting, ratemaking, and regulatory approvals..." which are conditions precedent to closing the Transaction as referenced on page 2 of the Joint Application.

RESPONSE:

1-45. Provide a discussion of the appropriate analytical approach which Limestone Water believes should be used to establish its revenue requirement; i.e. Operating Ratio, Rate Base Rate of Return, or some other methodology.

RESPONSE:

- 1-46. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 11. Provide an updated Pro-Forma Balance Sheet and Income Statement eliminating any originally anticipated acquisitions which are no longer planned.

RESPONSE:

- 1-47. Refer to TPUC Docket No. 19-00062, *Amended Join Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 3. Mr. Cox states that the business model of Central States Water is to pursue the purchase and recapitalization of failing water and wastewater systems. Does Central States Water consider the Aqua system to be a failing system and if so, provide the basis for this opinion.

RESPONSE:

- 1-48. Refer to TPUC Docket No. 19-00062, *Amended Join Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 6. Mr. Cox states that Limestone and Central States Water are willing to invest capital necessary to bring the Aqua systems up to standard and in compliance. Identify any system deficiencies referenced within this statement.

RESPONSE:

- 1-49. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 10. Regarding the CSWR LLC Balance Sheet,

identify and summarize the transactions giving rise to the [REDACTED] of Goodwill reflected on the December 31, 2018 Balance Sheet.

RESPONSE:

- 1-50. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 3. Is Limestone seeking approval from the Commission of the terms and conditions contained within the Operating Agreement.

RESPONSE:

- 1-51. Refer to TPUC Docket No. 19-00062, *Amended Application*, Exhibit 3. Is it the intent of Limestone that the items and terms set forth within the Operating Agreement would be binding on the Commission in terms of how the Company is regulated going forward?

RESPONSE:

- 1-52. Has Limestone modeled any potential customer rate impacts arising from this transaction? If so, provide copies of all such analysis.

RESPONSE:

- 1-53. Identify the estimated amount of the Acquisition Premium arising from this proceeding and providing supporting calculations underlying the response.

RESPONSE:

- 1-54. Assume future Limestone rates are establishing using a Rate Base Rate of Return model. Will the recovery of and a return on the Acquisition Premium be necessary to maintain

the financial health of Limestone in future ratemaking proceedings? Provide the analytical support underlying the response.

RESPONSE:

1-55. Provide a copy of any financial statements supplied by Aqua that Limestone relied upon in assessing the viability of the transaction.

RESPONSE:

1-56. Provide an estimate of the (a) Regulatory and (b) Transaction costs incurred within this transaction and explain how such costs are proposed to be reflected on the books of Limestone as well as the proposed regulatory treatment of such costs.

RESPONSE:

1-57. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 3, Article 6 § 6.4(d). What type of insurance is contemplated in this section? For each type of insurance envisioned within the referenced section, identify the scope of coverage, the estimated cost of the coverage and a discussion of whether such costs should be incorporated into future ratemaking calculations.

RESPONSE:

1-58. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 9, Direct Testimony of Josiah Cox, p. 6. Does the billing firm contracted by the company charge a

fee to customers to process transactions? If so, acknowledge that the Company must receive approval from the Commission prior to implementing such a fee.⁶

RESPONSE:

1-59. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 11. Provide the Company's rational for not carrying over the Contributions in Aid of Construction currently on the books of Aqua Utilities.

RESPONSE:

1-60. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 11. Provide the Company's rational for such a large cash balance on its prospective balance sheet.

RESPONSE:

1-61. CONFIDENTIAL EXHIBIT REFERENCE. Refer to TPUC Docket No. 19-00062, *Amended Joint Application*, Exhibit 11. Provide the following

- a. Provide a comprehensive explanation why Total Plant in Service is identified as the purchase price rather than the Plant in Service Balance of Aqua, with the residual amount of the purchase price identified as Acquisition Premium.
- b. Provide a comprehensive explanation supporting the proposed regulatory treatment of the Acquisition Premium in future ratemaking proceedings.
- c. Identify the appropriate amortization period that should be associated with the Acquisition Adjustment.

RESPONSE:

⁶ *Final Order Denying Petition*, p. 22, TPUC Docket No. 16-00139 (November 2, 2017). A copy of the Commission's Order can be accessed at <http://share.tn.gov/tra/orders/2016/1600139bh.pdf>.

RESPECTFULLY SUBMITTED,



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***Consumer Advocate's First Discovery Request to Limestone Water Utility Operating Company, LLC
TPUC Docket No. 19-00062***

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:

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This the 29th day of January, 2020.

Karen H. Stachowski
KAREN H. STACHOWSKI