

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

January 24, 2022

IN RE:

**APPLICATION OF LIMESTONE WATER UTILITY
OPERATING COMPANY, LLC, FOR AUTHORITY TO
SELL OR TRANSFER TITLE TO THE ASSETS,
PROPERTY, AND REAL ESTATE OF A PUBLIC
UTILITY, CARTWRIGHT CREEK L.L.C., AND FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY**

DOCKET NO.
21-00053

ORDER APPROVING SETTLEMENT AGREEMENT AND TRANSFER OF SYSTEMS, AND GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

This matter came before Chairman Kenneth C. Hill, Vice Chairman Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner John Hie, and Commissioner David F. Jones of the Tennessee Public Utility Commission (“TPUC” or “Commission”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on December 6, 2021, for consideration of the *Application of 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* (“*Application*”) filed by Limestone Water Utility Operating Company, LLC (“Limestone”) on May 6, 2021. In the *Application*, Limestone seeks Commission authority for Cartwright Creek, LLC (“Cartwright”) to sell and transfer to Limestone all assets, property, and real estate currently used to provide wastewater service to customers of systems in the Arrington Retreat, The Grasslands, The Hideaway, and Hardeman Springs subdivisions in Williamson County, Tennessee. In addition, Limestone requests that the Commission transfer Cartwright’s Certificate of Public Convenience and Necessity (“CCN”) to Limestone or in the alternative, requests the requisite CCN for the transferred Cartwright systems.

BACKGROUND AND APPLICATION

Cartwright is a Tennessee limited liability company currently providing wastewater service to customers in Tennessee. Among the subdivisions served by Cartwright are those systems in Williamson County, Tennessee, which are the subject of this docket: Arrington Retreat, The Grasslands, The Hideaway, and Hardeman Springs.¹

Limestone is a Tennessee limited liability company currently providing service to approximately 400 water and 350 wastewater customers in Hardin County, Tennessee. Limestone Water Utility Holding Company, LLC (“LWUHC”) is the sole member of Limestone and Josiah Cox is the sole officer. Limestone and LWUHC are members of affiliated companies owning and operating water or wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, and Tennessee to approximately 126,000 customers.² The *Application* provides charts depicting the organizational details and the relationship of affiliate companies, as well as the number of customers served by each affiliate.³ One of Limestone’s affiliates, Central States Water Resources, Inc. (“CSWR”) will provide any needed technical, managerial, and financial services to Limestone.⁴ Specifically, CSWR employs engineers and other qualified personnel with experience in the design and operation of water and wastewater systems, supplementing with qualified, licensed local operators by contract who are responsible for day-to-day plant operations. Limestone provides the resumes of key CSWR personnel who provide managerial and technical expertise and experience to Limestone.⁵ Equity capital used to acquire Cartwright Creek’s assets, to fund initial capital upgrades and improvements, and providing necessary working capital will be provided by CSWR.⁶

¹ *Application*, pp. 3-4 (May 6, 2021).

² *Id.* at 4.

³ *Id.* at Exhs. 5 and 6.

⁴ *Id.* at 5.

⁵ *Id.* at 6-9 and Exh. 12.

⁶ *Id.* at 8.

In the *Application*, Limestone states that, “Cartwright Creek has determined it is in the best interests of both the company and its customers to sell the wastewater systems at issue in this Application to a qualified operator.”⁷ As a result of that determination, Cartwright and CSWR entered into an *Agreement for Sale of Utility System* (“*Sale Agreement*”), a copy of which is included with the *Application*.⁸ The *Sale Agreement* provides the specific terms for Cartwright to sell all assets used for the provision of wastewater services to Arrington Retreat, the Grasslands, The Hideaway, and Hardeman Springs subdivisions to CSWR, including wastewater service facilities and equipment, intangibles, franchises, inventory, contracts and contract rights, and real estate.⁹ As part of the *Sale Agreement*, CSWR will transfer all right, title, and interest in the obtained Cartwright assets to Limestone.¹⁰

Limestone asserts that the *Sale Agreement* is in the public interest and in the interest of customers of the Cartwright systems because numerous deficiencies that exist in the wastewater systems to be acquired and Cartwright is unwilling or unable to expend the capital necessary to perform necessary repairs and upgrades. Limestone asserts that it is willing to make the needed investments to bring the acquired system into compliance.¹¹ Further, Limestone proposes to adopt Cartwright’s current rates and tariffs.¹²

The Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) filed a *Petition to Intervene* on June 4, 2021. The Hearing Officer entered an order granting the Consumer Advocate’s intervention on June 14, 2021. Following exchange of discovery requests and responses and the filing of Pre-Filed Testimony of the witnesses for the parties, Limestone, Cartwright, and the Consumer Advocate filed a

⁷ *Id.* at 5.

⁸ *Id.* at 5 and Exh. 7.

⁹ *Id.* at 5-6 and Exh. 7.

¹⁰ *Id.* at 6 and Exh. 8.

¹¹ *Id.* at 6-7.

¹² *Id.* at 9.

Stipulation and Settlement Agreement (“Settlement Agreement”).

THE PROPOSED SETTLEMENT AGREEMENT

On October 12, 2021, Limestone, Cartwright, and the Consumer Advocate filed a *Settlement Agreement* executed by each of the parties. Upon approval of the jointly submitted Settlement Agreement, all issues related to this docket would be resolved.¹³

The terms of the *Settlement Agreement* are as follows:

1. Limestone will comply with the conditions prescribed by the Commission in Dockets Nos. 19-00034 and 19-00097, subject to the stipulations set forth in Section 4, Paragraphs i, ii, and iii of the *Settlement Agreement*;
2. Prior to closing, Limestone will submit to the Commission for approval all accounting entries related to the sale;
3. The balance in contributions in aid of construction (“CIAC”) will transfer to the books of Limestone upon closing and will not be amortized without Commission approval;
4. Limestone will make no corrections or modifications to the accounting records received from Cartwright at closing without Commission approval;
5. Limestone shall maintain separate accounting records for each of the current operating systems;
6. Within thirty (30) days of closing, Limestone shall file a balance sheet and supporting general ledger in the Uniform System of Accounts (“USOA”) format and in accordance with Commission Rule 1220-04-01-.11 showing Cartwright’s ending balances of the assets acquired by Limestone. In addition, Limestone shall file a balance sheet and supporting general ledger in USOA format and in accordance with Commission Rule 1220-04-01-.11 showing beginning balances as of the date of acquisition;

¹³ *Consumer Advocate, Limestone Water Utility Operating Company, LLC and Cartwright Creek, LLC Jointly Proposed Stipulation and Settlement Agreement* (October 12, 2021).

7. For ratemaking purposes, Limestone shall record the beginning value of the acquired assets as the amount recorded in the books and records of Cartwright at the date of acquisition. Further, Limestone does not have authorization to book an above-the-line regulatory asset for any amount where the purchase price exceeds the value of the acquired assets at the date of acquisition;
8. Any issues related to the disposition of regulatory and transactions costs are deferred and shall be addressed in Limestone's initial rate case;
9. Limestone shall comply with all regulatory obligations imposed on Cartwright;
10. Within thirty (30) days after acquisition, Limestone shall file a tariff identifying all residential subdivisions and commercial customers and adopting the current rates, charges, and terms of service of Cartwright;
11. Limestone will maintain its books and records in compliance with USOA;
12. Upon closing, Cartwright shall provide to Limestone all account records for the two (2) calendar years immediately preceding the date of acquisition and the complete year-to-date accounting records for the calendar year in which closing occurs. Limestone shall retain these records through completion of its first rate case;
13. Within thirty (30) days of acquisition, Limestone shall post a bond compliant with Commission rules;
14. Limestone shall provide, within thirty (30) days of execution, copies of all contracts or pricing agreements between Limestone and any affiliate or contractor that provides any operations, maintenance, or billing services to the Cartwright systems or its customers;
15. Within thirty (30) days of recording, Limestone is to file copies of all recorded deed(s) for land where Cartwright facilities are located and registered easements in Limestone's name for all the land and ownership rights for any and all access to the acquired water system;

16. Within thirty (30) after acquisition, Limestone shall file a copy of the Purchase and Sale Agreement which has been fully executed and acknowledged by the Title Company. All exhibits with complete documentation shall be attached;
17. A copy of the final executed Assignment of Rights Agreement shall be filed within thirty (30) days after the date of acquisition;
18. A copy of the State Operating Permit “Request for Transfer” for permits shall be filed within thirty (30) days of issuance for both water and wastewater;
19. Within thirty (30) of availability, Limestone shall file copies of all maps and engineering designs for the water and wastewater systems; and
20. Limestone shall comply with all applicable Commission rules and regulations.

The *Settlement Agreement* also outlines general terms and conditions. The parties agree that all Pre-Filed Testimony, discovery, and exhibits will be introduced as evidence without objection, and cross-examination of witnesses is waived with respect to Pre-Filed Testimony. In addition, the parties are not bound to any position or term of the *Settlement Agreement* if not approved by the Commission in whole. The *Settlement Agreement* establishes no binding or precedential effect in any proceeding before the Commission, or any state or federal court except to the limited extent necessary to implement the provisions of the *Settlement Agreement* or enforcement thereof.¹⁴

HEARING ON THE MERITS

A Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on December 6, 2021, as noticed by the Commission on November 24, 2021 and by Amended Notice on November 29, 2021. Participating in the Hearing were Karen Stachowski, Esq. and David Dittmore on behalf of the Consumer Advocate,

¹⁴ *Id.*

Charles B. Welch, Jr., Esq. and Michael James Duncan on behalf of Limestone, and Henry Walker, Esq. on behalf of Cartwright. During the Hearing, Mr. Welch and Mr. Duncan presented the *Settlement Agreement* to the Commission and were subject to questions before the panel. Mr. Duncan provided testimony and adopted the Pre-Filed Testimony of Josiah Cox. Ms. Stachowski and Mr. Walker provided additional comments to the Commission requesting approval of the *Settlement Agreement*.

STANDARD OF REVIEW

The Commission has “general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.”¹⁵ The Tennessee Supreme Court has interpreted the supervisory and regulatory powers of the Commission as “practically plenary authority over the utilities within its jurisdiction.” *BellSouth Adver. & Publ’g Corp. v Tenn. Reg. Auth.*, 79 S.W.3d 506, 512-513 (Tenn. 2002).

In performing its duties with regard to issues before the Commission in the current docket, several statutory provisions must be considered. First, Tenn. Code Ann. § 65-4-113(a) provides:

No Public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the commission, to any individual, partnership, corporation, or other entity without first obtaining the approval of the commission.

When considering a transfer of authority to provide utility services, the Commission must consider all relevant factors, “including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer.” Upon a finding that the transfer furthers the public interest, the Commission shall approve the transfer.¹⁶

¹⁵ Tenn. Code Ann. § 65-4-104(a) (Supp. 2021).

¹⁶ Tenn. Code Ann. § 65-4-113(b) (Supp. 2021).

After the Commission approves the transfer, the transferee is granted full authority to provide the transferred utility services while the transferor no longer has authority to provide transferred services.¹⁷

In addition, the Commission must consider whether to grant Limestone a CCN to provide wastewater services. A public utility is not permitted to begin construction or operation of a new utility service without first obtaining a CCN from the Commission, as set forth in Tenn. Code Ann. § 65-4-201(a), which states:

No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the commission, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system, or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate; provided, however, that this section shall not be construed to require any public utility to obtain a certificate for an extension in or about a municipality or territory where it shall theretofore have lawfully commenced operations, or for an extension into territory, whether within or without a municipality, contiguous to its route, plant, line, or system, and not theretofore receiving service of a like character from another public utility, or for substitute or additional facilities in or to territory already served by it.¹⁸

Additionally, in order to obtain a CCN to provide wastewater service, TPUC Rule 1220-04-13-.17 (1) provides:

Any public wastewater utility requesting a Certificate of Public Convenience and Necessity (“CCN”) in accordance with Tenn. Code Ann. §§ 65-4-201, et seq., shall file an application that complies with Rule 1220-01-01-.03 and this rule. Each applicant shall demonstrate to the Commission that it possesses sufficient managerial, financial, and technical capabilities to provide the wastewater services for which it has applied. Each application shall demonstrate that there exists a public need for wastewater service and include the required financial security consistent with Tenn. Code Ann. § 65-4-201, and these rules.¹⁹

¹⁷ Tenn. Code Ann. § 65-4-113(c) (Supp. 2021).

¹⁸ Tenn. Code Ann. § 65-4-109 (Supp. 2019).

¹⁹ Tenn. Comp. R. & Regs. 1220-04-13-.17.

The rule further establishes minimum information filing guidelines for applications for new or expanded CCNs.²⁰

FINDINGS AND CONCLUSIONS

The voting panel found that the terms of the *Settlement Agreement* are fair and reasonable, allowing the parties to avoid the time and cost associated with the extensive litigation associated with this type of matter. In addition, the panel found that settlement of this matter is in the public interest as it offers potential savings in the legal expenses of the wastewater systems. In addition, as Cartwright avers that it does not have the financial resources to continue operating the systems, the *Settlement Agreement* permits the transfer of the ownership and operation of the wastewater systems to an operator of public utilities that is well equipped with the financial, technical, and managerial capabilities to successfully operate and enhance the systems as they require maintenance, repairs, upgrades, and replacements. The level of commitment to operations and capital investments from Limestone will benefit the ratepayers. The panel further found that the *Settlement Agreement* includes terms that require compliance with accounting procedures that are needed to assist in the analytical review of transactions. Limestone agreed to maintain the current terms, conditions, and rates of Cartwright for the customers of the systems. Therefore, the panel voted unanimously to approve the terms of the *Settlement Agreement*.

The panel noted that the *Settlement Agreement* recognizes that the Commission must approve a CCN for Limestone to assume operation of the Cartwright wastewater treatment also requested in Limestone's *Application*. The Commission found that Limestone demonstrated that it has sufficient financial, managerial, and technical expertise to operate the Williamson County wastewater systems at issue.

²⁰ *Id.*

Specifically, LWUHC is the sole member of Limestone. In addition, Limestone is part of a group of affiliated companies that own and operate water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, and Texas. One of the affiliates, CSWR, provides the financial, technical, and managerial expertise to Limestone and the other affiliates within the group. CSWR will manage Limestone and the wastewater systems at issue.

Josiah Cox, President of Limestone and of CSWR, attests that Limestone possesses the necessary technical, managerial, and financial capabilities to provide wastewater service to the Cartwright wastewater systems to be transferred.²¹ Mr. Cox states that the companies in the affiliated group, of which Limestone is a member, have been granted certificates in wastewater acquisitions in Missouri and Kentucky. He also testifies that the affiliated group has secured an ongoing commitment from Sciens Capital Management, a Wall Street private equity firm, to provide capital necessary to purchase small and/or distressed water and wastewater systems and to bring the systems into compliance with applicable health, safety, and environmental law and regulations.²²

Limestone provided evidence of employees' credentials and company responsibilities. Mr. Cox has education in environmental science and has work experience in engineering, business, and utility operations.²³ In addition, the *Application* includes resumes that demonstrate the education and experience of key members of CSWR's senior team who will be involved in Tennessee operations.²⁴

The panel found that the evidence in the record demonstrates that Limestone, through CSWR and the group of affiliated companies, possesses the requisite financial, managerial, and technical abilities to operate the Cartwright wastewater facilities to be transferred. Therefore, the

²¹ Josiah Cox, Pre-Filed Direct Testimony, p. 7 (May 6, 2021).

²² *Id.* at 9.

²³ *Id.* at 7.

²⁴ *Application*, Exh. 12 (May 6, 2021).

panel voted unanimously to grant Limestone's request for a CCN to operate the wastewater systems to be transferred.

Finally, the Commission directed Limestone to file a report in this docket that demonstrates compliance with the filing requirements set forth in paragraphs 5, 9, 13, and 16 through 22 of the *Settlement Agreement*. The Commission further directed Limestone, if it is unable to file a report indicating compliance with all of the items within six (6) months of the date of this order, to file a report on the status of its compliance with each of the filing requirements delineated in the *Settlement Agreement*.

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement* executed and submitted by the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General; Limestone Water Utility Operating Company, LLC; and Cartwright Creek, LLC on October 12, 2021 is approved. A copy of the *Stipulation and Settlement Agreement* is attached to this Order as Exhibit 1 and is incorporated in this Order as if fully rewritten herein.

2. In accordance with Tenn. Code Ann. § 65-4-201, a Certificate of Public Convenience and Necessity is granted to Limestone Water Utility Operating Company, LLC to serve the Arrington Retreat, The Grasslands, The Hideaway, and Hardeman Springs subdivisions in Williamson County, Tennessee, currently served by Cartwright Creek, LLC.

3. Limestone Water Utility Operating Company, LLC is directed to file a report in this docket demonstrating its compliance with the filing documentation required by Paragraphs 5, 9, 13, 16, 17, 18, 19, 20, 21, and 22, of the *Stipulation and Settlement Agreement*. If the required documentation is not filed within six (6) months of this order, then Limestone Water Utility Operating Company, LLC is directed to file a report on the status of the compliance on each of the filing requirements.

4. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

5. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Kenneth C. Hill,
Vice Chairman Herbert H. Hilliard,
Commissioner Robin L. Jones,
Commissioner John Hie, and
Commissioner David F. Jones concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 1

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

IN RE:)	
)	
APPLICATION OF LIMESTONE WATER)	
UTILITY OPERATING COMPANY, LLC)	Docket No. 21-00053
FOR AUTHORITY TO SELL OR TRANSFER)	
TITLE TO THE ASSETS, PROPERTY AND)	
REAL ESTATE OF A PUBLIC UTILITY,)	
CARTWRIGHT CREEK, LLC, AND FOR)	
A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

STIPULATION AND SETTLEMENT AGREEMENT

Jointly comes the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (the “Consumer Advocate”) and Limestone Water Utility Operating Company, LLC (“Limestone”), and Cartwright Creek, LLC (“Cartwright Creek”) and respectfully submit this Stipulation and Settlement Agreement (the “Settlement Agreement”) in TPUC Docket No. 21-00053 to the Tennessee Public Utility Commission (TPUC or the “Commission”). Subject to the TPUC's approval, the Consumer Advocate, Limestone, and Cartwright Creek (hereinafter, individually “Party” and collectively “Parties”) stipulate and agree as follows:

I. BACKGROUND

1. On May 6, 2021, Limestone filed its *Petition*, seeking authorization for it to purchase all assets, property, and real estate currently used to provide regulated wastewater services to customers in Cartwright Creek’s subdivisions. Limestone also seeks authorization to transfer the Certificate of Public Convenience and Necessity (CCN). On May 13, 2021, Cartwright Creek filed a notice stating that it joins as a party in support of the *Petition*.

2. On June 14, 2021, the Commission granted the Consumer Advocate's Petition to Intervene. On August 30, 2021, the Consumer Advocate filed the *Direct Testimony of David N. Dittemore*, which recommended approval of the transaction subject to eight conditions.

II. SETTLEMENT TERMS

3. The Parties to this Settlement Agreement have undertaken discussions to resolve this case. As a result of the information obtained during the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the Parties have reached this Settlement Agreement. Subject to the TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

4. The Parties agree to and accept the Consumer Advocate's recommendation that after closing Limestone will adhere to conditions prescribed by the Commission in TPUC Docket Nos. 19-00034 and 19-00097, subject to the stipulations proposed in Limestone's 08/12/21 email to the Consumer Advocate:

- i. At closing, Cartwright Creek will transfer to Limestone all fees held in escrow for Commission-authorized tap fees and the Capital Improvement Surcharge ("CIS").
- ii. At closing, Limestone will assume Cartwright Creek's obligations to collect tap fees and the CIS, deposit those funds in Commission-approved escrow accounts, and obtain Commission pre-approval for disbursements from those accounts.
- iii. Limestone will report quarterly, in the manner prescribed in the Commission's 08/25/20 Order in Docket No. 19-00097, regarding quarter-end balances in each escrow account and any disbursements made during the reporting quarter.

5. The Parties agree and accept the Consumer Advocate's recommendation that Limestone will be required to submit for Commission review and approval prior to closing all accounting entries related to the acquisition, including the transferred balances in each escrow account. The Consumer Advocate shall be copied on this submission to the Commission.

6. The balance of Contributions in Aid of Construction (CIAC) on the books of Cartwright Creek should be the same balance recorded on the books of Limestone at the outset of the transaction. This balance shall not be amortized unless authorized by the Commission. The Commission should review that balance in Limestone's initial rate case, and Limestone, the Consumer Advocate, or other interested parties may present evidence regarding whether the CIAC balance is accurate or should be adjusted.

7. Limestone shall not make any corrections or modifications to accounting records received from Cartwright Creek at closing. If Limestone believes accounting entries should be corrected or changed, it shall seek approval from the Commission to make the necessary accounting corrections at least 180 days prior to its initial base rate increase request. The Consumer Advocate reserves its rights to oppose such a request for any reason, including but not limited to such a request should occur during an acquisition docket as a part of the Buyer's due diligence.

8. The Parties agree and accept the Consumer Advocate's recommendation that Limestone be required to maintain separate asset and operating cost records for each of Cartwright Creek's current operating systems.

9. The Parties agree that Limestone shall be required to file, within 30 days after closing, a balance sheet and supporting general ledger, in the format prescribed by the Uniform System of Accounts and in accordance with Commission Rule 1220-04-01-.11, showing Cartwright Creek's ending balances of the assets acquired by Limestone as of the date of acquisition. Limestone also shall be required to file a balance sheet and supporting general ledger, in the format prescribed by the Uniform System of Accounts and in accordance with Commission Rule 1220-04-01-.11, showing Limestone's beginning balances of the assets acquired from Cartwright Creek as of the date of the acquisition.

10. Limestone is not requesting an acquisition premium and the Commission is not being asked to approve any acquisition adjustment related to the purchase of Cartwright Creek's assets. Furthermore, the Commission is not being asked to approve a Gain on Sale, as raised by the Consumer Advocate, related to the purchase of Cartwright Creek's assets. Accordingly, Limestone's beginning value of the acquired assets for ratemaking purposes shall be the value recorded in Cartwright Creek's books and records at the date of acquisition. Further, Limestone is not authorized to book an above-the-line regulatory asset for ratemaking purposes for any portion of the amount by which the purchase price exceeds the value of the acquired assets as reflected in Cartwright Creek's books and records at the date of acquisition. In any future rate proceeding, Limestone may present evidence and argument concerning the value of assets used and useful for provisioning public utilities services, and the Consumer Advocate or other interested parties may oppose such values or present their own evidence and argument concerning the value of such assets. Limestone, the Consumer Advocate, or other interested parties, may present evidence and set forth their respective arguments related to the appropriateness of an Acquisition Premium or Gain on Sale for this transaction in the next rate proceeding.

11. The Parties agree and accept the Consumer Advocate's recommendation that the disposition of regulatory and transaction costs related to the subject acquisition be deferred to Limestone's initial rate case involving those costs.

12. The Parties agree and accept the Consumer Advocate's recommendation that the Commission require Limestone to adhere to prior regulatory obligations imposed on Cartwright Creek.

13. The Parties agree that Limestone be required to adopt Cartwright Creek's presently tariffed rates, charges and terms of service and it shall file a new tariff substituting itself in place of Cartwright Creek as the service provider within 30 days after the date of acquisition. The tariff

shall identify all residential subdivisions by each subdivision name, as well as any commercial customers being served within Limestone's CCN.

14. The Parties agree that Limestone be required to maintain its books and records in compliance with the Uniform System of Accounts as set forth in Commission Rule 1220-04-01-.11.

15. The Parties agree that, at closing, Cartwright Creek shall transfer to Limestone complete copies of Cartwright Creek's accounting records for the two calendar years immediately preceding the date of acquisition as well as the complete year-to-date accounting records for the calendar year in which closing occurs. Limestone shall maintain these records intact at least through completion of its first rate proceeding before the Commission.

16. The Parties agree that Limestone be required to post a bond compliant with the Commission's financial security rules within 30 days of the date of acquisition.

17. The Parties agree that Limestone be required to file within 30 days of execution copies of contracts or pricing agreements between Limestone and any affiliate and between Limestone and contractors that provide ongoing operations and maintenance or billing services to the Cartwright Creek systems or customers served by those systems.

18. The Parties agree Limestone be required to file copies of recorded deed(s) for land where Cartwright Creek's facilities are located and registered easements in Limestone's name for all the land and ownership rights for any and all access to the acquired water system and wastewater systems within 30 days after the date of recording.

19. The Parties agree that Limestone be required to file a copy of the Purchase and Sale Agreement that has been fully executed by Seller and Buyer and acknowledged by the Title Company with the recorded effective date and with all exhibits attached, complete with documentation, within 30 days after the date of acquisition.

20. The Parties agree Limestone be required to file a copy of the final executed Assignment of Rights Agreement within 30 days after the date of acquisition.

21. The Parties agree Limestone be required to file a copy of the State Operating Permit "Request for Transfer" for current permits, both for water and wastewater, within 30 days of issuance.

22. The Parties agree Limestone be required to file copies of maps and engineering designs for the water and wastewater systems within 30 days of availability.

23. The Parties agree Limestone shall be required to comply with all applicable Commission rules and regulations, including but not confined to the Commission's rules governing transactions with affiliates.

B. General Terms

24. All pre-filed discovery (formal and informal), testimony and exhibits of the Parties will be introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses with respect to all such pre-filed testimony. If, however, questions should be asked by any member of the public, Commissioners, or Commission Staff, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits. The Parties would ask to permit any out-of-town witnesses to be available by telephone or video conference to reduce the costs associated with such appearance.

25. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the Commission and in any hearing, proposed order, or brief conducted or filed in this matter. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to

this Settlement Agreement shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle.

26. This Settlement Agreement, which is the product of negotiations and substantial communication and compromise between the Parties, is just and reasonable and in the public interest.

27. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to enforcement and implementation of the provisions hereof.

28. The Parties agree and request the Commission to order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Commission, or any court, state or federal, except to the limited extent necessary to implement the provisions hereof and for the limited purpose of enforcement should it become necessary.

29. The terms of this Settlement Agreement have resulted from negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that the Commission issue an order adopting this Settlement Agreement in its entirety without modification.

30. If the Commission does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Commission does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by the Commission; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised

by, the Commission within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding or precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

31. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by the Commission in whole or in part.

32. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this matter or any other docket.

33. Except as expressly noted herein, the acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of the Joint Parties' acts or practices.

34. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by the Joint Parties to TPUC and the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

35. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding conflicts of law provisions.

36. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties and that any and all oral statements, representations or agreements made prior to the execution of this Settlement Agreement shall be null and void.

37. The signatories to this Settlement Agreement warrant that they have informed, advised, and otherwise consulted with the Parties for whom they sign regarding the contents and significance of this Settlement Agreement, and, based on those communications, the signatories represent that they are authorized to execute this Settlement Agreement on behalf of the Parties.

The foregoing is agreed and stipulated to this 15th day of October, 2021.

[signature page follows – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00053
Limestone Water Utility Operating Company, LLC Signature Page

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

BY: 

CHARLES B. WELCH, Jr., Esq.

TYLER A. COSBY, Esq.

Farris Bobango PLC

414 Union Street, Suite 1105

Nashville, TN 37219

Email: cwelch@farris-law.com

Email: tcosby@farris-law.com

[additional signature page follows – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00053
Cartwright Creek, LLC Signature Page

CARTWRIGHT CREEK, LLC

BY: 

HENRY WALKER

Bradley Arant Boult Cummings, LLP

1600 Division Street, Suite 700

Nashville, TN 37203

Email: hwalker@babco.com

[additional signature page follows – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00053
Attorney General's Signature Page

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

BY:

OFFICE OF THE TENNESSEE ATTORNEY GENERAL



HERBERT H. SLATTERY III (BPR # 09077)
Attorney General and Reporter
State of Tennessee



KAREN H. STACHOWSKI (BPR # 019607)
Senior Assistant Attorney General
SARAH A. HIESTAND (BPR # 014217)
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 741-8733
Fax: (615) 741-8151
Email: karen.stachowski@ag.tn.gov
Email: sarah.hiestand@ag.tn.gov