

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

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 AND
FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY**

DOCKET NO. 21-00053

**CONSUMER ADVOCATE'S SECOND DISCOVERY REQUEST
TO LIMESTONE WATER UTILITY OPERATING COMPANY, LLC
PUBLIC VERSION**

To: Limestone Water Utility Operating Company, LLC
C/O Charles B. Welch, Jr., Esq.
C/O Tyler A. Cosby, Esq.
Farris Bobango PLC
414 Union Street, Suite 1105
Nashville, TN 37219
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Email: tcosby@farris-law.com

This Second Discovery Request is hereby served upon Limestone Water Utility Operating Company, LLC ("Limestone" or the "Company") 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, John Sevier Building, 500

Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 2:00 p.m. (CDT), August 9, 2021.

PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate by reference the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate's First Discovery Request to Limestone* sent to the Company on June 29, 2021, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

SECOND DISCOVERY REQUESTS

- 2-1. Regarding the financing of Limestone operations, provide the following:
- a. Confirm that CSWR does not access the capital markets directly by issuing debt or equity. If this is not confirmed, identify all debt issuances acquired by CSWR and provide a copy of the most recent issuance;
 - b. Confirm that the funding for operations of CSWR, and in turn Limestone, is provided by U.S. Water;
 - c. In Limestone's Response to Consumer Advocate DR No. 1-28, it is indicated that Limestone plans to seek debt to fund some portion of required improvements and to achieve a more balanced capital structure. With respect to this statement, provide a comprehensive explanation of how Limestone, as well as any affiliate of Limestone, would obtain funds that are identified as debt referenced in the response; and
 - d. With respect to the equity financing identified in Limestone's Response to Consumer Advocate DR No. 1-28, provide a comprehensive explanation indicating how (i) CSWR and (ii) Limestone obtains the financing identified as equity.

RESPONSE:

- 2-2. Refer to Limestone's Response to Consumer Advocate DR No. 1-8. Provide the following:
- a. Clearly state Central States Water/Limestone's position regarding whether or not the Agreement for Sale of Utility System¹ submitted [REDACTED];

¹ Petition, Exhibit 7 (CONFIDENTIAL).

- b. Identify the "escrow funds" that Central States/CSWR/Limestone expects to (i) be transferred and the closing of the sale and (ii) not be transferred at the closing of the sale.
- c. Confirm that Central States/CSWR/Limestone's position is that the Petition [REDACTED] [REDACTED].
- d. Confirm Central States/CSWR/Limestone's position is that the [REDACTED] [REDACTED] is exclusively subject to the discretion of the Commission; and
- e. If the Commission determines that [REDACTED] [REDACTED], will a modification to the purchase price negotiated between the parties?

RESPONSE:

- 2-3. Refer to Limestone's Response to Consumer Advocate DR No. 1-11. Does Central States/CSWR/Limestone intend to maintain separate records to differentiate operating results and plant assets within the various Cartwright Creek properties?

RESPONSE:

- 2-4. Refer to Limestone's Response to Consumer Advocate DR No. 1-14 (CONFIDENTIAL).

[REDACTED]
[REDACTED]
[REDACTED]

- a. [REDACTED]; or
- b. [REDACTED].

RESPONSE:

- 2-5. Refer to TPUC Docket No. 19-00035. Provide a comprehensive explanation supporting the rationale and justification for the increase in purchase price of [REDACTED]² negotiated in the Agreement for Sale of Utility System in TPUC Docket No. 19-00035 with the purchase price of [REDACTED]³ negotiated in the Agreement for Sale of Utility System in the present Petition.

RESPONSE:

- 2-6. Regarding the three-year Income Statement projections of Cartwright Creek provided in Limestone's Response to Consumer Advocate DR No. 1-19 (CONFIDENTIAL), provide the following:
- a. Support for the estimated Depreciation Expense of [REDACTED] reflected in year 1; and
 - b. The basis for the Interest Expense of [REDACTED] reflected in year 1.

RESPONSE:

- 2-7. Regarding the three-year Balance Sheet Projection provided in the Limestone's Response to Consumer Advocate DR No. 1-19, confirm that the data does not incorporate the \$4.9 million of contributions in aid of construction on the books of Cartwright Creek as of December 31, 2020. If this is confirmed, provide the rationale for exclusion of this liability on the prospective books of Limestone.

RESPONSE:

- 2-8. Refer to TRA/TPUC Docket Nos. 16-00127 and 19-00097. In TRA Docket No. 16-00127, the Commission authorized a \$7.50 capital surcharge for a period of 36 months to address

² Joint Application of Cartwright Creek, LLC, and Limestone Water Utility Operating Company, LLC, for Authority to Sell or Transfer Title to the Assets, Property, and Real Estate of a Public Utility and for a Certificate of Public Convenience and Necessity, Exhibit 9, p. 3, § 4. Purchase Price (March 14, 2019).

³ Petition, Exhibit 7 (CONFIDENTIAL), p. 3, § 4.

“essential funding needed [for] facility improvements and upgrades.”⁴ The Commission extended the “Capital Improvements Surcharge of \$7.50” per month for an additional 36 months subject to terms and conditions set by the Commission in its order.⁵ Respond to the following:

- a. Confirm that Central States/CSWR/Limestone intends to continue collecting the surcharge fee of \$7.50 for residential customers.
- b. If (a) above is confirmed, does Central States/CSWR/Limestone agree to record the amount received in an escrow fund with an offsetting entry to contributions in aid of construction?
- c. If (a) above is confirmed, does Central States/CSWR/Limestone agree the expenditure of funds from this account is still subject to the terms and conditions set by the Commissioner’s Order in TPUC Docket No. 19-00097?
- d. If (a) above is confirmed, does Central States/CSWR/Limestone agree to comply with the reporting requirements to the Commission as set out in the Commissioner’s Order in TPUC Docket No. 19-00097?⁶
- e. If (a) above is denied, explain how Central States/CSWR/Limestone plans to continue to follow Cartwright Creek’s current tariff and existing rates which includes under “Miscellaneous Charges” a “Monthly Capital Recovery Surcharge” of \$7.50.

RESPONSE:

2-9. Refer to Cartwright Creek’s Response to Consumer Advocate DR No. 1-18

(CONFIDENTIAL). [REDACTED]

[REDACTED]

RESPONSE:

⁴ *Order Approving Rate Increase*, p. 5, TRA Docket No. 16-00127 (January 10, 2017). “The funds collected under the Surcharge, as well as all cash contributions in aid of construction received by Cartwright during the Surcharge’s thirty-six (36) month collection period, shall be deposited and held in a separate FDIC insured state authorized interest-bearing bank account (“Capital Account”) from which funds shall not be expended without Cartwright seeking and obtaining from the Authority (in a specified amount and for a specified purpose), prior to expenditure of such funds, an order by the Authority specifically authorizing the expenditure of such funds in a specified amount and for a specified purpose.” *Joint Petition*, pp. 3-4, TRA Docket No. 16-00127 (November 10, 2016).

⁵ *Order Approving Extension of Surcharge*, pp. 7-9, TPUC Docket No. 19-00097 (August 25, 2020).

⁶ *Id.* at pp. 8-9, ¶f.

2-10. Refer to the Petition, Exhibit 7 (CONFIDENTIAL).

Provide the following:

a.

b.

c.

d.

e.

f.

RESPONSE:

2-11. Refer to Cartwright Creek's Response and attachment to Consumer Advocate DR No. 1-18 (CONFIDENTIAL [REDACTED])

[REDACTED]

[REDACTED]

RESPONSE:

2-12. Refer to Cartwright Creek's Attachment to Response to Consumer Advocate DR No. 1-18a (CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]?

RESPONSE:

2-13. Refer to the Petition at p. 16, Appendix A, Part II(2)(a)(7). It states that "maps depicting the areas served by Cartwright Creek are on file with the Commission, and those maps are incorporated into the Application by reference." Provide the location, in the TPUC files, of these referenced maps with greater specificity (i.e., specific docket, date of filings) so that the Consumer Advocate can make a records request to TPUC for copies of these maps.

RESPONSE:

RESPECTFULLY SUBMITTED,

Karen H Stachowski

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TPUC DOCKET NO. 21-00053

Consumer Advocate's Second Discovery Request to Limestone - PUBLIC


CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with a courtesy copy by electronic mail, upon:

Limestone Water Utility Operating Company, LLC
C/O Charles B. Welch, Jr., Esq.
C/O Tyler A. Cosby, Esq.
Farris Bobango PLC
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C/O Henry Walker
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1600 Division Street, Suite 700
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This the 27th day of July, 2021.


KAREN H. STACHOWSKI
Senior Assistant Attorney General