

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

<b>IN RE:</b>	)	
	)	
<b>APPLICATION OF LIMESTONE</b>	)	
<b>WATER UTILITY OPERATING</b>	)	<b>DOCKET NO. 21-00053</b>
<b>COMPANY, LLC, FOR AUTHORITY</b>	)	
<b>TO SELL OR TRANSFER TITLE TO</b>	)	
<b>THE ASSETS, PROPERTY, AND REAL</b>	)	
<b>ESTATE OF A PUBLIC UTILITY AND</b>	)	
<b>FOR A CERTIFICATE OF PUBLIC</b>	)	
<b>CONVENIENCE AND NECESSITY</b>	)	
	)	

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**LIMESTONE WATER UTILITY OPERATING COMPANY, LLC RESPONSE TO  
SECOND SET OF DATA REQUEST**

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**I. General Objections**

Whether or not separately set forth in response to each Request, Respondent makes the following General Objections to each and every Definition and Request in Consumer Advocate's First Set of Data Request.

1. Respondent objects to the extent that any Request seeks information or the production of documents protected by the attorney-client privilege, the work product doctrine, or any other

applicable privilege or immunity. Such information or documents shall not be produced in response to the Requests, and any inadvertent production thereof shall not be deemed a waiver of any privilege or right with respect to such documents or information or of any work product doctrine that may attach thereto.

2. Respondent objects to all Requests inclusive, to the extent they purport to enlarge, expand, or alter in any way the plain meaning and scope of any specific Request on the grounds that such enlargement, expansion, or alteration renders said Request vague, ambiguous, unintelligible, unduly broad, or uncertain.

3. Respondent objects to all Requests inclusive, to the extent they seek documents or information not currently in Respondent's possession, custody, or control, or refer to persons, entities, or events not known to Respondent on the grounds that such Requests seek to require more of Respondent than any obligation imposed by law, would subject Respondent to unreasonable and undue annoyance, oppression, burden, and expense, and would seek to impose upon Respondent an obligation to investigate or discover information or materials from third parties or services that are equally accessible to the Consumer Advocate.

4. Respondent objects generally to all Requests to the extent they seek to impose an obligation on Respondent to provide more information that required by the Tennessee Rules of Civil Procedure or any order in this matter.

5. Respondent objects generally to all Requests to the extent that any Request seeks electronically-stored information that is not reasonably accessible to Respondent because of undue burden or cost, including but not limited to documents stored on systems for archival or disaster recovery purposes, data residing in hardware buffer memories, deleted files that have not been fully overwritten, and replica data resulting from automatic back-up functions.

6. Respondent objects generally to all Requests to the extent that any Request seeks information that is not proportional to the needs of this case or that is not relevant to proving one or more of the parties' claims or defenses. Respondent objects on the grounds that said demands are overly broad, and would subject Respondent to undue annoyance, oppression, burden, and expense. Such information shall not be produced in response to the Request.

7. Respondent objects to each Request to the extent that it attempts to include several separate Request or discrete sub-parts within one purported Request. Respondent will not respond to any Request that, including discrete subparts, exceed the applicable limit under the Tennessee Rules of Civil Procedure or the Local Rules.

## **II. Responses**

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:**

- a. Confirmed.
- b. Confirmed.
- c. It is the intention of Limestone to solicit third-party, commercial debt to support its future capital structure. The solicitation will be made to multiple lender institutions with a goal of securing a debt facility appropriate for a regulated utility of Limestone's size and economic status. It is expected that lenders will condition any debt offerings to Limestone on its ability to provide adequate cash flow to service the debt requirements.
- d. For its equity needs Limestone requests equity from CSWR (upstream parent) and as needed CSWR requests equity from U.S. Water (upstream parent).

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 System [REDACTED]  
[REDACTED];
- 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]

[REDACTED], is exclusively subject to the discretion of the Commission; and

e. If the Commission determines that e [REDACTED]

[REDACTED], will a modification to the purchase price negotiated between the parties?

**RESPONSE:**

- a. The transfer of escrow funds from Cartwright Creek to Limestone is not expressly addressed in the purchase agreement.
- b. If the Commission requires Limestone to receive and maintain the current escrow account(s), Limestone would expect the full, verified balance in each such account to be transferred at closing. Limestone is open to negotiating with the Attorney General and other interested parties the terms for such a transfer. Those terms would then be presented to the Commission for its approval as part of the final order in this case.
- c. The petition does not include any requests for an order regarding treatment of currently escrowed funds.
- d. If the Commission requires Limestone to receive and maintain the current escrow accounts, Limestone would expect the Commission to prescribe appropriate terms and conditions related to those accounts.
- e. If the Commission requires Cartwright Creek to transfer currently escrowed funds to Limestone, Central States/CSWR/Limestone would not expect that transfer to require modification of the purchase price.

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:**

Limestone does intend to maintain separate records to differentiate operating results and plant assets within the various Cartwright Creek properties.

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

[REDACTED]

[REDACTED]

[REDACTED]

a. [REDACTED]; or

b. [REDACTED].

**RESPONSE:**

a. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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] negotiated in the

Agreement for Sale of Utility System in TPUC Docket No. 19-00035 with the purchase price of [REDACTED] negotiated in the Agreement for Sale of Utility System in the present Petition.

**RESPONSE:**

The difference in the purchase is due to the capital the current owner invested into the system during the time between the two dockets.

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:**

a. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

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:**

The data does not incorporate the \$4.9 million of CIAC as of 12/31/2020. Limestone expects to record CIAC on its books at closing the Cartwright Creek transaction, however the current amortized balance has been difficult to estimate because no amortization records or methodologies have been provided by the seller and amortization was excluded from Limestone's Pro Forma estimates due to the unreliable data provided in the annual reports. Upon receipt of updated financials, Limestone was able to arrive at an estimated balance for CIAC accumulated amortization. Limestone has implemented the distributed method for calculating CIAC amortization and applied it to CIAC balances going back to 2010. The distributed method calculates CIAC amortization by multiplying the pro-rated share of contributed assets by the total annual depreciation. The resulting CIAC accumulated amortization balance at 12/31/2020 is \$2,659,271.14 as seen in the attached document labeled "2-7 CIAC Assumptions".

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 "essential funding needed [for] facility improvements and upgrades."<sup>4</sup> 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. 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/CS WR/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?

e. If (a) above is denied, explain how Central States/CS WR/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:**

a. It is unclear whether the Commission will authorize or require Limestone to continue to collect the surcharge authorized in Docket Nos. 16-00127 and 19-00097, however Limestone will seek a determination of that issue as part of the Commission's final order in the current acquisition case.

b. If the Commission determines Limestone should continue to collect the surcharge authorized in Docket Nos. 16-00127 and 19-00097, Limestone will record all amounts collected in the manner determined by the Commission.

c. If the Commission determines Limestone should continue to collect the surcharge authorized in Docket Nos. 16-00127 and 19-00097, Limestone will comply with all terms and conditions imposed by the Commission.

d. If the Commission determines Limestone should continue to collect the surcharge authorized in Docket Nos. 16-00127 and 19-00097, Limestone will comply with all reporting requirements imposed by the Commission.

e. If the Commission declines to authorize or require Limestone to continue to collect the

surcharge authorized in Docket Nos. 16-00127 and 19-00097, Limestone will seek whatever changes to Cartwright Creek's current tariff are necessary to reflect the Commission's decision.

2-9: Refer to Cartwright Creek's Response to Consumer Advocate DR No. 1-18(CONFIDENTIAL). [REDACTED]

[REDACTED]?

**RESPONSE:**

Limestone expects to assume Cartwright Creek's obligations set out in the contract provided in response to Consumer Advocate DR No. 1-18v. However, as stated in Section 8.1. of that agreement, the consent of Probst Hardeman Springs, LLC, must be obtained before Cartwright Creek can assign its interests and obligations to Limestone.

2-10: Refer to the Petition, Exhibit 7 (CONFIDENTIAL). [REDACTED]

[REDACTED] Provide the following:

a. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

b. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

c. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

d. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

e. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

f. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

[REDACTED]

[REDACTED]

2-11: Refer to Cartwright Creek's Response and attachment to Consumer Advocate DR No. 1-18 (CONFIDENTIAL). If this contract is still in effect between Cartwright Creek and Hardeman Springs, does Central States/CSWR/Limestone intend to acquire this contract as part of the pending acquisition?

**RESPONSE:**

See response to AG DR 2-9.

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

[REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

See Cartwright Creek's response to AG DR 2-12.

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

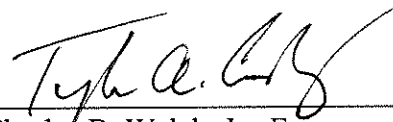
incorporated into the Application by reference."" Provide the location, in the TPUC files, of these referenced maps with greater specificity (i.e., specific docket, date of filings) so that the Consumer Advocate can make a records request to TPUC for copies of these maps."

**RESPONSE:**

The maps referenced in the Application refer to the maps in Docket 19-00035. However, the maps are the same version as the maps filed in this Docket. The Applicant increased the size of the maps in Docket 19-00035 and filed them in this Docket in an effort to make them easier to review.

Dated: August 11, 2021

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Tyler A. Cosby", is written over a horizontal line.

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*Attorneys for Limestone Water Utility  
Operating Company, LLC*

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the forgoing has been served via either U.S. Mail, postage prepaid, or electronically to the following this 11<sup>th</sup> day of August, 2021.

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