

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

IN RE:)	
)	
APPLICATION OF LIMESTONE)	
WATER UTILITY OPERATING)	
COMPANY, LLC FOR AUTHORITY TO)	DOCKET NO. 21-00055
SELL OR TRANSFER TITLE TO THE)	
ASSETS, PROPERTY AND REAL)	
ESTATE OF A PUBLIC UTILITY AND)	
FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

STIPULATION AND SETTLEMENT AGREEMENT

The Consumer Advocate Division of the Office of the Tennessee Attorney General (the “Consumer Advocate”), Limestone Water Utility Operating Company, LLC (“Limestone” or “Buyer”), and Shiloh Falls Utilities, Inc. (“Shiloh Falls” or “Seller”) jointly submit this Stipulation and Settlement Agreement (the “Settlement Agreement”) to the Tennessee Public Utility Commission (“TPUC” or the “Commission”) in TPUC Docket No. 21-00055. Limestone requested approval from the Commission to allow Shiloh Falls to sell or transfer the assets, property, and real estate related to its wastewater system to Limestone so that Limestone may operate the system. Limestone also requested the Commission authorize and grant Limestone a Certificate of Public Convenience and Necessity (“CCN”) pursuant to Tenn. Code Ann. § 65-4-201 and TPUC Rule 1220-04-13.-17. Subject to TPUC’s approval, the Consumer Advocate,

Limestone, and Shiloh Falls (hereinafter, individually “Party” and collectively “Parties”) stipulate and agree as follows and respectfully request Commission approval of the same:

I. BACKGROUND

1. On June 22, 2021, Limestone filed its Petition, seeking authorization for Shiloh Falls to sell or transfer all assets, property, and real estate currently used to provide regulated wastewater services to customers currently served by Shiloh Falls and to also grant Limestone a CCN.

2. On August 13, 2021, the Commission granted the Consumer Advocate’s Petition to Intervene. On July 28, 2022, the Consumer Advocate filed the Direct Testimony of Alex Bradley, which recommended approval of the transaction subject to six 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 TPUC’s approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

4. The parties agree that the Commission in TPSC Docket No. 95-03948 ordered Shiloh Falls to record on its books “a credit of \$193,881 (half of the gross plant in service [at the time]) to Other Paid in Capital in a specifically designated sub-account, Contributed Capital, in accordance with USOA.”¹ The parties agree that the Commission further ordered, “The offsetting

¹ *Initial Order*, Settlement Agreement, p.1, ¶5, TPSC Docket 95-03948 (May 31, 1996); *see Order*, TPSC Docket No. 95-03948 (June 27, 1996).

debit will be made to owner's equity. The Contributed Capital account will be recognized as a reduction to rate base in any further proceedings."

5. In its initial base-rate case including the Shiloh Falls system, Limestone shall be allowed to present evidence seeking to establish and include in rate base the net book value of assets it acquires from Shiloh Falls up to an amount not to exceed the purchase price paid for those assets (i.e., \$375,000). The Consumer Advocate or other interested parties may oppose such values or present their own evidence and argument concerning the value of such assets and the proper calculation of rate base, and the Consumer Advocate specifically reserves its right to do so.

6. In its initial base-rate case including the Shiloh Falls system, Limestone shall be allowed to present evidence seeking to establish and include in rate base amounts incurred for legal and other transaction-related fees and services. The Consumer Advocate or other interested parties may oppose such values or present their own evidence and argument concerning the proper amounts of these expenses to be recovered in rates.

7. Limestone shall not make any corrections or modifications to accounting records received from Shiloh Falls 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 request to increase base rates. The Consumer Advocate reserves its rights to oppose such a request for any reason, including but not limited to if 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 must maintain separate asset and operating-cost records for the Shiloh Falls system.

9. The Parties agree that Limestone must 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 Shiloh Falls' ending balances of the assets acquired by Limestone as of the closing date. Limestone also shall 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 Shiloh Falls as of the closing date.

10. Limestone is not requesting an acquisition premium, nor is the Commission being asked to approve any acquisition adjustment related to the purchase of Shiloh Falls' assets. Accordingly, Limestone's beginning value of the acquired assets for ratemaking purposes shall be the value recorded in Shiloh Falls' 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 Shiloh Falls' 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-utility 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. In Limestone's initial base-rate case, Limestone, the Consumer Advocate, or other interested parties, also may present evidence and set forth their respective arguments related to the appropriateness of an acquisition premium for this transaction.

11. The Parties agree that a determination of recoverable regulatory and transaction costs related to the subject acquisition will be deferred to Limestone's initial rate case involving those costs. Limestone agrees that it will not seek to recover in rates any amount exceeding 50% of the legal expenses paid to local counsel for the representation of Buyer or Seller in the instant regulatory proceeding. The Consumer Advocate and other interested parties may present

independent evidence and argument concerning the proper amounts to be recovered in rates. Limestone will file within 30 days of closing the amount of legal costs, separated by represented party, incurred for this matter.

12. The Parties agree that Limestone be required to adopt Shiloh Falls' presently tariffed rates, charges, and terms of service, and it shall file a new tariff substituting itself in place of Shiloh Falls 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.

13. The Parties agree that Limestone will be required to submit, for Commission review and approval prior to closing, all accounting entries related to the acquisition. The Consumer Advocate shall be copied on this submission to the Commission.

14. Limestone shall record on its books the balance of Contributions in Aid of Construction ("CIAC") that is currently on the books of Shiloh Falls. This balance shall not be amortized unless authorized by the Commission. The Parties agree that 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.

15. The Parties agree that Limestone must file, within 30 days of closing, evidence documenting the price paid for the land held by the Shackleford Company. Such evidence shall include, but is not necessarily limited to, the signed sales agreement and a copy of the check payable to the Shackleford Company or other evidence of payment.

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

17. The Parties agree that, at closing, Shiloh Falls shall transfer to Limestone complete copies of Shiloh Falls' accounting records, to the extent they exist, 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.

18. The Parties agree Limestone must post a bond compliant with the Commission's financial security rules within 30 days of the date of acquisition.

19. The Parties agree Limestone must 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 Shiloh Falls system or customers served by that system.

20. The Parties agree Limestone must file copies of recorded deeds for land where Shiloh Falls' facilities are located and copies of recorded easements in Limestone's name for all the land and ownership rights for any and all access to the acquired wastewater system within 30 days after the date of recording.

21. The Parties agree Limestone must 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.

22. The Parties agree Limestone must file a copy of the final executed Assignment of Rights Agreement within 30 days after the date of acquisition.

23. The Parties agree Limestone must file a copy of the State Operating Permit "Request for Transfer" for current permits within 30 days of issuance.

24. The Parties agree Limestone must file copies of maps and engineering designs for the wastewater system within 30 days of availability.

25. The Parties agree Limestone must comply with all applicable Commission rules and regulations, including but not confined to the Commission's rules governing transactions with affiliates. The Parties further agree that Limestone shall be bound by any order of the Commission or its predecessor agencies (including the Tennessee Public Service Commission and the Tennessee Regulatory Authority) that applied to Shiloh Falls.

26. 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 witnesses from out of town to be available by telephone or video conference to reduce the costs associated with such appearance.

27. 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.

28. 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.

29. 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 enforce and implement the provisions hereof.

30. The Parties agree and request the Commission 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.

31. 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.

32. 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.

33. 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.

34. 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.

35. 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 Limestone's or Shiloh Falls' acts or practices.

36. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by Limestone and Shiloh Falls 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.

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

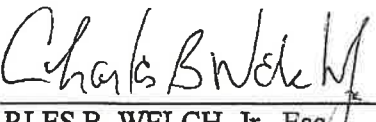
38. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties and that any and all oral statements, representations, or agreements made prior to the execution of this Settlement Agreement shall be null and void.

39. 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 ____ day of August 2022.

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00055
Limestone Water Utility Operating Company, LLC and Shiloh Falls Utilities, Inc. Signature Page

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC and
SHILOH FALLS UTILITIES, INC.

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ACKNOWLEDGED AND AGREED.


Lisa Thomas, President
Shiloh Falls Utilities, Inc.

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

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00055
Attorney General's Signature Page

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