

Attachment B - Acquisition MFRs

Docket No. 21-00059

March 18, 2022

Electronically Filed in TPUC Docket
Room on April 4, 2022 at 4:25 p.m.

Rule 1220-04-14-.08(2) Acquisitions

- I. *Rule 1220-04-14-.08(2)(c)*. The Consumer Advocate could not locate the tariffs, schedules or lists detailing the rates, charges, and terms of service in effect for the selling utility at the time the application for acquisition is filed. The document filed appears to be Limestone's proposed tariff, and not that of the selling utility (Candlewood Lakes). **Please provide Candlewood Lakes' tariff.**

RESPONSE: Due to Candlewood Lakes' currently being unregulated, there are no tariffs or rate schedules in effect. The Company's response to Rule 1220-04-14-.08(2)(c) and (2)(n) reflect the rates and charges currently in effect for the selling utility.

2. *Rule 1220-04-14-.08(2)(e)*. The Consumer Advocate could not locate maps that comprehensively describe the service area of the selling utility. To date, Limestone has not provided any legible map for this service area. Also, the written description set forth in the Petition does not comprehensively describe the service area of the selling utility. Please note that the CCN MFRs also detail the type of maps required for filing with the Commission in Rule 1220-04-13-.1 7(2)(a)7(i-v). **Please provide clarification or the missing information.**

RESPONSE: Please see the attached maps.

3. *Rule 1220-04-14-.08(2)(/)*. The Consumer Advocate could not locate "a forecasted income statement detailing the projected operating revenues, expenses, taxes and net income attributable to the selling utility's operations for the twelve-month period following the estimated closing date of the acquisition transaction." **Please provide clarification or the missing information.**

RESPONSE: Please see the attached Candlewood Lakes income statement.

4. *Rule 1220-04-14-.08(2)(g)*. The Consumer Advocate could not locate the anticipated capital budgets for the various construction projects as discussed by Witness Cox on page 13 of his testimony for the three-year period following the estimated closing date of the acquisition transaction. **Please provide clarification or the missing information.**

RESPONSE: Please see the attached capital budgets.

5. *Rule 1220-04-14-.08(2)(m)*. The Consumer Advocate could not locate a schedule identifying any assets that were contributed or donated to the selling utility that are included in the acquisition transaction. **Please provide clarification or the missing information.**

RESPONSE: The Company has confirmed with ~~the~~ Candlewood Lakes that, to the best of its knowledge, no assets were contributed or donated.

6. *Rule 1220-04-14-.08(2)(n)(ii)*. Witness Cox testifies that "if the revenue requirement for that [Candlewood Lakes] system increases in the future - as likely would be the case given the additional capital investment needed for system upgrades and improvements - Limestone may petition the Commission to increase rates or change certain operating regulations. Limestone may also seek authority to consolidate rates of the system it proposes to acquire in this case with those of other systems it operates in Tennessee." **Witness Cox does not, however, provide the costs of the listed post-acquisition capital investments.**

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RESPONSE: Please see the attached capital budgets.

7. *Rule 1220-04-14-.08(2)(o)*. In Limestone's document for this particular rule, it lists details regarding "Aqua Utilities Service area" and "Chapel Woods HOA Service Area." However, there is no listing for Candlewood Lakes. The data under the Chapel Woods column is different than the information filed in TPUC Docket No. 21-00060. Is the column misnamed in this document? Please provide clarification.

RESPONSE: The column "Chapel Woods HOA Service Area" in that document was mislabeled. Please see the attached updated attachment.

8. *Rule 1220-04-14-.08(2)(p)*. In Limestone's document for this particular rule, it lists details regarding "Aqua Utilities Service area" and "Chapel Woods HOA Service Area." However, there is no listing for Candlewood Lakes. The data under the Chapel Woods column is different than the information filed in TPUC Docket No. 21-00060. Is the column misnamed in this document? **Please provide clarification.**

RESPONSE: The column "Chapel Woods HOA Service Area" in that document was mislabeled. Please see the attached updated attachment.

9. *Rule 1220-04-14-.08(2)(q)*. In Limestone's document for this particular rule, it lists details regarding "Aqua Utilities Service area" and "Chapel Woods HOA Service Area." However, there is no listing for Candlewood Lakes. The data under the Chapel Woods column is different than the information filed in TPUC Docket No. 21-00060. Is the column misnamed in this document? **Please provide clarification.**

RESPONSE: The column "Chapel Woods HOA Service Area" in that document was mislabeled. Please see the attached updated attachment.

10. *Rule 1220-04-14-.08(4)*. It appears that Limestone filed its proposed tariff but identifies it as a response to the Acquisition MFR Rule 1220-04-14-.08(2)(c) identified above. **Please confirm this is correct.**

RESPONSE: This is correct.

Revised Attachment A - CCN MFRs

Docket No. 21-00059

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Rule 1220-04-13-.17(2)(a) General Information

1. *Rule 1220-04-13-.17(2)(a)7(i-v)*. The map provided is not legible.¹ Please provide a legible copy of this map. Additionally, Limestone states that "[m]aps depicting the area served by Candlewood Lakes are on file with the Commission, and those maps are incorporated into the Application by reference."² Candlewood Lakes has not been before the Commission; therefore, no maps will be on file with the Commission. The Consumer Advocate utilized the Tennessee Department of Environment's (TDEC) Water Resources Permit Data Viewer³ to attempt to locate publicly accessible documents pertaining to Candlewood Lakes and found that as of March 2019 Candlewood Lakes has 105 service connections with an estimated population of 308.⁴ Because TDEC requires all community water systems that serve 50 or more service connections to have and maintain updated maps of the distribution system,⁵ current maps of Candlewood Lakes should be available. **Please provide a map(s) that meets the requirements set forth in Tenn. Comp. R. & Regs. 1220-04-13-.17(2)(a)7(i)-(v).**

RESPONSE: Please see the attached maps.

Rule 1220-04-13-.17(2)(c) Sufficient Managerial Ability

- I. *Rule 1220-04-13-.17(2)(c)3*. The Consumer Advocate could not locate "copies of all contracts related to any pending merger or acquisition of Limestone or Limestone's corporate parent or affiliate. **Please provide the missing information or clarify.**

RESPONSE: No such documents exist because there are no pending mergers or acquisitions of Limestone, its corporate parent, or affiliate.

Rule 1220-04-13-.17(2)(d) Sufficient Technical Ability

1. *Rule 1220-04-13-.17(2)(d)4*. Limestone states that there are no current complaints or notices of violation.⁶ According to TDEC's Water Resources Permit Data Viewer, Candlewood Lakes has non-compliance issues, including continued non-compliance for TDEC's requirement for a back-up well.⁷ **Please clarify if there are any other complaint(s), notices of violation or administrative action filed with or issued by TDEC or any other regulatory agency.**

RESPONSE: The Company has confirmed with Candlewood Lakes that the attached document labeled "Feb 8 2022 State Inspection Candlewood Lakes" is the only other notice of violation or administrative action by TDEC.

Revised Attachment A - CCN MFRs

Docket No. 21-00059

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Rule 1220-04-13-.17(2)(e) Sufficient Financial Ability

1. *Rule 1220-04-13-.17(2)(e)2.* The Consumer Advocate located only two years of Pro forma income statements.⁸ The rule requires the utility provide Pro forma income statements for first three (3) years of operations. Also, the rule directs that "in the calculations of utility revenues show the number of consumers and the rates used in the calculations. Show operation and maintenance expenses by account number and provide the basis and/or assumptions used to arrive at these amounts." **Please provide the missing information or clarify.**

RESPONSE: Please see the attached documents for 3 years of operations and the O&M expenses by account number. Additionally, the calculation utilizes 114 wastewater connections from the acquisition and the 401 current Limestone Water connections. The calculation assumes an estimated average bill of \$26.19 for water connections and a flat rate of \$40 for sewer connections.

2. *Rule 1220-04-13-.17(2)(e)5.* Limestone states that it will be using depreciation rates last approved by the Commission for Candlewood Lakes.⁹ Candlewood Lakes has not, however, appeared before the Commission requesting authorization of depreciation rates. Please provide the required "depreciation rates the applicant intends to use for each plant account that will be on the wastewater utility's books. Include the estimated useful life of each account. If no depreciation study has been performed, explain the basis for these rates." **Please provide the missing information or clarify.**

RESPONSE: Please see the attached depreciation rates previously proposed in Limestone Water **acquisition** dockets.