

**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)	DOCKET NO. 21-00059
ASSETS, PROPERTY AND REAL)	
ESTATE OF A WATER SYSTEM AND)	
FOR A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY)	
)	

**CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS
TO LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

Pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-01-02-.11, the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney (the “Consumer Advocate”), by and through counsel, propounds the following discovery requests to Limestone Water Utility Operating Company, LLC (“Limestone” or the “Company”) and Central States Water, Inc. (“CSWR”).

The Company shall serve full and complete responses in accordance with 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 James P. Urban, on or before 2:00pm (Central Time), June 17, 2022.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular shall include the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

(a) "You," "Your," "Company," "Buyer" or "Limestone," shall mean Limestone Water Utility Operating Company, LLC and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(b) "Central States Water" shall mean Central States Water Resources, Inc. and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(c) "CSWR" shall mean Central States Water Resources, LLC and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(d) "Candlewood Lakes" shall mean Candlewood Lakes Property Owners Association, Inc., Candlewood Lakes POA Water Works, Inc., and all employees, agents, attorneys, representatives, or any other person acting or purporting to act on behalf of those corporations.

(e) "Sales Agreement" means the November 3, 2020, Agreement for Sale of Utility System entered into between Central States Water and Candlewood Lakes. The Sales Agreement was included as Exhibit 7 to the Petition.

(f) "Affiliate" shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an "Affiliate."

(g) "Communication" shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams,

electronic mail, newsletters, recorded or handwritten messages, meetings, and personal conversations, or otherwise.

(h) "Document" shall have the broadest possible meaning under applicable law. "Document" shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made.

(i) "Person" shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(j) "Identify" with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person's relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(k) "And" and "or" shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

- (l) "Including" shall be construed to mean including but not limited to.

FIRST SET OF DISCOVERY REQUESTS

1-1. Refer to the Sales Agreement. Explain how the purchase price of \$60,000 for the Candlewood Lakes system was negotiated and determined. Include within the response all analytical support/workpapers for the purchase price.

RESPONSE:

1-2. Refer to the Sales Agreement. Provide an estimate of the surveyor and easement expenses as discussed on page 6 of the Sales Agreement. Additionally, state whether Limestone intends to recover these expenses from ratepayers at a later date.

RESPONSE:

1-3. Refer to the Sales Agreement, specifically, marked page 5, along with the testimony of Josiah Cox, page 13. Provide a detailed cost estimate of the anticipated capital expenditures necessary to address the Tennessee Department of Environment and Conservation Director's Order No. DWS17-0052 along with any other anticipated capital expenditures, separated by project, to be incurred from 1/1/23 through 12/31/25.

RESPONSE:

1-4. Provide the projected accounting entries to be recorded on the books of Limestone to record the Candlewood Lakes acquisition based upon applicable Candlewood Lakes balances

as of December 31, 2021, reconciled with the purchase price. For the avoidance of doubt, the term "Candlewood Lakes" refers to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

RESPONSE:

1-5. Refer to Confidential Exhibit 11 to the Petition. Provide a Pro-Forma Balance Sheet separating balances by system.

RESPONSE:

1-6. Refer to Confidential Exhibit 11 to Petition. Provide a Pro-Forma Income Statement separating balances by system.

RESPONSE:

1-7. Provide a Pro-Forma projected Income Statement for the Candlewood Lakes system for the calendar years 2023 and 2024.

RESPONSE:

1-8. Explain the extent to which Limestone (including all affiliates) reviewed the accounting practices and records of Candlewood Lakes as part of the due diligence performed before entering into the purchase agreement, and explain whether Limestone agrees with such historic accounting practices. For the avoidance of doubt, the term "Candlewood Lakes" refers

to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

RESPONSE:

1-9. Does Limestone intend to reserve the opportunity to modify any historical account balances of Candlewood Lakes as a result of any prospective review of its accounting practices. For the avoidance of doubt, the term "Candlewood Lakes" refers to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

RESPONSE:

1-10. Confirm that Limestone intends to maintain separate accounting records for the Candlewood Lakes system such that the assets, liabilities, revenues, and expenses incurred in operating the system will be separately identifiable from the financial results of other Limestone operating systems.

RESPONSE:

1-11. Section V(d) of the Petition states that "[t]he provision of services by Limestone will not adversely impact the availability of affordable utility service. With respect to this statement, respond to the following:

- a. Provide all underlying supporting information that leads Limestone to conclusion that affordability of utility service will not be adversely impacted as a result of this acquisition; and

- b. How does Limestone define affordable utility service and over what time horizon does this statement apply?

RESPONSE:

1-12. With Farris Bobango representing both parties in this matter, will costs be billed separately for each party? Provide a statement detailing how costs are recorded for each party and costs incurred to date for each party. This is an ongoing request and should be seasonably updated.

RESPONSE:

1-13. The Consumer Advocate notes that the Sales Agreement, <Exhibit 7>, between Limestone and Candlewood Lakes POA Water Works, Inc. does not contain a "Buyer Indemnification" clause. Explain the risks assumed by Seller due to the absence of such a provision.

RESPONSE:

1-14. Refer to the Sales Agreement. Specifically, refer to Section 1(D) and provide answers to the following:

- a. Is this a charge the Applicants believe will be subject to the authority of the Commission? Provide the supporting rationale for the conclusion reached; and
- b. If this fee is not subject to the authority of the Commission, how does Limestone intend to account for such transactions.

RESPONSE:

In re: Limestone / Candlewood Lakes

TPUC Docket No. 21-00059

Consumer Advocate's First Set of Discovery Requests to Limestone

RESPECTFULLY SUBMITTED,

/s/ James P. Urban

JAMES P. URBAN (BPR No. 033599)

Deputy Attorney General

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In re: Limestone / Candlewood Lakes

TPUC Docket No. 21-00059

Consumer Advocate's First Set of Discovery Requests to Limestone

CERTIFICATE OF SERVICE

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

Limestone Water Utility Operating Company, LLC

C/O Charles B. Welch, Jr., Esq.

Brittany L. Davis, Esq.

Farris Bobango PLC

414 Union Street, Suite 1105

Nashville, TN 37219

Email: cwelch@farris-law.com

Email: bdavis@farris-law.com

On this the 3rd day of June 2022.

/s/ James P. Urban

JAMES P. URBAN

Deputy Attorney General