

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

IN RE:)	
)	
APPLICATION LIMESTONE WATER)	
UTILITY OPERAITNG COMPANY,)	
LLC FOR AUTHORITY TO PURCHASE)	
TITLE TO THE ASSETS, PROPERTY)	DOCKET NO. 21-00059
AND REAL ESTATE OF A WATER)	
SYSTEM, AND FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND)	
NECESSITY)	
)	

**CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS
TO CANDLEWOOD LAKES POA**

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 Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc. (together, “Candlewood Lakes POA” or the “Company”).

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," "Seller," or "Candlewood Lakes" shall mean Candlewood Lakes Property Owners Association, Inc and Candlewood Lakes POA Water Works, Inc., together, 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) "Limestone" or "Buyer" 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.

(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. Provide a copy of all federal, state, county, and other audits (financial, environmental, etc.) of the Candlewood Lakes wastewater system since 2017.

RESPONSE:

1-2. Refer to the Company's filing on April 4, 2022, in response to the Consumer Advocate's letter regarding Minimum Filing Requirements ("MFR"). Specifically, refer to the response to Rule 1220-04-14-.08(2)(m) requiring disclosure of contributed or donated assets.

Provide answers to the following:

- a. Provide a comprehensive explanation of how the water system was originally funded;
- b. Whether residents of the Candlewood Lakes Community paid any fee or assessment when joining the neighborhood and what the purpose of the fee or assessment ;
- c. Whether the homeowners were charged a tap fee to join the system(s); and
- d. Whether homeowners have ever been charged a water assessment.

RESPONSE:

1-3. Refer to the Sales Agreement. Specifically, refer to Section 1(D) and provide answers to the following:

- a. Identify the monthly charge(s) associated with the Water Availability Fee by customer class that will be retained;
- b. Provide a comprehensive explanation of the nature of the charge and the costs these charges are intended to cover;
- c. Provide a copy of the Restrictive Covenants of records at Deed Book P-5, Page 200, Hardeman County Register's Office as referenced in this section; and

- d. Exhibit C contains the list of personal property and equipment to be transferred at completion of the sale. The Consumer Advocate notes that this exhibit shows zero property or equipment is to be transferred. Does Exhibit C correctly identify all personal property and equipment to be transferred at the date of the sale? If not, provide the listing of machinery and equipment to be transferred from Candlewood to Limestone.

RESPONSE:

1-4. Refer to Exhibits 7 & 8 as filed with the Company's Petition. Provide a listing of Candlewood Lakes Property Owners Association, Inc.'s and Candlewood Lakes POA Water Works, Inc.'s assets to be transferred to Limestone, listing the assets by assigning entity. Additionally, state whether any of these assets were contributed to the Candlewood Lakes by a third party.

RESPONSE:

1-5. Refer to the Company's response to MFR Rule 1220-04-14-.08(2)(b), as filed on February 7, 2022. Provide the year ending 2021 balance sheet and income statement for the Candlewood Lakes POA Water Works, Inc., and indicate whether the financial statements were reviewed or audited by an independent third party.

RESPONSE:

1-6. Provide the general ledger(s) for Candlewood Lakes for the most recent completed fiscal year.

RESPONSE:

1-7. Provide a copy of all appraisals relied upon by Candlewood Lakes POA Water Works, Inc. to evaluate an appropriate purchase/sale price, if such appraisals exist. To the extent such appraisals differ from the proposed purchase price of the system, provide all analysis reconciling the two amounts.

RESPONSE:

1-8. Identify the amount and date of any capital expenditures by Candlewood Lakes by year and by entity since 2010.

RESPONSE:

1-9. Confirm that neither Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc. holds any "Security Deposits" from its customers.

RESPONSE:

1-10. 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 supplemented.

RESPONSE:

1-11. The Consumer Advocate notes that the Sales Agreement between Limestone and Candlewood Lakes POA does not contain a "Buyer Indemnification" clause. Provide a comprehensive discussion of the risks assumed by Seller due to the absence of such a provision.

RESPONSE:

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 Candlewood Lakes POA

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:

Charles B. Welch, Jr., Esq.
Tyler Cosby, Esq.
Farris Bobango PLC
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Nashville, TN 37219
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On this the 3rd day of June 2022.

/s/ James P. Urban
JAMES P. URBAN
Deputy Attorney General