

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

<b>IN RE:</b>	)	
	)	
<b>APPLICATION OF LIMESTONE</b>	)	
<b>WATER UTILITY OPERAITNG</b>	)	
<b>COMPANY, LLC FOR AUTHORITY TO</b>	)	
<b>SELL OR TRANSFER TITLE TO THE</b>	)	<b>DOCKET NO. 21-00060</b>
<b>ASSETS, PROPERTY AND REAL</b>	)	
<b>ESTATE OF A PUBLIC UTILITY AND</b>	)	
<b>FOR A CERTIFICATE OF</b>	)	
<b>CONVENIENCE AND NECESSITY</b>	)	
	)	

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

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**RESPONSE TO FIRST SET OF DISCOVERY REQUESTS**

**1-1.** Refer to the Company’s March 9, 2022, response to the Consumer Advocate’s letter regarding Minimum Filing Requirements (“MFR’s”). Specifically, refer to the Company’s response to Rule 1220-04-14-.08(2)(f). Provide a detailed summary of the Company’s estimate of \$132,000 in outside labor expenses for this system in the twelve-month period following the anticipated closure of the sale. Additionally, reconcile this response against the Company’s Confidential Appendix E1 filed on October 20, 2021.

**RESPONSE:** The Company inadvertently included an error in the projected budget for Chapel Woods HOA. The Company has confirmed that the original estimate found in Confidential Appendix E1 filed on October 20, 2021 is the correct value to be utilized. These amounts are conservatively estimated, are preliminary and are subject to a formal bidding process among third-party operations professionals.

1-2. Refer to the Sales Agreement. Provide a comprehensive explanation indicating how the purchase price was determined. Include within the response all analytical support/workpapers for the purchase price.

**RESPONSE: The purchase price was arrived at through an arm's length transaction based on the net book value of the system and the Company's understanding of the projected appraised property value.**

1-3. Provide the projected accounting entries to be recorded on the books of Limestone to record the Chapel Woods acquisition based upon applicable Chapel Woods balances as of December 31, 2021, reconciled with the purchase price.

**RESPONSE: Please see the Accounting Schedules filed by the Company on 2/7/22 to cure the Minimum Filing Requirement Deficiencies.**

1-4. Provide a comprehensive explanation of the extent to which Limestone (including all affiliates) has reviewed the accounting practices and records of Chapel Woods and whether it agrees with such historic accounting practices as part of the due diligence performed prior to entering into the purchase agreement.

**RESPONSE: Limestone and affiliates reviewed the accounting practices and records of Chapel Woods. The Company generally requests any and all annual reports, financial records, and miscellaneous documents/records that may help broaden Limestone's understanding of how the system is run. Based on its review, Limestone is unable to confirm that it agrees with Chapel Woods' historic accounting practices.**

1-5. Is Limestone reserving the opportunity to modify any historical account balances of Chapel Woods as a result of any prospective review of its accounting practices?

**RESPONSE: Limestone does seek to reserve the opportunity to modify historical account balances.**

**1-6.** Please confirm that Limestone intends to maintain separate accounting records for the Chapel Woods system such that the assets, liabilities, revenues, and expenses incurred in operating the system shall be separately identifiable from the financial results of other Limestone operating systems.

**RESPONSE: Confirmed.**

**1-7.** Refer to Exhibit 9 as filed with the Company's Petition. Specifically, refer to marked page 13 and respond to the following:

- a. Is it the Company's position that the septic tanks and grinder pumps located on customer property are the assets of the utility?
- b. Provide the approximate age of the system.

**RESPONSE:**

**a. No. Under the rules of the proposed tariff listed as Exhibit 20, the septic tanks and grinder pumps on customer property are defined as "Pump Unit" (see sheet No. 8) and are explicitly "installed, owned and maintained by the Customer."**

**b. The system is approximately 35 years old.**

**1-8.** Refer to Confidential Exhibit 11 to the Petition. Provide a Pro-Forma Income Statement separating balances by system.

**RESPONSE: Please see the attachments "1-8 Chapel Woods IS" and "1-8 Limestone IS."**

**1-9.** Refer to Confidential Exhibit 11 to the Petition. Provide a Pro-Forma Balance Sheet separating balances by system.

**RESPONSE: Please see the attachments "1-9 Chapel Woods BS" and "1-9 Limestone BS."**

**1-10.** Provide the underlying support for the Exhibit 19 as filed with the Company's Petition. Additionally, reconcile Exhibit 19 with the 2019 Chapel Woods Balance Sheet filed on February 7, 2022.

**RESPONSE: The difference between the Exhibit 19 balance sheet numbers and the 2019 Chapel Woods Balance sheet filed February 7, 2022 arises from the fiscal year 2020 additions as provided by Chapel Woods HOA.**

**1-11.** 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: No. All costs related to the current regulatory proceeding will be billed to Limestone.**

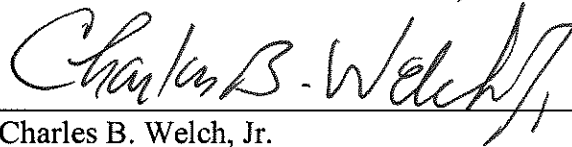
**1-12.** Refer to the Company's response to Rule 1220-04-13-.08(2)(h) on February 7, 2022, and Exhibit 19 as filed with the Company's Petition. Reconcile the plant balance as shown in response to the rule to the plant balance provided in Exhibit 19.

**RESPONSE: The plant balance provided with the Company's filing on February 7, 2022 is based on the 2020 fiscal year end values provided in the Chapel Woods HOA 2020 Annual Report. The total balance of fixed assets at December 31, 2020 is \$46,720.82 which is equal to the total in Exhibit 19. Please see the attachment "1-12 Chapel Woods 2020 AR" for more detail.**

**1-13.** The Consumer Advocate notes that the Sales Agreement does not contain a “Buyer Indemnification” clause. Provide a comprehensive discussion of the risks assumed by the Seller due to the absence of such a provision.

**RESPONSE:** Section 10 of the Chapel Woods sale agreement – entitled “Indemnification” – obligates the seller to indemnify the buyer against all liabilities and claims described in that section, which generally relate to operation of the business pre-closing. Since it is highly unlikely the seller would face similar potential liability relating to ownership and operation of the assets post-closing, there is no need for a “Buyer Indemnification” clause. And because the agreement contains no such clause, the seller apparently agrees.

**RESPECTFULLY SUBMITTED,**

A handwritten signature in black ink, reading "Charles B. Welch, Jr.", written over a horizontal line.

Charles B. Welch, Jr.

Tyler A. Cosby

Farris Bobango PLC

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Nashville, TN 37219

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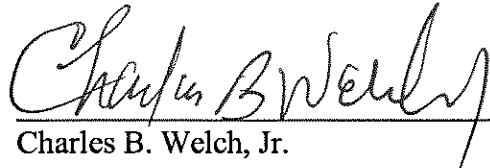
Email: [tcosby@farris-law.com](mailto:tcosby@farris-law.com)

**CERTIFICATE OF SERVICE**

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

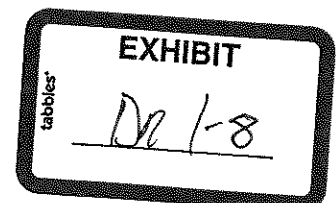
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On this the 17th day of June 2022.

  
Charles B. Welch, Jr.

# INCOME STATEMENT

	Year 1	Year 2	Year 3
<b>OPERATING REVENUE</b>			
Metered service revenue	\$ 6,146	\$ 6,146	\$ 6,146
Flat rate service revenue	\$ 52,244	\$ 52,244	\$ 52,244
EPA testing surcharge	\$ -	\$ -	\$ -
Re-connect fees	\$ 1,229	\$ 1,229	\$ 1,229
Returned check charge	\$ 615	\$ 615	\$ 615
Late payment charge	\$ 1,229	\$ 1,229	\$ 1,229
Other operating revenue	\$ -	\$ -	\$ -
<b>Total Operating Revenue</b>	<b>\$ 61,463</b>	<b>\$ 61,463</b>	<b>\$ 61,463</b>
<b>OPERATING EXPENSES</b>			
Total salaries and wages (employees only)	\$ -	\$ -	\$ -
Outside labor expenses (non-employees)	\$ 45,000	\$ 45,000	\$ 45,000
Administrative and office expense	\$ 7,100	\$ 7,100	\$ 7,100
Maintenance and repair expense	\$ 5,279	\$ 5,279	\$ 5,279
Purchased water	\$ -	\$ -	\$ -
Purchased sewage treatment	\$ -	\$ -	\$ -
Electric power expense (exclude office)	\$ 13,197	\$ 13,197	\$ 13,197
Chemicals expense	\$ 2,639	\$ 2,639	\$ 2,639
Testing fees	\$ -	\$ -	\$ -
Transportation expense	\$ -	\$ -	\$ -
Other operating expense	\$ 3,408	\$ 3,408	\$ 3,408
<b>Total Operating Expenses</b>	<b>\$ 76,624</b>	<b>\$ 76,624</b>	<b>\$ 76,624</b>
Annual Depreciation Expense	\$ 3,894	\$ 11,551	\$ 11,551
Interest Expense	\$ 5,007	\$ 14,851	\$ 14,851
<b>Total Expenses</b>	<b>\$ 85,525</b>	<b>\$ 103,026</b>	<b>\$ 103,026</b>
<b>INCOME TAXES</b>			
Total Income Taxes	\$ -	\$ -	\$ -
<b>Net income (Loss)</b>	<b>\$ (24,062)</b>	<b>\$ (41,563)</b>	<b>\$ (41,563)</b>



# INCOME STATEMENT

	Year 1	Year 2	Year 3
<b>OPERATING REVENUE</b>			
Metered service revenue	\$ 23,176	\$ 23,176	\$ 23,176
Flat rate service revenue	\$ 196,995	\$ 196,995	\$ 196,995
EPA testing surcharge	\$ -	\$ -	\$ -
Re-connect fees	\$ 4,635	\$ 4,635	\$ 4,635
Returned check charge	\$ 2,318	\$ 2,318	\$ 2,318
Late payment charge	\$ 4,635	\$ 4,635	\$ 4,635
Other operating revenue	\$ -	\$ -	\$ -
<b>Total Operating Revenue</b>	<b>\$ 231,759</b>	<b>\$ 231,759</b>	<b>\$ 231,759</b>
<b>OPERATING EXPENSES</b>			
Total salaries and wages (employees only)	\$ -	\$ -	\$ -
Outside labor expenses (non-employees)	\$ 188,529	\$ 188,529	\$ 188,529
Administrative and office expense	\$ 37,750	\$ 37,750	\$ 37,750
Maintenance and repair expense	\$ 20,611	\$ 20,611	\$ 20,611
Purchased water	\$ 38,235	\$ 38,235	\$ 38,235
Purchased sewage treatment	\$ -	\$ -	\$ -
Electric power expense (exclude office)	\$ 67,200	\$ 67,200	\$ 67,200
Chemicals expense	\$ 2,290	\$ 2,290	\$ 2,290
Testing fees	\$ -	\$ -	\$ -
Transportation expense	\$ -	\$ -	\$ -
Other operating expense	\$ 18,120	\$ 18,120	\$ 18,120
<b>Total Operating Expenses</b>	<b>\$ 372,735</b>	<b>\$ 372,735</b>	<b>\$ 372,735</b>
Annual Depreciation Expense	\$ 76,449	\$ 89,513	\$ 89,513
Interest Expense	\$ 98,291	\$ 115,088	\$ 115,088
<b>Total Expenses</b>	<b>\$ 547,475</b>	<b>\$ 577,335</b>	<b>\$ 577,335</b>
<b>INCOME TAXES</b>			
Total Income Taxes	\$ -	\$ -	\$ -
<b>Net income (Loss)</b>	<b>\$ (315,716)</b>	<b>\$ (345,576)</b>	<b>\$ (345,576)</b>

EXHIBIT

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# BALANCE SHEET

	Year 1	Year 2	Year 3
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Accounts Recievable	\$ 7,578	\$ 7,578	\$ 7,578
Total Current Assets	\$ 7,578	\$ 7,578	\$ 7,578
Property, Plant, and Equipment	\$ 111,266	\$ 330,031	\$ 330,031
Preliminary Survey	\$ 107,500	\$ -	\$ -
Total Long-Term Assets	\$ 218,766	\$ 330,031	\$ 330,031
<b>Total Assets</b>	<b>\$ 226,344</b>	<b>\$ 337,609</b>	<b>\$ 337,609</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 6,298	\$ 6,298	\$ 6,298
Accrued Interest	\$ 5,007	\$ 19,858	\$ 34,710
Total Current Liabilities	\$ 11,305	\$ 26,156	\$ 41,008
Notes Payable	\$ 55,633	\$ 165,016	\$ 165,016
Working Capital Transfer from Parent	\$ 20,335	\$ 47,047	\$ 73,758
Total Long-Term Liabilities	\$ 75,968	\$ 212,062	\$ 238,774
<b>Total Liabilities</b>	<b>\$ 87,273</b>	<b>\$ 238,218</b>	<b>\$ 279,781</b>
<b>EQUITY</b>			
Equity Capital Contributed	\$ 163,133	\$ 165,016	\$ 165,016
Retained Earnings	\$ (24,062)	\$ (65,625)	\$ (107,188)
Total Equity	\$ 139,071	\$ 99,390	\$ 57,827
<b>Total Liabilities and Equity</b>	<b>\$ 226,344</b>	<b>\$ 337,609</b>	<b>\$ 337,609</b>

EXHIBIT

tables

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# BALANCE SHEET

	Year 1	Year 2	Year 3
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Accounts Recievable	\$ 28,573	\$ 28,573	\$ 28,573
Total Current Assets	\$ 28,573	\$ 28,573	\$ 28,573
Property, Plant, and Equipment	\$ 2,184,250	\$ 2,557,500	\$ 2,557,500
Preliminary Survey	\$ 189,000	\$ -	\$ -
Total Long-Term Assets	\$ 2,373,250	\$ 2,557,500	\$ 2,557,500
<b>Total Assets</b>	<b>\$ 2,401,823</b>	<b>\$ 2,586,073</b>	<b>\$ 2,586,073</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 30,636	\$ 30,636	\$ 30,636
Accrued Interest	\$ 98,291	\$ 213,379	\$ 328,466
Total Current Liabilities	\$ 128,927	\$ 244,015	\$ 359,102
Notes Payable	\$ 1,092,125	\$ 1,278,750	\$ 1,278,750
Working Capital Transfer from Parent	\$ 215,362	\$ 445,851	\$ 676,339
Total Long-Term Liabilities	\$ 1,307,487	\$ 1,724,601	\$ 1,955,089
<b>Total Liabilities</b>	<b>\$ 1,436,414</b>	<b>\$ 1,968,615</b>	<b>\$ 2,314,191</b>
<b>EQUITY</b>			
Equity Capital Contributed	\$ 1,281,125	\$ 1,278,750	\$ 1,278,750
Retained Earnings	\$ (315,716)	\$ (661,292)	\$ (1,006,868)
<b>Total Equity</b>	<b>\$ 965,409</b>	<b>\$ 617,458</b>	<b>\$ 271,882</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,401,823</b>	<b>\$ 2,586,073</b>	<b>\$ 2,586,073</b>

## Chapel Woods HOA 2020 Annual Report

### 2019 - 2020 Comparative Income Statement

	For the Year Ended 12/31/2019	For the Year Ended 12/31/2020	Dollar Variance	Percent Variance
<b>Income:</b>				
HOA Dues	\$ 63,630.43	\$ 61,025.01	\$ (2,605.42)	-4.09%
Certified Mailing Fees	\$ 200.00	\$ 591.73	\$ 391.73	195.87%
Late Fees, net	\$ (223.70)	\$ (11.85)	\$ 211.85	-94.70%
Property Transfer Fees	\$ 1,400.00	\$ 1,400.00	\$ -	0.00%
Reconnect Fees	\$ 200.00	\$ 50.00	\$ (150.00)	-75.00%
Reimbursed Legal Fees	\$ 2,068.08	\$ 1,894.70	\$ (173.38)	-8.38%
Tap Fees	\$ 2,000.00	\$ -	\$ (2,000.00)	-100.00%
Unapplied/Uncategorized Interest	\$ (1,794.17)	\$ (174.98)	\$ 1,619.19	-90.25%
	\$ 356.07	\$ 400.02	\$ 43.95	12.34%
	\$ 67,836.71	\$ 65,174.63	\$ (2,662.08)	-3.92%
<b>Expenses:</b>				
General & Administrative	\$ 2,706.07	\$ 2,167.37	\$ (538.70)	-19.91%
Accounting	\$ 5,167.50	\$ 5,982.50	\$ 815.00	15.77%
Grounds Maintenance	\$ 2,630.00	\$ 6,515.00	\$ 3,885.00	147.72%
Legal Fees	\$ 2,056.77	\$ 624.55	\$ (1,432.22)	-69.63%
Postage	\$ 865.80	\$ 351.00	\$ (514.80)	-59.46%
Utilities	\$ 1,328.02	\$ 1,213.92	\$ (114.10)	-8.59%
Wastewater Treatment (see below)	\$ 46,310.89	\$ 53,489.99	\$ 7,179.10	15.50%
	\$ 61,065.05	\$ (70,344.33)	\$ (131,409.38)	-215.20%
<b>Net Income</b>	<b>\$ 6,771.66</b>	<b>\$ (5,169.70)</b>	<b>\$ (11,941.36)</b>	<b>-176.34%</b>

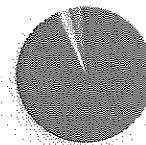
#### Wastewater Treatment Detail:

	December 31, 2019	December 31, 2020	Dollar Variance	Percent Variance
Depreciation	\$ 2,564.54	\$ 5,765.55	\$ 3,201.01	124.82%
De Minimis Improvements	\$ -	\$ 400.00	\$ 400.00	100.00%
Licenses & Permits	\$ 690.00	\$ 690.00	\$ -	0.00%
Maintenance & Repairs	\$ 20,502.28	\$ 7,928.63	\$ (12,573.65)	-61.33%
Miscellaneous	\$ -	\$ 23.99	\$ 23.99	100.00%
Property Taxes	\$ 195.00	\$ 195.00	\$ -	0.00%
Sludge Removal	\$ 4,250.00	\$ 13,025.00	\$ 8,775.00	206.47%
Supplies	\$ 4,634.29	\$ 9,468.90	\$ 4,834.61	104.32%
Testing	\$ 11,263.33	\$ 13,928.50	\$ 2,665.17	23.66%
Utilities	\$ 2,211.45	\$ 2,064.42	\$ (147.03)	-6.65%
	\$ 46,310.89	\$ 53,489.99	\$ 7,179.10	15.50%

### Chapel Woods HOA Balance Sheet as of 12/31/2020

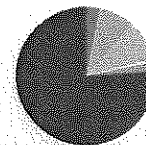
	December 31, 2019	December 31, 2020	Dollar Variance	Percent Variance
<b>Assets</b>				
<b>Current Assets:</b>				
HOA Checking	\$ 21,187.48	\$ 12,172.22	\$ (9,015.26)	-42.55%
HOA Savings	\$ 44,884.28	\$ 29,923.02	\$ (14,961.26)	-33.33%
HOA CD	\$ 20,200.00	\$ 20,553.50	\$ 353.50	1.75%
HOA Receivables	\$ 38,152.59	\$ 26,927.17	\$ (11,225.42)	-29.42%
	\$ 124,424.35	\$ 89,575.91	\$ (34,848.44)	-28.01%
<b>Fixed Assets:</b>				
Wastewater Treatment Plant				
2018 Additions	\$ 25,645.36	\$ 25,645.36	\$ -	0.00%
2020 Additions	\$ -	\$ 32,010.09	\$ 32,010.09	100.00%
Less: Accumulated Depreciation	\$ (5,129.08)	\$ (10,894.63)	\$ (5,765.55)	-112.41%
	\$ 20,516.28	\$ 46,760.82	\$ 26,244.54	127.92%
<b>Total Assets</b>	<b>\$ 144,940.63</b>	<b>\$ 136,336.73</b>	<b>\$ (8,603.90)</b>	<b>-5.94%</b>

### Income



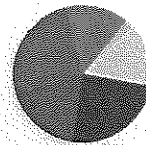
- HOA Dues
- Certified Mailing Fees
- Late Fees, net
- Property Transfer Fees
- Reconnect Fees
- Reimbursed Legal Fees
- Tap Fees

### Expenses



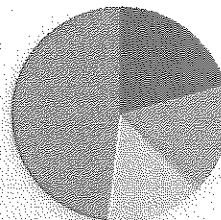
- General & Administrative
- Accounting
- Grounds Maintenance
- Legal Fees
- Postage
- Utilities
- Wastewater Treatment

### Wastewater Treatment



- Depreciation
- De Minimis Improvements
- Licenses & Permits
- Maintenance & Repairs
- Miscellaneous
- Property Taxes
- Sludge Removal

### Assets



- HOA Checking
- HOA Savings
- HOA CD
- HOA Receivables
- 2018 Additions
- 2020 Additions

**EXHIBIT**

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