

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

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

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**STIPULATION AND SETTLEMENT AGREEMENT**

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Consumer Advocate Division of the Office of the Attorney General (the “Consumer Advocate”), Limestone Water Utility Operating Company, LLC (“Limestone” or “Buyer”), and Chapel Woods Home Owners Association (“Chapel Woods” or “Seller”) and jointly submit this Stipulation and Settlement Agreement (the “Settlement Agreement”) to the Tennessee Public Utility Commission (TPUC or the “Commission”) in TPUC Docket No. 21-00060. Limestone requested approval from the Commission to allow it to acquire and operate the Chapel Woods wastewater system and requested the Commission to 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 Chapel Woods (hereinafter, individually “Party” and collectively “Parties”) stipulate and agree as follows and respectfully request Commission approval of the same:

## **I. BACKGROUND**

1. On May 21, 2021, Limestone filed its *Petition*, seeking authorization for it to purchase all assets, property, and real estate currently used to provide regulated wastewater services to customers currently served by Chapel Woods and to also grant Limestone a CCN.

2. On August 15, 2021, the Commission granted the Consumer Advocate's Petition to Intervene. On September 17, 2021, Chapel Woods filed a notice stating that it joins as a party in support of the *Petition*. On July 8, 2022, the Consumer Advocate filed the *Direct Testimony of Alex Bradley*, which recommended approval of the transaction subject to four 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 the TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

4. In its initial base-rate case including the Chapel Woods 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 Chapel Woods up to an amount not to exceed the purchase price paid for those assets (i.e., \$1.00). 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.

5. In its initial base-rate case including the Chapel Woods 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.

6. Limestone shall not make any corrections or modifications to accounting records received from Chapel Woods 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.

7. The Parties agree and accept the Consumer Advocate's recommendation that Limestone must maintain separate asset and operating-cost records for the Chapel Woods wastewater collection and treatment system.

8. 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 Chapel Woods' 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 Chapel Woods as of the closing date.

9. Limestone is not requesting an acquisition premium, nor is the Commission being asked to approve any acquisition adjustment related to the purchase of Chapel Woods'

assets. Accordingly, Limestone's beginning value of the acquired assets for ratemaking purposes shall be the value recorded in Chapel Woods' 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 Chapel Woods' 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.

10. 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.

11. 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.

12. The Parties agree that, at closing, Chapel Woods shall transfer to Limestone

complete copies of Chapel Woods' 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.

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

14. 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 Chapel Woods system or customers served by that system.

15. The Parties agree Limestone must file copies of recorded deed(s) for land where Chapel Woods' 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 water system and wastewater systems within 30 days after the date of recording.

16. 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.

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

18. The Parties agree Limestone must file a copy of the State Operating Permit "Request for Transfer" for current permits, both for water and wastewater, within 30 days of issuance.

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

20. 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.

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

22. 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.

23. 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.

24. 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 enforcement and implementation of the provisions hereof.

25. The Parties agree and request the Commission to 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. 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 Chapel Woods' acts or practices.

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

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

33. 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.

34. 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



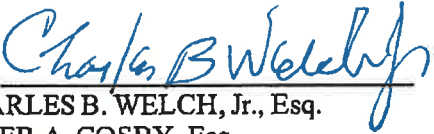
represent that they are authorized to execute this Settlement Agreement on behalf of the Parties.

The foregoing is agreed and stipulated to this \_\_\_\_ day of August 2022.

*[signature pages follow – remainder of page intentionally left blank]*

Stipulation and Settlement Agreement  
Tennessee Public Utility Commission Docket No. 21-00060  
Limestone Water Utility Operating Company, LLC Signature Page

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC and  
CHAPEL WOODS HOME OWNERS ASSOCIATION

BY:   
CHARLES B. WELCH, Jr., Esq.  
TYLER A. COSBY, Esq.  
Farris Bobango PLC  
414 Union Street, Suite 1105  
Nashville, TN 37219  
Email: [cwelch@farris-law.com](mailto:cwelch@farris-law.com)  
Email: [tcosby@farris-law.com](mailto:tcosby@farris-law.com)

ACKNOWLEDGED AND AGREED,

  
William Pegram, President  
Chapel Woods Home Owners Association

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

Stipulation and Settlement Agreement  
Tennessee Public Utility Commission Docket No. 21-00060  
Attorney General's Signature Page

CONSUMER ADVOCATE DIVISION

BY:

OFFICE OF THE TENNESSEE ATTORNEY GENERAL



HERBERT H. SLATTERY III (BPR No. 009077)

Attorney General and Reporter  
State of Tennessee

---

JAMES P. URBAN (BPR No. 033599)

Deputy Attorney General

KAREN H. STACHOWSKI (BPR No. 019607)

Senior Assistant Attorney General

Office of the Tennessee Attorney General

Consumer Advocate Division

P.O. Box 20207

Nashville, Tennessee 37202-0207

Phone: (615) 741-3739

Fax: (615) 741-8151

Email: [james.urban@ag.tn.gov](mailto:james.urban@ag.tn.gov)

Email: [karen.stachowski@ag.tn.gov](mailto:karen.stachowski@ag.tn.gov)