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Room on October 31, 2023 at 3:30 p.m.

Hon. Herbert H. Hilliard, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *Expedited Joint Application of Limestone Water Utility Operating Company, LLC, and DSH & Associates, LLC, for Approval of the Acquisition of and to Operate the Wastewater System of DSH & Associates, LLC, and to Transfer or Issue a Certificate of Public Convenience and Necessity*
TPUC Docket No. 23-00016

Dear Chairman Hilliard:

Attached for filing please find the *Pre-Filed Testimony of Todd Thomas Adopting Pre-Filed Testimony of Josiah Cox* in the above-captioned matter.

As required, the original plus four (4) hard copies will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Sincerely,

BUTLER SNOW LLP



Katherine Barnes

clw

Attachment

cc: Doug Hodge, DSH & Associates
Russ Mitten, Limestone Water Utility Operating Company
Karen H. Stachowski, Consumer Advocate Division
Shilina B. Brown, Consumer Advocate Division

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

KATHERINE B. BARNES
615.651.6797
katherine.barnes@butlersnow.com

*T 615.651.6700
F 615.651.6701
www.butlersnow.com*

BUTLER SNOW LLP

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IN RE:)
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EXPEDITED JOINT APPLICATION OF)
LIMESTONE WATER UTILITY)
OPERATING COMPANY, LLC, AND)
DSH & ASSOCIATES, LLC, FOR)
APPROVAL OF THE ACQUISITION OF)
AND TO OPERATE THE WASTEWATER)
SYSTEM OF DSH & ASSOCIATES, LLC,)
AND TO TRANSFER OR ISSUE A)
CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)

DOCKET NO. 23-00016

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Todd Thomas. My business address is 1630 Des Peres Road, Suite 140, St. Louis Missouri, 63131.

Q. PLEASE DESCRIBE CSWR, LLC AND LIMESTONE WATER UTILITY OPERATING COMPANY.

A. CSWR, LLC (“CSWR”) is a holding company that currently indirectly owns utility operating companies in 11 states. Limestone Water Utility Operating Company, LLC (“Limestone Water” or “Company”) is the CSWR-affiliated utility operating company in Tennessee.

Q. WHAT IS YOUR POSITION WITH CSWR?

A. I am Senior Vice President of CSWR, the affiliated company that has operational oversight over CSWR’s utility operating companies including Limestone Water. At CSWR, my

responsibilities include the acquisition, development, and operation of CSWR-affiliated utilities. Among other duties, and relevant to this testimony, I am responsible for engaging and overseeing management and maintenance service providers including those contractors responsible for day-to-day operations and maintenance (“O&M”) of CSWR operating affiliates like Limestone Water. In addition, I am responsible for engaging and overseeing customer service providers. At the present time, I oversee such activities for affiliated operating companies providing water or wastewater utility services to approximately 135,000 connections in Kentucky, Missouri, Arkansas, Tennessee, Louisiana, Texas, Mississippi, North Carolina, South Carolina, Arizona, and Florida. CSWR has additional applications pending in most of these states as well as in California seeking authorization to acquire even more systems and customers. If those applications are approved, my oversight responsibilities will extend to those additional systems and customers.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. My education includes a Bachelor of Science in Civil Engineering from the Missouri University of Science and Technology, and a Master of Business Administration from Washington University in St. Louis.

Before joining CSWR, I was President of Brotcke Well and Pump (the 2nd largest well driller and service provider in the Midwest); Vice President of Operations and Business Development of the Midwest for American Water Contract Operations; and General Manager of Midwest Operations for Environmental Management Corporation. I currently serve on the East Central Missouri Board of Directions and am an Advisory

36 Board member for the Public Water Supply District 2 of St. Charles County, Missouri
37 which is the largest water and sewer district in the State of Missouri serving approximately
38 60,000 connections.

39 Brotcke Well and Pump serves municipal potable, regulated potable, and industrial
40 ground water suppliers in the states of Missouri, Illinois, Kansas, Tennessee, Kentucky,
41 and Arkansas. Its total number of clients exceeds 200 and they range in size from the City
42 of Bloomington, Illinois, with 31,000 water customers, to 230 customers in the City of
43 Eminence, Missouri. Brotcke Well and Pump drills wells, cleans and treats wells, installs
44 pumps, services pumps, rebuilds pumps, tests wells for regulatory compliance, and installs
45 and services well controls. As President of Brotcke Well and Pump, I was involved in the
46 design, maintenance, and repair of all client well systems. I have firsthand experience with
47 how much damage can be done by lack of maintenance on a well system and how much
48 money and effort is required to restore a well system after neglect.

49 As Vice President of Operations and Business Development of the Midwest for
50 American Water Contract Operations, I was responsible for the water and wastewater
51 operations and maintenance contracts for municipal and industrial clients. These clients
52 included wastewater systems owned and operated by the City of St. Charles, in Missouri,
53 and the cities of Godfrey, Mount Vernon, Quincy, Litchfield, Lincoln, Pittsfield, and
54 Elwood in Illinois. These clients also included water and wastewater systems owned and
55 operated by the City of Foristell, Missouri, and the Illinois cities of Brighton, and
56 Monmouth. At one time I had responsibility for operating water and wastewater systems
57 serving approximately 64,000 residential connections. My responsibilities included the
58 direction and management of annual budgeting for each plant's operations and

59 maintenance, design and planning of plant upgrades and maintenance projects, regulatory
60 reporting, plant operations, and regulatory compliance of these systems.

61 My position as General Manager of Midwest Operations for Environmental
62 Management Corporation was similar to my position with American Water Contract
63 Operations with regard to the size and scope of the systems the company managed.

64 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

65 A. The purpose of my testimony is to adopt the pre-filed direct testimony previously submitted
66 in this matter by Josiah Cox supporting the Joint Application filed by Limestone Water
67 Utility Operating Company, LLC and DSH & Associates, LLC which seeks Commission
68 authority for Limestone to acquire all assets currently used by DSH to provide wastewater
69 utility service to customers in Campbell County, Tennessee. A copy of Josiah Cox's Pre-
70 filed Direct Testimony is attached as **Exhibit 1**.

71 **Q. WHY ARE YOU ADOPTING MR. COX'S PRE-FILED DIRECT TESTIMONY?**

72 A. Although Josiah Cox initially intended to be able to present his pre-filed direct testimony,
73 a conflict arose and he will be unable to present it. Therefore, I am adopting his pre-filed
74 testimony.

75 **Q. ARE YOU FAMILIAR WITH THE PRE-FILED TESTIMONY OF JOSIAH COX?**

76 A. Yes, I have reviewed the testimony of Josiah Cox, including the exhibits, and I am familiar
77 with its contents.

78 **Q. IF ASKED THE SAME QUESTIONS AS ARE IN THE DIRECT PRE-FILED**
79 **TESTIMONY OF JOSIAH COX, WOULD YOU ANSWER EACH QUESTION**
80 **THE SAME?**

81 A. Yes, excepting that our professional and educational backgrounds are different.

82 **Q. DO YOU WISH TO ADOPT THE PRE-FILED TESTIMONY OF JOSIAH COX**
83 **WITHOUT CHANGES?**

84 A. Yes.

85 No further questions.

EXHIBIT 1

DIRECT TESTIMONY

OF JOSIAH COX

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

WITNESS INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140, St. Louis Missouri, 63131.

Q. WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY OPERATING COMPANY, LLC (“LIMESTONE” OR “COMPANY”)?

A. I am President of Limestone. I also am President of CSWR, LLC (“CSWR”), a Limestone affiliate. Later in my testimony I will describe CSWR's relationship to Limestone and discuss the role CSWR would play in Limestone's future operations if the Tennessee Public Utility Commission (the “Commission” or “TPUC”) approves the application at issue in this case.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science with a major in Environmental Science from the University of Kansas. Professionally I have worked at the Kansas state biological survey, where I performed a wildlife habitat study. I then worked at a civil engineering firm where I was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. I focused mainly on the water and wastewater side of the civil engineering business and participated in every part of that business from waste-load allocation studies (now known as the anti-degradation processes), design, permitting, project management, and construction management. I also ran the firm's environmental consulting division and was the second private consultant to submit a water quality impact study in the state

of Missouri in 2003. I joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, I raised money from a group of investors and formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. I served as the Chief Operating Officer, and finally Chief Executive Officer. I obtained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation, and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. We have done full engineering design of multiple whole community wastewater and water infrastructure systems including wells, water distribution, water treatment, water storage, wastewater conveyance, and wastewater treatment plants and taken these designs through federal and state administered permitting processes in Missouri. The firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign-off.

During this time, I began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which I graduated in 2007. In addition, starting in 2008, I took over the operations of an existing rural sewer district, and I still operate a system managing the functioning, testing, and maintenance of the system. I also act as the administrator for this municipal system performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community.

In late 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire failing systems and to recapitalize and operate those systems as investor-owned regulated water and wastewater utility companies. In early 2011, I went to the capital markets to raise money to implement my plan. Over a period of approximately three years, I met with over fifty-two infrastructure investment groups trying to raise necessary financing. In February 2014, I achieved my goal, and I used the debt and equity capital I was able to raise to start CSWR. In 2018, I was able to attract an additional large institutional private equity investor, which allowed me to expand the scope of my business plan. This new investor is allowing CSWR to form companies for the purpose of acquiring water and wastewater systems in additional states. Since its formation, CSWR's affiliates have acquired, and currently are operating, approximately 800 water or wastewater systems in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi, North Carolina, South Carolina, Florida, Arizona, and Arkansas. In Missouri, those systems are regulated by the Missouri Public Service Commission; in Kentucky they are regulated by the Kentucky Public Service Commission; in Louisiana they are regulated by the Louisiana Public Service Commission; in Texas they are regulated by the Public Utility Commission of Texas; in Tennessee they are regulated by the Tennessee Public Utility Commission; in Mississippi they are regulated by the Mississippi Public Service Commission; in North Carolina they are regulated by the North Carolina Utilities Commission; in South Carolina they are regulated by the South Carolina Public Service Commission; in Arizona they are regulated by the Arizona Corporation Commission; in Florida they are regulated by the Florida Public Utilities Commission; and in Arkansas, the systems are outside the Arkansas Public Service Commission's jurisdiction due to the fact each system falls below annual revenue thresholds that trigger regulation in that state.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to support the application (“Joint Application”) submitted in this matter by both Limestone and DSH & Associates, LLC (“DHS” or, collectively, “Joint Applicants”), which seeks Commission authority for Limestone to acquire all assets currently used by DSH to provide wastewater utility service to customers in Campbell County, Tennessee. My testimony describes the proposed transaction and explains why both Limestone and DSH believe authorizing consummation of the transaction is in the public interest. I also describe Limestone's relationship to CSWR, the role CSWR would play in Limestone's operation of the wastewater systems at issue in this case, and the benefits Limestone's relationship with CSWR would bring to customers served by those systems. Finally, I provide the Commission information required by Commission rules applicable to the Joint Application. In this testimony, I also verify that all information included in the Joint Application is true and correct to the best of my information and belief.

**BACKGROUND INFORMATION REGARDING
LIMESTONE AND ITS AFFILIATES**

Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT LIMESTONE AND CSWR.

A. Limestone is a limited liability company formed to acquire water and wastewater assets in Tennessee and to operate those assets as a regulated public utility. In its Docket No. 19-00062, the Commission authorized Limestone to acquire and operate water and wastewater systems previously owned by Aqua Utilities Company, Inc. Currently, Limestone serves approximately 400 water customers and 350 wastewater customers via the water and wastewater systems

previously owned by Aqua Utilities Company, Inc.¹ Likewise, the Commission granted Limestone the authority to acquire and operate other systems, as well, including those of Cartwright Creek, LLC, Shiloh Falls Utilities, Inc., and Chapel Woods Home Owners Association.² If the Commission grants the requests the Joint Applicants have made in this case, Limestone would acquire, own, and operate the wastewater system currently owned by DSH (the “System”).

Limestone is an affiliate of CSWR, a Missouri limited liability company formed to provide managerial, technical, and financial support to its utility operating affiliates. A corporate organization chart illustrating that relationship is attached as **Exhibit 5** to the Joint Application.

To date, CSWR-affiliated utility operating companies, such as Limestone in Tennessee, have acquired and are operating water or wastewater systems in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi, North Carolina, South Carolina, Florida, Arizona, and Arkansas. Our affiliated group has additional applications pending in many of those states and California to acquire even more such systems.

Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE ACQUISITION AND OPERATION OF SMALL AND DISTRESSED WATER AND WASTEWATER SYSTEMS?

A. CSWR's business plan is to pursue the purchase and recapitalization of small water and wastewater systems and to operate those systems as investor-owned regulated utilities. Many of

¹ See *Order Approving Sale of Assets, Property, and Real Estate and Certificate of Public Convenience of Aqua Utilities Company, LLC Subject to Conditions and Requirements of the Tennessee Public Utility Commission*, TPUC Docket No. 19-00062 (Dec. 7, 2020).

² See *Order Approving Settlement Agreement and Transfer of Systems and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 21-00053 (Jan. 24, 2022) (acquisition of wastewater system previously owned by Cartwright Creek, LLC); *Order Approving Settlement Agreement and Transfer of Systems and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 21-00055 (Dec. 2, 2022) (acquisition of water and wastewater system previously owned by Shiloh Falls Utilities, Inc.). and *Order Approving Settlement Agreement and Transfer of System and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 21-00060 (Dec. 2, 2022) (acquisition of wastewater system previously owned by Chapel Woods).

those systems are not currently regulated. Of those that are regulated, many, if not most, are out of compliance with utility commission rules and with federal or state pollution and safety laws and regulations. Indeed, many systems we acquire do not even have federal or state permits required to lawfully operate those systems. We also have found that many regulated systems we acquire have not increased their rates for a decade or more and, as a result, lack the financial resources necessary to build, maintain, and replace assets used to provide safe and reliable service or bring their operations into compliance with rapidly changing environmental and water quality regulations. Some systems we acquire are in receivership and, therefore, lack the ability to raise capital necessary to improve their systems. However, because it has found investors willing to make investments and take risks necessary to bring small water and wastewater systems into compliance with current statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire distressed systems, invest capital necessary to upgrade or repair physical facilities, and operate those systems in a way that serves the public interest and satisfies customers, regulators, and investors alike.

CSWR's business plan and the expertise its personnel provide to affiliates have convinced regulators in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, North Carolina, South Carolina, Florida, and Arizona to permit Limestone to acquire and operate numerous small water and wastewater systems in those states, and we expect to be authorized to acquire additional systems in those and other states in the future. If the Commission authorizes Limestone to acquire DSH's assets, they would be added to the portfolio of systems the Company currently operates in Tennessee. We hope the Commission will give us the same opportunity in this case it gave us in the previous Aqua Utilities, Cartwright Creek, Shiloh Falls Utilities, and Chapel Woods

acquisition cases so we can continue in Tennessee the record of success our affiliated group has achieved elsewhere.

Q. PLEASE DESCRIBE YOUR AFFILIATES' EXPERIENCE WITH WATER AND WASTEWATER SYSTEMS.

A. Limestone and its affiliates have the financial, technical, and managerial ability to acquire, own, and operate DSH's wastewater systems in a manner that fully complies with applicable health, safety, and environmental protection laws and regulations and provides reliable, safe, and adequate service to customers. Limestone demonstrated this to the Commission in TPUC Docket Nos. 19-00062, 21-00053, 21-00055 and 21-00060. Limestone is part of an affiliated group that currently owns and operates wastewater systems serving more than 200,000 customers and drinking water systems serving more than 127,000 customers in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, North Carolina, South Carolina, Florida, Arizona, and Tennessee.

The overall business plan of our affiliate group is to purchase and recapitalize small water and wastewater systems and operate those systems as public utilities. We currently rank as one of the five (5) largest owner/operators of small water and wastewater systems in the United States, and as of the end of 2022, the CSWR-affiliated group of utilities became the single largest owner/operator of individual wastewater treatment plants in the United States. In addition to the systems our affiliate group currently owns and operates, we have additional acquisition applications pending in Missouri, Texas, Kentucky, Louisiana, North Carolina, Arizona, Mississippi, Florida, and California. For our affiliate group, water and wastewater utility service providers are not legacy businesses we want to abandon. Rather, they represent the current and future businesses we want to pursue and expand.

Because we are one of the largest individual water and wastewater systems owners in the United States committed to providing safe and reliable service that complies with all applicable regulations, we have on staff, or can efficiently engage skilled professionals who have the most recent, up-to-date knowledge and experience necessary to operate our water and wastewater systems. Our in-house workforce also has the most relevant recent experience refurbishing small, distressed utilities in the country, and we routinely supplement those in-house resources with qualified, third-party contractors with whom we work on a regular basis. Having sufficient qualified personnel to operate the System we propose to acquire will not be a problem for Limestone or CSWR.

On the wastewater side of the business, our affiliate group has purchased wastewater treatment plants with associated sewer pumping stations, gravity force mains, and gravity conveyance lines. With the approval of state wastewater regulatory authorities, since March 2015, CSWR-affiliated companies have designed, permitted, and completed construction of numerous sanitary sewer system improvements. These improvements include wastewater line repairs to remove infiltration and inflow, building sewer main extensions, the repair of multiple lift stations, the construction of lift stations, the closure of an existing regulatory impaired wastewater system, building two fully activated sludge plants, constructing moving bed bio-reactor plants (“MBBR”), converting multiple failing wastewater systems into sludge storage/flow equalization and treatment basins, converting failed mechanical systems to I-Fast systems, and constructing various other wastewater supporting improvements.

On the water side of the business, since March 2015, affiliates have designed, permitted, and completed construction – with the approval of state regulatory authorities – of upgrades and improvements to numerous drinking water systems. Those upgrades and improvements include

constructing ground water storage tanks and drinking water pressurization pump assemblies, drilling water wells, erecting or rehabilitating well houses, closing failed wells, blasting/coating water storage tanks, replacing meter pits with new meters, replacing or repairing numerous water distribution lines, installing numerous isolation valve systems, installing multiple flush hydrants, repairing hundreds of leaking lines, and constructing or rehabilitating various other improvements to existing drinking water systems.

Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?

A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar services for water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, North Carolina, South Carolina, Florida, Arizona, and Tennessee. I already described my background and experience in the water and wastewater utility industry. Additionally, as outlined in the Joint Application, the resumes of the other key members of CSWR's senior team who would be involved in Limestone's operations show that we are all well-qualified to meet the demands of Limestone and its customers and to satisfy the rules, regulations, and requirements of this Commission and other regulators charged with overseeing Limestone's operations. The types and quality of services CSWR provides Limestone are not usually available to small systems like DSH. However, CSWR's business model was developed to provide that expertise and experience to affiliates and to do so while achieving economies of scale attributable to CSWR's centralized management structure. Not only would CSWR and Limestone provide current DSH customers expertise and professional depth not generally available to small water and wastewater systems, our affiliate group can realize economies of scale that would not be possible if Limestone had to acquire or provide such expertise and support on a company- or system-specific basis. The unique

availability of these efficiencies and resources will result in the customers served by the System obtaining the benefit of the very best in technological advances, national experience and industry exposure.

Q. HAS YOUR GROUP OF AFFILIATED COMPANIES TAKEN STEPS TO IMPROVE SERVICES AT THE SYSTEMS IT NOW OPERATES?

A. Yes. In addition to the capital improvements made on systems our affiliate group has acquired, we have built from scratch customer service systems that meet or exceed regulatory commission rules and provide numerous benefits to the customers.

If the Joint Application is approved, Limestone would implement operational changes to improve and enhance service to DSH's current customers. For example, those customers would have access to a 24-hour phone line to report any utility service issues. Those calls would then be transferred into the computerized maintenance management system and converted into work orders, which creates a historical record of all reported service issues. The work order also will ensure contracted customer service personnel can commence work required to deal quickly and efficiently with any customer service issues. Second, Limestone would ensure customers have access to customer service representatives during normal business hours to talk about any customer concerns and would establish a utility-specific webpage and dedicated email address to keep customers informed about their utility service. Information available on the website would include dissemination of state-mandated information, up-to-date website bulletins about service issues, and procedures for service initiation or discontinuance. Mirroring relevant utility homepage information, Limestone would provide a dedicated social media page to offer another avenue of communication with customers about utility matters. The social media account is manned by

customer service representatives that can answer customer questions. Finally, Limestone offers online bill paying options to customers, including e-checks, debit card, and credit cards.

Q. WHAT EVIDENCE CAN YOU PROVIDE TO SUPPORT YOUR CLAIMS ABOUT THE ABILITY OF LIMESTONE'S AFFILIATES TO PROVIDE THESE SERVICES OUTSIDE TENNESSEE?

A. The Missouri Public Service Commission and the Missouri Department of Natural Resources have recognized the solid track record CSWR and its affiliates have established for acquiring, rehabilitating, maintaining, and operating troubled water and wastewater systems in that state. In each acquisition case filed by one of Limestone's utility operating affiliates the regulatory commission considering the application expressly found the state affiliate and the CSWR-affiliated group has the financial, technical, and managerial ability necessary to provide reasonable service to the public.

Q. DO LIMESTONE AND CSWR HAVE THE FINANCIAL CAPACITY TO ACQUIRE, OWN, AND OPERATE THE SYSTEMS YOU PROPOSE TO PURCHASE FROM DSH?

A. Yes, as was demonstrated to the Commission by Limestone in TPUC Docket Nos. 19-00062, 21-00053, 21-00055 and 21-00060. Limestone and CSWR have the financial capacity to finance, own, and operate the System we propose to acquire from DSH. The affiliated group of which Limestone is a member has been able to secure an ongoing commitment from a Wall Street private equity firm to provide capital necessary to purchase small, oftentimes distressed, water and wastewater systems and then make investments necessary to bring those systems into compliance with applicable health, safety, and environmental protection laws and regulations. This investment commitment also includes working capital necessary to operate until an application for compensatory rates, where and when appropriate, can be formally requested and approved. To

date, CSWR, through its affiliates, has invested almost \$400 million to purchase, upgrade, and operate water and wastewater systems. Although those investments have been almost exclusively in the form of equity, Limestone plans to pursue debt financing from non-affiliated commercial sources that would allow the company to balance its capital structure. Ultimately, Limestone's objective is a capital structure consisting of 50%-60% equity and 40%-50% debt.

Q. IF THE AUTHORIZATIONS REQUESTED IN THE JOINT APPLICATION ARE GRANTED, WOULD LIMESTONE HIRE CURRENT EMPLOYEES TO PROVIDE SERVICE IN THE AREAS SERVED BY DSH?

A. No, Limestone does not plan to hire DSH's current employees to perform any services after closing.

Q. AFTER CLOSING THE PENDING ACQUISITION TRANSITION, HOW DOES LIMESTONE PROPOSE TO PROVIDE SERVICE TO CUSTOMERS OF THOSE SYSTEMS?

A. If the Joint Application is approved, Limestone intends to hire a local, non-affiliated third-party Operations and Maintenance ("O&M") firm that has knowledgeable and experienced personnel, carries required state licenses, and has insurance coverage necessary to manage daily wastewater operations at the systems at issue in this case. This is what Limestone has efficiently and successfully done at the former Aqua Utilities, Cartwright Creek, Chapel Woods, and Shiloh Falls systems. It also is the approach that Limestone's affiliated utility operating companies have successfully employed at the water and wastewater systems they operate outside Tennessee.

In addition to its service obligations during normal business hours, the O&M firm would be required to have a 24-hour emergency service line to deal with customers experiencing service disruptions. However, notice of all service disruption calls would be forwarded to me, as CSWR's

manager and the executive ultimately responsible for service in the areas served by each of CSWR's utility affiliates. CSWR has developed a centralized computerized maintenance management system (CCMS) that monitors the performance of our drinking water and wastewater systems and allows us to track the ongoing maintenance and testing work performed by the O&M contractors we employ at each of our facilities. In addition, CSWR uses geographic information system ("GIS") survey information to accurately map all infrastructure assets, which allows the Company to specifically target ongoing infrastructure re-investment as part of the overall managerial and technical support CSWR provides each of its utility operating affiliates.

Limestone also would use a non-affiliated third-party billing and customer service firm to send out bills and handle service-related billing questions. The billing firm, which is used by all CSWR's utility affiliates, has in place an online billing system to receive credit cards and e-checks from customers. The billing firm also would establish a Limestone-specific customer service email account to field ongoing customer interactions. Customer service representatives employed by the billing firm would be available during normal business hours, would take messages twenty-four hours a day, and all customer correspondence would be recorded and logged to consumers' accounts to ensure the highest level of service.

While day-to-day operational, billing, and customer service functions would be provided by non-employee contractors, all management, financial reporting, underground utility safety and location services, Commission regulatory reporting, environmental regulatory reporting and management, operations oversight, utility asset planning, engineering planning, ongoing utility maintenance, utility record keeping, and final customer dispute management would be performed by personnel at CSWR's corporate office, with a proportional share of costs for those services passed down to Limestone. CSWR personnel also would monitor the activities of the non-

employee contractors to make sure the systems are being operated and maintained properly and customers' needs are being met. The resumes of CSWR personnel who, in addition to me, would be responsible for providing services or oversight to Limestone's operation, are attached to the Joint Application as **Exhibit 12**.

DESCRIPTION OF THE PROPOSED TRANSACTION

Q. PLEASE DESCRIBE THE WATER AND WASTEWATER SYSTEMS LIMESTONE PROPOSES TO ACQUIRE FROM DSH.

A. The DSH wastewater system serves the Lakeside Estates Community. The system consists of a gravity collection system which conveys water to an influent lift station which pumps to a package Orenco plant with Advantex AX-100 textile media recirculating filters, advanced anoxic nitrogen removal, UV disinfection, and an effluent lift station which discharges water to a drip irrigation drainage field. The plant is approximately 15 years old and is in fair condition. A review of the compliance history shows two exceedances of permitted limits for nitrates; however, in the facility's renewed permit, nitrate limits were removed, indicating no need for improved nitrate treatment despite the exceedances. Some portions of the utility site and drain field exhibit significant vegetation overgrowth, which could be an obstacle to regular operation activities or cause damage to equipment and should be removed. Some areas also exhibited poor fencing (consisting of posts with rope strung between posts) which serve as little more than a visual barrier. These should be replaced with proper fencing. Various components of the system have electrical systems that do not have any means to connect backup power or any proper warning signage on electrical and control boxes. Manual transfer switches and quick connects also should be installed to allow the facility to be operated in the event of a power interruption, and proper warning signage should be installed to meet safety requirements. In

addition, the system has no remote monitoring equipment installed at this time. Adding remote monitoring would allow operations staff to receive immediate notification of any abnormal operating conditions. This also would allow operators to respond to issues before they can result in service outages, backups into customers' homes, unpermitted releases of untreated wastewater in overflows, equipment damage, or interruptions to proper treatment. Over time, this reduces costs associated with emergency responses and prevents environmental noncompliance.

Limestone proposes to acquire from DSH all of the assets it currently owns and uses to provide service to customers located in Campbell County. Maps and aerial photographs showing the location of the System are attached as **Exhibit 1** to the Joint Application. The System currently serves approximately 54 customers.

Terms of the proposed asset sale are governed by the January 2, 2019, *Agreement for the Sale of Utility System* ("Agreement") between DSH and Central States Water Resources, Inc. ("Central States"). A copy of the Agreement is attached as **Exhibit 7** to the Joint Application.

No closing date for the transaction has been set, but the Agreement identifies various conditions precedent, including obtaining all required regulatory approvals, that must be satisfied before the transaction can close. Section 18 of the Agreement also authorizes Central States to assign all its rights to the acquired assets to an affiliated entity. In accordance with that section, at closing Central States will transfer to Limestone all sewer system assets acquired from DSH. A copy of the document assigning Central States' interests in DSH's assets to Limestone is attached as **Exhibit 8** to the Joint Application.

Q. IF THE COMMISSION APPROVES THE JOINT APPLICATION, IS LIMESTONE WILLING AND ABLE TO MAKE ANY IMPROVEMENTS NECESSARY TO BRING DSH'S WASTEWATER SYSTEMS UP TO STANDARD AND INTO COMPLIANCE WITH APPLICABLE REGULATIONS?

A. Yes. If the Commission grants Limestone the authority it seeks in the Joint Application, Limestone and CSWR are willing and able to invest capital necessary to bring the System up to standard and into compliance with applicable law. As I described previously, the affiliate group of which Limestone and CSWR are part has access to capital adequate to make necessary upgrades and improvements to the System and to continue to operate that system in a manner that is in the public interest and complies with applicable statutes, rules, and regulations.

Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT FOR THE DSH SYSTEMS AT ISSUE IN THIS CASE?

A. Initially, Limestone proposes to adopt the tariffs, rules, and rates currently in effect for the System. However, if the revenue requirement for the System increases in the future Limestone may petition the Commission to increase rates or change certain operating regulations. Limestone may also seek authority to consolidate rates of the systems it proposes to acquire in this case with those of other wastewater systems it operates in Tennessee.

Q. ARE LIMESTONE AND CSWR FAMILIAR WITH THE COMMISSION'S RULES AND REGULATIONS GOVERNING WASTEWATER UTILITIES AND DO THOSE COMPANIES PLEDGE TO OPERATE THE FOUR SYSTEMS AT ISSUE IN THIS CASE IN A MANNER THAT COMPLIES WITH THOSE RULES AND REGULATIONS?

A Yes, CSWR and Limestone are familiar with the Commission's rules and regulations and pledge to operate the four systems in a manner that complies with all Commission requirements and all applicable state statutes and regulations.

Q. HOW DOES LIMESTONE PROPOSE TO SATISFY THE FINANCIAL SECURITY REQUIREMENTS IMPOSED BY TPUC RULES 1220-04-13-.07 AND 1220-04-13-.08?

A. To demonstrate financial security as required by the Commission's rules, Limestone has secured a corporate surety bond in the amount of \$300,000 in a form that complies with TPUC Rule 1220-04-13-.08. A copy of that surety bond is attached to the Joint Application as **Exhibit 14**.

Q. DO YOU BELIEVE THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST?

A Yes. While that support need not be repeated here, I have outlined above the many reasons that this acquisition will best serve DHS's current customers and the public interest. Consistent with my testimony and the Joint Application, I believe Limestone's proposed acquisition of the wastewater system currently owned and operated by DSH would be consistent with and would promote the public interest. Limestone and CSWR are fully qualified, in all respects, to own and operate that system and to otherwise provide safe, reliable, and adequate service. Our industry experience, professionalism and successful track record across the county evidence our unique capability to ensure that efficiencies benefiting the customers are captured and that the resources required to upgrade infrastructure and satisfy regulatory and environmental requirements are available and invested.

Q. DO YOU HAVE ANYTHING TO ADD WITH RESPECT TO THE JOINT APPLICATION?

A. Yes. I verify that the Joint Application and the supporting documentation submitted with it are true and correct to the best of my information and belief. Furthermore, Limestone is aware of and will abide by all applicable Tennessee statutes, rules and regulations, including TPUC Rules.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

**EXPEDITED JOINT APPLICATION OF)
LIMESTONE WATER UTILITY)
OPERATING COMPANY, LLC, AND)
DSH & ASSOCIATES, LLC, FOR)
APPROVAL OF THE ACQUISITION OF)
AND TO OPERATE THE)
WASTEWATER SYSTEM OF DSH &)
ASSOCIATES, LLC, AND TO TRANSFER)
OR ISSUE A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)**

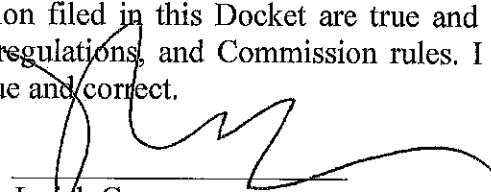
DOCKET NO. _____

VERIFICATION

STATE OF MISSISSIPPI)

COUNTY OF HINDS)

I, Josiah Cox, being first duly sworn, am authorized to represent and warrant, on behalf of Limestone Water Utility Operating Company, LLC, in the above-referenced docket. To the best of my knowledge, the statements in the Application filed in this Docket are true and correct. Limestone will comply with all applicable laws, regulations, and Commission rules. I declare under the penalty of perjury that the foregoing is true and correct.



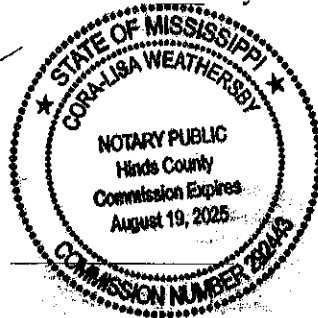
Josiah Cox

Sworn and subscribed before me this 25th day of February, 2023.



Notary Public

My Commission Expires: _____



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:

Karen H. Stachowski, Esq.
Deputy Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

Shilina B. Brown, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Shilina.Brown@ag.tn.gov

This the 31st day of October 2023.



Katherine Barnes