

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

IN RE:)	
)	
EXPEDITED JOINT APPLICATION OF)	
LIMESTONE WATER UTILITY)	
OPERATING COMPANY, LLC, AND)	
DSH & ASSOCIATES, LLC, FOR)	
APPROVAL OF THE ACQUISITION OF)	DOCKET NO. 23-00016
AND TO OPERATE THE)	
WASTEWATER SYSTEM OF DSH &)	
ASSOCIATES, LLC, AND TO)	
TRANSFER OR ISSUE A)	
CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

**LIMESTONE WATER UTILITY OPERATING COMPANY, LLC's
RESPONSES TO CONSUMER ADVOCATE'S
INFORMAL FIRST SET OF DISCOVERY REQUESTS**

Limestone Water Utility Operating Company, LLC ("Limestone" or "Company"), by and through counsel, hereby submits its Responses to the Informal First Set of Discovery Requests propounded by the Consumer Advocate Division of the Attorney General's Office ("Consumer Advocate").

GENERAL OBJECTIONS

1. Limestone objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.

2. Limestone objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil

Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission ("TPUC" or "Authority").

3. The specific responses set forth below are based on information now available to Limestone, and Limestone reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. Limestone objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. Limestone objects to each request to the extent it seeks information outside Limestone's custody or control.

6. Limestone's decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of Limestone's General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. Limestone objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome and exceed the scope of permissible discovery.

8. Limestone objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. Limestone does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

INFORMAL FIRST SET OF DISCOVERY REQUESTS

1-1. Refer to the *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* filed March 1, 2023, in this Docket ("Joint Application"). Specifically refer to Confidential Exhibit 7, "Agreement for Sale of Utility System" (the "Agreement"). Provide a comprehensive explanation indicating how the purchase price was determined. Include within the response all analytical support, workpapers, and other supporting documents used to calculate and negotiate the purchase price contained within the exhibit.

RESPONSE: When evaluating a system for possible acquisition, Limestone Water Utility Operating Company, LLC ("Limestone Water") routinely consults publicly available documents (such as information available from health and environmental regulators) and conducts site visits to gauge for itself the plant configuration and the condition of equipment. In conjunction with the foregoing, a final purchase price is determined based on arms-length negotiations between the parties, with Central States Water Resources' objective being to pay the least amount a utility/seller will accept.

1-2. Refer to the Joint Application, Confidential Exhibit 7, "Agreement for Sale of Utility System". Specifically refer to Exhibit C to the Agreement. Confirm that Exhibit C is accurate, and that no meters, tools, devices, furniture, fixtures, machinery, supplies or any

other tangible items are being transferred as a condition of the sale. If not confirmed, provide an updated Exhibit C showing the assets to be transferred.

RESPONSE: Confirmed. Exhibit C of Exhibit 7 is accurate.

1-3. Affirm or deny that Limestone (including any affiliates) reviewed the records and accounting practices of DSH before entering into the Agreement. If affirmed, what steps did Limestone undertake to review such records and practices?

RESPONSE: Limestone reviews practices and records after an agreement is in place, but prior to closing.

1-4. Refer to the Joint Application, specifically Exhibit 19, "List of Plant-in-Service Accounts." Provide the information presented in Exhibit 19 separated by system.

RESPONSE: Limestone inadvertently failed to correctly provide the information shown on Exhibit 19. Please see the attached updated Revised Exhibit 19, which includes both Limestone's Plant-in-Service Accounts as well as DSH's estimated Plant-in-Service Accounts.

1-5. Refer to the Joint Application, specifically Confidential Exhibit 23, "Pro Forma - DSH". Provide documentation in support of the Company's anticipated \$142,500 expenditures related to the "Preliminary Survey" shown in "Year 1".

RESPONSE: Please see CONFIDENTIAL attachment labeled "DR 1-5 Preliminary Survey." All legal and engineering expenses into PSI. This is inclusive of engineering design, facility reports, surveying, GIS, legal fees, and closing costs.

1-6. Refer to the Joint Application, specifically Confidential Exhibit 23, "Pro Forma – DSH". Affirm or deny that the Company included land within its listing of assets. If affirmed, did

the Company record any land acquired at the book value of DSH? If denied, provide the Company's rationale for re-establishing the balance. Identify the book value of Land and Land rights on the books of DSH.

RESPONSE: In the estimation of assets, including land, Limestone used the purchase price to establish asset values. Final asset values actually recorded will be dependent on further evaluation of DSH asset records and will be completed post-closing.

1-7. Refer to the Joint Application, specifically Confidential Exhibit 23, "Pro Forma – DSH". Provide a narrative discussion detailing the Company's anticipated balances for "Notes Payable" in Years 1 through 3.

RESPONSE: Please see CONFIDENTIAL attachment labeled "DR 1-7 Notes Payable." Limestone assumes that its PP&E will be funded based on an anticipated capital structure. For DSH, Limestone assumed a capital structure consisting of 50% equity and PP&E totaling \$103,350, \$352,550, and \$352,550 in years 1, 2, and 3 respectively.

1-8. Refer to the Joint Application, specifically Exhibit 9, the "Pre-Filed Direct Testimony of Josiah Cox", Page 12. Mr. Cox discusses the hiring of a non-affiliated, third-party O&M firm to provide services "at the former Aqua Utilities, Cartwright Creek, Chapel Woods, and Shiloh Falls systems". Provide the following:

- a. A copy of the contractual agreement with the referenced third-party firm; and
- b. The monthly O&M costs incurred by each system associated with these third-party services since the date Limestone acquired each system.

RESPONSE: (a) Please see CONFIDENTIAL attachments labeled "DR 1-8" for a copy of the contractual agreement, including the first amendment to that agreement with the referenced third-party firm.

(b) Please see CONFIDENTIAL attachment labeled "DR 1-8 Midwest Water Operations - TN - 1st Amendment" for the current monthly O&M costs associated with the third-party services.

1-9. Counsel with the law firm Butler Snow LLP represented to the Consumer Advocate that the firm will represent both parties—the Buyer and the Seller—in this Docket. State whether attorneys' fees and costs will be billed separately for each party.

RESPONSE: The legal fees of Butler Snow LLP on behalf of both parties will be separately billed to and paid by Limestone.

1-10. Provide a statement detailing how attorneys' fees and costs are recorded for each party and provide the total attorneys' fees and costs incurred to date for each party. This is an ongoing request and should be updated by the 15th of every month covering the prior month's regulatory expenses. Describe how such costs will be accounted for on the books of Limestone.

RESPONSE: The Company assumes that the ongoing nature of this request is through closing. If the ongoing nature of this request is intended otherwise by the Consumer Advocate, Limestone objects to this request to the extent it seeks attorneys' fees for a period beyond the approval and closing of the acquisition, as such an open-ended request would be unduly burdensome, overly broadly and irrelevant. Subject to and without waiving the foregoing objection, Limestone responds as follows: Attorney costs are recorded to NARUC account 183.002 (PSI - Legal) prior to closing of the acquisition. Please see CONFIDENTIAL attachment labeled "DR 1-10 DSH Legal Fees."

1-11. Refer to the Joint Application, specifically Exhibit 24, "Anticipated Capital Budget".

Provide any studies (engineering or otherwise) demonstrating the need for the expenditures shown in this exhibit.

RESPONSE: For preliminary studies demonstrating the need for the expenditures shown in Exhibit 24, please see the CONFIDENTIAL attachment labeled "DR 1-11 - Engineering Memo."

1-12. Refer to the Joint Application, Confidential Exhibit 7, "Agreement for Sale of Utility System". Specifically, refer to marked section 6. B. Is it the Company's intention to remove the escrow balances liability from this transaction? If not, confirm that the escrow account will be transferred as part of the sale.

RESPONSE: In its examination of DSH's historic book and records, there does not appear to be a liability recorded in the annual report for this account. Therefore, it has not been factored into the estimated acquisition accounting. The company is continuing to research this issue and determine its disposition. However, if it is determined amounts held in escrow by DSH should be continued after closing, Limestone is prepared to do so in a manner similar to that employed in its acquisition of the Cartwright Creek systems.

1-13. Refer to the Joint Application, specifically Exhibit 19, "List of Plant-in-Service Accounts". Indicate whether such balances reflect the values associated with DSH prior to the acquisition, or whether such amounts reflect the planned accounting entries to record the acquisition.

RESPONSE: The balances reflected in Revised Exhibit 19 are based on estimates of Limestone's plant in service balances both prior to and after the acquisition of DSH. Additionally, please see the attached updated Revised Exhibit 19 included in response to 1-4.

1-14. State whether, in the opinion of Limestone, the DSH system is distressed. If so, provide support for this opinion.

RESPONSE: Currently, Limestone does not believe the DSH system is distressed based on the Company's due diligence research and CONFIDENTIAL attachment labeled "DR 1-11 - Engineering Memo." At the time of the site visit, the third-party engineering firm determined the plant appears to be running properly, and no obvious issues were observed in terms of treatment operation or quality of the treated effluent. However, due to the age of the system and the preliminary improvement recommendations in the Engineering Memo, the Company believes there are still numerous improvements that need to be made to the WWTP in order to continue to bring safe and reliable wastewater service to the DSH customers. If this transaction is approved, during its initial months operating the system Limestone will gain a better understanding of the WWTP, its performance, and any issues present. Only then will the Company be able to definitively determine what improvements may be required and if the preliminary assessments of the third-party engineering firm were accurate.

1-15. State whether Limestone is willing to commit to record all assets and liabilities of DSH at their net book value.

In re: Limestone / DSH & Associates

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RESPONSE: Limestone commits to recording assets and liabilities at their net book value assuming that the items are to be conveyed per the purchase and sale agreement and that Limestone is able to obtain sufficient, reliable and complete records.

Dated: June 8, 2023

Respectfully submitted,



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Utility Operating Company, LLC***

In re: Limestone / DSH & Associates

TPUC Docket No. 23-00016

Consumer Advocate's Informal First Discovery Requests to Limestone/CSWR

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.
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This the 8th day of June, 2023.



Katherine Barnes

**Limestone Water Utility Operating Company
DSH & Associates, LLC**

GL Account	Account Name	Limestone 12/31/22 Balance	DSH Est Acquisition	Limestone 12/31/22 Balance + DSH Est Acquisition
351	Organization	-		-
352	Franchises	-		-
353	Land & Land Rights	603,335.55	20,000.00	623,335.55
354	Structures & Improvements	1,987,316.67		1,987,316.67
360	Collection Sewers - Force	343,443.00		343,443.00
361	Collection Sewers - Gravity	1,109,838.82		1,109,838.82
362	Special Collecting Structures	-		-
363	Services to Customers	-		-
364	Flow Measuring Devices	16,538.00		16,538.00
365	Flow Measuring Installations	12,236.48		12,236.48
370	Receiving Wells	217,903.00		217,903.00
371	Pumping Equipment	801,701.70		801,701.70
380	Treatment and Disposal Equipment	1,779,704.70	137,557.00	1,917,261.70
381	Plant Sewers	11,158.00		11,158.00
382	Outfall Sewer Lines	21,758.00		21,758.00
389	Other Plant & Miscellaneous Equipment	36,908.00		36,908.00
390	Office Furniture & Equipment	3,155.19		3,155.19
391	Transportation Equipment	74,098.25		74,098.25
392	Stores Equipment	-		-
393	Tools, Shop, & Garage Equipment	15,541.19		15,541.19
394	Laboratory Equipment	-		-
395	Power Operated Equipment	-		-
396	Communication Equipment	-		-
397	Miscellaneous Equipment	-		-
398	Other Tangible Plant	636,406.25		636,406.25

Confidential attachments for the following responses have been filed in the TPUC
Docket Room:

DR 1-5
DR 1-7
DR 1-8
DR 1-10
DR 1-11