

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

IN RE:)
)
JOINT APPLICATION OF LIMESTONE)
WATER UTILITY OPERATING)
COMPANY, LLC, AND INTEGRATED)
RESOURCE MANAGEMENT, INC.)
D/B/A IRM UTILITY, INC., FOR)
APPROVAL OF THE ACQUISITION OF)
AND TO OPERATE THE)
WASTEWATER SYSTEM OF)
INTEGRATED RESOURCE)
MANAGEMENT INC. D/B/A IRM)
UTILITY, INC. AND TO TRANSFER OR)
ISSUE A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)

DOCKET NO. 23-00037

DIRECT TESTIMONY

OF

ALEX BRADLEY

December 13, 2023

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.

A1. My name is Alex Bradley. My business address is Office of the Tennessee Attorney General, John Sevier State Office Building, 500 Dr. Martin L. King Jr. Blvd, Nashville, Tennessee 37243. I am a Financial Analyst employed by the Consumer Advocate Division of the Tennessee Attorney General's Office ("Consumer Advocate").

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. I received a Bachelor of Science in Business Administration with a major in Accountancy along with a Bachelor of Arts with a major in Political Science from Auburn University in 2012. I have been employed by the Consumer Advocate since 2013. My duties include reviewing utility regulatory filings, preparing analysis used to support Consumer Advocate testimony and exhibits, and preparing my own testimony and supporting exhibits. I have completed multiple regulatory trainings, including those sponsored by the National Association of Regulatory Utility Commissions ("NARUC") held by Michigan State University.

Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION ("TPUC" OR THE "COMMISSION")?

A3. Yes. I have previously testified in TPUC Docket Nos. 17-00108, 18-00009, 18-00107, 19-00010, 19-00034, 19-00042, 19-00043, 19-00057, 19-00062, 20-00028, 20-00049, 20-00086, 21-00006, 21-00055, 21-000059, 21-00060, 21-00107, 22-00005, 22-00032, 23-00007, 23-00008, 23-00016, and 23-00029.

1 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

2 **A4.** I am testifying on behalf of the Consumer Advocate.

3 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A5.** The purpose of my testimony is to provide recommendations regarding the request of
5 Limestone Water Utility Operating Company, LLC (“Limestone” or the “Buyer”) and
6 Central States Water Resources, Inc. (“CSWR”), along with Integrated Resource
7 Management, Inc. D/B/A IRM Utility, Inc. (“IRM” or the “Seller”) (collectively, the
8 “Applicants”), to acquire the assets making up the Riverstone Estates wastewater system
9 owned by IRM. My testimony provides the results of my review and several
10 recommendations.

11 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR THIS**
12 **TESTIMONY?**

13 **A6.** I have reviewed the Joint Application along with the respective responses of the Applicants
14 to the Consumer Advocate’s discovery requests.

15 **Q7. WHAT ARE THE APPLICANTS REQUESTING FROM THE COMMISSION IN**
16 **THIS PROCEEDING?**

17 **A7.** The Applicants are requesting that the Commission authorize Limestone to purchase the
18 Riverstone Estates wastewater system currently owned by IRM.

19 **Q8. CAN YOU PROVIDE A SUMMARY OF THE RIVERSTONE ESTATES SYSTEM?**

20 **A8.** IRM is currently operating a wastewater system in Decatur County, Tennessee that
21 provides wastewater service to approximately 34 customers within the Riverstone Estates

community.¹ IRM currently serves a mix of residential customers and commercial rentals, but primarily residential customers.² IRM owns thirteen systems and are proposing in this application to sell one of them (Riverstone Estates). The sale of Riverstone Estates, coupled with IRM's limited accounting records poses some challenges in determining appropriate accounting balances associated with this transaction. I will address these challenges later in my testimony.

Q9. CAN YOU PROVIDE A SUMMARY OF THE OPERATIONS OF CSWR?

A9. CSWR, an "upstream parent" company of Limestone, operates water and wastewater utilities in Arizona, Arkansas, Florida, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, and Texas.³

Q10. CAN YOU SUMMARIZE YOUR RECOMMENDATIONS FOR THIS PROCEEDING?

A10. I recommend the approval of the proposed transaction subject to the following conditions:

1. All security deposits retained by IRM as of May 24, 2023 should be transferred to Limestone and documentation of such transfer should be provided to the Commission within thirty days of closing.
2. Limestone and IRM should provide documentation demonstrating the value of the Escrow Account at closing, the value of which should be no less than \$19,450.

¹ *Joint Application of Limestone Water Utility Operating Company, LLC and Integrated Resource Management, Inc. d/b/a IRM Utility, Inc., for Approval of the Acquisition of and to Operate the Wastewater System of Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. in Decatur County, Tennessee and to Transfer or Issue a Certificate of Public Convenience and Necessity*, Exhibit 9, Direct Testimony of Josiah Cox at 18:5-6, TPUC Docket No. 23-00037 (May 24, 2023). However, it should be noted that the most recent list of IRM's customers identified only 32 customers. Limestone's Supplemental Response to Consumer Advocate's DR 2-1 including Confidential Supplemental Exhibit 22 (December 5, 2023).

² IRM's Response to Consumer Advocate DR No.1-8 (September 21, 2023).

³ *Joint Application*, at p. 5, Exhibits 5 and 6.

3. The Commission conduct an audit on whether IRM is in compliance with Commission rules⁴ regarding escrow accounts since it will continue to own and operate TPUC-regulated wastewater utilities.
4. Limestone should provide documentation demonstrating the book value of Plant-in-Service at closing, excluding any writeup of land costs supported by an appraisal.
5. Limestone should be precluded from restating historical account balances post-acquisition and the prospective accounting entries for the acquisition should be submitted to the Commission prior to closing for review as a condition of Commission approval.
6. The requested Acquisition Premium, in this case, should be set aside in account 114.00 (Utility Plant Acq Adj) and its ultimate treatment determined in a future proceeding.
7. The legal and regulatory costs associated with this transaction should be set aside in Account 183.002 (PSI – Legal) and its ultimate treatment determined in a future proceeding.
8. Limestone should maintain separate accounting records for Riverstone Estates, distinct from its other systems.
9. Limestone should provide direct customer notifications at the commencement of its first rate case.

I. BOOK BALANCE OF PLANT INCLUDING CONTRIBUTIONS IN AID OF CONSTRUCTION

Q11. WHAT IS YOUR RECOMMENDATION REGARDING THE PLANT BALANCE TO BE TRANSFERRED TO LIMESTONE?

A11. As discussed below, the Applicants' proposal to record \$148,309 in assets and liabilities is reasonable for this particular matter.

Q12. CAN YOU ELABORATE ON LIMESTONE'S PROPOSED ACCOUNTING TREATMENT AND HISTORICAL ACCOUNTING RECORDS?

A12. Yes. As shown below, Limestone proposes to book the following accounting entries after closing on the acquisition.

⁴ Tenn Comp. R. & Regs 1220-04-13-.07 (7) (December 2018).

| Acct Name | Acct # | Debit | Credit |
|--------------------------------|--------|----------------|----------------|
| Utility Plant Purchased | 106 | | 27,000.00 |
| Land & Land Rights | 353 | 6,000.00 | |
| Land & Land Rights | 353 | 6,877.15 | |
| Services to Customers | 363 | 3,461.54 | |
| Flow Measuring Devices | 364 | 282.00 | |
| Treatment & Disposal Equipment | 380 | 68,461.54 | |
| Other Plant & Misc Equipment | 389 | 763.69 | |
| Accum Depr | 108 | | 42,770.88 |
| CIAC-Sewer | 271 | | 78,538.46 |
| Acc Amort-CIAC-Sewer | 271 | 41,459.02 | |
| Acquistion Adjustment | 114 | 21,004.40 | |
| | | 148,309 | 148,309 |

As noted in Exhibit 30, the proposed accounting entries were determined by Limestone by “simply divided (sic) the consolidated amounts (on IRM annual reports) by 13.”⁶ The rationale that they are buying one of the thirteen systems currently owned by IRM.

I examined the balance sheet of IRM as part of my review; however, the financial information lacked the necessary detail to determine the appropriate account balances of utility plant in service for this system.

Q13. WHY IS LIMESTONE’S PROPOSAL REASONABLE?

A13. As previously stated, the proposal is to simply divide IRM’s current consolidated account balances by thirteen, a ratio of 7.692%, to determine the proposed account balance for the Riverstone Estates system. This approach is reasonable given the result does not harm ratepayers and the consolidated nature of IRM’s accounting records. Unfortunately, IRM could not provide more precise accounting information associated with the Riverstone Estates system.⁷

⁵ Joint Application, Exhibit 30.

⁶ Id. at FN*.

⁷ IRM’s Response to Consumer Advocate DR No. 1-1 (confidential attachments) & Exhibit 30. Specifically, IRM stated that the “information required to complete the response to this request is held by the Company’s accountant.” IRM’s Response to Consumer Advocate DR No. 1-1.

1 **II. BALANCE OF SECURITY DEPOSITS AND ESCROW ACCOUNTS**

2 **Q14. ARE THERE ANY OTHER CONSIDERATIONS REGARDING THE**
3 **HISTORICAL ACCOUNTING BALANCES?**

4 **A14.** Yes. IRM currently has three (3) fees contained within its Tariff. Those fees include the
5 following:

- 6 (a) Security Deposit;⁸
7 (b) Escrow Fee;⁹ and
8 (c) System Access Fee.¹⁰

9 In responding to discovery requests regarding these fees, IRM was only able to ascertain
10 the balance of security deposits for customers of the Riverstone Estates system.¹¹

11 **Q15. CAN YOU DEFINE THESE FEES?**

12 **A15.** Yes. Security deposits represent funds that ratepayers have prepaid to the utility to secure
13 the utility's service. As shown in IRM's Tariff, this deposit is refundable and was \$60 at
14 the time of deposit. IRM holds a security deposit from one current customer of the
15 Riverstone Estates system.¹²

⁸ IRM's Response to Consumer Advocate DR No. 1-17.

⁹ IRM's Response to Consumer Advocate DR No. 1-9.

¹⁰ IRM's Response to Consumer Advocate DR No. 1-15. When asked for the number of customers paying the sewer access by month for 2018 to current, IRM stated that "a response to this request will require further research. A supplemental response will be provided upon completion of said research. *Id.* Subsequently, IRM stated that "[a]ll access fees have been applied to the Customers' bills. The company will provide any balances which might be available upon receipt of that information from its accountants." IRM's Supplemental Response to Consumer Advocate DR No. 1-3.

¹¹ IRM's Responses to Consumer Advocate DR Nos. 1-15 and 1-17; and IRM's Supplemental Responses to Consumer Advocate DR Nos. 1-2 and 1-21. The Consumer Advocate notes that IRM altered the text of the Consumer Advocate's discovery request. The Consumer Advocate DR No. 1-2 stated that "Provide a copy of the Company's Income Statement at December 31, 2022, 2021, 2020, and 2019." However, in its supplemental response, IRM added language (underlined) to the Consumer Advocate's data request was "Provide a copy of the Company's Income Statement at December 31, 2022, 2021, 2020, and 2019. Specifically, the amounts of any available documentation for collected Security Deposits."

¹² IRM's Supplemental Response to Consumer Advocate DR No. 1-2.

1 The Escrow Account represent funds that ratepayers have provided as a “means to prepay
2 the costs for non-routine system maintenance to minimize future financial impact of such
3 maintenance on the rate payer and the utility.”¹³ IRM has been unable to provide a
4 recommendation for what amount of accrued escrow funds should be transferred at
5 closing.¹⁴

6 A Sewer Access Fee is like a Tap Fee in that it is charged to customers who have not
7 connected to the system but have the ability to connect; however, the Sewer Access Fee is
8 not a Tap Fee. In a previous Staff Assisted Rate Case, Tiffany Underwood explained that
9 IRM’s Sewer Access Fee is designed to “recover the upfront costs associated with running
10 a treatment plant, which will serve only a few customers initially.”¹⁵

11 **Q16. WHAT IS YOUR RECOMMENDATION REGARDING THE BALANCE OF**
12 **SECURITY DEPOSITS?**

13 **A16.** I would recommend that the Commission require IRM transfer the balance of \$60.00 in
14 security deposits¹⁶ and record such amount as a regulatory liability in account 235
15 (Customer Deposits). This transfer and subsequent accounting documentation should be
16 provided to the Commission within thirty days of closing. Adoption of this requirement
17 should be a condition of closing to show that these funds are to be transferred as part of the
18 sale.

¹³ *Final Order Approving Rate Petition*, p. 11, TRA Docket No. 11-00162 (May 16, 2012).

¹⁴ IRM’s Response to Consumer Advocate DR No. 1-21.

¹⁵ *Direct Testimony of Tiffany Underwood*, at 15:19-21, TRA Docket No. 15-00130 (January 1, 2016).

¹⁶ IRM’s Supplemental Response to Consumer Advocate DR No. 1-2.

1 **Q17. WHAT IS YOUR RECOMMENDATION REGARDING THE BALANCE OF THE**
2 **ESCROW ACCOUNT?**

3 **A17.** Since IRM will continue to operate TPUC-regulated utilities, I recommend the Commission
4 conduct an audit to determine whether IRM is currently in compliance with Commission
5 Rule 1220-04-13-.07 (7), quoted below (emphasis added):

6 (7) Reserve/escrow accounts established by a public wastewater utility shall be
7 limited to paying for or reimbursing the utility for extraordinary expenses of the
8 utility or for necessary capital projects, unless otherwise permitted by the
9 Commission. Extraordinary expenses are those resulting from events which are
10 infrequent and unusual in nature, and unrelated to the utilities' routine service
11 or business activities. The utility must first receive authorization from the
12 Commission via approved petition or, in emergency situations, authorization in
13 writing from the Chairman of the Commission upon written request by a
14 representative of the utility to use such funds. The Commission may require
15 public wastewater utility employees having signature authority over such
16 account to obtain a fidelity bond. The public wastewater utility's tariff shall set
17 forth the specific amount charged to customers to fund the reserve/escrow
18 account.

19 In my review of IRM's annual reports to the Commission, the utility has routinely removed
20 most of the yearly escrowed funds and reported that it was used for non-routine
21 maintenance performed by an affiliate of IRM.¹⁷ However, I am unaware of IRM
22 petitioning the Commission for approval of the use of escrowed funds. The Commission
23 rules regarding escrow funds were changed in December 2018 to require Commission
24 approval before a wastewater utility could use escrowed funds.¹⁸ Therefore, it appears that
25 IRM has not complied with TPUC rules regarding the use of escrow funds. I have
26 calculated, as shown below, that the ratepayers of Riverstone Estates have generated

¹⁷ Limestone and IRM Responses to the Consumer Advocate's Inquiry and Requests re Minimum Filing Requirements, Supplemental Exhibit 10B - CONFIDENTIAL - IRM 3 Years of Financials (Aug. 23, 2023) and IRM's Supplemental Response to Consumer Advocate DR No. 1-21.

¹⁸ Tenn Comp. R. & Regs 1220-04-13-.07 (7) (December 2018).

approximately \$19,450 in escrow funds since the rule change. Accordingly, I recommend that a balance of \$19,450 in escrowed funds be transferred as a part of the sale.

| | | | |
|--|-----------------------|-----------|-----------------------|
| Escrow Rate: | \$ | 10.13 | a/ |
| | | | |
| | | | |
| Year | Customer Count | b/ | Escrowed Funds |
| 2019 | 32 | \$ | 3,890 |
| 2020 | 32 | \$ | 3,890 |
| 2021 | 32 | \$ | 3,890 |
| 2022 | 32 | \$ | 3,890 |
| 2023 | 32 | \$ | 3,890 |
| | | | |
| | Total: | \$ | 19,450 |
| | | | |
| a/ Exhibit 21 | | | |
| b/ Limestone Supplemental Response to DR 2-1 | | | |

Q18. WHAT IS YOUR RECOMMENDATION REGARDING THE ESCROW FEE?

A18. Limestone has proposed terminating the escrow surcharge currently recovered within the rates of Riverstone Estates.¹⁹ This proposal would reduce the monthly residential rate to \$47.98. I do not oppose Limestone's proposal to eliminate the escrow surcharge for the customers of the Riverstone Estates system.

¹⁹ Limestone's Response to Consumer Advocate DR No. 1-9.

III. RECOVERY OF LEGAL EXPENSES RESULTING FROM THE TRANSACTION

Q19. WHAT IS YOUR RECOMMENDATION REGARDING RECOVERING LEGAL AND REGULATORY COSTS ASSOCIATED WITH THIS DOCKET IN FUTURE RATE PROCEEDINGS?

A19. As discussed below, the recoverability or disallowance of legal expenses deferred as a regulatory asset and transaction costs should be determined in a future rate proceeding.

**Q20. HOW DID THE RECOVERY OF LEGAL AND REGULATORY EXPENSES
ARISE?**

A20. The issue arose during the discovery process. Limestone stated that “[t]he Butler Snow and Farris Bobango charges will be billed separately because one firm (Butler Snow) represents Limestone while the other firm (Farris Bobango) represents the seller. Attorney costs are recorded to NARUC account (183.002 PSI - Legal) prior to closing of the acquisition.”²⁰

Q21. IS THIS THE APPROACH TAKEN IN PRIOR ACQUISITION DOCKETS?

A21. Yes. In TPUC Docket No. 21-00053, the regulatory and transaction costs relating to the acquisition of the Cartwright Creek system by Limestone were to be deferred and the appropriate treatment/recovery of these costs were to be determined in Limestone's initial rate case.²¹

²⁰ Limestone's Response to Consumer Advocate DR No. 1-3.

²¹ *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, p. 4, ¶ 11, TPUC Docket No. 21-00053 (Jan. 24, 2022).

1 **Q22. DO YOU AGREE THAT THIS APPROACH IS APPROPRIATE FOR THIS**
2 **MATTER?**

3 **A22.** I agree with this approach. Additionally, as noted in the Application, Limestone will not
4 seek recovery of 50% of the legal expenses paid regarding this matter.²² Limestone should
5 book the legal and regulatory expenses incurred for this matter into Account 183.002 (PAI-
6 Legal) and its ultimate treatment determined in a future proceeding.

7 **IV. HISTORICAL ACCOUNT BALANCES**

8 **Q23. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

9 **A23.** As discussed below, as a matter of public interest, Limestone should not be permitted to
10 restate the account balances for the IRM system at a later date. Additionally, the
11 prospective accounting entries to record the acquisition should be submitted to the
12 Commission prior to closing.

13 **Q24. HOW DID THIS ISSUE ARISE?**

14 **A24.** As stated earlier in my testimony, Limestone proposed to take 1/13th of the current assets
15 and liabilities of IRM as the beginning balances for the Riverstone Estates system post-
16 acquisition. As previously stated, I am generally agreeable to this approach.

17 **Q25. HAS LIMESTONE STATED IT INTENDS TO RESTATE ACCOUNT**
18 **BALANCES?**

19 **A25.** No, they have not. However, the current balances of both UPIS and CIAC are uncertain.
20 Due to this uncertainty, Limestone should file the balances of both UPIS and CIAC once
21 the sale is complete. The Consumer Advocate should be copied on this filing.

²² *Joint Application*, at p. 11.

1 **Q26. CAN YOU ELABORATE ON YOUR DISAGREEMENT?**

2 **A26.** Reserving the right to modify the recorded balances of the system removes the
3 Commission's ability to analyze the impact of the proposed transaction. As stated by Mr.
4 David Dittmore in TPUC Docket No. 21-00053:

5 Accounting entries should be submitted to the Commission before closing for
6 review as a condition of the Commission's approval of the transaction. The
7 Commission, its Staff, and the Consumer Advocate should have the opportunity
8 to review Limestone's proposed accounting entries used to record the
9 acquisition.²³

10 The prospective buyer has the responsibility to perform its due diligence before submitting
11 its request to the Commission. Any "corrections" to accounting records would impact the
12 value of the utility as well as have potentially significant implications on the purchase price
13 agreed to between the contracting parties.

14 **Q27. DO YOU HAVE A RECOMMENDATION REGARDING THIS ISSUE?**

15 **A27.** Yes. The Commission should not permit an acquiring utility to restate the historical
16 accounting records of the selling utility in the future unless such accounting issue was
17 raised within the application and specifically approved by the Commission within the
18 acquisition docket. Additionally, the prospective accounting entries of Limestone should
19 be submitted to the Commission before closing to allow the Commission, its Staff, and the
20 Consumer Advocate an opportunity to review the proposed accounting entries for the
21 acquisition.

²³ *Direct Testimony of David N. Dittmore*, at 21:17-20, TPUC Docket No. 21-00053 (August 30, 2021).

1 **V. ACQUISITION PREMIUM**

2 **Q28. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

3 **A28.** As discussed below, any potential Acquisition Premium should be recorded to a separate
4 account and its treatment, for ratemaking purposes, be determined in a future proceeding.

5 **Q29. WHAT IS AN ACQUISITION PREMIUM?**

6 **A29.** In a previous acquisition docket, Mr. Dittemore explained that “[a]n Acquisition Premium
7 represents the acquisition costs of utility assets in excess of their net book value.”²⁴

8 **Q30. IS LIMESTONE REQUESTING AN ACQUISITION PREMIUM IN THIS CASE?**

9 **A30.** No, they have not. However, I will note that the responses to discovery indicate that the
10 system was funded by ratepayers and contributed to IRM.²⁵ If this is the case, the net book
11 value of the assets would be zero, and the purchase price of \$21,000 would represent an
12 Acquisition Premium.

13 **Q31. ARE YOU RECOMMENDING THE COMMISSION RULE ON THE**
14 **APPROPRIATE REGULATORY TREATMENT OF THE ACQUISITION**
15 **PREMIUM IN THIS PROCEEDING?**

16 **A31.** No.

17 **Q32. WHAT ARE YOU RECOMMENDING REGARDING ACCOUNTING FOR THE**
18 **ACQUISITION PREMIUM?**

19 **A32.** Any potential Acquisition Premium should be set aside in a separate account and its
20 ultimate disposition determined in a future proceeding. There should be no assumption

²⁴ *Id.* at 23:5-6.

²⁵ IRM’s Response to Consumer Advocate DR Nos. 1-4 and 1-7.

1 that this balance will be recoverable in a subsequent rate case proceeding. The burden of
2 justifying the recovery of this balance rests with Limestone.

3 **Q33. IS THIS RECOMMENDATION CONSISTENT WITH THE COMMISSION'S**
4 **RULING ON ACQUISITION PREMIUM ACCOUNTING IN TPUC DOCKET NO.**
5 **19-00062?**

6 **A33.** Yes. In that order, the Commission found:

7 (8) Limestone is not requesting an acquisition premium and the Commission
8 is not approving any acquisition adjustment related to the purchase of Aqua's
9 assets; accordingly, Limestone's beginning value of the acquired assets for
10 ratemaking purposes shall be the value recorded in Aqua's books and records at
11 the date of the acquisition. Further, Limestone is not authorized to book an
12 above-the-line regulatory asset for rate-making purposes for any portion of the
13 amount by which the purchase price exceeds the value of the acquired assets as
14 reflected in Aqua's books and records at the date of acquisition. In any future
15 rate proceeding, Limestone may present evidence and argument concerning the
16 value of assets used and useful for provisioning public utilities services, and the
17 Consumer Advocate or other interested parties may oppose such values or
18 present their own evidence and argument concerning the value of such assets.²⁶

19 **VI. SEPARATE ACCOUNTING RECORDS**

20 **Q34. ARE THERE ANY OTHER CONDITIONS YOU WOULD RECOMMEND?**

21 **A34.** Yes. I recommend that Limestone be required to maintain separate accounting records for
22 IRM, distinct from its other systems. This is the same recommendation made by Mr.
23 Dittemore in TPUC Docket No. 21-00053²⁷ and which Limestone previously agreed.²⁸

²⁶ *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*, pp. 17–18, TPUC Docket No. 19-00062 (Dec. 7, 2020).

²⁷ *Direct Testimony of David N. Dittemore* at 22:3-4, TPUC Docket No. 21-00053 (Aug. 30, 2021).

²⁸ *Limestone Water Utility Operating Company, LLC Response to Second Set of Data Requests*, Consumer Advocate DR No. 2-3, TPUC Docket No. 21-00053 (August 10, 2021).

VII. OTHER CONSIDERATIONS

Q35. DO YOU HAVE CONCERNS REGARDING THE EFFECT OF THE ACQUISITION ON CURRENT RATES?

A35. Yes. I am concerned about the impact the results of this proceeding will have on future rates. Although Limestone is asking to remove the escrow fee from rates in this proceeding, the operating costs and the level of capital expenditures will have a future impact on the revenue requirement when Limestone petitions the Commission for its initial rate increase request. Given the small customer base of 32²⁹ for this system and the anticipated capital expenditures totaling \$215,000³⁰ the impact on individual customer rates will be measurable. Additionally, Limestone has stated that the incremental O&M cost attributable to Riverstone Estates will be \$30,000.³¹ As shown below, the current rates paid by the customers of Riverstone Estates will be insufficient to cover the third-party O&M contract.

| | | Riverstone Estates |
|---------------------------|--|---------------------------|
| Customer Count | | 32 |
| O&M contract | | \$ 30,000.00 |
| Yearly Cost Per Customer | | \$ 937.50 |
| Monthly Cost Per Customer | | \$ 78.13 |
| Proposed Rate | | \$ 47.98 |
| Suplus/(Deficit) | | \$ (30.15) |

²⁹ Limestone's Supplemental Response to Consumer Advocate's DR No. 2-1 including Confidential Supplemental Exhibit 22 (December 5, 2023).

³⁰ *Joint Application*, Exhibit 24.

³¹ Limestone's Supplemental Response to Consumer Advocate DR No. 1-18(c).

1 Given the probable rate implications, the Commission should require Limestone to provide
2 a customer notification to all customers at the commencement of its first rate case. This
3 notification should contain the prospective change in rates requested by the utility along
4 with detailed instructions on how customers can file comments regarding Limestone's
5 request at the Commission.

6 **Q36. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A36.** Yes. However, I reserve the right to supplement my testimony if additional information
8 becomes available.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

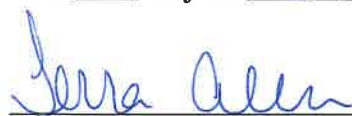
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AFFIDAVIT

I, Alex Bradley, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

Sworn to and subscribed before me
this 9th day of November, 2023.



NOTARY PUBLIC

My commission expires: January 31, 2027.




ALEX BRADLEY