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May 10, 2024

VIA ELECTRONIC FILING

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

Electronically Filed in TPUC Docket
Room on May 10, 2024 at 2:32 p.m.

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, TPUC Docket No. 23-00037*

Dear Chairman Hilliard:

Attached for filing please find the *Pre-Filed Direct Testimony of Brent G. Thies Adopting the Pre-Filed Direct 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: Russ Mitten, Limestone Water Utility Operating Company, LLC
Chuck B. Welch, Jr., Farris Bobango PLC
Shilina B. Brown, Consumer Advocate Division
Victoria B. Glover, Consumer Advocate Division

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BUTLER SNOW LLP

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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
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)	DOCKET NO. 23-00037
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)	

**PRE-FILED DIRECT TESTIMONY OF BRENT G. THIES
ADOPTING PRE-FILED DIRECT TESTIMONY OF JOSIAH COX**

- 1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 2 A. My name is Brent G. Thies, and my business address is 1630 Des Peres Road, Suite 140,
- 3 St. Louis, Missouri 63131.
- 4 **Q. PLEASE DESCRIBE CSWR, LLC, AND LIMESTONE WATER UTILITY**
- 5 **OPERATING COMPANY.**
- 6 A. CSWR, LLC (“CSWR”), is a holding company that currently indirectly owns utility
- 7 operating companies in 11 states. Limestone Water Utility Operating Company, LLC
- 8 (“Limestone Water” or “Company”), is the CSWR-affiliated utility operating company in
- 9 Tennessee.

10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

11 A. I am employed by CSWR, LLC. My current position is Vice President & Corporate
12 Controller.

13 **Q. WHAT ARE YOUR DUTIES AS VICE PRESIDENT & CORPORATE**
14 **CONTROLLER?**

15 A. As Vice President & Corporate Controller, I am responsible for the accounting books and
16 records of CSWR and its regulated utility subsidiaries. This includes setting financial
17 controls and accounting policy along with the responsibility for the accurate recording of
18 revenues, expenses and capital expenditures. With my team, I am also responsible for
19 billing operations, preparing and filing regulatory annual reports and responding to certain
20 data requests for the regulated utility subsidiaries of CSWR. My responsibilities also
21 include preparation of monthly and quarterly management reports and interfacing with
22 external auditors and tax professionals.

23 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
24 **EXPERIENCE.**

25 A. I hold a Bachelor of Arts in Communications/Public Relations from Missouri Baptist
26 University in St. Louis, Missouri, and a Bachelor of Science in Accounting from Liberty
27 University in Virginia. I also hold a Master of Divinity degree from Midwestern Baptist
28 Theological Seminary in Kansas City, Missouri and a Master of Business Administration
29 degree from the University of Missouri-St. Louis. I am licensed as a Certified Public
30 Accountant in the state of Missouri.

31 I have been employed in the Accounting and Finance department of CSWR, LLC,
32 ("CSWR") since July 2017. I started at CSWR as the Senior Accountant, responsible for

33 monthly accounting work for CSWR and its regulated utility subsidiaries. This included
34 analysis and reporting related to regulatory requirements. I was promoted to the position
35 of Controller in October 2018 and Vice President & Corporate Controller in February 2022.
36 While at CSWR, I have contributed to the financial analysis, planning and filing
37 requirements for multiple rate case filings in other jurisdictions and various data requests
38 and analysis items in acquisition cases in the jurisdictions where CSWR subsidiaries
39 operate.

40 Prior to CSWR, I was employed as the Controller of a multi-entity non-profit in St.
41 Louis, Missouri. During my time at CSWR, I have completed the Fundamentals,
42 Intermediate and Advanced Regulatory Studies Programs through the Institute of Public
43 Utilities at Michigan State University.

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

45 A. The purpose of my testimony is to adopt the pre-filed direct testimony, rebuttal testimony
46 and revised rebuttal testimony previously submitted in this matter by Josiah Cox supporting
47 the Application filed by Limestone Water Utility Operating Company, LLC, which seeks
48 Commission authority for Limestone Water to acquire and to operate the wastewater
49 system of Integrated Resource Management, Inc. d/b/a IRM Utility, Inc., and to transfer or
50 issue a certificate of public convenience and necessity. A copy of Josiah Cox's Pre-Filed
51 Direct Testimony, Rebuttal Testimony and Revised Rebuttal Testimony is attached as
52 **Exhibit 1.**

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

54 A. Although Josiah Cox initially intended to be able to present his pre-filed direct testimony,
55 a conflict arose, and he is unable to participate in the hearing. Therefore, I am adopting his
56 pre-filed testimony.

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

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

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

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

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

65 A. Yes.

66 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-

1 degradation processes), design, permitting, project management, and construction
2 management. I also ran the firm's environmental consulting division and was the second
3 private consultant to submit a water quality impact study in the state of Missouri in 2003.
4 I joined the engineering firm's executive leadership team and helped run all the firm's
5 operations.

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

21 During this time, I began the Master of Business Administration (MBA) program
22 at Washington University in St. Louis, from which I graduated in 2007. In addition, starting
23 in 2008, I took over the operations of an existing rural sewer district, and I still operate a

1 system managing the functioning, testing, and maintenance of the system. I also act as the
2 administrator for this municipal system performing all the billing, emergency response,
3 accounts payable/accounts receivable, collections, budgeting, customer service, and public
4 town meetings required to service the community.

5 In late 2010, after working on several small, failing water and wastewater systems,
6 I created a business plan to acquire failing systems and to recapitalize and operate those
7 systems as investor-owned regulated water and wastewater utility companies. In early
8 2011, I went to the capital markets to raise money to implement my plan. Over a period of
9 approximately three years, I met with over fifty-two infrastructure investment groups
10 trying to raise necessary financing. In February 2014, I achieved my goal, and I used the
11 debt and equity capital I was able to raise to start CSWR. In 2018, I was able to attract an
12 additional large institutional private equity investor, which allowed me to expand the scope
13 of my business plan. This new investor is allowing CSWR to form companies for the
14 purpose of acquiring water and wastewater systems in additional states. Since its formation,
15 CSWR's affiliates have acquired, and currently are operating, approximately 800 water or
16 wastewater systems in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi,
17 North Carolina, South Carolina, Florida, Arizona, and Arkansas. In Missouri, those
18 systems are regulated by the Missouri Public Service Commission; in Kentucky they are
19 regulated by the Kentucky Public Service Commission; in Louisiana they are regulated by
20 the Louisiana Public Service Commission; in Texas they are regulated by the Public Utility
21 Commission of Texas; in Tennessee they are regulated by the Tennessee Public Utility
22 Commission; in Mississippi they are regulated by the Mississippi Public Service
23 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 Integrated Resources Management, Inc. ("IRM" or, collectively, "Joint Applicants"), which seeks Commission authority for Limestone to acquire all assets currently used by IRM to provide wastewater utility service to customers in Decatur County, Tennessee. My testimony describes the proposed transaction and explains why both Limestone and IRM 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 Tennessee 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.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., Candlewood Lakes, and Chapel Woods Home Owners Association.² Currently, Limestone serves approximately 450 water customers and 1,900 wastewater customers in Tennessee. 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 IRM (the “System”).

Limestone is an indirect subsidiary of CSWR, a Missouri limited liability company formed to provide managerial, technical, and financial support to Limestone and its utility

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.); *Order Approving Petition for Reconsideration of Commission Order Approving Settlement Agreement and Transfer of Systems, Granting Certificate of Convenience and Necessity, and Disallowing Continuance of Candlewood Lakes POA’s Water Availability Fee*, TPUC Docket No. 21-00059 (May 1, 2023 (presiding panel granting petition for reconsideration, approving of settlement agreement on acquisition and granting of CCN for acquisition of Candlewood Lakes’ system); 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).

1 operating affiliates. A corporate organization chart illustrating that relationship is attached
2 as **Exhibit 5** to the Joint Application.

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

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

11 A. CSWR's business plan is to pursue the purchase and recapitalization of small water and
12 wastewater systems and to operate those systems as investor-owned regulated utilities.
13 Many of those systems are not currently regulated. Of those that are regulated, many, if not
14 most, are out of compliance with utility commission rules and with federal or state pollution
15 and safety laws and regulations. Indeed, many systems we acquire do not even have federal
16 or state permits required to lawfully operate those systems. We also have found that many
17 regulated systems we acquire have not increased their rates for a decade or more and, as a
18 result, lack the financial resources necessary to build, maintain, and replace assets used to
19 provide safe and reliable service or bring their operations into compliance with rapidly
20 changing environmental and water quality regulations. Some systems we acquire are in
21 receivership and, therefore, lack the ability to raise capital necessary to improve their
22 systems. However, because it has found investors willing to make investments and take
23 risks necessary to bring small water and wastewater systems into compliance with current

1 statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire
2 distressed systems, invest capital necessary to upgrade or repair physical facilities, and
3 operate those systems in a way that serves the public interest and satisfies customers,
4 regulators, and investors alike.

5 CSWR's business plan and the expertise its personnel provide to affiliates have
6 convinced regulators in Tennessee, Missouri, Arkansas, Kentucky, Louisiana, Texas,
7 Mississippi, North Carolina, South Carolina, Florida, and Arizona to permit Limestone to
8 acquire and operate numerous small water and wastewater systems in those states, and we
9 expect to be authorized to acquire additional systems in those and other states in the future.
10 If the Commission authorizes Limestone to acquire IRM's assets, they would be added to
11 the portfolio of systems the Company currently operates in Tennessee. We hope the
12 Commission will give us the same opportunity in this case it gave us in the previous Aqua
13 Utilities, Cartwright Creek, Shiloh Falls Utilities, Candlewood Lakes and Chapel Woods
14 acquisition cases so we can continue in Tennessee the record of success our affiliated group
15 has achieved elsewhere.

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

18 A. Limestone and its affiliates have the financial, technical, and managerial ability to acquire,
19 own, and operate IRM's wastewater systems in a manner that fully complies with
20 applicable health, safety, and environmental protection laws and regulations and provides
21 reliable, safe, and adequate service to customers. Limestone demonstrated this to the
22 Commission in TPUC Docket Nos. 19-00062, 21-00053, 21-00055, 21-00059 and 21-
23 00060. Limestone is part of an affiliated group that currently owns and operates wastewater

1 systems serving more than 200,000 customers and drinking water systems serving more
2 than 127,000 customers in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi,
3 North Carolina, South Carolina, Florida, Arizona, and Tennessee.

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

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

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

13 On the water side of the business, since March 2015, affiliates have designed,
14 permitted, and completed construction – with the approval of state regulatory authorities –
15 of upgrades and improvements to numerous drinking water systems. Those upgrades and
16 improvements include constructing ground water storage tanks and drinking water
17 pressurization pump assemblies, drilling water wells, erecting or rehabilitating well houses,
18 closing failed wells, blasting/coating water storage tanks, replacing meter pits with new
19 meters, replacing or repairing numerous water distribution lines, installing numerous
20 isolation valve systems, installing multiple flush hydrants, repairing hundreds of leaking
21 lines, and constructing or rehabilitating various other improvements to existing drinking
22 water systems.

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

3 A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar
4 services for water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana,
5 Texas, Mississippi, North Carolina, South Carolina, Florida, Arizona, and Tennessee. I
6 already described my background and experience in the water and wastewater utility
7 industry. Additionally, as outlined in the Joint Application, the resumes of the other key
8 members of CSWR's senior team who would be involved in Limestone's operations show
9 that we are all well-qualified to meet the demands of Limestone and its customers and to
10 satisfy the rules, regulations, and requirements of this Commission and other regulators
11 charged with overseeing Limestone's operations. The types and quality of services CSWR
12 provides Limestone are not usually available to small systems like IRM. However,
13 CSWR's business model was developed to provide that expertise and experience to
14 affiliates and to do so while achieving economies of scale attributable to CSWR's
15 centralized management structure. Not only would CSWR and Limestone provide current
16 IRM customers expertise and professional depth not generally available to small water and
17 wastewater systems, our affiliate group can realize economies of scale that would not be
18 possible if Limestone had to acquire or provide such expertise and support on a company-
19 or system-specific basis. The unique availability of these efficiencies and resources will
20 result in the customers served by the System obtaining the benefit of the very best in
21 technological advances, national experience and industry exposure.

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

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

6 If the Joint Application is approved, Limestone would implement operational
7 changes to improve and enhance service to IRM's current customers. For example, those
8 customers would have access to a 24-hour phone line to report any utility service issues.
9 Those calls would then be transferred into the computerized maintenance management
10 system and converted into work orders, which creates a historical record of all reported
11 service issues. The work order also will ensure contracted customer service personnel can
12 commence work required to deal quickly and efficiently with any customer service issues.
13 Second, Limestone would ensure customers have access to customer service
14 representatives during normal business hours to talk about any customer concerns and
15 would establish a utility-specific webpage and dedicated email address to keep customers
16 informed about their utility service. Information available on the website would include
17 dissemination of state-mandated information, up-to-date website bulletins about service
18 issues, and procedures for service initiation or discontinuance. Mirroring relevant utility
19 homepage information, Limestone would provide a dedicated social media page to offer
20 another avenue of communication with customers about utility matters. The social media
21 account is manned by customer service representatives that can answer customer questions.
22 Finally, Limestone offers online bill paying options to customers, including e-checks, debit
23 card, and credit cards.

1 **Q. WHAT EVIDENCE CAN YOU PROVIDE TO SUPPORT YOUR CLAIMS ABOUT**
2 **THE ABILITY OF LIMESTONE’S AFFILIATES TO PROVIDE THESE**
3 **SERVICES OUTSIDE TENNESSEE?**

4 A. In each acquisition case filed by one of Limestone’s utility operating affiliates the
5 regulatory commission considering the application expressly found the state affiliate and
6 the CSWR-affiliated group has the financial, technical, and managerial ability necessary to
7 provide reasonable service to the public. And in several states where our affiliate group
8 currently operates, regulatory agencies – both public utility and environmental – have
9 encouraged us to acquire especially troubled systems, which sometimes includes a request
10 to serve as the temporary operator while acquisition applications were pending.

11 **Q. DO LIMESTONE AND CSWR HAVE THE FINANCIAL CAPACITY TO**
12 **ACQUIRE, OWN, AND OPERATE THE SYSTEMS YOU PROPOSE TO**
13 **PURCHASE FROM IRM?**

14 A. Yes, as was demonstrated to the Commission by Limestone in TPUC Docket Nos. 19-
15 00062, 21-00053, 21-00055, 21-00059 and 21-00060. Limestone and CSWR have the
16 financial capacity to finance, own, and operate the System we propose to acquire from
17 IRM. The affiliated group of which Limestone is a member has been able to secure an
18 ongoing commitment from a Wall Street private equity firm to provide capital necessary
19 to purchase small, oftentimes distressed, water and wastewater systems and then make
20 investments necessary to bring those systems into compliance with applicable health,
21 safety, and environmental protection laws and regulations. This investment commitment
22 also includes working capital necessary to operate until an application for compensatory
23 rates, where and when appropriate, can be formally requested and approved. To date,

1 CSWR, through its affiliates, has invested almost \$400 million to purchase, upgrade, and
2 operate water and wastewater systems. Although those investments have been almost
3 exclusively in the form of equity, Limestone plans to pursue debt financing from non-
4 affiliated commercial sources that would allow the company to balance its capital structure.
5 Ultimately, Limestone's objective is a capital structure consisting of 50%-60% equity and
6 40%-50% debt.

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

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

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

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

1 In addition to its service obligations during normal business hours, the O&M firm
2 would be required to have a 24-hour emergency service line to deal with customers
3 experiencing service disruptions. However, notice of all service disruption calls would be
4 forwarded to me, as CSWR's manager and the executive ultimately responsible for service
5 in the areas served by each of CSWR's utility affiliates. CSWR has developed a centralized
6 computerized maintenance management system (CCMS) that monitors the performance of
7 our drinking water and wastewater systems and allows us to track the ongoing maintenance
8 and testing work performed by the O&M contractors we employ at each of our facilities.
9 In addition, CSWR uses geographic information system ("GIS") survey information to
10 accurately map all infrastructure assets, which allows the Company to specifically target
11 ongoing infrastructure re-investment as part of the overall managerial and technical support
12 CSWR provides each of its utility operating affiliates.

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

22 While day-to-day operational, billing, and customer service functions would be
23 provided by non-employee contractors, all management, financial reporting, underground

1 utility safety and location services, Commission regulatory reporting, environmental
2 regulatory reporting and management, operations oversight, utility asset planning,
3 engineering planning, ongoing utility maintenance, utility record keeping, and final
4 customer dispute management would be performed by personnel at CSWR's corporate
5 office, with a proportional share of costs for those services passed down to Limestone.
6 CSWR personnel also would monitor the activities of the non-employee contractors to
7 make sure the systems are being operated and maintained properly and customers' needs
8 are being met. The resumes of CSWR personnel who, in addition to me, would be
9 responsible for providing services or oversight to Limestone's operation, are attached to
10 the Joint Application as **Exhibit 12**.

11 **DESCRIPTION OF THE PROPOSED TRANSACTION**

12 **Q. PLEASE DESCRIBE THE WATER AND WASTEWATER SYSTEMS**
13 **LIMESTONE PROPOSES TO ACQUIRE FROM IRM.**

14 A. The IRM wastewater system serves the Riverstone Estates Community. The System
15 consists of a low-pressure collection system, with Plytok STEP (Septic Tank and Effluent
16 Pump) units at each home, conveying wastewater to two lift stations which pump via force
17 main to a partially aerated lagoon with a secondary settling cell and separate settling tank,
18 UV disinfection, and a 3.7-acre drip irrigation system. The facility is also equipped with
19 an emergency discharge to the Tennessee River. The existence of this emergency discharge
20 requires this facility to be regulated by a NPDES (National Pollutant Discharge Elimination
21 System) permit (TN0078379) as an intermittent discharging point source, which requires
22 testing against permit limits that is reported to the state and through them the federal
23 environmental regulatory system. This is somewhat novel, in that during normal operations
24 the facility does not discharge and would typically be regulated only by the state through

1 the Tennessee State Operating Permit (SOP) system, but the existence of the intermittent
2 discharge requires regulation through the federal NPDES system under the Clean Water
3 Act. Rather than issuing a separate SOP permit regulating the non-discharging function of
4 the System at the state level and a NPDES permit regulating the intermittent discharge at
5 the state and federal level, the state of Tennessee includes the regulatory requirements that
6 would normally appear on an SOP permit as an additional section on the NPDES permit.
7 This means the facility's NPDES permit includes testing requirements for the drain field
8 which would not normally appear in an intermittent discharge NPDES permit. It also means
9 that the testing requirements related to the drain field and normal operations as a non-
10 discharging system are only reported to the state, while testing on any intermittent
11 discharges are reported to the state and through the state to the federal regulatory databases.

12 A review of the compliance history of the System shows several significant issues.
13 First, on March 27, 2018, the System was issued a "notice of warning letter" when the
14 permittee failed to timely submit permit renewal application materials for the permit, which
15 was set to expire. This indicates a general failure in operational and managerial practices.

16 More recently, on January 4, 2022, the System was issued a "Notice of Violation"
17 ("NOV") following a compliance evaluation inspection that included citations for
18 noncompliance. The NOV cited the System for failing to complete any of the required
19 monitoring/testing since calendar year 2017. Furthermore, the NOV also cited several
20 maintenance deficiencies. Specifically, it was noted that the influent drop pipe was broken,
21 that there was excessive vegetation overgrowth around the perimeter of the lagoon, and
22 finally that a thick layer of duckweed was noted on the lagoon, indicating the aeration was
23 not very effective and potentially adversely affecting treatment. There are no indications

1 in the file that any of these issues has been resolved to date or that the IRM's current owners
2 formally responded to the NOV.

3 In addition, CSWR's third party review of the System highlighted several areas that
4 must be addressed to ensure the System can provide safe, reliable, and environmentally
5 compliant service. First, no remote monitoring equipment is present at the utility sites.
6 Remote monitoring should be installed at the treatment plant and at both of the lift stations.
7 Next, the existing flow measurement system is not functioning properly, so Limestone
8 proposes to install a new V-notch weir with ultrasonic flow meter, which can continuously
9 record flow and report through the remote monitoring system. The existing UV/filtration
10 building also was found to be cluttered throughout with debris and also has no lighting to
11 illuminate the building. The building must be cleaned out and repaired, and backup UV
12 bulbs purchased to ensure resiliency in disinfection.

13 The deficiencies highlighted in the NOV must also be addressed. These include
14 repair of the influent piping, trash and debris removal throughout the site, and clearing
15 vegetation from around lagoon berms. In addition, there currently is no fencing around lift
16 stations or lift station controls, which is necessary to establish proper site protection.
17 CSWR's inspection also showed the System was designed to collect flow at an intermediate
18 pumping station, which would allow the facility to regulate flow to the plant. However,
19 rather than completing the necessary repairs the owners allowed the System to fail,
20 bypassed the System, and allowed the lift stations to flow directly into the lagoon. This is
21 likely what caused damage to the influent piping. The intermediate station should be
22 repaired to allow for greater operational control. Finally, valving in the drain fields can
23 only be operated manually, thereby reducing operational control of the System and

1 encouraging lax maintenance. An automated solenoid valve system and control panel
2 should be installed to allow for greater operational control.

3 Limestone proposes to acquire from IRM all of the assets it currently owns and uses
4 to provide service to customers located in Decatur County. Maps and aerial photographs
5 showing the location of the System are attached as **Exhibit 1** to the Joint Application. The
6 System currently serves approximately 33 customers.

7 Terms of the proposed asset sale are governed by the June 21, 2022, *Agreement for*
8 *the Sale of Utility System* ("Agreement") between IRM and Central States Water Resources,
9 Inc. ("Central States"). A copy of the Agreement is attached as **Exhibit 7** to the Joint
10 Application.

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

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

22 A. Yes. If the Commission grants Limestone the authority it seeks in the Joint Application,
23 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 IRM 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 pledges to operate all its Tennessee systems in a manner that complies with all Commission requirements and all applicable state statutes and regulations.

1 **Q. HOW DOES LIMESTONE PROPOSE TO SATISFY THE FINANCIAL**
2 **SECURITY REQUIREMENTS IMPOSED BY TPUC RULES 1220-04-13-.07 AND**
3 **1220-04-13-.08?**

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

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

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

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

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

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes, it does.

REBUTTAL TESTIMONY

OF JOSIAH COX

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

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

6 A. I am President of Limestone. I also am President of CSWR, LLC (“CSWR”), a Limestone
7 affiliate.

8 **Q. DID YOU SUBMIT PRE-FILED TESTIMONY IN THIS MATTER ON BEHALF**
9 **OF LIMESTONE IN SUPPORT OF THE JOINT APPLICATION.**

10 A. Yes. I submitted both Pre-filed Direct Testimony and Pre-filed Supplemental Direct
11 Testimony.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE?**

13 A. The purpose of my Rebuttal Testimony is to support the Joint Application submitted in this
14 matter by both Limestone and Integrated Resource Management, Inc. d/b/a IRM Utility,
15 Inc. (“IRM”), collectively the “Joint Applicants,” by responding to the Pre-filed Testimony
16 of Consumer Advocate Witness Alex Bradley.

17 **Q. WHAT IS YOUR RESPONSE TO MR. BRADLEY’S PRE-FILED TESTIMONY?**

18 A. On pages 3-4 of his Pre-filed Testimony, Mr. Bradley outlines nine (9) Consumer Advocate
19 Division (“CAD” or “Consumer Advocate”) recommendations. Those recommendations
20 are as follows:

- 21 1. All security deposits retained by IRM as of May 24, 2023 should be
22 transferred to Limestone and documentation of such transfer should
23 be provided to the Commission within thirty days of closing.
- 24 2. Limestone and IRM should provide documentation demonstrating
25 the value of the Escrow Account at closing, the value of which
26 should be no less than \$19,450.
- 27 3. The Commission conduct an audit on whether IRM is in compliance
28 with Commission rules¹ regarding escrow accounts since it will
29 continue to own and operate TPUC-regulated wastewater utilities.
- 30 4. Limestone should provide documentation demonstrating the book
31 value of Plant-in-Service at closing, excluding any writeup of land
32 costs supported by an appraisal.
- 33 5. Limestone should be precluded from restating historical account
34 balances post-acquisition and the prospective accounting entries for
35 the acquisition should be submitted to the Commission prior to
36 closing for review as a condition of Commission approval.
- 37 6. The requested Acquisition Premium, in this case, should be set aside
38 in account 114.00 (Utility Plant Acq Adj) and its ultimate treatment
39 determined in a future proceeding.
- 40 7. The legal and regulatory costs associated with this transaction
41 should be set aside in Account 183.002 (PSI – Legal) and its ultimate
42 treatment determined in a future proceeding.
- 43 8. Limestone should maintain separate accounting records for
44 Riverstone Estates, distinct from its other systems.
- 45 9. Limestone should provide direct customer notifications at the
46 commencement of its first rate case.

¹ Tenn Comp. R. & Regs 1220-04-13-.07 (7) (December 2018).

47 **Q. WHAT ARE LIMESTONE'S POSITIONS ON THE CAD'S**
48 **RECOMMENDATIONS SET FORTH IN MR. BRADLEY'S PRE-FILED**
49 **TESTIMONY?**

50 A. While Limestone does not concede that CAD's recommendation Nos. 1-4 and 6-9 are each
51 necessary, in the spirit of cooperation, Limestone accepts and agrees with CAD's
52 recommendation Nos. 1-4 and 6-9.

53 **Q. CAN YOU EXPLAIN WHY LIMESTONE BELIEVES THAT CERTAIN CAD**
54 **RECOMMENDATIONS ARE NOT NECESSARY?**

55 A. Yes. For instance, recommendation No. 3. The Tennessee Public Utility Commission
56 ("Commission" or "TPUC") has rules regarding escrow accounts for wastewater providers.
57 Limestone has committed to abide by TPUC rules and regulations. The Commission
58 already has the authority to ensure compliance with its rules and regulations, including its
59 escrow rules for wastewater providers. Therefore, CAD recommendation No. 3 is not
60 necessary. The Commission may exercise its authority at its discretion at any time. Also,
61 as outlined in the Joint Application, CAD recommendation No. 5 is not necessary because
62 Limestone has not requested an Acquisition Adjustment in this proceeding. In fact, on page
63 13 (lines 8-9) of his testimony, Mr. Bradley appropriately notes that Limestone is not
64 requesting an Acquisition Adjustment. For a third example, CAD recommendation No. 7
65 is not necessary because it is expressly proposed in the Joint Application that any
66 determination of recoverable regulatory and transaction costs related to the acquisition be
67 deferred to Limestone's initial rate case.

68 **Q. WHY DOES LIMESTONE NOT ACCEPT AND AGREE WITH MR. BRADLEY'S**
69 **RECOMMENDATION NO. 5?**

70 A. Although Limestone reviews practices and records prior to closing, final asset values
71 recorded will be dependent on further evaluation of IRM's asset records and will be
72 completed post-closing. While every reasonable effort may be made to avoid it, in
73 acquiring a small utility it is possible that accounting errors or abnormalities may be
74 uncovered after an acquisition agreement has been executed and even post-closing.
75 Limestone believes it would be premature to preclude it from restating or correcting
76 historical account balances within a reasonable time post-acquisition.

77 Further, Limestone does not believe that requiring it to submit the prospective
78 accounting entries for the acquisition prior to closing for Commission approval is
79 warranted or necessary. To the extent necessary, a review of any prospective accounting
80 entries for the acquisition may be performed in relation to Limestone's initial rate case
81 proceeding involving the assets acquired in the IRM acquisition.

82 **Q. WITH RESPECT TO MR. BRADLEY'S RECOMMENDATION NO. 5, DOES**
83 **LIMESTONE HAVE A REASONABLE COMPROMISE THAT ADDRESSES THE**
84 **CONCERNS OF BOTH THE CAD AND LIMESTONE?**

85 A. Yes, it does. Instead of the language proposed by the Consumer Advocate, Limestone
86 proposes the following language, which Limestone and the CAD agreed to in TPUC
87 Docket No. 21-00055 (Shiloh Falls):

88 "Limestone shall not make any corrections or modifications to accounting
89 records received from [IRM] at closing. If Limestone believes accounting
90 entries should be corrected or changed, it shall seek approval from the
91 Commission to make the necessary accounting corrections at least 180 days
92 prior to its initial request to increase base rates. [Limestone will courtesy
93 copy the Consumer Advocate on each such requests to the Commission.]

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.”²

Q. DID THE COMMISSION APPROVE THE STIPULATION AND SETTLEMENT AGREEMENT SUBMITTED BY THE PARTIES IN DOCKET NO. 21-00055?

A. Yes, the Commission approved the Stipulation and Settlement Agreement submitted by the parties.³

Q. IS IT LIMESTONE'S CONTENTION HERE THAT PARTIES IN A SUBSEQUENT CASE SHOULD BE BOUND BY SETTLEMENT AGREEMENTS REACHED BY THE SAME PARTIES IN A PREVIOUS, SEPARATE AND TOTALLY INDEPENDENT MATTER?

A. No, not at all. I am certain that there are provisions or issues that Limestone has resolved in other cases without intending that such compromising resolutions become a permanent, binding template of sorts for all future similar cases. Rather, Limestone believes that the above-quoted language from the Stipulation and Settlement Agreement in Docket No. 21-00055 represents potentially workable and satisfactory language here in place of Mr. Bradley's 5th recommendation.

For instance, in the Stipulation and Settlement Agreement between Limestone and the CAD in TPUC Docket No. 21-00059 (Candlewood), the parties did not include any requirement that prospective accounting entries for the acquisition be submitted prior to closing for Commission approval.⁴

² See *Stipulation and Settlement Agreement*, TPUC Docket No. 21-00055 (Aug. 23, 2022).

³ See *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 21-00055 (Dec. 2, 2022).

⁴ See, e.g. *Stipulation and Settlement Agreement*, TPUC Docket No. 21-00059 (Aug. 19, 2022).

115 **Q. HAS THE COMMISSION ACCEPTED AND APPROVED LIMESTONE’S**
116 **ABOVE-PROPOSED LANGUAGE (IN PLACE OF CAD’S RECOMMENDATION**
117 **NO. 5) IN ANY OTHER LIMESTONE ACQUISITION CASE?**

118 A. Yes, in TPUC Docket No. 23-00016.⁵

119 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

120 A. I recommend that the Joint Application be approved subject to the modifications outlined
121 above in my Rebuttal Testimony, which modifications would consist of Mr. Bradley’s
122 recommendation Nos. 1-4 and 6-9, and Limestone’s proposed language outlined above in
123 place of Mr. Bradley’s recommendation No. 5.

124 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

125 A. Yes, it does.

⁵ See *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 23-00016 (Dec. 26, 2023).

REVISED REBUTTAL TESTIMONY

OF JOSIAH COX

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

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

6 A. I am President of Limestone. I also am President of CSWR, LLC (“CSWR”), a Limestone
7 affiliate.

8 **Q. DID YOU SUBMIT PRE-FILED TESTIMONY IN THIS MATTER ON BEHALF**
9 **OF LIMESTONE IN SUPPORT OF THE JOINT APPLICATION.**

10 A. Yes. I submitted both Pre-filed Direct Testimony and Pre-filed Supplemental Direct
11 Testimony.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE?**

13 A. The purpose of my Rebuttal Testimony is to support the Joint Application submitted in this
14 matter by both Limestone and Integrated Resource Management, Inc. d/b/a IRM Utility,
15 Inc. (“IRM”), collectively the “Joint Applicants,” by responding to the Pre-filed Testimony
16 of Consumer Advocate Witness Alex Bradley.

17 **Q. WHAT IS YOUR RESPONSE TO MR. BRADLEY’S PRE-FILED TESTIMONY?**

18 A. On pages 3-4 of his Pre-filed Testimony, Mr. Bradley outlines nine (9) Consumer Advocate
19 Division (“CAD” or “Consumer Advocate”) recommendations. Those recommendations
20 are as follows:

- 21 1. All security deposits retained by IRM as of May 24, 2023 should be
22 transferred to Limestone and documentation of such transfer should
23 be provided to the Commission within thirty days of closing.
- 24 2. Limestone and IRM should provide documentation demonstrating
25 the value of the Escrow Account at closing, the value of which
26 should be no less than \$19,450.
- 27 3. The Commission conduct an audit on whether IRM is in compliance
28 with Commission rules¹ regarding escrow accounts since it will
29 continue to own and operate TPUC-regulated wastewater utilities.
- 30 4. Limestone should provide documentation demonstrating the book
31 value of Plant-in-Service at closing, excluding any writeup of land
32 costs supported by an appraisal.
- 33 5. Limestone should be precluded from restating historical account
34 balances post-acquisition and the prospective accounting entries for
35 the acquisition should be submitted to the Commission prior to
36 closing for review as a condition of Commission approval.
- 37 6. The requested Acquisition Premium, in this case, should be set aside
38 in account 114.00 (Utility Plant Acq Adj) and its ultimate treatment
39 determined in a future proceeding.
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41 should be set aside in Account 183.002 (PSI – Legal) and its ultimate
42 treatment determined in a future proceeding.
- 43 8. Limestone should maintain separate accounting records for
44 Riverstone Estates, distinct from its other systems.
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46 commencement of its first rate case.

¹ Tenn Comp. R. & Regs 1220-04-13-.07 (7) (December 2018).

47 **Q. WHAT ARE LIMESTONE'S POSITIONS ON THE CAD'S**
48 **RECOMMENDATIONS SET FORTH IN MR. BRADLEY'S PRE-FILED**
49 **TESTIMONY?**

50 A. While Limestone does not concede that CAD's recommendation Nos. 1-9 are necessary,
51 in the spirit of cooperation, Limestone accepts and agrees with CAD's recommendation
52 Nos. 4 and 6-9.

53 **Q. CAN YOU EXPLAIN WHY LIMESTONE BELIEVES THAT CERTAIN CAD**
54 **RECOMMENDATIONS ARE NOT NECESSARY?**

55 A. Yes. For instance, recommendation No. 3. The Tennessee Public Utility Commission
56 ("Commission" or "TPUC") has rules regarding escrow accounts for wastewater providers.
57 Limestone has committed to abide by TPUC rules and regulations. The Commission
58 already has the authority to ensure compliance with its rules and regulations, including its
59 escrow rules for wastewater providers. Therefore, CAD recommendation No. 3 is not
60 necessary. The Commission may exercise its authority at its discretion at any time. Also,
61 as outlined on page 9 of the Joint Application, CAD recommendation No. 6 is not necessary
62 because Limestone has not requested an Acquisition Adjustment in this proceeding. In fact,
63 on page 13 (lines 8-9) of his testimony, Mr. Bradley appropriately notes that Limestone is
64 not requesting an Acquisition Adjustment. For a third example, CAD recommendation No.
65 7 is not necessary because it is expressly proposed on page 11 of the Joint Application that
66 any determination of recoverable regulatory and transaction costs related to the acquisition
67 be deferred to Limestone's initial rate case. Fourth and finally, CAD recommendation No.
68 8 is not necessary because it is expressly provided on page 12 of the Joint Application that

Limestone commits to maintain separate asset and operating-costs records for the System's well, water treatment and distribution.

Q. WHAT IS LIMESTONE'S POSITION WITH RESPECT TO MR. BRADLEY'S RECOMMENDATION NO. 1?

A. If the Joint Application is approved by the Commission, it is Limestone's position that all security deposits presently retained by IRM should be refunded to IRM's customers prior to closing.

Q. WHAT IS LIMESTONE'S POSITION REGARDING MR. BRADLEY'S RECOMMENDATION NO. 2?

A. It appears that this information has already been provided. In its November 27, 2023, Supplemental Responses to the CAD's DR 1-21, IRM responded, in part, that "IRM Utility maintains a negligible balance in its escrow bank account due to the non-routine expenses drawn against the deposits. An annual summary of the escrow bank account activity utilized for all systems is included in the Annual Report filed by IRM Utility."

Q. WHY DOES LIMESTONE NOT ACCEPT AND AGREE WITH MR. BRADLEY'S RECOMMENDATION NO. 5?

A. Although Limestone reviews practices and records prior to closing, final asset values recorded will be dependent on further evaluation of IRM's asset records and will be completed post-closing. While every reasonable effort may be made to avoid it, in acquiring a small utility it is possible that accounting errors or abnormalities may be uncovered after an acquisition agreement has been executed and even post-closing. Limestone believes it would be premature to preclude it from restating or correcting historical account balances within a reasonable time post-acquisition.

Further, Limestone does not believe that requiring it to submit the prospective accounting entries for the acquisition prior to closing for Commission approval is warranted or necessary. To the extent necessary, a review of any prospective accounting entries for the acquisition may be performed in relation to Limestone's initial rate case proceeding involving the assets acquired in the IRM acquisition.

Q. WITH RESPECT TO MR. BRADLEY'S RECOMMENDATION NO. 5, DOES LIMESTONE HAVE A REASONABLE COMPROMISE THAT ADDRESSES THE CONCERNS OF BOTH THE CAD AND LIMESTONE?

A. Yes, it does. Instead of the language proposed by the Consumer Advocate, Limestone proposes the following language, which Limestone and the CAD agreed to in TPUC Docket No. 21-00055 (Shiloh Falls):

"Limestone shall not make any corrections or modifications to accounting records received from [IRM] 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. [Limestone will courtesy copy the Consumer Advocate on each such requests to the Commission.] 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."²

Q. DID THE COMMISSION APPROVE THE STIPULATION AND SETTLEMENT AGREEMENT SUBMITTED BY THE PARTIES IN DOCKET NO. 21-00055?

A. Yes, the Commission approved the Stipulation and Settlement Agreement submitted by the parties.³

² See *Stipulation and Settlement Agreement*, TPUC Docket No. 21-00055(Aug. 23, 2022).

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116 **Q. IS IT LIMESTONE’S CONTENTION HERE THAT PARTIES IN A**
117 **SUBSEQUENT CASE SHOULD BE BOUND BY SETTLEMENT AGREEMENTS**
118 **REACHED BY THE SAME PARTIES IN A PREVIOUS, SEPARATE AND**
119 **TOTALLY INDEPENDENT MATTER?**

120 A. No, not at all. I am certain that there are provisions or issues that Limestone has resolved
121 in other cases without intending that such compromising resolutions become a permanent,
122 binding template of sorts for all future similar cases. Rather, Limestone believes that the
123 above-quoted language from the Stipulation and Settlement Agreement in Docket No. 21-
124 00055 represents potentially workable and satisfactory language here in place of Mr.
125 Bradley’s 5th recommendation.

126 For instance, in the Stipulation and Settlement Agreement between Limestone and
127 the CAD in TPUC Docket No. 21-00059 (Candlewood), the parties did not include any
128 requirement that prospective accounting entries for the acquisition be submitted prior to
129 closing for Commission approval.⁴

130 **Q. HAS THE COMMISSION ACCEPTED AND APPROVED LIMESTONE’S**
131 **ABOVE-PROPOSED LANGUAGE (IN PLACE OF CAD’S RECOMMENDATION**
132 **NO. 5) IN ANY OTHER LIMESTONE ACQUISITION CASE?**

133 A. Yes, in TPUC Docket No. 23-00016.⁵

134 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

135 A. I recommend that the Joint Application be approved subject to the modifications outlined
136 above in my Rebuttal Testimony, which modifications would consist of Mr. Bradley’s

⁴ See, e.g. *Stipulation and Settlement Agreement*, TPUC Docket No. 21-00059 (Aug. 19, 2022).

⁵ See *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, TPUC Docket No. 23-00016 (Dec. 26, 2023).

137 recommendation Nos. 4 and 6-9, and Limestone's proposed language outlined above in
138 place of Mr. Bradley's recommendation No. 5.

139 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

140 **A.** Yes, it does.

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Josiah Cox, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Limestone Water Utility Operating Company, LLC before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, his testimony would be as set forth in his pre-filed testimony in this matter.

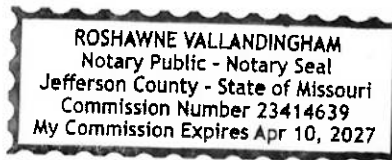


JOSIAH COX

Sworn to and subscribed before me
this 24th day of January, 2024.



Notary Public



My Commission Expires: 04-10-2027

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
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

VERIFICATION

**STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)**

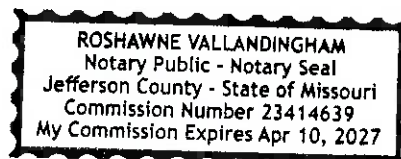
I, BRENT G. THIES, being duly sworn, state that I am authorized to testify on behalf of Tennessee-American Water Company in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.



BRENT G. THIES

Sworn to and subscribed before me
this 10th day of May, 2024.

Roshawne Vallandingham
Notary Public



My Commission Expires: 04-10-2027

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:

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

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

This the 10th day of May 2024.



Katherine Barnes