

**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. IN
DECATUR COUNTY, TENNESSEE AND
TO TRANSFER OR ISSUE A CERTIFICATE
OF PUBLIC CONVENIENCE AND
NECESSITY**

DOCKET NO. 23-00037

REVISED STIPULATION AND SETTLEMENT AGREEMENT

The Consumer Advocate Division of the Office of the Tennessee Attorney General (the "Consumer Advocate"), Limestone Water Utility Operating Company, LLC ("Limestone" or the "Buyer"), and Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. ("IRM" or the "Seller") in Decatur County, Tennessee jointly submit this Stipulation and Settlement Agreement ("Settlement Agreement") to the Tennessee Public Utility Commission ("TPUC" or the "Commission") in TPUC Docket No. 23-00037. Limestone requested approval from the Commission to allow IRM to sell or transfer the assets, property, and real estate related to its wastewater system to Limestone so that Limestone may operate the system. Limestone also requested the Commission authorize and grant Limestone a Certificate of Public Convenience and Necessity ("CCN") pursuant to Tenn. Code Ann. § 65-4-201 and TPUC Rule 1220-04-13.-17.

Subject to TPUC's approval, the Consumer Advocate, Limestone, and IRM (hereinafter, individually "Party" and collectively "Parties") stipulate and agree as follows and respectfully request Commission approval of the same:

I. BACKGROUND

1. On May 24, 2023, Limestone filed its Petition, seeking authorization for IRM to sell or transfer all assets, property, and real estate currently used to provide regulated wastewater services to customers currently served by IRM and to grant Limestone a CCN.

2. On July 10, 2023, the Commission granted the Consumer Advocate's Petition to Intervene. On December 13, 2023, the Consumer Advocate filed the Direct Testimony of Alex Bradley, which recommended approval of the transaction subject to nine conditions. On January 16, 2024, Limestone filed the Rebuttal Testimony of Josiah Cox, which recommended approval of the Joint Application consisting of Consumer Advocate expert, Mr. Bradley's recommendations Nos. 1-4 and 6-9, as well as Limestone's proposed language outlined below as a substitute for Mr. Bradley's recommendation No. 5. On January 23, 2024, Limestone filed the corrected Revised Rebuttal Testimony of Josiah Cox, which recommended approval of the Joint Application along with Consumer Advocate Witness Alex Bradley's recommendations Nos. 4 and 6-9, as well as Limestone's proposed language outlined below as a substitute for Mr. Bradley's recommendation No. 5.

II. SETTLEMENT TERMS

3. The Parties to this Settlement Agreement have undertaken discussions to resolve this case. As a result of the information obtained during the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the

Parties have reached this Settlement Agreement. Subject to TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

4. The Parties agree that the total of all security deposits held by IRM as of May 24, 2023 is de minimis and will be refunded to the appropriate customers in conjunction with the closing contemplated herein. Limestone will not require security deposits in its tariff.

5. The Parties were not able to resolve recommendations #2 and #3 presented in Mr. Bradley's testimony, however, the Consumer Advocate will withdraw these recommendations concerning (1) the appropriate amount to transfer from IRM's escrow account regarding this system and (2) whether a Commission Staff audit regarding escrow accounts is necessary to determine whether IRM has complied with Commission rules¹ for the purpose of facilitating settlement in this docket. The Parties are not acquiescing or agreeing to the escrow account issues in this docket pertaining to IRM but are merely withdrawing references to same for settlement purposes and each reserve all rights regarding escrow compliance issues in any future docket or proceeding. The Parties agree that Limestone shall have no obligation or responsibility regarding any such possible IRM non-compliance, if any, with TPUC rules regarding escrow funds prior to the date of closing.

6. The Parties agree that Limestone should provide documentation demonstrating the book value of Plant-in-Service at closing, excluding any writeup of land costs supported by an appraisal.

7. The Parties agree that 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

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

accounting corrections at least 180 days prior to its initial request to increase base rates. Limestone will courtesy copy the Consumer Advocate on any such requests made to the Commission. The Consumer Advocate reserves the right 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.

8. Limestone is not requesting an acquisition adjustment, nor is the Commission being asked to approve any acquisition adjustment related to the purchase of IRM's assets. Accordingly, the Parties agree that Limestone's beginning value of the acquired assets shall be the value recorded in IRM's books and records at the date of the acquisition. Further, in Limestone's initial base rate case filed with TPUC, which includes the IRM system, Limestone shall be allowed to present evidence and argument concerning the acquisition adjustment. The Consumer Advocate or other interested parties may oppose such values or present their own evidence and argument concerning the value of such assets.

9. The Company shall establish distinct and separate subaccounts within Account 121 – Nonutility Property to record Acquisition Premium costs, regulatory legal costs associated with this regulatory proceeding, and non-legal transaction costs associated with this transaction. The recordings in the three distinct subaccounts shall not be mingled with similar costs from other transactions. In its initial base-rate case including the IRM system, Limestone shall be allowed to present evidence seeking to establish and include in rate base amounts incurred for legal and other transaction-related fees and services. The Consumer Advocate or other interested Parties may oppose such values or present their own evidence and argument concerning the proper amounts of these expenses to be recovered in rates.

10. The Parties agree Limestone should maintain separate accounting records for Riverstone Estates, distinct from its other systems.

11. The Parties agree that in Limestone's initial base-rate case including the IRM system, Limestone should provide direct customer notifications at the commencement of its rate case filing.

12. The Parties agree that Limestone must file, within 30 days after closing, a balance sheet and supporting general ledger, in the format prescribed by the Uniform System of Accounts and in accordance with Commission Rule 1220-04-01-.11, showing IRM's ending balances of the assets acquired by Limestone as of the closing date. Limestone also shall file a balance sheet and supporting general ledger, in the format prescribed by the Uniform System of Accounts and in accordance with Commission Rule 1220-04-01-.11, showing Limestone's beginning balances of the assets acquired from IRM as of the closing date.

13. The Parties agree that a determination of recoverable regulatory and transaction costs related to the subject acquisition will be deferred to Limestone's initial rate case involving those costs. The Consumer Advocate and other interested parties may present independent evidence and argument concerning the proper amounts to be recovered in rates. Limestone will file within 30 days of closing the amount of legal costs incurred for this matter.

14. Consistent with the Joint Petition and the pre-filed testimony of the parties, the Parties agree that Limestone be required to adopt IRM's presently tariffed rates, charges, and terms of service, and it shall file a new tariff consistent with Exhibit 31 to the Joint Application within 30 days after the date of acquisition. The tariff shall identify all residential subdivisions by each subdivision name, as well as any commercial customers being served within Limestone's CCN.

15. The Parties agree Limestone must maintain its books and records in compliance with the Uniform System of Accounts as set forth in Commission Rule 1220-04-01-11.

16. The Parties agree that, at closing, IRM shall transfer to Limestone complete copies of IRM's accounting records, to the extent they exist, for the two calendar years immediately preceding the date of acquisition as well as the complete year-to-date accounting records for the calendar year in which closing occurs. Limestone shall maintain these records intact at least through completion of its first-rate case proceeding before the Commission.

17. The Parties agree Limestone has posted a bond compliant with the Commission's financial security rules.²

18. The Parties agree Limestone must file within 30 days of execution copies of contracts or pricing agreements between Limestone and any affiliate and between Limestone and contractors that provide ongoing operations and maintenance or billing services to the IRM system or customers served by that system.

19. The Parties agree Limestone must file copies of recorded deeds for land where IRM's facilities are located and copies of recorded easements in Limestone's name for all the land and ownership rights for any and all access to the acquired wastewater system within 30 days after the date of recording.

20. The Parties agree Limestone must file a copy of the Purchase and Sale Agreement that has been fully executed by Seller and Buyer and acknowledged by the Title Company with the recorded effective date and with all exhibits attached, complete with documentation, within 30 days after the date of acquisition.

²

Surety Bond, TPUC Docket No. 21-00053 (January 24, 2022).

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

22. The Parties agree Limestone must file a copy of the State Operating Permit "Request for Transfer" for current permits within 30 days of issuance.

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

24. The Parties agree Limestone must comply with all applicable Commission rules and regulations, including but not confined to the Commission's rules governing transactions with affiliates. The Parties further agree that Limestone shall be bound by any order of the Commission or its predecessor agencies (including the Tennessee Public Service Commission and the Tennessee Regulatory Authority) that applied to IRM.

25. All pre-filed discovery (formal and informal), testimony, and exhibits of the Parties will be introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses with respect to all such pre-filed testimony. If, however, questions should be asked by any member of the public, Commissioners, or Commission Staff, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits. The Parties would ask to permit any witnesses from out of town to be available by telephone or video conference to reduce the costs associated with such appearance.

26. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the Commission and in any hearing, proposed order, or brief conducted or filed in this matter. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement. The provisions in this Settlement

Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to this Settlement Agreement shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle.

27. This Settlement Agreement, which is the product of negotiations and substantial communication and compromise between the Parties, is just and reasonable and in the public interest.

28. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to enforce and implement the provisions hereof.

29. The Parties agree and request the Commission order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Commission, or any court, state or federal, except to the limited extent necessary to implement the provisions hereof and for the limited purpose of enforcement should it become necessary.

30. The terms of this Settlement Agreement have resulted from negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that the Commission issue an order adopting this Settlement Agreement in its entirety without modification.

31. If the Commission does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Commission does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by the Commission;

provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the Commission within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding or precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

32. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by the Commission in whole or in part.

33. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this matter or any other docket.

34. Except as expressly noted herein, the acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of Limestone's or IRM's acts or practices.

35. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by Limestone and IRM to TPUC and the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

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

37. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties and that any and all oral statements, representations, or agreements made prior to the execution of this Settlement Agreement shall be null and void.

38. The signatories to this Settlement Agreement warrant that they have informed, advised, and otherwise consulted with the Parties for whom they sign regarding the contents and significance of this Settlement Agreement, and, based on those communications, the signatories represent that they are authorized to execute this Settlement Agreement on behalf of the Parties.

The foregoing is agreed and stipulated to this 28th day of June, 2024.

Stipulation and Settlement Agreement
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Limestone Water Utility Operating Company, LLC and Integrated Resource Management, Inc.
d/b/a IRM, Inc. Signature Page

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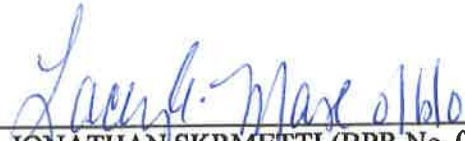
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Attorney General's Signature Page


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