

STATE OF TENNESSEE

Office of the Attorney General



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Re: Tennessee Public Utility Commission ("TPUC" or the "Commission"),
Docket No. 23-00037, *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*

Mr. Malone & Ms. Barnes:

The Consumer Advocate has reviewed the *Joint Application* filed by Limestone Water Utility Operating Company, LLC ("Limestone") and Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. ("IRM") (together, "Joint Applicants") in the above-referenced acquisition Docket.


The Joint Application requests, in the alternative, that the Commission grant Limestone a Certificate of Convenience and Necessity ("CCN"). Accordingly, the Consumer Advocate has reviewed Limestone's compliance with the minimum filing requirements set forth in TPUC Rule 1220-04-13-.17 regarding new CCNs in addition to its review of Limestone's compliance with the minimum filing requirements for an acquisition, which are set forth in TPUC Rule 1220-04-14-.08.

The Consumer Advocate appreciates the time and effort that the Joint Applicants put into compiling the *Joint Application*, as well as the Joint Applicants' attention to the Commission's minimum filing requirements. However, the Consumer Advocate could not locate, and thus seeks

clarification on, the items set forth in “Attachment A” hereto, relating to compliance with TPUC Rule 1220-04-13-.17, and “Attachment B” hereto, relating to compliance with TPUC Rule 1220-04-13-.08. Please note that this is not a discovery request by the Consumer Advocate, but a review of Limestone’s compliance with TPUC’s minimum filing requirements.

The Consumer Advocate would like to thank the Joint Applicants in advance for their attention to the Consumer Advocate’s requests. If you have questions regarding this request, please contact me at (615) 741-2370.

Respectfully,

A handwritten signature in blue ink, reading "Mason C. Rush".

Mason C. Rush
Assistant Attorney General

cc: Patsy Fulton, TPUC
Kelly Cashman-Grams, TPUC

Rule 1220-04-13-.17(2)(e) Sufficient Financial Capability

1. *Rule 1220-04-13-.17(2)(e)1.* The rule requires financial statements of CSWR/Limestone “covering the most recent year ended.” It appears that the *Joint Application* fails to include CSWR/Limestone’s financial statements for the year 2022.
2. *Rule 1220-04-13-.17(2)(e)2.* It appears that the pro-forma income statements provided do not contain the detail required by the rule, particularly “the number of customers and the rates used in the calculations,” and “the basis and/or assumptions used to arrive at these amounts” for the calculation of expenses.
3. *Rule 1220-04-13-.17(2)(e)5.* “Appendix A” to the *Joint Application* states that “For the system it proposes to acquire, Limestone proposes to use depreciation rates most recently approved by the Commission for IRM.” However, it appears that the *Joint Application* does not provide the depreciation rates.
4. *Rule 1220-04-13-.17(2)(e)8.* It appears that Exhibit 21 to the *Joint Application* is missing the first page of Section 1 of IRM’s tariff.
5. *Rule 1220-04-13-.17(2)(e)9.* “Appendix A” to the *Joint Application* states that “Additional houses are currently under construction, but Limestone is not presently aware of how many houses will be completed in the first five years of its operations of the IRM System.” However, the Consumer Advocate would note that the rule simply requires “*estimates* of costs and customers” and an “*estimated* number of customers by customer class anticipated to be served by the wastewater system” (emphasis added).
6. *Rule 1220-04-13-.17(2)(e)10.* It appears that the *Joint Application* fails to include any documentation regarding bonding requirements.

ATTACHMENT B – Acquisition MFRs

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Rule 1220-04-14-.08(2) Acquisitions

1. *Rule 1220-04-14-.08(2)(a).* An *Agreement for Sale of Utility System* (“*Agreement*”) is included as Exhibit 7 to the *Joint Application*. However, the *Agreement* contains incomplete Exhibits A, B, C, and D. The rule requires a “fully executed acquisition agreement.”
2. *Rule 1220-04-14-.08(2)(b).* The *Joint Application* states, in response to this rule, on “Appendix A” that only CSWR/Limestone’s financials were provided. The rule requires the financial statements “of the selling utility’s three most recently completed fiscal years or reporting periods at the time the application for acquisition is filed.” The selling utility in this instance would be IRM. Therefore, IRM’s financial statements should be included in the *Joint Application*.
3. *Rule 1220-04-14-.08(2)(c).* It appears that Exhibit 21 to the *Joint Application* is missing the first page of Section 1 of IRM’s tariff. The Consumer Advocate is unable to determine whether the complete tariff has been included in the *Joint Application*.
4. *Rule 1220-04-14-.08(2)(g).* It appears that the budgets and projects included on Exhibit 24 are not set out for each year of the 3-year period. The rule requires “Anticipated capital budgets [...] for the three-year period following the estimated closing date of the acquisition transaction” (emphasis added).
5. *Rule 1220-04-14-.08(2)(i).* Exhibit 26 to the *Joint Application* is provided in response to this rule. However, the content of Exhibit 26 pertains to “Rate Design Methodology,” whereas the rule contemplates valuation methodology. Yet, page 4 of the *Joint Application* refers to Exhibit 26 as “Valuation Methodology.” The Joint Applicants should clarify this discrepancy.
6. *Rule 1220-04-14-.08(2)(j), (k).* Exhibit 27 and Exhibit 28 to the *Joint Application* appear to be the same schedule in response to these rules. The Consumer Advocate is unable to tie the value of the assets described to a balance sheet of IRM. The *Joint Application* does not provide the requisite detail required by TPUC Rule 1220-04-14-.08(2)(j), (k) and 1220-04-14-.03.
7. *Rule 1220-04-14-.08(2)(n).* “Appendix A” to the *Joint Application* does not list an exhibit responsive to this rule. The *Joint Application*, on page 10, states that “Limestone is not affirmatively seeking a proposed acquisition adjustment[.]” However, Exhibit 28 to the *Joint Application* appears to contain a proposed acquisition adjustment amount. The Joint Applicants should clarify this.
8. *Rule 1220-04-14-.08(2)(p), (q), (r), (s).* Please see the note on item 3 above. It appears that Exhibit 21 to the *Joint Application* is missing the first page of Section 1 of IRM’s tariff. The Consumer Advocate is unable to determine whether the complete tariff has been included in the *Joint Application*.

ATTACHMENT B – Acquisition MFRs

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Rule 1220-04-14-.08(4) Acquisitions

1. *Rule 1220-04-14-.08(4)*. The Consumer Advocate notes that Exhibit 31 to the *Joint Application*, provided in response to this rule, is not in the format of a tariff as required. The Joint Applicants should provide Limestone's proposed tariff.