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August 23, 2023

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 August 23, 2023 at 12:59 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:

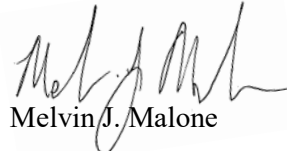
Attached for filing please find responses from Limestone Water Utility Operating Company, LLC and Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. to the Consumer Advocate's inquiry and requests regarding the minimum filing requirements in the above-referenced docket.

Please note that Supplemental Exhibit 10A and Supplemental Exhibit 10B to the responses are being submitted **UNDER SEAL** as **CONFIDENTIAL** and **PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of Supplemental Exhibit 10A and Supplemental Exhibit 10B are attached.

The original and four (4) hard copies will follow. Please feel free to reach out to me if you have any further questions.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

Attachments

cc: Russ Mitten, Limestone Water Utility Operating Company, LLC
Chuck B. Welch, Jr., Farris Bobango PLC
Vance L. Broemel, Consumer Advocate Division
Karen H. Stachowski, Consumer Advocate Division
Mason C. Rush, Consumer Advocate Division

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

MELVIN J. MALONE
615.651.6705
melvin.malone@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

BUTLER SNOW LLP

August 23, 2023

VIA EMAIL

Mason C. Rush
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202
Mason.Rush@ag.tn.gov

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 Mr. Rush:

We are in receipt of your inquiry and requests regarding the minimum filing requirements in the above-referenced docket. Please find the responses from Limestone Water Utility Operating Company, LLC ("Limestone") and Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. ("IRM") below.

Attachment A - 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.*

Response: Limestone's 2022 financial statements are attached as **CONFIDENTIAL** Supplemental Exhibit 10A.

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.*

Response: Limestone's updated pro forma statements are attached as Supplemental Exhibit 23.

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

MELVIN J. MALONE
615.651.6705
melvin.malone@butlersnow.com

*T 615.651.6700
F 615.651.6701
www.butlersnow.com*

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.*

Response: Please find the depreciation schedule included in IRM's 2022 Annual Report (e.g., pages F-5 and S-2), attached as **CONFIDENTIAL** Supplemental Exhibit 10B to these responses. Limestone has been unable to gather specific depreciation rates from IRM. It is Limestone's understanding that IRM is depreciating its assets by approximately \$35,988.00 annually.

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.*

Response: Limestone has been informed by IRM that the missing first page of Section 1 of IRM's tariff does not exist. Therefore, Exhibit 21 filed with the Joint Application is the only document available.

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).*

Response: Limestone has been informed by IRM that approximately 2-4 houses are to be built each year. Therefore, Limestone estimates that 10-20 homes will be completed in the next five years. If the Commission approves the Joint Application, Limestone proposes to adopt the tariff, including the approved rates, currently in effect on file with the Commission for IRM as shown in Exhibit 21 to the Joint Application, which does not include a Tap Fee. Therefore, there are no estimates of costs for those homes. Furthermore, Limestone believes that the plant has adequate capacity to serve the new homes.

6. *Rule 1220-04-13-.17(2)(e)10. It appears that the Joint Application fails to include any documentation regarding bonding requirements.*

Response: In the Joint Application, Limestone and IRM described this as "not applicable" due to no bonding requirements being imposed by municipal governments for the proposed wastewater system.

Attachment B – 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."*

Response: The Agreement states that the incomplete Exhibits will be finalized prior to closing, if regulatory approval is granted. Limestone will provide the incomplete Exhibits once they are available.

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.*

Response: IRM's financial statements for 2020, 2021, and 2022 are attached as **CONFIDENTIAL** Supplemental Exhibit 10B to these responses.

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.*

Response: Limestone has been informed by IRM that the missing first page of Section 1 of IRM's tariff does not exist. Therefore, Exhibit 21 filed with the Joint Application is the only document available.

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).*

Response: The capital estimate provided is a third-party engineering estimate to complete projects and improvements recommended in the third-party engineer's pre-closing due diligence. The estimate does not represent a bid or quote, and the proposed projects are a preliminary project approach rather than a finalized improvement plan. Upon closing on and operating the system, project scope will be refined, and designs completed for all improvements, including the development of final plans and specs, so that projects can be let for bid and a finalized project budget can be established. As a result, the exact amount required for the initial rehabilitation (first three years of improvements) of the IRM/Riverstone facility is subject to change, but the third-party estimate is the most refined figure to date. While these projects represent all anticipated improvements for the next three years, it is likely that the scope of these projects will be refined (with some items eliminated and/or added) as greater understanding of the system is gained from owning and operating the system than can be gained in pre-acquisition due diligence, and other areas requiring capital improvement will likely arise as assets depreciate. As a result, the best current estimate of the annual capital investment of the first three years can be treated as one third of the capital estimate (\$71,667).

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.

Response: Exhibit 26 was inadvertently mislabeled. Instead of "Rate Design Methodology" the exhibit should have been labeled "Valuation Methodology." Limestone does not yet know how it intends to value the acquired assets for future rate base/ratemaking purposes. The reference to a possible future request for rate consolidation repeated information that was included in Mr. Cox's testimony.

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.*

Response: Limestone is only purchasing 1 of the 13 systems reported in IRM's consolidated 2021 Annual Report (please see footnotes in Exhibits 25, 27, 28, and 30 - TN IRM Purchase Accounting 3.17). For lack of specific information regarding the amounts specific to the Riverstone Estates system, Limestone simply divided the total amounts in IRM's 2021 Annual Report by 13. Limestone is still seeking more detail from IRM.

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.*

Response: Limestone is not seeking an acquisition adjustment during the acquisition case; however, it is showing the acquisition adjustment amount that could be asked for in future rate cases.

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.*

Response: Limestone has been informed by IRM that the missing first page of Section 1 of IRM's tariff does not exist. Therefore, Exhibit 21 filed with the Joint Application is the only document available.

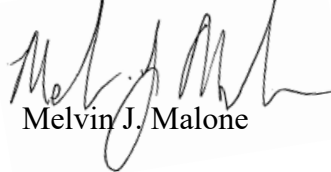
Attachment B – Rule 1220-04-14-.08(4) Acquisitions

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.*

Response: Exhibit 31 to the Joint Application is filed by Limestone to show a schedule comparing the pre- and post-acquisition rates. Limestone inadvertently mislabeled Exhibit 31 as “Limestone’s proposed tariff.” Furthermore, if the Commission approves the Joint Application, Limestone proposes to adopt the tariff, including the approved rates, currently in effect for IRM and attached as Exhibit 21 to the Joint Application.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

cc: Russ Mitten, Limestone Water Utility Operating Company
Karen Stachowski, Consumer Advocate Division
Vance Broemel, Consumer Advocate Division
Chuck B. Welch, Farris Bobango PLC

PUBLIC VERSION

SUPPLEMENTAL EXHIBIT 10A

Financial Statements

PUBLIC VERSION

SUPPLEMENTAL EXHIBIT 10B

Depreciation Schedule

SUPPLEMENTAL EXHIBIT 23

Updated Pro Forma Statements

INCOME STATEMENT

Months at Initial Rate	12	12	12
Months at Step Rate	0	0	0
Months at Final Rate	0	0	0
	Year 1	Year 2	Year 3
OPERATING REVENUE			
Metered service revenue	\$ -	\$ -	\$ -
Flat rate service revenue	\$ 23,143	\$ 23,143	\$ 23,143
EPA testing surcharge	\$ -	\$ -	\$ -
Re-connect fees	\$ 487	\$ 487	\$ 487
Returned check charge	\$ 244	\$ 244	\$ 244
Late payment charge	\$ 487	\$ 487	\$ 487
Other operating revenue	\$ -	\$ -	\$ -
Total Operating Revenue	\$ 24,361	\$ 24,361	\$ 24,361
OPERATING EXPENSES			
Total salaries and wages (employees only)	\$ -	\$ -	\$ -
Outside labor expenses (non-employees)	\$ 161,951	\$ 161,951	\$ 161,951
Administrative and office expense	\$ 2,172	\$ 2,172	\$ 2,172
Maintenance and repair expense	\$ 11,568	\$ 11,568	\$ 11,568
Purchased water	\$ -	\$ -	\$ -
Purchased sewage treatment	\$ -	\$ -	\$ -
Electric power expense (exclude office)	\$ 34,704	\$ 34,704	\$ 34,704
Chemicals expense	\$ 23,136	\$ 23,136	\$ 23,136
Testing fees	\$ -	\$ -	\$ -
Transportation expense	\$ -	\$ -	\$ -
Other operating expense	\$ 893	\$ 893	\$ 893
Total Operating Expenses	\$ 234,425	\$ 234,425	\$ 234,425
Annual Depreciation Expense	\$ 3,494	\$ 11,410	\$ 11,410
Interest Expense	\$ 2,995	\$ 9,780	\$ 9,780
Total Expenses	\$ 240,914	\$ 255,615	\$ 255,615
INCOME TAXES			
Total Income Taxes	\$ -	\$ -	\$ -
Net income (Loss)	\$ (216,553)	\$ (231,254)	\$ (231,254)

Capital Budget

	Year 1	Year 2	Year 3
Acquisition	\$ 21,000		
Improvements	\$ 147,333	\$ 157,667	
Reinvestment of Depreciation	\$ 3,494	\$ 11,410	\$ 11,410

ASSUMPTIONS

Acq Date	
Step Rate Date	\$ -
Final Rate Date	\$ -
Water Connections	-
Water Initial Rate	\$ -
Water Step Rate	\$ -
Water Final Rate	\$ -
Wastewater Connections	30
Wastewater Initial Rate	\$ 67.67
Wastewater Step Rate	\$ -
Wastewater Final Rate	\$ -
Debt Percent	50.0%
Delinquent Account Percent	0.8%
State Tax Rate	6.5%
Federal Tax Rate	21.0%
Depreciation Rate	3.5%
Interest Rate	6.0%
Loan Term Length	240
Loan Origination	1.0%
Insurance Premium	0.0%
Acquisition Cost	\$ 21,000
L&E Cost	\$ 68,500
CAPEX Cost	\$ 236,500
Outside Labor Expense	\$ 13,496
Customer Service	\$ 74
Repairs	\$ 964
Power	\$ 2,892
Chemicals	\$ 1,928
Purchased Water	\$ -
Purchased Wastewater	\$ -
Testing Fees	\$ -
Administrative Expense	\$ 181

BALANCE SHEET

	Year 1	Year 2	Year 3
ASSETS			
Cash	\$ -	\$ -	\$ -
Accounts Recievable	\$ 3,003	\$ 3,003	\$ 3,003
Total Current Assets	\$ 3,003	\$ 3,003	\$ 3,003
Property, Plant, and Equipment	\$ 99,833	\$ 326,000	\$ 326,000
Preliminary Survey	\$ 68,500	\$ -	\$ -
Total Long-Term Assets	\$ 168,333	\$ 326,000	\$ 326,000
Total Assets	\$ 171,337	\$ 329,003	\$ 329,003
LIABILITIES			
Accounts Payable	\$ 19,268	\$ 19,268	\$ 19,268
Accrued Interest	\$ 2,995	\$ 12,775	\$ 22,555
Total Current Liabilities	\$ 22,263	\$ 32,043	\$ 41,823
Notes Payable	\$ 49,917	\$ 163,000	\$ 163,000
Working Capital Transfer from Parent	\$ 197,293	\$ 418,767	\$ 640,241
Total Long-Term Liabilities	\$ 247,210	\$ 581,767	\$ 803,241
Total Liabilities	\$ 269,473	\$ 613,810	\$ 845,063
EQUITY			
Equity Capital Contributed	\$ 118,417	\$ 163,000	\$ 163,000
Retained Earnings	\$ (216,553)	\$ (447,806)	\$ (679,060)
Total Equity	\$ (98,136)	\$ (284,806)	\$ (516,060)
Total Liabilities and Equity	\$ 171,337	\$ 329,003	\$ 329,003

<u>Proof of Retained Earnings</u>			
Beg. Retained Earnings	\$ -	\$ (216,553)	\$ (447,806)
Net Income (Loss)	\$ (216,553)	\$ (231,254)	\$ (231,254)
End Retained Earnings	\$ (216,553)	\$ (447,806)	\$ (679,060)

ASSUMPTIONS	
DPO	30.00
DSO	45.00
Debt Percent	50.0%
Interest Rate	6.0%
Loan Term Length	240

CERTIFICATE OF SERVICE

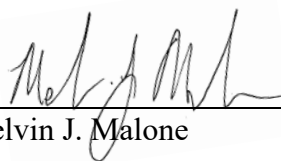
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Vance.Broemel@ag.tn.gov

Karen H. Stachowski, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

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

This the 23rd day of August 2023.



Melvin J. Malone