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October 13, 2023

Electronically Filed in TPUC Docket
Room on October 13, 2023 at 1:25 p.m.

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

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:

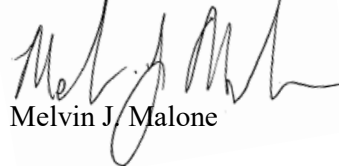
Attached for filing please find *Limestone Water Utility Operating Company, LLC's Responses to Consumer Advocate's Second Set of Discovery Requests* in the above-captioned docket.

Please note that Response DR 2.1 contains confidential information. Also, Attachment DR 2.9c to the Responses is being submitted **UNDER SEAL** as **CONFIDENTIAL** and **PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of Attachment DR 2.9c is attached.

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.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

Attachment

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
Shilina B. Brown, Consumer Advocate Division

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BUTLER SNOW LLP

PUBLIC VERSION

**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)	

**LIMESTONE WATER UTILITY OPERATING COMPANY, LLC’S RESPONSES
TO CONSUMER ADVOCATE’S SECOND SET OF DISCOVERY REQUESTS**

Limestone Water Utility Operating Company, LLC (“Limestone”), by and through counsel, hereby submits its Responses to the Second Discovery Requests propounded by the Consumer Advocate Division of the Attorney General’s Office (“Consumer Advocate”).

GENERAL OBJECTIONS

1. Limestone objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.
2. Limestone objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil

Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission (“TPUC” or “Authority”).

3. The specific responses set forth below are based on information now available to Limestone, and Limestone reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. Limestone objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. Limestone objects to each request to the extent it seeks information outside Limestone’s custody or control.

6. Limestone’s decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of Limestone’s General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. Limestone objects to those requests that seek the identification of “any” or “all” documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome and exceed the scope of permissible discovery.

8. Limestone objects to those requests that constitute a “fishing expedition,” seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. Limestone does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

RESPONSES

2.1. Refer to the company's response to Consumer Advocate DR No. 1-10. Additionally, refer to <Confidential Exhibit 22>. Is it the Company's contention that [REDACTED] is not a commercial customer.

Responsible Witness: Eric Rocchio

RESPONSE: The Company inadvertently mislabeled [REDACTED] as a residential customer in Confidential Exhibit 22. It is the Company's belief that [REDACTED] should be labeled as a commercial customer.

2.2. Refer to Petition, Exhibit 7, Sales Agreement. Please provide Exhibits A-D of the Sales Agreement.

Responsible Witness: Eric Rocchio

RESPONSE: Exhibits A-D to the Agreement for Sale of Utility System call for a specific description of the service area (Exhibit A) and specific description of the real and personal property to be acquired through this transaction (Exhibits B-D). The Company is in the process of identifying all of the real and personal property but has yet to finalize the Sales Agreement Exhibits. These Exhibits will be finalized at a future closing date if the Commission approves this sale and thereafter submitted to the Commission.

2.3. Refer to IRM's response to Discovery Requests 1-4 through 1-7. Given the responses to these the Requests, is it still the Company's contention that the Riverstone Estates was not fully paid for by the developer?

- a. If yes, does the Company intend to amend Exhibit 30?
- b. If not, provide the Company's rationale for not fully offsetting the proforma account balances shown with Contributions in Aid of Construction.

Responsible Witness: Eric Rocchio

RESPONSE: The Company objects to this request on the grounds that it is unreasonably vague and speculative and therefore subject to multiple interpretations as the Company has not contended that Riverstone Estates was paid for by the developer. Subject to and without waiving its objection, the Company provides the following responses.

- a. Exhibit 30 is based upon estimated numbers. As such, numbers will necessarily change as of the closing date of Riverstone Estates and a final accounting.
- b. The depreciated balances of utility plant in service, as shown in Exhibit 30, are fully offset by the amortized balance of CIAC.

2.4. Refer to the Company's response to Consumer Advocate DR No. 1-14. Please provide Limestone's rationale for not continuing the excess water usage surcharge.

Responsible Witness: Eric Rocchio

RESPONSE: The elimination of the excess water usage surcharge is simply an effort to simplify the Company's billing to the single commercial customer that will be acquired if the acquisition is approved until such time as the Company has a rate case and submits a more streamlined rate design.

- 2.5.** The Application indicates that Limestone and CSWR are willing and able to invest capital necessary to keep the System in compliance with applicable law. Further, the Company indicates that 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. Please provide evidence of the financial viability of the ultimate entity providing financing to CSWR and evidence that its affiliate group has the financial capability to finance any necessary improvements to the System.

Responsible Witness: Eric Rocchio

RESPONSE: US Water, as the sole investor of CSWR, LLC, infuses capital into CSWR, LLC. CSWR does not have access to US Water's financials. However, CSWR, LLC has nearly \$500 million of equity on its balance sheet that has been sourced entirely from US Water and expects to be able to continue to source equity capital in the future. Moreover, the Joint Application and supporting documentation sufficiently demonstrates, evidences and supports Limestone's financial abilities, consistent with the Commission's findings in TPUC Docket Nos. 19-000062, 21-00053, 21-00055, 21-00060 and 21-00059.

- 2.6.** Identify all entities providing financing to CSWR.

Responsible Witness: Eric Rocchio

RESPONSE: US Water is the sole investor of equity capital to CSWR, LLC. The regulated utility affiliates of CSWR, LLC, including Limestone Water, seek debt financing as cash

flows allow and as available in the marketplace. To date, CSWR, LLC has no debt financing.

- 2.7.** Regarding the response to Consumer Advocate DR No. 1-7, identify specifically how the Company intends to assign Operating and Maintenance contractor costs to the IRM system.

Responsible Witness: Eric Rocchio

RESPONSE: Limestone's operations and maintenance contractors are required to invoice by service area. Therefore, O&M invoices for IRM will be directly assigned to the IRM system.

- 2.8.** Refer to the response to Consumer Advocate DR No. 1-9. Please confirm that the Company will not amortize the transferred escrow balances.

Responsible Witness: Eric Rocchio

RESPONSE: Confirmed.

- 2.9.** Refer to the Supplemental response to Consumer Advocate DR No. 1–18(c), where the Company indicates that the incremental O&M associated with the acquisition to be \$30,000. Regarding this response, provide the following:

- a. Provide the underlying calculations supporting this estimated level of incremental O&M costs associated with this transaction.
- b. Explain how such an increase in O&M costs could result in affordable rates when applied to the 33 customers of IRM.
- c. Identify the existing annualized third-party contractor costs for Limestone, both without consideration of the IRM acquisition and separately considering the IRM acquisition. Provide the underlying calculation supporting this response.

Responsible Witness: Eric Rocchio

RESPONSE:

- a. The \$30,000 of incremental O&M cost is the estimated annual O&M contract cost to add a system of this size and in this geographic location.
- b. As reflected in Exhibit 21, the wastewater rates for IRM have not changed since February 2016. As such, current rates do not reflect current cost of service including O&M costs. The Company expects that O&M costs will increase as Limestone brings professional operations and maintenance to the Riverstone Estates system. Therefore, customers and the environment in which the Riverstone Estates system discharges will see benefits associated with the professional O&M services as well as this incremental O&M cost increase. That said, however, the Company intends to seek statewide consolidation of rates at such time as it seeks a rate increase. Therefore, Limestone's acquisition of IRM provides customers the benefit of economies of scale associated with consolidating the Riverstone Estates system with the other systems owned and operated by Limestone.
- c. Please see confidential attachment, which is being submitted **UNDER SEAL**, labeled **“CONFIDENTIAL AND PROPRIETARY DR 2-9c Annualized Third Party Contractor Cost.”**

- 2.10.** The response to Consumer Advocate DR No. 1-19 is non-responsive. Please provide an analysis estimating the impact of CSRW overhead costs allocated to Limestone as a result of the proposed transaction.

Responsible Witness: Eric Rocchio

RESPONSE: Without conceding the Consumer Advocate’s characterization of its previous response, and in a spirit of cooperation, the Company responds as follows: Recognizing that CSWR overhead costs are allocated to the various state utility operating companies based upon utility plant in service (“UPIS”), operating costs, and customer count, the acquisition of the Riverstone Estates system has little effect on the allocation of CSWR overhead costs to Limestone. For instance, as of 6/30/23, CSWR, LLC had approximately 144,000 customers, approximately \$28 million in operating cost, and approximately \$267 million in UPIS. Adding Riverstone Estates to this equation results in a projected 0.05% increase to the overhead cost allocation percentage for Limestone.

2.11. Refer to <Exhibit 24> of the Application and respond to the following questions:

- a. Identify which tasks identified in this exhibit are required to address any outstanding Notice of Violations from TDEC.
- b. Provide a comprehensive explanation addressing the affordability of the recovery of the revenue requirement associated with capital investments of 215,000 spread across a customer base of 33 customers in addition to the ongoing operating costs necessary to operate the system.

Responsible Witness: Eric Rocchio

RESPONSE:

- a. From the Company’s research, it is unclear which Notice of Violations (“NOVs”) are still outstanding in a review of the TDEC database for documents related to the system. The most recent NOV was issued on 1/4/2022 and required a response from the existing ownership within 30 days of receipt. The database does not show that the required response was submitted or that the NOV was resolved. This doesn’t necessarily mean

the owners didn't respond to address the NOV, but there is no indication that this was addressed.

The two items referenced in the NOV (lagoon influent drop pipe/transfer pipes broken, and excessive vegetation throughout the site) were still unresolved during Limestone and Limestone's third-party contractors site visits and are addressed in items 1.06, 1.07, and 1.08 of Exhibit 24. Other improvements proposed in Exhibit 24 are related to ensuring the facility can treat to the permitted limits, that the facility is able to be safely and properly operated, and that the facility is in a maintainable condition moving forward. As such, the remaining items do affect the facility's compliance with regulatory requirements and ability to provide safe and reliable service but may not always result in Notices of Violation issued to the facility.

- b. Riverstone is a distressed system and, as always, Limestone is seeking to bring the system back into compliance as quickly and cost effectively as possible. As part of a future rate case the Company will seek rate making treatment of its investments and acknowledges that this could have an impact on customer rates. The Company believes that there are options, such as rate consolidation, available to help address affordability and rate mitigation.

PUBLIC VERSION

DR 2-9c ATTACHMENT

Annualized Third Party Contractor Cost

STATE OF MISSOURI)

COUNTY OF ST. LOUIS)

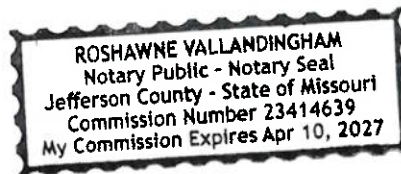
BEFORE ME, the undersigned, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Eric Rocchio, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Central States Water Resources before the Tennessee Public Utility Commission, and duly sworn, verifies that the data requests and discovery responses are accurate to the best of his knowledge.


Eric Rocchio

Sworn to and subscribed before me
this 13th day of October, 2023.


Notary Public



My Commission expires: 04-10-2027

CERTIFICATE OF SERVICE

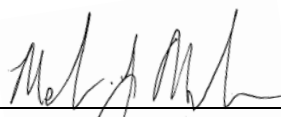
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 13th day of October 2023.



Melvin J. Malone