

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)
)
)
JOINT APPLICATION OF LIMESTONE)
WATER UTILITY OPERATING)
COMPANY, LLC, SUNSET COVE)
CONDOMINIUM HOA OF NORRIS LAKE,)
INC. AND COMMERCIAL BANK FOR)
APPROVAL OF THE ACQUISITION OF)
AND TO OPERATE THE WASTEWATER)
SYSTEM OF SUNSET COVE)
CONDOMINIUM HOA OF NORRIS LAKE,)
INC. AND COMMERCIAL BANK, AND TO)
ISSUE A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)

DOCKET NO. 23-00070

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”), Sunset Cove Condominium HOA of Norris Lake, and Commercial Bank (“Sunset Cove,” “Commercial Bank,” or the “Sellers”) jointly submit this Stipulation and Settlement Agreement (“Settlement Agreement”) to the Tennessee Public Utility Commission (“TPUC” or the “Commission”) in TPUC Docket No. 23-00070. Limestone, Sunset Cove, and Commercial Bank requested approval from the Commission to allow Commercial Bank 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, Sunset Cove and Commercial Bank (hereinafter, individually “Party” and collectively “Parties”) stipulate and agree as follows and respectfully request Commission approval of the same:

I. BACKGROUND

1. On September 15, 2023, Limestone, Sunset Cove, and Commercial Bank filed their Petition, seeking authorization for Commercial Bank to sell or transfer all assets, property, and real estate currently used to provide wastewater services to customers currently served by Sunset Cove and also to grant Limestone a CCN.

2. On November 2, 2023, the Commission granted the Consumer Advocate’s Petition to Intervene. On January 11, 2024, the Consumer Advocate filed the Direct Testimony of David N. Dittmore, which recommended approval of the transaction subject to four proposals of the Company and four provisions of the Consumer Advocate.¹

3. On August 1, 2024, counsel for Sunset Cove entered a notice of appearance in this matter.

II. SETTLEMENT TERMS

4. 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.

¹ *Direct Testimony of David N. Dittmore* at 4:7 – 5:19, TPUC Docket No. 23-00070 (Jan. 11, 2024).

5. The Parties agree Limestone should be granted the authority to acquire the assets, property, and real estate currently being used to provide wastewater services to customers currently served in Sunset Cove from Commercial Bank for the nominal amount of \$1, subject to Limestone obtaining all necessary permits and other operating authorizations from the Tennessee Department of Environmental Conservation ("TDEC").² The Parties acknowledge that a portion of the wastewater system is located on real property, which may be common elements of the Sunset Cove condominium regime. Therefore, Commercial Bank will convey the premises, by a quitclaim deed and without warranty. Sunset Cove HOA of Norris Lake, Inc. will use its power and authority pursuant to Section XV, Easements, paragraph (e), Utilities, to grant to Limestone an easement upon, across, over and under all or any portion of the general common elements for ingress and egress for installation, repair, replacement, or maintenance of all wastewater utilities.

6. The Parties agree that Limestone shall adopt the proposed monthly customer charge of \$30.73 per month to the Sunset Cove Homeowner's Association.³

7. The Parties agree that Limestone does not request to charge an escrow fee.⁴

8. Limestone shall establish a distinct subaccount within Account 121 – Nonutility Property to record the regulatory and transaction costs associated with this transaction. The subaccount shall be unique to this transaction and not be mingled with costs from other similar transactions.

9. The Parties agree Limestone should maintain separate accounting records for Sunset Cove, distinct from its other systems.

² *Id.* at 4:8-11.

³ *Id.* at 4:12-13.

⁴ *Id.* at 4:13-15.

10. Limestone is not requesting an acquisition adjustment, nor is the Commission being asked to approve any acquisition adjustment related to the purchase of the Sunset Cove system. Accordingly, the Parties agree that Limestone's beginning value of the acquired assets shall be the value recorded in Sunset's books and records at the date of the acquisition. Further, in Limestone's next base rate case filed with TPUC, which includes the Sunset 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.

11. In its next base-rate case which will include the Sunset Cove system, Limestone shall be allowed to present evidence seeking to establish and include in base rate 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.

12. The Parties agree that a determination of recoverable regulatory and transaction costs related to the subject acquisition will be deferred to Limestone's next rate case which will involve these costs. Limestone will provide available detailed information about all activities charged for the land transaction portion of these costs. The bills included shall explain the activity (land valuation, accounting, engineering, etc.). Limestone shall maintain billing records for both fees associated with the transaction and fees associated with payment for assets, and also provide detailed information separating these fees. 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, separated by each represented Party, incurred for this matter.

13. The Parties agree with the proposal to adopt the depreciation rates of Limestone. However, the acceptance of the existing depreciation rates of Limestone should not be used as evidence of the reasonableness of such rates in a future rate proceeding.⁵

14. The Parties agree that, at closing, Commercial Bank and Sunset Cove shall transfer to Limestone complete copies of Sunset Cove's their respective accounting records, including billing determinants, connected with the wastewater system, 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, including billing determinants, connected with the wastewater system, if any, 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. If Commercial Bank and Sunset Cove fails to provide these records at time of closing, Limestone shall notify the Commission withing 30 days of closing.

15. The Parties agree Limestone will provide its proposed accounting entries within 30 days of closing to the Commission. The submission should be made within this docket and a courtesy copy provided to the Consumer Advocate.

16. Limestone shall not make any corrections or modifications to accounting records received from Seller 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 such requests to the Commission. The Consumer Advocate reserves its rights to oppose such a request for any reason, including, but not limited to, that such a request should occur during an acquisition docket as part of the Buyer's due diligence.

⁵

Id. at 4:22-24.

17. The Parties agree the financing being provided to CSWR is provided by a private equity firm. However, because neither Limestone nor CSWR can provide the financial statements of the private equity firm, the Consumer Advocate could not review or confirm those financial statements and thus draws no conclusions as to whether the Company has the financial capability to own and operate the acquired assets.

18. The Parties agree that Limestone has supplied a schedule, Exhibit 24,⁶ within its Joint Application and identified its possible capital expenses based on preliminary assessments by third-party engineers for the three-year period following the closing date of the transaction. Nevertheless, to the extent required by TPUC Rules, Limestone agrees it will continue to provide anticipated capital budgets.

19. The Parties agree that Limestone will continue to provide the estimated annualized level of incremental Operating and Maintenance costs accruing to Limestone resulting from third party O&M contractors for acquisition applications submitted to the Commission. This information will be similar to that provided in Limestone's Confidential Response to Consumer Advocate DR No. 1-10 in this proceeding. This information may be provided under seal upon a demonstration supporting such designation.

20. 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 Sunset Cove's ending balances of the assets acquired by Limestone as of the closing date. Limestone also shall file a

⁶ *Joint Application of Limestone Water Utility Operating Company, LLC, Sunset Cove Condominium HOA Of Norris Lake, Inc. And Commercial Bank for Approval of the Acquisition of and to Operate the Wastewater System of Sunset Cove Condominium HOA of Norris Lake, Inc. and Commercial Bank, and to Issue a Certificate of Convenience and Necessity*, Exhibit 24, "Anticipated Capital Budget," TPUC Docket No. 23-00070 (Sept. 15, 2023).

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 Sunset Cove as of the closing date.

21. 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.

22. 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 Sunset Cove system or customers served by that system.

23. The Parties agree Limestone must file copies of recorded deeds for land where Sunset Cove'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.

24. 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.

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

26. The Parties agree Limestone must file a copy of the State Operating Permit for the Sunset Cove system within 30 days of issuance.

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

28. 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.

29. 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 request any witnesses from out of town to be available by telephone or video conference to reduce the costs associated with such appearances.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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.

35. 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.

36. 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.

37. 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.

38. 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 Sunset Cove's acts or practices.

39. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by Limestone, Commercial Bank and Sunset Cove 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.

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

41. 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.

42. 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 16th day of June, 2025.

[Intentionally Blank, Signature Pages to Follow]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 23-00037
Limestone Water Utility Operating Company, LLC and Commercial Bank

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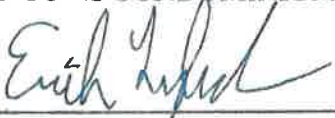
Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 23-00037
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Tennessee Public Utility Commission Docket No. 23-00037
Attorney General's Signature Page

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