

January 25, 2024

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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, 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, TPUC Docket No. 23-00070

Dear Chairman Hilliard:

Attached for filing please find the *Rebuttal Testimony of Josiah Cox* in the above-referenced docket.

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 / Malone

clw

Attachment

cc: Russ Mitten, Limestone Water Utility Operating Company, LLC Eddie Castles, Sunset Cove Condo HOA of Norris Lake, Inc. Adam Robertson, Commercial Bank Gregory Logue, Commercial Bank Shilina B. Brown, Consumer Advocate Division Victoria B. Glover, Consumer Advocate Division

REBUTTAL TESTIMONY

OF JOSIAH COX

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

1	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.			
2	A.	My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140, St. Louis			
3		Missouri, 63131.			
4	Q.	WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY			
5		OPERATING COMPANY, LLC ("LIMESTONE" OR "COMPANY")?			
6	A.	I am President of Limestone. I also am President of CSWR, LLC ("CSWR"), a Limestone			
7		affiliate.			
8	Q.	DID YOU SUBMIT PRE-FILED TESTIMONY IN THIS MATTER ON BEHALF			
9		OF LIMESTONE IN SUPPORT OF THE JOINT APPLICATION.			
10	A.	Yes. I submitted Pre-filed Direct and Supplemental Direct Testimony.			
11	Q.	WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE?			
12	A.	The purpose of my Rebuttal Testimony is to support the Joint Application submitted in this			
13		matter by both Limestone, Sunset Cove Condominium HOA of Norris Lake, Inc. ("Sunset			
14		Cove"), and Commercial Bank, collectively the "Joint Applicants," by responding to the			
15		Pre-filed Testimony of Consumer Advocate Witness David Dittemore.			
16	Q.	DOES MR. DITTEMORE ON BEHALF OF THE CONSUMER ADVOCATE			
17		RECOMMEND APPROVAL OF THE JOINT APPLICANTS' REQUEST FOR			
18		APPROVAL OF THE ACQUISITION?			
19	A.	As outlined on page 4 of his testimony, Mr. Dittemore recommends that the Commission			
20		approve Limestone's proposal as follows:			

1 2 3 4		1.	Authority to acquire the assets of Sunset Cove for the nominal amount of \$1, subject to the Company obtaining all necessary permits and other operating authorizations from the Tennessee Department of Environmental Conservation ("TDEC").
5 6 7 8		2.	The adoption of the proposed monthly customer charge of \$30.73 per month applied to each member of Sunset's Homeowner's Association ("HOA"). As referenced in Supplemental Testimony, the Company does not request to charge an escrow fee at this time. ⁷
9 10 11 12 13		3.	The determination of whether any regulatory and/or transaction costs are eligible for recovery from customers will be determined in the Company's initial rate case filing. Such costs should be set aside in Account 183, for ease of reference in future proceedings. The Company has committed that it will not seek recovery in rates more than 50% of the legal costs incurred in this proceeding. ⁸
15 16 17 18		4.	The proposal to adopt the depreciation rates of Limestone should be approved. The acceptance of the existing depreciation rates of Limestone ⁹ should not be used as evidence of the reasonableness of such rates in a future rate proceeding.
19 20		,	ase of reference, I have included Mr. Dittemore's footnotes just as opear in his testimony.)
21	Q.	WHAT IS LI	MESTONE'S RESPONSE TO THE FOUR (4) ITEMS PROPOSED BY
22		MR. DITTEN	MORE ON PAGE 4 OF HIS TESTIMONY AS SET FORTH ABOVE?
23	A.	The four (4) at	pove-referenced items outlined by Mr. Dittemore are consistent with the Joint
24		Application. L	timestone accepts the Consumer Advocate's language in item No. 3 above
25		that "[s]uch co	osts should be set aside in Account 183[.]" Further, Limestone accepts the
26		Consumer Adv	vocate's language in item No. 4 above that "Itlhe acceptance of the existing

⁸ Joint Application, p. 10, TPUC Docket No. 23-00070 (September 15, 2023).

⁷ *Id.* at 3:6-12.

⁹ Joint Application, Appendix A, pp. 5-6 and Exhibit 20. The Company states in Appendix A that it seeks adoption of the depreciation the Commission has approved for IRM, as reflected in IRM's annual report attached as Exhibit 20. However, Exhibit 20 contains the financial statements of Limestone, not of IRM. It is more logical that the Commission adopt the existing depreciation rates of Limestone in this proceeding. For purposes of my testimony, I am assuming the Company is seeking adoption of the Limestone depreciation rates as set forth in its Exhibit 20 to be applied to the operations of Sunset Cove going forward. *Id*.

1		depreciation rates of Limestone should not be used as evidence of reasonableness of such
2		rates in a future rate proceeding."
3	Q.	DOES MR. DITTEMORE RECOMMEND FURTHER PROPOSALS IN HIS
4		TESTIMONY?
5	A.	Yes. On page 5 of his testimony, Mr. Dittemore also recommends the adoption of the
6		following provisions:
7 8 9 10		1. The Company should provide its proposed accounting entries at the time of the acquisition for review and approval by the Commission. The submission should be made within this docket and a copy provided to the Consumer Advocate.
11 12 13		2. The Commission should require the Company to identify and provide the financial statements of the Wall Street private equity firm referenced in the testimony of Mr. Cox.
14 15 16 17 18 19		3. The Commission should require future wastewater applications to address the revenue requirement implications of the acquisition on existing Limestone customers, assuming the Commission adopts consolidated rates. The Company should be required to submit an analysis estimating the revenue requirement of the acquired system after all necessary capital expenditures have been made.
20 21 22 23		4. The Commission should open an investigation into whether rate consolidation is in the public interest. The determination of this issue should then be incorporated into the definition of public interest in the evaluation of wastewater acquisitions.
24	Q.	WHAT IS LIMESTONE'S RESPONSE TO THE FOUR (4) ITEMS PROPOSED BY
25		MR. DITTEMORE ON PAGE 5 OF HIS TESTIMONY AS SET FORTH
26		DIRECTLY ABOVE?
27	A.	As explained in more detail below, it is Limestone's position that these four (4) provisions
28		should not be adopted in this proceeding.

Q. WHAT IS LIMESTONE'S POSITION ON THE FIRST PROVISION RECOMMENDED BY MR. DITTEMORE?

A. The first provision is as follows:

1. The Company should provide its proposed accounting entries at the time of the acquisition for review and approval by the Commission. The submission should be made within this docket and a copy provided to the Consumer Advocate.

Limestone does not believe that requiring it to submit the proposed accounting entries at the time of the acquisition for review and approval by the Commission is necessary. To the extent necessary, a review of any proposed accounting entries for the acquisition may be performed in Limestone's initial rate case proceeding involving the assets acquired.

In its recent *Order Approving Settlement Agreement and Transfer of System, and Granting Certificate of Convenience and Necessity*, in TPUC Docket No. 23-00016 (Dec. 26, 2023), the Commission did not require Limestone to submit its proposed accounting entries at the time of the acquisition for review and approval by the Commission. Moreover, the Commission "found that the Settlement Agreement includes terms that require compliance with accounting procedures that are needed to assist in the analytical review of transactions." The Settlement Agreement in TPUC Docket No. 23-00016 does not contain a requirement that Limestone submit the proposed accounting entries at the time of the acquisition for review and approval by the Commission. Similarly, in the Stipulation and Settlement Agreement between Limestone and the Consumer Advocate in TPUC Docket No. 21-00059 (Candlewood), the parties did not include any requirement

¹⁰ Order Approving Settlement Agreement and Transfer of System, and Granting Certificate of Convenience and Necessity, p. 12, TPUC Docket No. 23-00016 (Dec. 26, 2023).

that prospective accounting entries for the acquisition be submitted prior to closing for Commission approval.¹¹

As recognized by the Commission in other Limestone acquisition proceedings, the commitments set forth in the Joint Application in this matter include terms that require compliance with accounting procedures that are needed to assist in the analytical review of transactions.

Q. WHAT APPEARS TO BE THE UNDERLYING BASES OR CONCERN OF THIS RECOMMENDATION?

On page 9 of his testimony, Mr. Dittemore references a discovery response in which "Limestone stated that it does not intend to restate its account balances resulting from the transaction at a later date and provided a pro-forma accounting entry within its response." Apparently based on this response, Mr. Dittemore recommends that if Limestone intends to make any changes in account balances that those changes be "supplied to the Commission within this docket upon closing, for Commission approval."

O. WHAT IS YOUR RESPONSE TO MR. DITTEMORE RECOMMENDATION?

A. Limestone believes Mr. Dittemore's recommendation is both impractical and unnecessary. While Limestone intends to record at closing all account balances provided by Sunset Cove, it is possible that after closing Limestone may identify errors in those balances. If that is the case, Limestone reserves the right to seek the Commission's permission to make necessary changes. Those changes and any accounting entries recorded at closing can be reviewed by the Commission in Limestone's initial rate case proceeding involving the assets acquired. There is no need to review those accounting entries prior to closing.

A.

¹¹ See, e.g., Stipulation and Settlement Agreement, TPUC Docket No. 21-00059 (Aug. 19, 2022).

1 Q. WHAT IS LIMESTONE'S POSITION ON THE SECOND PROVISION 2 RECOMMENDED BY MR. DITTEMORE?

3 A. The second provision is as follows:

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- The Commission should require the Company to identify and provide the financial statements of the Wall Street private equity firm referenced in the testimony of Mr. Cox.
 - It is Limestone's position that the Commission should not require Limestone to identify and provide the financial statements of the Wall Street private equity firm referenced in my Pre-filed Direct Testimony. Based upon the required, appropriate, and adequate information previously submitted to the Commission, the Commission has previously, and recently, determined that Limestone possesses the requisite financial capability.¹²

12 Q. IN HIS TESTIMONY, DOES MR. DITTEMORE PROVIDE ANY SUPPORT 13 THAT LIMESTONE IS NOT FINANCIALLY CAPABLE?

14 A. No, he does not. In fact, on page 11, lines 1-5 of his testimony, Mr. Dittemore notes that
15 "CSWR continues to expand the scope of its operations. Therefore, it would appear that
16 the private equity firm has thus far provided the necessary financial support to operate its
17 various systems."

¹² See Order Approving Sale of Assets, Property, and Real Estate and Certificate of Public Convenience of Aqua Utilities Company, LLC Subject to Conditions and Requirements of the Tennessee Public Utility Commission, TPUC Docket No. 19-00062 (Dec. 7, 2020); Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity, TPUC Docket No. 21-00053 (Jan. 24, 2022) (acquisition of wastewater system previously owned by Cartwright Creek, LLC); Order Approving Settlement Agreement and Transfer of Systems and Granting Certificate of Convenience and Necessity, TPUC Docket No. 21-00055 (Dec. 2, 2022) (acquisition of water and wastewater system previously owned by Shiloh Falls Utilities, Inc.); Order Approving Settlement Agreement and Transfer of System and Granting Certificate of Convenience and Necessity, TPUC Docket No. 21-00060 (Dec. 2, 2022) (acquisition of wastewater system previously owned by Chapel Woods Home Owners Association); Order Approving Petition for Reconsideration of Commission Order Approving Settlement Agreement and Transfer of Systems, Granting Certificate of Convenience and Necessity, and Disallowing Continuation of Candlewood Lakes POA's Water Availability Fee, TPUC Docket No. 21-00059 (Commission approving acquisition and granting CCN to Limestone) (May 1, 2023); and Order Approving Settlement Agreement and Transfer of System, and Granting Certificate of Convenience and Necessity, TPUC Docket No. 23-00016 (Dec. 26, 2023).

1 Q. ARE THERE OTHER REASONS THAT LIMESTONE OPPOSES THIS 2 RECOMMENDATION?

- A. Yes. Among other reasons that Limestone opposes this recommendation is that neither
 Limestone nor its affiliates possess the audited financial statements of the Wall Street
 private equity firm referenced in my Pre-filed Direct Testimony. or know whether such
 audited financial statements exist.
- 7 Q. WHAT IS LIMESTONE'S POSITION ON THE THIRD PROVISION
 8 RECOMMENDED BY MR. DITTEMORE?
- 9 A. The third provision is as follows:

3. The Commission should require future wastewater applications to address the revenue requirement implications of the acquisition on existing Limestone customers, assuming the Commission adopts consolidated rates. The Company should be required to submit an analysis estimating the revenue requirement of the acquired system after all necessary capital expenditures have been made.

It is Limestone's position that the Commission should not require future wastewater applications to address the revenue requirement implications of the acquisition on existing Limestone customers, assuming the Commission adopts consolidated rates. Further, the Company should not be required to submit an analysis estimating the revenue requirement of the acquired system after all necessary capital expenditures have been made.

As noted by the Commission's actions in other Limestone acquisition proceedings, the only rates the Commission should consider in determining whether an acquisition is in the public interest are those that would be in effect immediately after closing. Future rates – i.e., those that may be set by the Commission in a future rate case – are not immediately relevant to the determination of whether an acquisition application should be granted. As the approval of the Joint Application will have no impact on existing customer rates and

would establish a reasonable rate for Sunset Cove, the Commission should not take Mr. Dittemore's speculation on future rates into account. The questions presented here are whether Limestone is technically, managerially, and financially qualified to own and operate the Sunset Cove system as a regulated public utility and whether the proposed transaction is in the public interest. Furthermore, the Commission should not consider Mr. Dittemore's future rates testimony because the underlying estimates are based on assumptions regarding all elements of ratemaking – revenue, expenses, rate base, capital structure, rate of return, rate design, etc. – that may or may not be valid.

In its Responses to CAD DR 1-13 and CAD DR 2-4, Limestone addressed the Consumer Advocate's public interests and consolidation inquiries. Based on the experience of our affiliate group in states outside Tennessee, where such rates have been approved, consolidated rates are an effective mechanism to mitigate "rate shock" that otherwise would result when small, undercapitalized, and mismanaged system are acquired by experienced and technically competent owners that invest the capital required to address needed capital improvements in those systems to provide safe and reliable service. Where adopted, consolidated rates allow all customers within a state to share the benefits of economics of scale our affiliated group can achieve. Consolidated rates also help spread out the rate impact of required capital investments that have greater impacts on some systems in the short term but that will affect all systems in the long run.

20 Q. SHOULD THE COMMISSION CONSIDER FUTURE RATE IMPACTS IN REACHING A DECISION IN THIS CASE?

A. No. The impact on future rates of Limestone's acquisition of the Sunset Cove system is not known or measurable. Therefore, it would be inappropriate, unreasonable, and premature

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for the Commission to consider that issue in the current proceeding. Moreover, as a regulated utility, Limestone is prohibited by law from changing rates until such a change is authorized by the Commission, and no change in rates can be approved by the Commission without a thorough consideration of a utility's rate change request, with full opportunity for interested parties – including the Consumer Advocate – to present evidence and arguments regarding that request. Hence, it serves no purpose for the Commission to consider hypothetical future rate impacts in this acquisition case. Similar to the issue of an acquisition adjustment and inclusion of due diligence costs in rates, the issue of rates should be deferred to a future rate case proceeding where information is known and measurable and all parties can present evidence relevant to ratemaking.

Q. WHAT IS LIMESTONE'S POSITION ON THE FOURTH PROVISION RECOMMENDED BY MR. DITTEMORE?

- A. The fourth provision is as follows:
 - 4. The Commission should open an investigation into whether rate consolidation is in the public interest. The determination of this issue should then be incorporated into the definition of public interest in the evaluation of wastewater acquisitions.

It is Limestone's position that the Commission should not open an investigation into whether rate consolidation is in the public interest. The issues involving consolidation of rates may vary from industry to industry and from company to company. A generic inquiry into consolidated rates may or may not yield fruitful information to the Commission. Even should the Commission wish to consider whether such a generic inquiry on consolidated rates is appropriate absent any company-specific request for consolidated rates, there is no justifiable reason for such a consideration to occur or for such a decision to be made in an acquisition proceeding in which there is limited participation.

1 Q		AS NOTED IN P.	AGES 16-17 OF	HIS TESTIMONY	, DO YOU	AGREE WITH MR.
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- 2 DITTEMORE'S CONCERNS REGARDING THE CONSIDERATION OF A
- 3 CONSOLIDATED RATES PROPOSAL WITHIN A FUTURE RATE CASE?
- 4 A. No. Rate cases are detailed, and sometimes complex, matters by their nature. Consolidation aside, old and new issues some anticipated, some not anticipated, some simple, some
- 6 novel arise that must be addressed. Generally, as regulated rates must be addressed within
- a rate case, a proposal for consolidated rates is usually a component of a rate case. I also
- 8 would note that Limestone's affiliates in Missouri, Mississippi, Louisiana, Kentucky, and
- 9 Texas each included a proposal to consolidate rates in the initial rate case filed in those
- states, and regulators believed the evidence provided was sufficient to enable them to
- approve consolidated rates as part of their final rate orders or recommended orders.
- 12 Q. AS NOTED ON PAGE 17 OF HIS TESTIMONY, DO YOU AGREE WITH MR.
- 13 DITTEMORE'S DECLARATION THAT LIMESTONE WOULD NOT PROVIDE
- 14 RELEVANT INFORMATION WITH RESPECT TO EACH SYSTEM? IF NOT,
- 15 PLEASE EXPLAIN.
- 16 A. I disagree with Mr. Dittemore's declaration. All capital investment and most operating
- expenses are recorded to accounts for the system to which they relate. Those costs not
- 18 recorded in that manner are allocated based on CSWR's and Limestone's Cost Allocation
- Manual. Therefore, it would be possible for Limestone, the CAD, and any intervenors in a
- future Limestone rate case to determine and compare the potential customer impacts of
- 21 system-specific and consolidated rates.
- 22 Q. ON PAGE 20 OF HIS TESTIMONY, MR. DITTEMORE ASKS "WHAT WOULD
- 23 OCCUR IF ONLY HALF OF THE HOMEOWNERS PAID THEIR MONTHLY

1		RAIE, AND SUNSEI HOA DID NOT HAVE THE FUNDS TO COVER THE
2		REMAINING BILL FROM LIMESTONE?" CAN YOU ADDRESS THIS PLEASE?
3	A.	Yes. Limestone addressed this question in its Response to CAD DR 2-3, as set forth below:
4 5 6 7 8 9 10 11 12		2.3 Refer to the Company's response to Consumer Advocate DR No. 1-6. Address the following hypothetical situation: if individual owners of the units served by the Company stop paying their Homeowners Association (HOA) dues, this could potentially impact the ability of the HOA to pay the bill due to the Company. In the event of nonpayment of the bill by the HOA, will the Company discontinue providing services to all individual condominium owners? How will the Company handle this type of situation? Please provide a detailed explanation of discontinuance of services/shutoff policies.
13 14 15 16 17 18 19 20 21		RESPONSE: As set forth in the Amended and Clarified Joint Petition, Limestone intends to provide service to and bill a single customer – the HOA – that would be responsible for paying the sewer service bill. If, under the hypothetical posed in this request, individual condominium residents failed to pay their HOA charges, it would be up to the HOA to address that situation through normal mechanisms typically established in the HOA bylaws, including property liens. Any action taken by Limestone to address a failure to pay by the HOA will be consistent with Limestone's tariffs, the Commission's rules and regulations, and state law.
22	Q.	ON PAGE 20 OF HIS TESTIMONY, MR. DITTEMORE ASKS, "IF AN
23		INDIVIDUAL HOMEOWNER IS HAVING A WASTEWATER SERVICE
24		PROBLEM, CAN THE INDIVDUAL CONTACT LIMESTONE DIRECTLY OR
25		MUST IT GO THROUGH THE 'CUSTOMER,' SUNSET COVE? CAN YOU
26		ADDRESS THIS PLEASE?
27	A.	Yes. Limestone addressed this question in its Response to CAD DR 2-2, as set forth below:
28 29 30 31 32 33 34 35 36		2.2 Refer to the Company's response to Consumer Advocate DR No. 1-6. Does the Company intend to provide a means for the individual condominium owners to easily contact the utility when there is a service issue or when a customer has a complaint? If so, how does the company intend to achieve this since there will be a consolidated bill structure where Limestone will only bill the HOA. Will each owner be provided access to Limestone's customer portal? If the Company does not intend for individual condominium owners to have the ability to contact Limestone, provide the Company's rationale for not providing each individual customers an

individual customer facing portal to address service issues or customer complaints.

RESPONSE: As clarified in the Amended and Clarified Joint Petition, Sunset Cove HOA will be Limestone's customer. At closing, Limestone will provide Sunset Cove HOA with a Welcome Letter containing information regarding a dedicated service line (1-855-723- 4 84970828.v1 2450) that customers can use to contact Limestone. In addition to calling the previously mentioned toll-free service number, the HOA may contact Limestone sending email customer by an to (support@limestonewateruoc.com). The toll-free number and the website /email are available 24/7. Dedicated third-party customer service personnel are available during regular business hours to address customer concerns (M-F 7:00 am - 7:00 pm). Additionally, Limestone's main office is open from 8:00 am to 5:00 pm M-F to respond to customer concerns escalated by operations or customer service personnel.

Limestone does not possess documents regarding the structure of Sunset Cove

HOA. It may be that the individual condominium owners are, or can become,

18 members of Sunset Cove HOA.

19 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

20 A. Yes, it does.

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STATE OF MISSOURI) COUNTY OF ST. LOUIS)

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

He is appearing as a witness on behalf of Limestone Water Utility Operating Company, LLC before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, his testimony would be as set fortheir his pre-filed testimony in this matter.

JOSIAH COXA

ROSHAWNE VALLANDINGHAM Notary Public - Notary Seal Jefferson County - State of Missouri Commission Number 23414639 My Commission Expires Apr 10, 2027

Sworn to and subscribed before me

this 24th day of January

, 2024.

Notary Public

yhans

My Commission Expires: 04/-

)4-10-2027

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:

Shilina B. Brown, Esq.
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This the 25th day of January 2024.

Melvin J/Malone