

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

**IN RE:** )  
 )  
**JOINT APPLICATION OF LIMESTONE** )  
**WATER UTILITY OPERATING** )  
**COMPANY, LLC, AND CUMBERLAND** )  
**BASIN WASTEWATER SYSTEMS, LLC** )  
**FOR APPROVAL OF THE** )  
**ACQUISITION OF AND TO OPERATE** )  
**THE WASTEWATER SYSTEM OF** )  
**CUMBERLAND BASIN WASTEWATER** )  
**SYSTEMS, LLC, AND TO ISSUE A** )  
**CERTIFICATE OF PUBLIC** )  
**CONVENIENCE AND NECESSITY** )  
 )

**DOCKET NO. 23-00077**

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**DIRECT TESTIMONY**

**OF**

**ALEX BRADLEY**

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**June 28, 2024**

**Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION FOR THE RECORD.**

**A1.** My name is Alex Bradley. My business address is the Office of the Tennessee Attorney General, John Sevier State Office Building, 500 Dr. Martin L. King Jr. Blvd, Nashville, Tennessee 37243. I am a Financial Analyst employed by the Consumer Advocate Division of the Tennessee Attorney General’s Office (“Consumer Advocate”).

**Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.**

**A2.** I received a Bachelor of Science in Business Administration with a major in Accountancy along with a Bachelor of Arts with a major in Political Science from Auburn University in 2012. I have been employed by the Consumer Advocate since 2013. My duties include reviewing utility regulatory filings, preparing analysis used to support Consumer Advocate testimony and exhibits, and preparing my own testimony and supporting exhibits. I have completed multiple regulatory trainings, including those sponsored by the National Association of Regulatory Utility Commissions (“NARUC”) held by Michigan State University.

**Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE “COMMISSION”)?**

**A3.** Yes. I have previously testified in TPUC Docket Nos. 17-00108, 18-00009, 18-00107, 19-00010, 19-00034, 19-00042, 19-00043, 19-00057, 19-00062, 20-00028, 20-00049, 20-00086, 21-00006, 21-00055, 21-000059, 21-00060, 21-00107, 22-00005, 22-00032, 23-00007, 23-00008, 23-00016, 23-00027, 23-00029, 24-00002, and 24-00024.

**Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

**A4.** I am testifying on behalf of the Consumer Advocate.

**Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

**A5.** The purpose of my testimony is to provide recommendations regarding the request of Limestone Water Utility Operating Company, LLC (“Limestone” or the “Buyer”) and Central States Water Resources, Inc. (“CSWR”), along with Cumberland Basin Wastewater Systems, LLC (“Cumberland Basin” or the “Seller”) (collectively, the “Applicants”), to acquire the assets owned by Cumberland Basin. My testimony provides the results of my review and a number of recommendations.

**Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR THIS TESTIMONY?**

**A6.** I have reviewed the Joint Application along with the respective responses of the Applicants to the Consumer Advocate’s discovery requests.

**Q7. WHAT ARE THE APPLICANTS REQUESTING FROM THE COMMISSION IN THIS PROCEEDING?**

**A7.** The Applicants are requesting that the Commission authorize Limestone to purchase the wastewater systems currently owned by Cumberland Basin and for Limestone to be issued a Certificate of Convenience and Necessity (“CCN”) by the Tennessee Public Utility Commission (“TPUC”).

**Q8. CAN YOU PROVIDE A SUMMARY OF CUMBERLAND BASIN’S CURRENT SERVICES?**

1 **A8.** Cumberland Basin is currently operating wastewater systems in Putnam County,  
2 Tennessee and provides wastewater service to approximately 31 customers within Genesis  
3 Village Estates and seven customers within the Bluffs at Cumberland Cove.<sup>1</sup> Cumberland  
4 Basin currently only serves residential customers.<sup>2</sup>

5 **Q9. CAN YOU PROVIDE A SUMMARY OF THE OPERATIONS OF CSWR?**

6 **A9.** CSWR, an “upstream parent” company of Limestone, operates water and wastewater  
7 utilities in Arizona, Arkansas, California, Florida, Kentucky, Louisiana, Mississippi,  
8 Missouri, North Carolina, South Carolina, Tennessee, and Texas.<sup>3</sup>

9 **Q10. CAN YOU SUMMARIZE YOUR RECOMMENDATIONS FOR THIS**  
10 **PROCEEDING?**

11 **A10.** I recommend the approval of the proposed transaction subject to the following conditions:

- 12 1. All security deposits retained by Cumberland Basin as of (August 12, 2024)  
13 should be transferred to Limestone and documentation of such transfer  
14 should be provided to the Commission within thirty days of closing.
- 15 2. Limestone and Cumberland Basin should provide documentation  
16 demonstrating the value of the Escrow Account at closing, the value of  
17 which should be no less than \$33,596.73.
- 18 3. Limestone should provide documentation demonstrating the book value of  
19 Plant-in-Service at closing, excluding any writeup of land costs supported  
20 by an appraisal.
- 21 4. Limestone should be precluded from restating historical account balances  
22 post-acquisition and the prospective accounting entries for the acquisition  
23 should be submitted to the Commission prior to closing for review as a  
24 condition of Commission approval.

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<sup>1</sup> *Joint Application of Limestone Water Utility Operating Company, LLC and Cumberland Basin Wastewater Systems, LLC for Approval of the Acquisition of and to Operate the Wastewater System of Cumberland Basin Wastewater Systems, LLC and to Issue a Certificate of Convenience and Necessity*, p. 8, (Oct. 31, 2023), Exhibit 22, TPUC Docket No. 23-00077 (October 31, 2023).

<sup>2</sup> *Id.*

<sup>3</sup> *Joint Application*, at p. 8.

- 1 5. The requested Acquisition Premium, approximately \$100,000 in this case,  
2 should be set aside in a separate account (114.00 Utility Plant Acq Adj) and  
3 its ultimate treatment determined in Limestone's initial rate case.
- 4 6. The legal and regulatory costs associated with this transaction should be set  
5 aside in Account 183.002 and its ultimate treatment determined in a future  
6 proceeding.
- 7 7. Limestone should maintain separate accounting records for The Bluffs at  
8 Cumberland Cove and Genesis Village Estates, distinct from its other  
9 systems.
- 10 8. Limestone should provide direct customer notifications at the  
11 commencement of its initial rate case.

12 **I. BOOK BALANCE OF PLANT INCLUDING CONTRIBUTIONS IN AID OF**  
13 **CONSTRUCTION**

14 **Q11. WHAT IS YOUR RECOMMENDATION REGARDING THE PLANT BALANCE**  
15 **TO BE TRANSFERRED TO LIMESTONE?**

16 **A11.** As discussed below, I believe the Company's proposal to record \$293,742 in assets &  
17 liabilities is reasonable for this matter.

18 **Q12. CAN YOU ELABORATE ON THE COMPANY'S PROPOSED ACCOUNTING**  
19 **TREATMENT AND HISTORICAL ACCOUNTING RECORDS?**

20 **A12.** Yes. As shown below, the Company proposes to book the following accounting entries  
21 after closing on the acquisition.

Account Name	Account #	Debit	Credit
Utility Plant Purchased	106		105,000
Land and Land Rights	353	5,000	
Treatment & Disposal Equipment	380	175,585	
Accumulated Depreciation	108		65,831
CIAC	271		122,911
Accum Amort-CIAC	272	6,134	
Acquisition Adjustment	114	107,023	
		<b>293,742</b>	<b>293,742</b>

After reviewing the proposed entries, I have one proposed change. The credit of \$105,000 for Utility Plant Purchased should be booked to Account 104 and not Account 106, as shown below.

Account Name	Account #	Debit	Credit
Utility Plant Purchased	104		105,000
Land and Land Rights	353	5,000	
Treatment & Disposal Equipment	380	175,585	
Accumulated Depreciation	108		65,831
CIAC	271		122,911
Accum Amort-CIAC	272	6,134	
Acquisition Adjustment	114	107,023	
		293,742	293,742

Neither the Company's Annual Report nor the provided Financial Statement's separates these balances by System. Additionally, I examined the Balance Sheet of Cumberland Basin as part of my review. However, the financial information lacked the necessary detail to determine appropriate account balances of utility plant in service on a per system basis.

**Q13. WHY IS THE COMPANY'S PROPOSAL REASONABLE?**

**A13.** The Company's proposal is reasonable because the accounting entries tie to Cumberland Basin's Balance Sheet and Annual Report.

**II. BALANCE OF SECURITY DEPOSITS AND ESCROW ACCOUNTS**

**Q14. ARE THERE ANY OTHER CONSIDERATIONS REGARDING THE HISTORICAL ACCOUNTING BALANCES?**

**A14.** Yes. Cumberland Basin currently has three fees contained within its Tariff. Those fees include the following:

(a) Security Deposit;<sup>4</sup>

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<sup>4</sup> Cumberland Basin's Response to Consumer Advocate DR No. 1-13 (March 1, 2024).

(b) Escrow Fee;<sup>5</sup> and

(c) Access Fee.<sup>6</sup>

**Q15. CAN YOU DEFINE THESE FEES?**

**A15.** Yes. Security Deposits represent funds that ratepayers have prepaid to the Utility to secure service. As shown in the Company's Tariff this deposit is refundable and was \$60 per customer at time of deposit. As shown in the Company's supplemental response to Consumer Advocate DR No. 1-14, the Company currently only holds security deposits from 10 current customers of the systems.

The Escrow Accounts represent funds that ratepayers have provided as a "means to prepay the costs for non-routine system maintenance to minimize future financial impact of such maintenance on the rate payer and the utility."<sup>7</sup> The Company stated it will transfer the balance of the Escrow account at closing.<sup>8</sup>

A Sewer Access Fee is charged to customers who have not yet connected to the system but have the opportunity to connect (i.e. ownership of an undeveloped lot). The Access Fee:

pays for the maintenance of the lines in the streets and the treatment plant components. The rationale for this charge is that even if a lot owner has not built his/her home, wastewater facilities have already been built to serve the customer. Although not currently used by the customer, the utility must provide continued maintenance and conduct certain tests and maintain records to meet state requirements. The sewer system access fee is intended to offset these costs represents a payment for treatment capacity that is being reserved by the customer for use at a future date.<sup>9</sup>

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<sup>5</sup> Cumberland Basin's Response to Consumer Advocate DR No. 1-11.

<sup>6</sup> Joint Application at Exhibit 21.

<sup>7</sup> *Final Order Approving Rate Petition*, p. 11, TRA Docket No. 11-00162 (May 16, 2012).

<sup>8</sup> Cumberland Basin's Response to Consumer Advocate DR No. 1-10.

<sup>9</sup> *Final Order Approving Rate Petition*, p. 21, TRA Docket No. 11-00162 (May 16, 2012).

**Q16. WHAT IS YOUR RECOMMENDATION REGARDING THE BALANCE OF SECURITY DEPOSITS?**

**A16.** I would recommend that the Commission require Cumberland Basin transfer the total balance of \$600 in Security Deposits as shown in response to Consumer Advocate DR No. 1-14 and record such amount as a regulatory liability in account (235 Customer Deposits). This transfer and subsequent accounting documentation should be provided to the Commission within thirty days of closing, such that the deposits owed can be matched with the customers who provided the deposits. Adoption of this requirement should be a condition of closing to show that these funds are to be transferred as part of the sale.

**Q17. WHAT IS YOUR RECOMMENDATION REGARDING THE BALANCE OF THE ESCROW ACCOUNT?**

**A17.** I recommend a final balance of \$33,596.73, as shown on the 2023 Balance Sheet of Cumberland Basin, be transferred as part of the sale, plus amounts accrued through the date of the sale at \$322 a month. This number should be trued up to the actual account balance of the Escrow account at the time of sale. As shown below, the monthly accrual for the Escrow account should be approximately \$322 per month.

	<b>Customers<sup>10</sup></b>	<b>Escrow Charge<sup>11</sup></b>	<b>Monthly Escrow Deposits</b>
Genesis Village Estates	31	\$7.03	\$217.93
The Bluffs at Cumberland Cove	7	\$14.94	\$104.58
<b>Total</b>		<b>\$21.97</b>	<b>\$322.51</b>

**Q18. WHAT IS YOUR RECOMMENDATION REGARDING THE ESCROW FEE?**

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<sup>10</sup> Exhibit 22.

<sup>11</sup> Exhibit 21.



1 **A18.** Limestone proposed the termination of the Escrow surcharge currently recovered within  
2 the rates of Genesis Village Estates and the Bluffs at Cumberland Cove.<sup>12</sup> This proposal  
3 would reduce the monthly residential rate of Genesis Village Estates to \$36.56 and the  
4 monthly residential rate of the Bluffs at Cumberland Cover to \$28.08. I support the  
5 Company’s proposal to eliminate the Escrow surcharge for the customers of these systems.

6 **III. RECOVERY OF LEGAL EXPENSES RESULTING FROM THE**  
7 **TRANSACTION**

8 **Q19. WHAT IS YOUR RECOMMENDATION REGARDING RECOVERY OF LEGAL**  
9 **AND REGULATORY COSTS ASSOCIATED WITH THIS DOCKET IN FUTURE**  
10 **RATE PROCEEDINGS?**

11 **A19.** As discussed below, the recoverability or disallowance of legal expenses deferred as a  
12 regulatory asset and transaction costs should be determined in Limestone’s initial rate case.

13 **Q20. WHAT IS THE COMPANY PROPOSING REGARDING THE RECOVERY OF**  
14 **LEGAL AND REGULATORY COSTS?**

15 **A20.** Limestone proposes that the determination of the recoverability of regulatory and  
16 transactions costs relating to this acquisition be deferred to Limestone’s initial rate case.  
17 Since Limestone and Cumberland Basin are jointly represented<sup>13</sup> by Butler Snow LLP,  
18 Limestone, the buyer, will not seek to recover in rates any amounts exceeding 50% of the

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<sup>12</sup> Limestone’s Response to Consumer Advocate DR No. 1-9.

<sup>13</sup> *Joint Representation Agreement for Central States Water Resources and Cumberland Basin Wastewater Systems LLC*, TPUC 23-00077 (Feb. 24, 2024).

1 legal expenses paid for the joint representation in this matter.<sup>14</sup> The Company additionally  
2 commits to file those legal costs within 30 days of closing on the acquisition.<sup>15</sup>

3 **Q21. IS THIS THE APPROACH TAKEN IN PRIOR ACQUISITION DOCKETS?**

4 **A21.** Yes. In TPUC Docket No. 21-00053, the regulatory and transaction costs relating to the  
5 acquisition of the Cartwright Creek system by Limestone were to be deferred and the  
6 appropriate treatment/recovery of these costs were to be determined in Limestone's initial  
7 rate case.<sup>16</sup>

8 **Q22. DO YOU AGREE THAT THIS APPROACH IS APPROPRIATE FOR THIS**  
9 **MATTER?**

10 **A22.** I am in agreement with this approach. Limestone should book the legal and regulatory  
11 expenses incurred for this matter into Account 186.2 Other Deferred Debits, and its  
12 ultimate treatment determined in a future proceeding.

13 **IV. HISTORICAL ACCOUNT BALANCES**

14 **Q23. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

15 **A23.** As discussed below, as a matter of public interest, Limestone should not be permitted to  
16 restate the account balances for the Cumberland Basin systems. Additionally, the  
17 prospective accounting entries to record the acquisition should be submitted to the  
18 Commission prior to closing.

19 **Q24. HOW DID THIS ISSUE ARISE?**

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<sup>14</sup> *Joint Application*, p. 11.

<sup>15</sup> *Id.*

<sup>16</sup> *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, p. 17, TPUC Docket No. 21-00053 (Jan. 24, 2022).

1 **A24.** As stated earlier, Limestone proposes to take the current balance of Utility Plant in Service  
2 (“UPIS”) and Contributions in Aid of Construction (“CIAC”) from the Balance Sheet of  
3 Cumberland Basin. Unfortunately, the Balance Sheet does not contain the level of detail  
4 necessary to separate the underlying balances for the two systems.

5 **Q25. HAS LIMESTONE STATED IT INTENDS TO RESTATE ACCOUNT**  
6 **BALANCES?**

7 **A25.** No, they have not. The current balance of both UPIS and CIAC is unknown on a per system  
8 basis; however, uncertainty should not preclude the ability to review the balances recorded  
9 by Limestone when the sale is complete.

10 **V. ACQUISITION PREMIUM**

11 **Q26. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

12 **A26.** As discussed below, any potential acquisition premium should be recorded to a separate  
13 account and its treatment, for ratemaking purposes, be determined in Limestone’s initial  
14 rate case.

15 **Q27. WHAT IS AN ACQUISITION PREMIUM?**

16 **A27.** As stated by the Consumer Advocate in TPUC Docket No. 21-00053, “[a]n Acquisition  
17 Premium represents the acquisition costs of utility assets in excess of their net book  
18 value.”<sup>17</sup>

19 **Q28. IS THE COMPANY REQUESTING AN ACQUISITION PREMIUM IN THIS**  
20 **CASE?**

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<sup>17</sup> *Direct Testimony of David N. Dittemore* at 23:5-6, TPUC Docket No. 21-00053 (Aug. 30, 2021).

1 **A28.** No, they have not. However, I will note that the responses to discovery indicate that the  
2 system was funded by ratepayers and contributed to Cumberland Basin.<sup>18</sup> If this is the  
3 case, the net book value of the assets would be zero, and the purchase price of \$100,000<sup>19</sup>  
4 would represent in effect an acquisition premium.

5 **Q29. ARE YOU RECOMMENDING THE COMMISSION RULE ON THE**  
6 **APPROPRIATE REGULATORY TREATMENT OF THE ACQUISITION**  
7 **PREMIUM IN THIS PROCEEDING?**

8 **A29.** No.

9 **Q30. WHAT ARE YOU RECOMMENDING REGARDING ACCOUNTING FOR THE**  
10 **ACQUISITION PREMIUM?**

11 **A30.** Any potential acquisition premium should be set aside in a separate account and its ultimate  
12 disposition determined in Limestone's initial rate case. Importantly, there should be no  
13 assumption that this balance will be recoverable in a subsequent rate case proceeding. The  
14 burden of justifying the recovery of this balance rests with Limestone.

15 **Q31. IS THIS RECOMMENDATION CONSISTENT WITH THE COMMISSION'S**  
16 **RULING ON ACQUISITION PREMIUM ACCOUNTING IN TPUC DOCKET NO.**  
17 **19-00062?**

18 **A31.** Yes. In that order, the Commission found:

19 Limestone is not requesting an acquisition premium and the Commission is not  
20 approving any acquisition adjustment related to the purchase of Aqua's assets;  
21 accordingly, Limestone's beginning value of the acquired assets for ratemaking  
22 purposes shall be the value recorded in Aqua's books and records at the date of  
23 the acquisition. Further, Limestone is not authorized to book an above-the-line  
24 regulatory asset for rate-making purposes for any portion of the amount by

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<sup>18</sup> Cumberland Basin's Response to Consumer Advocate DR Nos. 1-1 & 1-2.

<sup>19</sup> *Joint Application*, Exhibit 7.

1 which the purchase price exceeds the value of the acquired assets as reflected  
2 in Aqua's books and records at the date of acquisition. In any future rate  
3 proceeding, Limestone may present evidence and argument concerning the  
4 value of assets used and useful for provisioning public utilities services, and the  
5 Consumer Advocate or other interested parties may oppose such values or  
6 present their own evidence and argument concerning the value of such assets.<sup>20</sup>

7 **VI. SEPARATE ACCOUNTING RECORDS**

8 **Q32. ARE THERE ANY OTHER CONDITIONS YOU WOULD RECOMMEND?**

9 **A32.** Yes. I recommend that Limestone be required to maintain separate accounting records for  
10 each of the Cumberland Basin systems acquired, distinct from its other systems. This is  
11 the same recommendation made by the Consumer Advocate in TPUC Docket Nos. 23-  
12 00037<sup>21</sup> and 21-00053.<sup>22</sup> Limestone previously agreed to this recommendation in a  
13 separate docket.<sup>23</sup>

14 **VII. OTHER CONSIDERATIONS**

15 **Q33. DO YOU HAVE CONCERNS REGARDING THE EFFECT OF THE**  
16 **ACQUISITION ON CURRENT RATES?**

17 **A33.** Yes. I am concerned about the impact the results of this proceeding will have on future  
18 rates. While Limestone is asking to remove the escrow fee from rates in this proceeding,  
19 the operating costs and the level of capital expenditures will have a future impact on the  
20 revenue requirement when Limestone petitions the Commission for its initial rate increase  
21 request. Given the small customer base for these systems and the anticipated capital

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<sup>20</sup> *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*, at pp. 17–18, TPUC Docket No. 19-00062 (Dec. 7, 2020).

<sup>21</sup> *Direct Testimony of Alex Bradley* at 14:20-23, TPUC Docket No. 23-00037 (Dec. 12, 20203).

<sup>22</sup> *Direct Testimony of David N. Dittmore* at 21:21 – 22:4, TPUC Docket No. 21-00053 (Aug. 30, 2021).

<sup>23</sup> *Limestone Water Utility Operating Company, LLC Response to Second Set of Data Requests*, Consumer Advocate DR No. 2-3, TPUC Docket No. 21-00053 (Aug. 10, 2021).

expenditures of \$150,000 for each system<sup>24</sup>, the impact on individual customer rates will be significant. Additionally, in response to Consumer Advocate DR No. 1-11(c), Limestone stated that the incremental operations and maintenance cost attributable to these systems will be between \$36,000 and \$55,000. As shown below,<sup>25</sup> the current rates paid by the customers of both Genesis Village Estates and Bluffs at Cumberland Cove will be insufficient to cover the anticipated budgeted proposals and any possible acquisition premium requested by the Company.

Line		Consolidated	The Bluffs at Cumberland Cove	Genesis Village Estates
1	Estimated Capital Expenditure	\$ 300,000	\$ 150,000	\$ 150,000
2	Return - Including Taxes	\$ 27,807	\$ 13,904	\$ 13,904
3	Depreciation @ 3%	\$ 9,000	\$ 4,500	\$ 4,500
4	Operations and Maintenance	\$ 45,500	\$ 22,775	\$ 22,775
5	Property Taxes (Estimate)	\$ 500	\$ 500	\$ 500
6	Total Estimated Annual Costs (Lines 2:5)	\$ 82,807	\$ 41,679	\$ 41,679
7	Divided By Customer Count	42	7	31
8	Annual Revenue Requirement Per Customer (Line 6 / 7)	\$ 1,972	\$ 5,954	\$ 1,344
9	<b>Monthly Cost (Line 8 / 12)</b>	<b>\$ 164</b>	<b>\$ 496</b>	<b>\$ 112</b>
10	Tariff Rate proposed		\$ 28.08	\$ 36.56
11	Annual Tariff Revenues ((Line 10 * Line 7)*12)	\$ 15,959	\$ 2,359	\$ 13,600
12	Annual Access Fee Revenue	\$ 12,768	\$ 12,768	
13	<b>Annual Revenues (Lines 11:12)</b>	<b>\$ 28,727</b>	<b>\$ 15,127</b>	<b>\$ 13,600</b>
14	<b>Annual Surplus/(Deficiency) (Line 13 - Line 6)</b>	<b>\$ (54,080)</b>	<b>\$ (26,552)</b>	<b>\$ (28,078)</b>

Given the probable rate implications by the Company's future intentions with these Systems the Commission should require Limestone to provide a customer notification to

<sup>24</sup> Joint Application, Exhibit 24.  
<sup>25</sup> Id. at Exhibit AB-1.

1 all customers at the commencement of its initial rate case. This notification should contain  
2 the prospective change in rates requested by the utility along with detailed instructions on  
3 how customers can file comments regarding the Company's request at the Commission.

4 **Q34. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A34.** Yes. However, I reserve the right to supplement my testimony if additional information  
6 becomes available.

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

**IN RE:** )  
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**JOINT APPLICATION OF LIMESTONE** )  
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**BASIN WASTEWATER SYSTEMS, LLC** )  
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**ACQUISITION OF AND TO OPERATE** )  
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**SYSTEMS, LLC, AND TO ISSUE A** )  
**CERTIFICATE OF PUBLIC** )  
**CONVENIENCE AND NECESSITY** )  
)

**DOCKET NO. 23-00077**

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**AFFIDAVIT**

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I, Alex Bradley, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.



**ALEX BRADLEY**

Sworn to and subscribed before me  
this 28 day of June, 2024.



**NOTARY PUBLIC**



My commission expires: 1/31/2027



Line	A/ Consolidated	B/ The Bluffs at Cumberland Cove	C/ Genesis Village Estates
1 Estimated Capital Expenditure	\$ 300,000	\$ 150,000	\$ 150,000
2 Return - Including Taxes	\$ 27,807	\$ 13,904	\$ 13,904
3 Depreciation @ 3%	\$ 9,000	\$ 4,500	\$ 4,500
4 Operations and Maintenance	\$ 45,500	\$ 22,775	\$ 22,775
5 Property Taxes (Estimate)	\$ 500	\$ 500	\$ 500
6 Total Estimated Annual Costs (Lines 2:5)	\$ 82,807	\$ 41,679	\$ 41,679
7 Divided By Customer Count	42	7	31
8 Annual Revenue Requirement Per Customer (Line 6 / 7)	\$ 1,972	\$ 5,954	\$ 1,344
9 <b>Monthly Cost (Line 8 /12)</b>	<b>\$ 164</b>	<b>\$ 496</b>	<b>\$ 112</b>
10 Tariff Rate proposed		\$ 28.08	\$ 36.56
11 Annual Tariff Revenues ((Line 10 * Line 7)*12)	\$ 15,959	\$ 2,359	\$ 13,600
12 Annual Access Fee Revenue	\$ 12,768	\$ 12,768	
13 <b>Annual Revenues (Lines 11:12)</b>	<b>\$ 28,727</b>	<b>\$ 15,127</b>	<b>\$ 13,600</b>
14 <b>Annual Surplus/(Deficiency) (Line 13 - Line 6)</b>	<b>\$ (54,080)</b>	<b>\$ (26,552)</b>	<b>\$ (28,078)</b>

A/ Tab, Consolidated  
B/ Tab, The Bluffs  
C/ Tab, Genesis Village

Revenue Requirement Calculation

Hypothetical Capital Structure	% of Capitalization	Cost	Wtd Cost	Tax Gross-Up	Gross of Tax Cost
Debt	50%	5%	3%		3%
Equity	50%	10%	5%	135.38%	6.77%
Total Cost					9.27%

Tax Gross Up Calculation	
Taxable Income	100%
Less: TN Excise Tax	6.50%
Federal Taxable Income	93.50%
Federal Tax Rate	21.00%
Effective Federal Rate	19.64%
Plus: TN Excise Tax Rate	6.50%
Total Effective Tax Rate	26.14%
Reciprocal Tax Rate	73.87%
Gross Up Factor (1/Reciprocal Rate)	1.3538

**Cumberland Basin Consolid**

Estimated Capital Expenditure The Bluffs (1)	\$	150,000	A/
Estimated Capital Expenditure Genesis Village(1)	\$	150,000	A/

Return - Including Taxes	\$	27,807.32	
Depreciation @ 3%	\$	9,000.00	
Operations and Maintenance	\$	45,500.00	B/
Property Taxes (Estimate)	\$	500	

Total Estimated Annual Costs	\$	82,807.32	
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Divided By Customer Count		42	C/
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Annual Revenue Requirement	\$	1,971.60	
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<b>Monthly Cost</b>	<b>\$</b>	<b>164.30</b>	
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(1) Budgeted Cost includes a footnote that the estimate does not include contractor general requirements or contingency to be accounted for by CSWR.

- A/ Exhibit 24  
B/ Discovery Response 1-11c, midpoint of estimate  
C/ Exhibit 22

Revenue Requirement Calculation

Hypothetical Capital Structure	% of Capitalization	Cost	Wtd Cost	Tax Gross-Up	Gross of Tax Cost
Debt	50%	5%	3%		3%
Equity	50%	10%	5%	135.38%	6.77%
			Total Cost		9.27%

Tax Gross Up Calculation	
Taxable Income	100%
Less: TN Excise Tax	6.50%
Federal Taxable Income	93.50%
Federal Tax Rate	21.00%
Effective Federal Rate	19.64%
Plus: TN Excise Tax Rate	6.50%
Total Effective Tax Rate	26.14%
Reciprocal Tax Rate	73.87%
Gross Up Factor (1/Reciprocal Rate)	1.3538

Estimated Capital Expenditure The Bluffs (1)	\$	150,000	A/
Return - Including Taxes	\$	13,903.66	
Depreciation @ 3%	\$	4,500.00	
Operations and Maintenance	\$	22,775.00	B/
Property Taxes (Estimate)	\$	500	
Total Estimated Annual Costs	\$	41,678.66	
Divided By Customer Count		7	C/
Annual Revenue Requirement	\$	5,954.09	
<b>Monthly Cost</b>	<b>\$</b>	<b>496.17</b>	

(1) Budgeted Cost includes a footnote that the estimate does not include contractor general requirements or contingency to be accounted for by CSWR.

- A/ Exhibit 24  
B/ Discovery Response 1-11c, midpoint of estimate  
C/ Exhibit 22

Revenue Requirement Calculation

Hypothetical Capital Structure	% of Capitalization	Cost	Wtd Cost	Tax Gross-Up	Gross of Tax Cost
Debt	50%	5%	3%		3%
Equity	50%	10%	5%	135.38%	6.77%
			Total Cost		9.27%

Tax Gross Up Calculation	
Taxable Income	100%
Less: TN Excise Tax	6.50%
Federal Taxable Income	93.50%
Federal Tax Rate	21.00%
Effective Federal Rate	19.64%
Plus: TN Excise Tax Rate	6.50%
Total Effective Tax Rate	26.14%
Reciprocal Tax Rate	73.87%
Gross Up Factor (1/Reciprocal Rate)	1.3538

Estimated Capital Expenditure Gensis Village (1)	\$	150,000	A/
Return - Including Taxes	\$	13,903.66	
Depreciation @ 3%	\$	4,500.00	
Operations and Maintenance	\$	22,775.00	B/
Property Taxes (Estimate)	\$	500	
Total Estimated Annual Costs	\$	41,678.66	
Divided By Customer Count		31	C/
Annual Revenue Requirement	\$	1,344.47	
<b>Monthly Cost</b>	<b>\$</b>	<b>112.04</b>	

(1) Budgeted Cost includes a footnote that the estimate does not include contractor general requirements or contingency to be accounted for by CSWR.

- A/ Exhibit 24  
B/ Discovery Response 1-11c, midpoint of estimate  
C/ Exhibit 22