

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

IN RE:)
)
JOINT APPLICATION OF LIMESTONE)
WATER UTILITY OPERATING)
COMPANY, LLC, AND BRIDGET J.)
WILHITE, AS ADMINISTRATOR CTA)
OF THE ESTATE OF GLENNA)
NEWPORT, FOR APPROVAL OF THE)
ACQUISITION OF AND TO OPERATE)
THE NEWPORT RESORT WATER)
SYSTEM, AND TO TRANSFER OR)
ISSUE A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)
)

DOCKET NO. 24-00034

DIRECT TESTIMONY

OF

ALEX BRADLEY

July 26, 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, 23-00037, 24-00002, and 24-00024.

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

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

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

4 **A5.** The purpose of my testimony is to provide recommendations regarding the request of
5 Limestone Water Utility Operating Company, LLC (“Limestone” or the “Buyer”) and
6 Central States Water Resources, Inc. (“CSWR”), along with Bridget K. Wilhite, as
7 Administrator CTA of the Estate of Glenna Newport, owner of the Newport Resort Water
8 System (“Newport Resort” or the “Seller”) (collectively, the “Applicants”), to acquire the
9 assets owned by Newport Resort. My testimony provides the results of my review and a
10 number of recommendations.

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

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

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

17 **A7.** The Applicants are requesting that the Commission authorize Limestone to purchase the
18 water system currently owned by the Estate of Glenna Newport (“Newport Resort”) and
19 for Limestone to be issued a Certificate of Convenience and Necessity (“CCN”) by the
20 Commission.

21 **Q8. CAN YOU PROVIDE A SUMMARY OF NEWPORT RESORT’S CURRENT**
22 **SERVICES?**

1 **A8.** Newport Resort is currently operating a water system in Rhea County, Tennessee and
2 provides water service to approximately 55 customers.¹

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

4 **A9.** CSWR, an “upstream parent” company of Limestone, operates water and wastewater
5 utilities in Arizona, Arkansas, California, Florida, Kentucky, Louisiana, Mississippi,
6 Missouri, North Carolina, South Carolina, Tennessee, and Texas.²

7 **Q10. CAN YOU SUMMARIZE YOUR RECOMMENDATIONS FOR THIS**
8 **PROCEEDING?**

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

- 10 1. Limestone should be precluded from restating historical account balances
11 post-acquisition and the prospective accounting entries for the acquisition
12 should be submitted to the Commission prior to closing for review as a
13 condition of Commission approval.
- 14 2. Current customers of Newport Resort should be held harmless for Security
15 Deposits that were commingled with Newport Resort’s operating account.
16 Limestone shall consider the transferred customers as paid and shall refund
17 their deposits after closing.
- 18 3. The requested Acquisition Premium, approximately \$25,000 in this case,
19 and the legal and regulatory costs associated with this transaction should be
20 set aside in distinct and separate subaccounts within Account 121.00
21 Nonutility Property and its ultimate treatment be determined in a future
22 proceeding.
- 23 4. Limestone should maintain separate accounting records for Newport
24 Resort, distinct from its other systems.
- 25 5. Limestone should provide direct customer notifications at the
26 commencement of its future rate proceeding that incorporates these
27 customers.

¹ *Joint Application*, at 14:10-11.

² *Joint Application*, Direct Testimony of Josiah Cox at 14:4-13.

1 **I. BOOK BALANCE OF PLANT**

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

4 **A11.** As discussed below, the Company's proposal to record \$5,000 in assets & liabilities is
5 reasonable for this matter.

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

8 **A12.** Yes. As shown in Exhibit 16 the Company is proposing to book \$5,000 in Account 353 –
9 Land and Land Rights after closing. Newport Resort's latest Annual Report filed with the
10 Commission showed Net Utility Plant of \$385 for the year ending 2021.³ Given the date
11 of this Annual Report the system is fully depreciated as of 2024.

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

13 **A13.** The Company's proposal is reasonable because the proposed accounting entries appear to
14 consider that the Newport Resort system is fully depreciated.

15 **II. BALANCE OF SECURITY DEPOSITS**

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

18 **A14.** Yes. Newport Resort recently charged two Security Deposits to obtain service.⁴

19 **Q15. CAN YOU DEFINE SECURITY DEPOSITS?**

³ Commission Response to Consumer Advocate July 11, 2024 Records Request Re All Annual Reports of the Newport Resort Water System, Annual Report 2021 at F-4.

⁴ Newport Resort's Response to Consumer Advocate DR No. 1-5, TPUC Docket No. 24-00034 (June 26, 2024).

1 **A15.** Yes. Security Deposits represent funds that ratepayers have prepaid to a utility to secure
2 service. Newport Resort’s Response to Consumer Advocate DR No. 1-5 stated that two
3 customers made deposits of one hundred and fifty dollars (\$150) each.

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

6 **A16.** In Response to Consumer Advocate DR No. 2-3, Newport Resort stated that the Security
7 Deposits were not held in a separate account and had “been placed in the operating account
8 to pay for expenses to stop significant leaks in the system and upgrade the system to stay
9 in compliance with State regulations.” Given this response, the current ratepayers of
10 Newport Resort should be held harmless from the Company’s actions and that Limestone
11 should record an amount of \$300 as a regulatory liability in account (235 Customer
12 Deposits) and record the name of the depositors shown in the Company’s Response to
13 Consumer Advocate DR No. 1-5 for future refund, post-closing.

14 **III. RECOVERY OF LEGAL EXPENSES RESULTING FROM THE**
15 **TRANSACTION**

16 **Q17. WHAT IS YOUR RECOMMENDATION REGARDING RECOVERY OF LEGAL**
17 **AND REGULATORY COSTS ASSOCIATED WITH THIS DOCKET IN FUTURE**
18 **RATE PROCEEDINGS?**

19 **A17.** As discussed below, the recoverability or disallowance of legal expenses deferred as a
20 regulatory asset and transaction costs should be determined in a future rate proceeding for
21 Limestone.

22 **Q18. WHAT IS THE COMPANY PROPOSING REGARDING THE RECOVERY OF**
23 **LEGAL AND REGULATORY COSTS?**

1 **A18.** Limestone proposes that the determination of the recoverability of regulatory and
2 transactions costs relating to this acquisition be deferred to Limestone's future rate
3 proceeding.

4 **Q19. IS THIS THE APPROACH TAKEN IN PRIOR ACQUISITION DOCKETS?**

5 **A19.** Yes. In TPUC Docket No. 21-00053, the regulatory and transaction costs relating to the
6 acquisition of the Cartwright Creek system by Limestone were to be deferred and the
7 appropriate treatment/recovery of these costs were to be determined in Limestone's initial
8 rate case.⁵

9 **Q20. DO YOU AGREE THAT THIS APPROACH IS APPROPRIATE FOR THIS**
10 **MATTER?**

11 **A20.** I am in agreement with this approach. Limestone should book the legal and regulatory
12 expenses incurred for this matter into Account 121 Nonutility Property and its ultimate
13 treatment determined in a future proceeding.

14 **IV. HISTORICAL ACCOUNT BALANCES**

15 **Q21. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

16 **A21.** As discussed below, as a matter of public interest, Limestone should not be permitted to
17 restate the account balances for the system. Additionally, the prospective accounting
18 entries to record the acquisition should be submitted to the Commission prior to closing.

19 **Q22. HAS LIMESTONE STATED IT INTENDS TO RESTATE ACCOUNT**
20 **BALANCES?**

⁵ *Order Approving Settlement Agreement and Transfer of Systems, and Granting Certificate of Convenience and Necessity*, 17, TPUC Docket No. 21-00053 (Jan. 24, 2022).

1 **A22.** No, they have not. The current balance of Utility Plant in Service is zero; however,
2 uncertainty should not preclude the ability to review the balances recorded by Limestone
3 when the sale is complete.

4 **V. ACQUISITION PREMIUM**

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

6 **A23.** As discussed below, any potential acquisition premium should be recorded to a separate
7 account and its treatment, for ratemaking purposes, be determined in a future Limestone
8 proceeding.

9 **Q24. WHAT IS AN ACQUISITION PREMIUM?**

10 **A24.** As stated by the Consumer Advocate in TPUC Docket No. 21-00053, “[a]n Acquisition
11 Premium represents the acquisition costs of utility assets in excess of their net book value.”⁶

12 **Q25. IS THE COMPANY REQUESTING AN ACQUISITION PREMIUM IN THIS**
13 **CASE?**

14 **A25.** No, they have not. However, I will note that the responses to discovery and records request
15 indicate that the system is fully depreciated.⁷ If this is the case, the net book value of the
16 assets would be zero, and the purchase price of \$25,000⁸ would represent, in effect, an
17 acquisition premium.

⁶ Direct Testimony of David N. Dittmore at 23:5-6, TPUC Docket No. 21-00053 (Aug. 30, 2021).

⁷ Commission Response to Consumer Advocate July 11, 2024 Records Request Re All Annual Reports of the Newport Resort Water System, TPUC Docket No. 24-00034 (July 11, 2024).

⁸ Joint Application, Exhibit 23.

1 **Q26. ARE YOU RECOMMENDING THE COMMISSION RULE ON THE**
2 **APPROPRIATE REGULATORY TREATMENT OF THE ACQUISITION**
3 **PREMIUM IN THIS PROCEEDING?**

4 **A26.** No.

5 **Q27. WHAT ARE YOU RECOMMENDING REGARDING ACCOUNTING FOR THE**
6 **ACQUISITION PREMIUM?**

7 **A27.** Any potential acquisition premium should be set aside in a separate account and its ultimate
8 disposition determined in a future rate case. Importantly, there should be no assumption
9 that this balance will be recoverable in a subsequent rate case proceeding. The burden of
10 justifying the recovery of this balance rests with Limestone.

11 **Q28. IS THIS RECOMMENDATION CONSISTENT WITH THE COMMISSION'S**
12 **RULING ON ACQUISITION PREMIUM ACCOUNTING IN TPUC DOCKET NO.**
13 **19-00062?**

14 **A28.** Yes. In that order, the Commission found:

15 Limestone is not requesting an acquisition premium and the Commission is not
16 approving any acquisition adjustment related to the purchase of Aqua's assets;
17 accordingly, Limestone's beginning value of the acquired assets for ratemaking
18 purposes shall be the value recorded in Aqua's books and records at the date of
19 the acquisition. Further, Limestone is not authorized to book an above-the-line
20 regulatory asset for rate-making purposes for any portion of the amount by
21 which the purchase price exceeds the value of the acquired assets as reflected
22 in Aqua's books and records at the date of acquisition. In any future rate
23 proceeding, Limestone may present evidence and argument concerning the
24 value of assets used and useful for provisioning public utilities services, and the
25 Consumer Advocate or other interested parties may oppose such values or
26 present their own evidence and argument concerning the value of such assets.⁹

⁹ *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, 17-18, TPUC Docket No. 19-00062 (Dec. 7, 2020).*

1 **VI. SEPARATE ACCOUNTING RECORDS**

2 **Q29. ARE THERE ANY OTHER CONDITIONS YOU WOULD RECOMMEND?**

3 **A29.** Yes. I recommend that Limestone be required to maintain separate accounting records for
4 the Newport Resort system, distinct from its other systems. This is the same
5 recommendation made by the Consumer Advocate in TPUC Docket Nos. 23-00037¹⁰ and
6 21-00053.¹¹ Limestone has previously agreed to this recommendation in a separate
7 docket.¹²

8 **VII. OTHER CONSIDERATIONS**

9 **Q30. DO YOU HAVE CONCERNS REGARDING THE EFFECT OF THE**
10 **ACQUISITION ON CURRENT RATES?**

11 **A30.** Yes. I am concerned about the impact the results of this proceeding will have on future
12 rates.

13 **Q31. CAN YOU ELABORATE ON THIS CONCERN ABOUT FUTURE RATES?**

14 **A31.** Yes, the Company has recently filed its first Tennessee Rate Case, TPUC Docket No. 24-
15 00044, seeking consolidated rates for the water systems acquired to date. As shown in
16 Exhibit AJS-6 Rate Comparison the Company is proposing a proposed rate of \$50.62 for
17 the first 1,000 gallons for customers on a 5/8-inch tap, which is what the Newport Resort

¹⁰ Direct Testimony of Alex Bradley at 14:20-23, TPUC Docket No. 23-00037 (Dec. 12, 20203).

¹¹ Direct Testimony of David N. Dittmore at 21:21 – 22:4, TPUC Docket No. 21-00053 (Aug. 30, 2021).

¹² Limestone Water Utility Operating Company, LLC Response to Consumer Advocate DR No. 2-3, TPUC Docket No. 21-00053 (Aug. 10, 2021).

customer base is on.¹³ Currently, a customer using 3,000 gallons a month on the Newport Resort system pays an average bill of \$19.00.

Newport Resort Current Rates	
Minimum Charge (includes 2,000 Gallons)	\$ 12.00
Next 3,000 gallons (per 1,000 gallons)	\$ 7.00
Next 5,000 gallons (per 1,000 gallons)	\$ 3.25
Next 10,000 gallons and over (per 1,000 gallons)	\$ 3.00
Average Bill (3,000 gallons)	\$ 19.00 ¹⁴

As shown in the table below, a metered customer on a 5/8-inch tap, using an average of 3,000 gallons a month will see an average bill of approximately \$82 a month. If this proposal was adopted for the customers served in Newport Resort the increase would be approximately \$63 a month.

Limestone Water Operating Company	24-00044 Proposal
First 1,000 gallons	\$ 50.62
Each 1,000 gallons	\$ 10.55
Average Bill (3,000 gallons)	\$ 82.29 ¹⁵

Q32. DOES THIS CONCLUDE YOUR TESTIMONY?

A32. Yes. However, I reserve the right to supplement my testimony if additional information becomes available.

¹³ *Petition Of Limestone Water Utility Operating Company, LLC To Increase Charges, Fees And Rates And For Approval Of A General Rate Increase And Consolidated Rates*, Direct Testimony of Aaron Silas, Petitioners' Exhibit AJS-6, p.39, TPUC Docket No. 24-00044 (July 16, 2024).

¹⁴ *Joint Application* at 150/276.

¹⁵ *Petition of Limestone Water Utility Operating Company, LLC to Increase Charges, Fees and Rates and For Approval of a General Rate Increase and Consolidated Rates. (With Exhibit A-Proposed Protective Order) and (Collective Attachment 1-Minimum Filing Guidelines)*, TPUC Docket No. 24-00044, Petitioners Exhibit AJS-6 (39/75).

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

IN RE:

**JOINT APPLICATION OF LIMESTONE
WATER UTILITY OPERATING
COMPANY, LLC, AND BRIDGET J.
WILHITE, AS ADMINISTRATOR CTA
OF THE ESTATE OF GLENNA
NEWPORT, FOR APPROVAL OF THE
ACQUISITION OF AND TO OPERATE
THE NEWPORT RESORT WATER
SYSTEM, AND TO TRANSFER OR
ISSUE A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY**


DOCKET NO. 24-00034

AFFIDAVIT

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 26 day of July, 2024.


NOTARY PUBLIC



My commission expires: 1/31/2027.