

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

<b>IN RE:</b>	)	
	)	
<b>PETITION OF LIMESTONE WATER</b>	)	
<b>UTILITY OPERATING COMPANY,</b>	)	
<b>LLC TO INCREASE CHARGES, FEES</b>	)	<b>DOCKET NO. 24-00044</b>
<b>AND RATES, AND FOR APPROVAL OF</b>	)	
<b>A GENERAL RATE INCREASE AND</b>	)	
<b>CONSOLIDATED RATES</b>	)	
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**DIRECT TESTIMONY**

**OF**

**ALEX BRADLEY**

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**December 19, 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 dockets. A listing of my prior testimonies is attached as AB-Vitae to this Testimony.

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

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

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

3    **A5.**    My testimony will support and address the Consumer Advocate’s positions and concerns  
4           with Limestone Water Operating Company’s (“Limestone” or the “Company”) Petition.  
5           Specifically, I will address the following:

6                I.    Consumer Advocate’s proposed Revenue Requirement calculations for  
7                    both Water and Wastewater operations;

8                II.   Consumer Advocate’s proposed Adjusted Test Period Water and  
9                    Wastewater Operating & Maintenance Expenses;

10              III.   Consumer Advocate’s proposed Adjusted Test Period Water and  
11                  Wastewater Income Tax Expense;

12              IV.    Consumer Advocate’s Regulatory Expense Recovery

13           Additionally, Mr. Hal Novak will testify to the Consumer Advocate’s calculation of  
14           revenues, and rate design. Mr. Clark Kaml will testify to the Company’s Rate Base and  
15           Mr. Aaron Rothschild will testify to the Consumer Advocate’s proposed cost of capital.

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

18   **A6.**    I have reviewed the Petition along with the respective responses to the Consumer  
19           Advocate’s Discovery Requests.

20                           **I.    PROPOSED REVENUE REQUIREMENT**

21   **Q7.    CAN YOU SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS IN**  
22   **THIS CASE?**

23   **A7.**    Yes, a summary of my findings and recommendations is as follows:

- A Proposed Consolidated Revenue Deficiency of \$654,305<sup>1</sup> for Limestone (consolidated), comprised of the following:
  - A Proposed Revenue Deficiency of \$\$303,837<sup>2</sup> for Limestone Wastewater Operations;
  - A Proposed Revenue Deficiency of \$ \$350,468<sup>3</sup> for Limestone Water Operations;
  - The Adjusted Test Period Operations and Maintenance Expense for Wastewater Operations should be \$1,536,249;<sup>4</sup> and
  - The Adjusted Test Period Operations and Maintenance Expense for Water Operations should be \$447,918.<sup>5</sup>

**Q8. WHAT HAS THE CONSUMER ADVOCATE USED FOR THE TEST PERIOD IN THIS CASE?**

**A8.** The Company has proposed a twelve-month historic Adjusted Test Period ending April 30, 2024. It is my opinion that this period proposal is acceptable and should be adopted by the Commission.

**Q9. HAVE YOU SPONSORED THREE MULTI-PAGE EXHIBITS REFLECTING THE CONSUMER ADVOCATE’S PROPOSED REVENUE DEFICIENCY/ (SUFFICIENCY)?**

**A9.** Yes, I have. I’m sponsoring Exhibits AB-1, Limestone consolidated revenue requirements; AB-1.1, Limestone Wastewater revenue requirements; and AB-1.2, Limestone Water revenue requirements. Regarding Exhibits AB-1.1 and AB-1.2, both include Schedules 1-11, respectively.

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<sup>1</sup> File <AB-1 Limestone Rev req Consolidated>, Tab “Op Results” Schedule 1, line 11.  
<sup>2</sup> File <AB-1 1 Limestone Rev req Consolidated >, Tab “Wastewater”, Schedule 1.1, line 9.  
<sup>3</sup> File <AB-1 1 Limestone Rev req Consolidated >, Tab “Water”, Schedule 1.2, line 9.  
<sup>4</sup> File <AB-1.1 1 Limestone Rev req Consolidated >, Tab “Wastewater”, Schedule 5, line 35.  
<sup>5</sup> File <AB-1.2 1 Limestone Rev req Consolidated >, Tab “Water”, Schedule 5, line 29.

1 The Consumer Advocate’s proposed consolidated revenue deficiency is \$ \$654,305<sup>6</sup> using  
2 the 7.37%<sup>7</sup> overall return recommended by Mr. Rothschild and produces a required return  
3 that is \$1,019,531 less than the Company’s proposal.<sup>8</sup>

4 As shown on Consumer Advocate Exhibit Wastewater, Schedule 1.1, our proposed revenue  
5 wastewater deficiency calculation required is \$303,837, or \$919,438 less than the  
6 Company’s proposed increase of \$1,223,275 million.

7 As shown on Consumer Advocate Exhibit Water, Schedule 1.2, our proposed revenue  
8 water deficiency calculation is \$350,468, representing a decrease to revenues of  
9 approximately \$100,093, from that requested by the Company, \$450,561.

## 10 II. ADJUSTMENTS TO WATER AND WASTEWATER O&M

### 11 Q10. WHAT WAS THE STARTING POINT FOR YOUR REVIEW?

A10. I calculated the test period values reflected in Schedule 5 within Exhibit AB-1.1  
(Wastewater) and AB-1.2 (Water) from the data provided in Minimum Filing Guideline  
 (“MFG”) No. 8. I then proposed various pro-forma adjustments from these test period  
 amounts. The pro-forma adjustments I am sponsoring were not based upon the Company’s  
 pro-forma data. I have accepted the Company’s pro-forma adjustments in CD 1.1 and 1.2,<sup>9</sup>  
 respectively, which are discussed below.

### 12 Q11. CAN YOU PROVIDE A SUMMARY OF YOUR PROPOSED ADJUSTMENTS TO 13 THE TEST PERIOD?

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<sup>6</sup> File <AB-1 Limestone Rev req Consolidated>, Tab “Op Results” Schedule 1, line 11.

<sup>7</sup> *Direct Testimony of Aaron Rothschild* at 14:22-15:1, TPUC Docket No. 24-00044 (December 19, 2024).

<sup>8</sup> File <AB-1 Limestone Rev req Consolidated>, Tab “Op Results” Schedule 1, line 11.

<sup>9</sup> *Direct Testimony of Clare Donovan*, Exhibits CD1 & D2.



1 **Q13. DOES LIMESTONE RELY ON A HIGH LEVEL OF CONTRACT SERVICES?**

2 **A13.** Yes. As described in the Direct Testimony of Clare Donovan:

3 “[the Company] does not employ water or sewer field operations staff but  
4 instead contracts with professional third-party water and sewer operations and  
5 maintenance companies. These contractors are managed by an employee of  
6 CSWR who is assigned as Regional Manager for the system operations of  
7 Limestone Water. This model provides the ability to expense operations and  
8 management costs in a direct manner that does not require further allocation  
9 methodologies. Since these contract operations costs are incurred exclusively  
10 for Limestone Water, they are billed directly to Limestone Water. Similarly,  
11 operations and management costs for other state utility operating subsidiaries  
12 are billed directly to those subsidiaries.”<sup>11</sup>

13 **Q14. DO ANY OTHER WATER OR WASTEWATER UTILITIES USE A**  
14 **COMPARABLE LEVEL OF CONTRACT SERVICES?**

15 **A14.** Not to my knowledge.

16 **A. Water O&M Adjustments**

17 **Q15. PLEASE PROVIDE A LIST OF WATER O&M ADJUSTMENTS YOU ARE**  
18 **SPONSORING IN THIS PROCEEDING?**

19 **A15.** The list of adjustments I am sponsoring along with the supporting schedule is shown  
20 below.<sup>12</sup>

21 *[Intentionally Blank, Table on Next Page]*

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<sup>11</sup> Direct Testimony of Clare Donovan at 8:1-9.

<sup>12</sup> An adjustment to State and Federal Income Taxes is discussed later in my testimony.

Limestone Rate Case					
TPUC Docket 24-00044					
Water Adjustment Summary					
Test Period	AB-1 /				AB
O&M	CD 1.2	AB-2	AB-3	AB-4	Adjusted
					Test Year
\$ 457,298	539	(228)	(3,686)	(6,004)	Total
				Change:	\$ (9,379)

**Q16. CAN YOU PROVIDE YOUR FIRST ADJUSTMENT TO WATER O&M EXPENSES?**

**A16.** My first adjustment to Water O&M Expenses is to accept the Company’s pro-forma O&M adjustments totaling \$539 as shown in Ms. Donovan’s Exhibit CD-1.2.<sup>13</sup> As shown in the above table “Water Adjustment Summary,” water expenses have been increased by approximately \$539. These amounts reflect 451 lines of Known and Measurable/Annualization adjustments split between water and wastewater identified in the Company’s response to Consumer Advocate DR No. 1-35.

**Q17. DISCUSS YOUR SECOND ADJUSTMENT TO WATER O&M EXPENSES.**

**A17.** As shown in the Q&A15 table above, water expenses have been increased by approximately \$228 after using the provided per book values along with the allocation factors provided in response to informal discovery.<sup>14</sup> This adjustment is necessary to reconcile the Company’s general ledger O&M data with those O&M costs identified in the Company’s Schedule 3.2, included in its Minimum Filing Guidelines.

**Q18. WHAT WAS YOUR THIRD ADJUSTMENT TO WATER O&M EXPENSES?**

<sup>14</sup> Limestone’s Responses to Informal Discovery Request No. 2 (Aug. 27, 2024).

1 **A18.** My third adjustment to Water Expenses removes allocated charges from the Services  
2 Company to Limestone Water in Account 6340- Admin Expenses Transferred, that were  
3 not related to the provision of utility services.<sup>15</sup>

4 The details of CSWR allocations to Limestone that CSWR is seeking recovery include, but  
5 are not limited to [REDACTED]

6 [REDACTED]. These costs have not been  
7 demonstrated to be necessary in the provision of water and wastewater service in the state  
8 of Tennessee.

9 The removal of these charges before allocation to Limestone reduces Water O&M  
10 Expenses by \$3,686.

11 **Q19. WHAT WAS YOUR FOURTH ADJUSTMENT TO WATER O&M EXPENSES?**

12 **A19.** My fourth adjustment was to reduce water production costs to account for the  
13 Commission's prior water loss policies. As identified by Company witness Aaron Silas,  
14 the Company is currently experiencing a water loss percentage of 18.45%.<sup>16</sup> The identified  
15 water loss, 18.45%, is greater than the 15% baseline amount used by the Commission in  
16 prior decisions.<sup>17</sup> I have reduced the recoverability of water production costs to 96.55% to  
17 account for this. The result of this 96.55% recoverability results in a reduction in Water  
18 Expense O&M of \$6,004 as shown in the Q&A15 table above.

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<sup>15</sup> For a detailed listing of charges removed See File<CONFIDENTIAL AB-3 DR 27 – CSWR Allocated  
Cost>.

<sup>16</sup> Direct Testimony of Aaron Silas, at 23:11.

<sup>17</sup> Final Order, *In re: Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges so as to Permit it to Earn a Fair and Adequate Rate of Return on its Property Used and Useful in Furnishing Water Service to its Customers*, at 17, TRA Docket No. 08-00039 (Jan. 13, 2009); and the Court of Appeals affirmed the Commission's decision which included a 15% cap, *Tennessee American Water Co. v. TRA*, 2011 WL 334678 (Tenn. Ct. App. 2011). For a discussion on non-revenue water, See *Consumer Advocate Division's Post Hearing Brief*, pp. 51-54, TPUC Docket No. 24-00032 (Dec. 10, 2024).

## B. Wastewater O&M Adjustments

**Q20. CAN YOU SUMMARIZE YOUR CALCULATION FOR TEST PERIOD O&M (WASTEWATER) EXPENSE?**

**A20.** Yes, similar to my earlier statement referencing the Company's water operations, I began my review by attempting to tie the Company's Schedule "BT-3.1" to the General Ledger provided as MFR No. 8.

**Q21. CAN YOU PROVIDE A SUMMARY OF THE ITEMS CONTAINED WITHIN YOUR ADJUSTED TEST PERIOD O&M (WASTEWATER) EXPENSE?**

**A21.** Yes. The Table below provides a summary of the 31 items contained within my calculations for Adjusted Test Period O&M (Wastewater) Expenses.

Limestone Water Operating Company, LLC - Wastewater									
Income Statement at Current Rates									
For the 12 Months Ending April 30, 2024									
Line No.									
		Test Period	A/		Adjustments			Adjusted Test Period Amount	
<b>Operating &amp; Maintenance Expenses:</b>									
1	Gain/Loss of Utility Property	\$ 76,473		\$	-76,473		\$	0	
2	Customer Record Collect (Billing)	73,193			-18,030			55,163	
3	Customer Collection Expenses	237			0			236	
4	Customer Record Collect (Bank Fees)	15,415			-8			15,407	
5	Uncollectibles	4,969			-3			4,966	
6	Meals & Travel	31			-31			0	
7	Communication	3,553			0			3,553	
8	Support Services (Admin Expenses Transferred)	302,529			-12,495			290,034	
9	Bank Fees	19,541			-10			19,531	
10	Legal	4,738			-3,426			1,312	
11	Audit And Accounting	5,562			-2,621			2,941	
12	MGMT Consult	4,854			-3			4,851	
13	IT	669			-252			417	
14	Property Insurance-Commercial	43,429			1,632			45,061	
15	Regulatory Expense	27,519			639			28,158	
16	Purchased Treatment	352			0			352	
17	Sludge Removal	(80)			0			(80)	
18	Purchased Power	173,269			2,151			175,420	
19	Fuel for Power Production	38			0			38	
20	Chemicals	18,508			0			18,508	
21	Materials and Supplies	7,590			316			7,906	
22	Mowing and Lawn Maintenance	141,876			0			141,876	
23	Contract Services	413,507			84,642			498,149	
24	Contract Services-Collections	31,578			0			31,578	
25	Maintenance Expense	87,595			-300			87,295	
26	Contract Operations - Pumping Ops	480			0			480	
27	Pumping Maintenance	100			0			100	
28	Treatment & Disposal	37,967			-4,634			33,333	
29	Contract Services-Testing	42,596			318			42,914	
30	Bad Debt	6,749			0			6,749	
31	Misc. Expense	20,011			-9			20,003	
32	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 1,564,846</b>		<b>\$</b>	<b>-28,597</b>		<b>\$</b>	<b>1,536,249</b>	

In addition, I am sponsoring an adjustment to reduce State and Federal Income Tax Expense of \$-43,856<sup>18</sup> which is discussed later in my testimony.

**Q22. CAN YOU PROVIDE YOUR PROPOSED WASTEWATER EXPENSE ADJUSTMENT SUMMARY?**

**A22.** Yes, see below for a summary of my three adjustments to the Company's proposed Wastewater Expense.

Limestone Rate Case				
TPUC Docket 24-00044				
Wastewater Adjustment Summary				
Test Period O&M	AB-1 / CD 1.2	AB-2	AB-3	AB Revised Total
\$ 1,564,846	1,164	(17,422)	(12,339)	\$ 1,536,249
			Change:	\$ (28,597)

**Q23. CAN YOU DISCUSS YOUR FIRST ADJUSTMENT TO WASTEWATER O&M EXPENSES?**

**A23.** My first adjustment to Wastewater O&M Expenses was to accept the Company's \$1,164 as shown above, proposed increase in expenses.<sup>19</sup> As mentioned above, the starting point for my review was the Company's book expenses in the test period, rather than its pro-forma balances. Thus, it is then appropriate to make appropriate pro-forma adjustments sponsored by the Company to arrive at a pro-forma test period balance.

<sup>18</sup> File <AB-1.1 Limestone Water Consumer Advocate Revenue Requirement Schedules>, Tab "Excise&Income Tax", Schedule 8.

<sup>19</sup> Direct Testimony of Clare Donovan, Exhibit CD-1.1.

1 **Q24. CAN YOU PROVIDE YOU SECOND ADJUSTMENT TO WASTEWATER O&M**  
2 **EXPENSES?**

3 **A24.** Yes, as shown in the above table in Q&A22, wastewater Expenses have been reduced by  
4 approximately \$17,422 after using the provided per book values along with the allocation  
5 factors provided in response to informal discovery.<sup>20</sup> This adjustment is necessary to  
6 reconcile the Company's general ledger O&M data with those O&M costs identified in the  
7 Company's Schedule 3.1, included in its Minimum Filing Guidelines.

8 **Q25. WHAT WAS YOUR THIRD ADJUSTMENT TO WASTEWATER O&M**  
9 **EXPENSES?**

10 **A25.** My third adjustment to Wastewater Expenses was to remove allocated charges from the  
11 Services Company to Limestone Water in Account 772- Admin Expenses Transferred, that  
12 were not related to the provision of utility services.<sup>21</sup> The nature of this adjustment is  
13 identical to Water Adjustment No. 3 discussed above.

14 **Q26. WHAT TYPES OF CHARGES WERE ALLOCATED TO LIMESTONE THAT**  
15 **YOU DETERMINED WERE UNREASONABLE TO BE ALLOCATED IN THIS**  
16 **MATTER?**

17 **A26.**

[REDACTED]

18 [REDACTED]<sup>22</sup>

19 **Q27. WHAT WAS THE ADJUSTMENT MADE FOR THESE ALLOCATIONS?**

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<sup>20</sup> Limestone's Responses to Informal Discovery Request No. 2 (Aug. 27, 2024).

<sup>21</sup> For a detailed listing of removed charges See File <CONFIDENTIAL AB-3 DR 27 – CSWR Allocated Costs>.

<sup>22</sup> *Id.*

**A27.** The removal of these charges after allocation to Limestone reduces Wastewater O&M by \$12,339 as shown in the above table in Q&A22.

**Q28. ARE YOU SPONSORING ANY OTHER PROPOSALS?**

**A28.** Yes, I am sponsoring an alternative to the Company's Non-Revenue Water ("NRW") proposal to cap recovery of production costs at 18.45%. Under the Company's proposal, this cap would limit water losses to this percentage should the Company operate under an Alternative Rate Mechanism ("ARM").

For the purposes of this matter the Company's proposed utilizing the calculation of "R=G(1-L)", where:

- R is the proposed pass-through rate Limestone is seeking to charge.
- G is the Current rate charged by the Savannah Utility Department to the Company (per 1,000 gallons).
- L is the water loss as calculated by comparing the billed usage of Savannah Utility Department and to the Individual customers on Limestone's Aqua Water System.

**Q29. ARE YOU AWARE OF ANY OTHER TENNESSEE UTILITIES WITH ALTERNATIVE REGULATORY RIDERS REGARDING NRW?**

**A29.** Yes, currently Tennessee-American Water has a rider that trues up the costs to produce, ship, and sell their water services that is presented as a percentage rider on their customer bills.<sup>23</sup>

**Q30. IS THE COMPANY'S PROPOSAL SIMILIAR TO THE NRW ADJUSTMENT USED IN TAWC'S CALCULATION?**

**A30.** No. Limestone's proposal is set out above, but I have restated its proposed formula as:

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<sup>23</sup> *Order Approving Amended Petition*, TRA Docket No. 13-00130 (Jan. 27, 2016).

1 Revenues=Current PW Rate(1-Calculated water loss [delta between shipped and billed])

2 Compared to the calculation utilized by TAWC is a NRW Limiter, a NRW limiter which  
3 is the percentage of actual water system sales to system delivery (“water loss”) compared  
4 to the same percentage from the Company’s last rate case. Any water loss, expressed as a  
5 percentage, exceeding the amount set in the Company’s last base rate case results in a  
6 limitation of the Fuel & Purchased Power expense and the Chemical Expense the Company  
7 can recover from ratepayers.<sup>24</sup>

8 **Q31. HAS THE COMPANY PROVIDED ANY SUPPORT FOR THEIR 18.45% NRW**  
9 **PROPOSAL?**

10 **A31.** No, they have not. Additionally, their request is not included within their revenue  
11 requirement proposals.

12 **Q32. IS THE COMPANY PROPOSING A NON-REVENUE WATER PERCENTAGE**  
13 **FOR WATER OPERATIONS?**

14 **A32.** Yes, as discussed by Mr. Silas, Limestone is proposing to treat all known leaks as  
15 “accounted for” which resulted in a calculation of 18.45% water loss.<sup>25</sup> It appears  
16 Limestone is proposing the same formula as set in Tennessee American Water’s existing  
17 rate case which is the “is the difference there of the total water produced or purchased  
18 minus what is accounted for.”<sup>26</sup>

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<sup>24</sup> Direct Testimony of Alex Bradley at 5-6, TPUC Docket No. 24-00032, September 17, 2024.

<sup>25</sup> Direct Testimony of Aaron Silas at 23:6-8; 182:25 – 183:1.

<sup>26</sup> Transcript of Proceedings at Vol I at 183:6-8, TPUC Docket No. 24-00032. For a discussion on non-revenue water, See Consumer Advocate Division’s Post Hearing Brief, pp. 51-54, TPUC Docket No. 24-00032 (Dec. 10, 2024).

1 **Q33. DO YOU HAVE ANY OTHER COMMENTS REGARDING THE COMPANY'S**  
2 **PROPOSED NRW ADJUSTMENT OF 18.45%?**

3 **A33.** Yes. The threshold for a NRW limiter on any future Production Cost Rider should be the  
4 Commission's approved standard of 15% and approved formula of (sales – delivery).<sup>27</sup>

5 Further, I believe that, in a future filing, if this Commission should find a Production Cost  
6 Rider appropriate for Limestone that the Commission retains its baseline of NRW 15%  
7 threshold, as used in prior water utility cases along with requiring that any such filing be  
8 accompanied by:

- 9 1. A requirement exclusive of fees or penalties;
- 10 2. A requirement for all supporting documentation to be included for recovery  
11 of pass-through or production costs;
- 12 3. A requirement for the Company to produce workpapers with links intact to  
13 the source material; and
- 14 4. That these lost water production costs should not be spread across the  
15 entirety of Limestone's water customers.

16 **III. STATE EXCISE AND FEDERAL INCOME TAX EXPENSE**

17 **Q34. EARLIER YOU INDICATED THAT YOU WERE ALSO SPONSORING AN**  
18 **ADJUSTMENT TO STATE EXCISE AND FEDERAL INCOME TAX EXPENSE.**

19 **A34.** Yes. Adjustment AB-6 calculates pro-forma State excise and federal income tax  
20 incorporating Consumer Advocate's proposed rate of return and pro-forma rate base,  
21 revenues and expenses.

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<sup>27</sup> *Final Order, In re: Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges so as to Permit it to Earn a Fair and Adequate Rate of Return on its Property Used and Useful in Furnishing Water Service to its Customers*, at 17, TRA Docket No. 08-00039 (Jan. 13, 2009); and the Court of Appeals affirmed the Commission's decision which included a 15% cap, *Tennessee American Water Co. v. TRA*, 2011 WL 334678 (Tenn. Ct. App. 2011). For a discussion on non-revenue water, *See Consumer Advocate Division's Post Hearing Brief*, pp. 51-54, TPUC Docket No. 24-00032 (Dec. 10, 2024).

1 Based upon these inputs, the pro-forma state excise tax for Limestone’s wastewater  
2 operations is \$-10,907, and federal Income Tax is \$-32,949 as reflected on Schedule 8  
3 within Exhibit AB-1.1.<sup>28</sup>

4 Based upon the above inputs the pro-forma state excise tax for Limestone’s water  
5 operations is \$-17,067, and federal Income Tax is \$-51,555 as reflected on Schedule 8  
6 within Exhibit AB-1.2.<sup>29</sup>

7 **IV. PROPOSAL RELATED TO THE RECOVERY OF REGULATORY COSTS OF**  
8 **THIS PROCEEDING**

9 **Q35. PLEASE SUMMARIZE THE COMPANY’S PROPOSAL TO RECOVER ITS**  
10 **EXTERNAL REGULATORY COSTS ASSOCIATED WITH THIS PROCEEDING.**

11 **A35.** The Company is requesting to recover its estimated regulatory costs in this case, \$250,000<sup>30</sup>  
12 over a period of two years, of which 23% is assigned to water and 77% assigned to  
13 wastewater.<sup>31</sup>

14 **Q36. DO YOU HAVE CONCERNS WITH THE LEVEL OF REGULATORY COSTS**  
15 **ESTIMATED TO BE INCURRED IN THIS PROCEEDING?**

16 **A36.** Yes. First, of the total regulatory costs, \$225,000 is associated with legal costs. Based  
17 upon my experience, I believe the level of legal costs for a case of this size to be excessive,  
18 and actual legal costs should be substantially less than this forecast. Secondly, the two-  
19 year amortization spread over the approximate 2,600 customers impacted by this

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<sup>28</sup> File <AB-1.2 Limestone Water Consumer Advocate Revenue Requirement Schedules>, Tab “Excise&Income Tax”, Schedule 8.

<sup>29</sup> File <AB-1.1 Limestone Water Consumer Advocate Revenue Requirement Schedules>, Tab “Excise&Income Tax”, Schedule 8.

<sup>30</sup> File <CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx>, Tab “42-Rate Case Expense”.

<sup>31</sup> See Tabs 3.2 and 3.1 respectively within the Limestone Revenue Requirement file.

1 proceeding equates to an annual cost of approximately \$48, another indication of the  
2 excessive nature of such costs. Finally, the two-year amortization period recommended by  
3 the Company is unusually short and, in all likelihood, would result in excessive cost  
4 recovery by the Company.

5 **Q37. PLEASE EXPLAIN WHY YOU BELIEVE THE COMPANY WOULD RECOVER**  
6 **EXCESSIVE COSTS UNDER ITS PROPOSED TWO-YEAR AMORTIZATION**  
7 **PROPOSAL.**

8 **A37.** Most utilities in Tennessee, before the ARM legislation was in place, did not file rate cases  
9 every two years. For any period in which rates are in effect beyond the two-year period  
10 the Company would receive revenue for an expense that terminated at the end of the two-  
11 year period, resulting in increased net income for Limestone. Given the 240-day review  
12 period associated with rate case filings, the Company is essentially assuming it will file a  
13 new rate increase request within sixteen months when new rates from this proceeding are  
14 established. This is an unreasonably short period and places ratepayers at risk for excess  
15 costs.

16 **Q38. WHAT IS YOUR RECOMMENDATION ON THIS ISSUE?**

17 **A38.** I recommend that the Commission exclude forecasted rate case costs from this proceeding  
18 and consider the appropriate costs to be recovered in a separate proceeding when actual  
19 amounts are known. I recommend a separate surcharge be established once the reasonable  
20 amount of recoverable rate case costs is known, as identified in the separate proceeding.  
21 Further, the Commission could determine in that proceeding an appropriate amortization  
22 period by which such costs should be recovered. The advantage of a separate surcharge is  
23 that once the actual approved level of regulatory costs is recovered, the surcharge will

1           cease. This recommendation is consistent with the recommendation pending before the  
2           Commission in Docket No. 24-00032.<sup>32</sup>

3   **Q39. DOES THIS CONCLUDE YOUR TESTIMONY?**

4   **A39.** Yes.

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<sup>32</sup>       *Direct Testimony of William H. Novak*, at 10-11; September 17, 2024, TPUC Docket No. 24-00032.

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

IN RE: )  
)  
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 )  
)

**DOCKET NO. 24-00044**

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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 20<sup>th</sup> day of December, 2024.

  
\_\_\_\_\_  
NOTARY PUBLIC



My commission expires: 1/31/2027.

			Exhibit AB-1
Docket	Company	Matter	
17-00108	Tennessee Water Service, Inc.	Emergency Interim Relief Rider	
18-00009	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
18-00107	Tennessee Wastewater Systems, Inc.	Certificate of Convenience and Necessity- Warrioto Hills	
19-00010	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
19-00034	Cartwright Creek, LLC.	Increase Tap Fees	
19-00042	Cartwright Creek, LLC.	Amend Service Territory for Troubadour Development	
19-00057	Navitas TN NG, LLC.	General Rate Case	
19-00062	Aqua Utilities Company, Inc. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	
20-00028	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
20-00049	Chattanooga Gas Company	Annual Rate Review Mechanism	
20-00086	Piedmont Natural Gas Company, Inc.	General Rate Case	
21-00006	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
21-00055	Shiloh Falls Utilities, Inc. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	
21-00059	Candlewood Lakes & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	
21-00060	Chapel Woods & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	
21-00107	Kingsport Power Company D/B/A AEP Appalachian Power Company	General Rate Case	
22-00005	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
22-00032	Chattanooga Gas Company	Annual Rate Review Mechanism	
23-00007	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
23-00008	Atmos Energy Corporation	Annual Rate Review Mechanism	
23-00016	DSH & Associates, LLC. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN (Lakeside Estates Development)	
23-00029	Chattanooga Gas Company	Annual Rate Review Mechanism	
23-00037	Integrated Resource Management, Inc. & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	
24-00002	Tennessee American Water Company	Production Costs and Other Pass-Through Rider	
24-00024	Chattanooga Gas Company	Annual Rate Review Mechanism	
24-00032	Tennessee American Water Company	General Rate Case	
24-00034	Newport Resort Water System & Limestone Water Utility Operating Company, LLC.	Sale and Transfer of Assets and CCN	

**Limestone Water Operating Company, LLC**  
Results of Operations  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate	Company E/	Difference
1	Wastewater Rate Base	\$ 1,131,087 A/	\$ 2,383,921	\$ -1,252,834
2	Water Rate Base	729,115 B/	888,407	-159,292
3	Total Rate Base	1,860,202	3,272,328	-1,412,127
4	Operating Income At Current Rates	-366,753	-1,263,169	896,417
5	Earned Rate Of Return	-32.42%	-52.99%	20.56%
6	Fair Rate Of Return	7.37% C/	9.64%	-2.27%
7	Required Operating Income	137,013	315,394	-178,381
8	Operating Income Deficiency	503,765	1,578,563	-1,074,797
9	Gross Revenue Conversion Factor	1.298829 D/	1.367496	-0.068667
10	Gross Income Conversion Factor		1.010101	
11	<b>Revenue Deficiency</b>	<b>\$ 654,305</b>	<b>\$ 1,673,836</b>	<b>\$ -1,019,531</b>

A/ CA Wastewater Exhibit, AB-1.1, Schedule 1.1

A/ CA Water Exhibit, AB-1.2, Schedule 1.2

C/ CA Exhibit, Schedule 14.

D/ CA Exhibit, Schedule 15.

E/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-1.1"& tab "BT-1.2"

**Limestone Water Operating Company, LLC**  
Comparative Revenue Summary  
For the 12 Months Ending April 30, 2024

<b>Line No.</b>	<b>Customer Class</b>	<b>Consumer Advocate</b> A/	<b>Company</b> B/	<b>Difference</b>
1	Cartwright Creek	\$ 672,400	\$	\$
2	Aqua Utilites	269,142		
3	Chapel Woods	49,822		
4	Lakeside Estates	54,005		
5	Shiloh Falls	91,692		
6	Candlewood Lakes	49,920		
7	<b>Total Sales Revenue</b>	<b>\$ 1,186,981</b>	<b>\$ 1,369,398</b>	<b>\$ -182,417</b>
8	Forfeited Discounts	62,753		
9	Non-Sufficient Fund Fees	65		
10	Inspection Fees	11,550		
11	Connection Fees / Tap Fees	<u>481,575</u>		
12	<b>Total Other Operating Revenue</b>	<b>\$ 555,943</b>	<b>\$ 17,173</b>	<b>\$ 538,770</b>
13	<b>Total Revenues</b>	<b>\$ 1,742,924</b>	<b>\$ 1,386,572</b>	<b>\$ 356,352</b>

A/ WHN Revenue Workpaper R-1-1.00.

B/ Limestone Witness Thies Exhibit, Workpapers BT-3.1 and BT-3.2.

**Limestone Water Operating Company, LLC**  
CA Proposed Revenue Change  
For the 12 Months Ending April 30, 2024

Line No.	Location	Current Rates	A/	Proposed Rates	Revenue Change	B/	Percent Change
1	Cartwright Creek	\$ 672,400		\$ 1,023,455	\$ 351,055		52.21%
2	Aqua Utilites	269,142		409,659	140,517		52.21%
3	Chapel Woods	49,822		75,834	26,012		52.21%
4	Lakeside Estates	54,005		82,200	28,195		52.21%
5	Shiloh Falls	91,692		139,564	47,872		52.21%
6	Candlewood Lakes	<u>49,920</u>		<u>75,983</u>	<u>26,063</u>		<u>52.21%</u>
7	Total Water Sales Revenues	\$ <b>1,186,981</b>		\$ <b>1,806,694</b>	\$ <b>619,713</b>		<b>52.21%</b>
8	Other Revenues	<u>555,943</u>		<u>590,535</u>	<u>34,592</u>		<u>6.22%</u>
9	<b>Total Revenues</b>	\$ <u><b>1,742,924</b></u>		\$ <u><b>2,397,229</b></u>	<u><b>654,305</b></u>		<u><b>37.54%</b></u>

A/ CA Exhibit, Schedule 9.

B/ CA Exhibit, Schedule 1.

**Limestone Water Operating Company, LLC - Wastewater**  
**INDEX TO SCHEDULES**  
For the 12 Months Ending April 30, 2024

	<b><u>Schedule</u></b>
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Comparative Working Capital	4
Income Statement at Current Rates	5
Comparative Income Statement at Current Rates	6
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Excise and Income Taxes	8
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Rate of Return Summary	10
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Consumer Advocate Proposed Revenue Change	12

**Limestone Water Operating Company, LLC - Wastewater**  
Results of Operations  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate	Company E/	Difference
1	Rate Base	\$ 1,131,087 A/	\$ 2,383,921	\$ -1,252,834
2	Operating Income At Current Rates	-150,621 B/	-924,062	773,440
3	Earned Rate Of Return	-13.32%	-38.76%	25.45%
4	Fair Rate Of Return	7.37% C/	9.64%	-2.27%
5	Required Operating Income	83,310	229,767	-146,457
6	Operating Income Deficiency	233,931	1,153,829	-919,897
7	Gross Revenue Conversion Factor	1.298829 D/	1.367496	-0.068667
8	Gross Income Conversion Factor	_____	1.010101	_____ -1.010101
9	<b>Revenue Deficiency</b>	<b>\$ 303,837</b>	<b>\$ 1,223,275</b>	<b>\$ -919,438</b>

A/ CA Exhibit, Schedule 2.  
B/ CA Exhibit, Schedule 7.  
C/ CA Exhibit, Schedule 14.  
D/ CA Exhibit, Schedule 15.  
E/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-1.1"

**Limestone Water Operating Company, LLC - Wastewater**  
Average Rate Base  
For the 12 Months Ending April 30, 2024

Line No.		Test Period	A/	Adjustments	Adjusted Test Period	B/
	<b>Additions:</b>					
1	Utility Plant in Service	\$ 9,973,659		\$ 988,169	\$ 10,961,828	
2	Land and Land Rights	0		-518,067	-518,067	
3	Utility Plant Acquisition Adjustment	0		0	0	
4	Prepayments	5,545		0	5,545	
5	Working Capital	<u>129,461</u>		<u>0</u>	<u>129,461</u>	C/
6	<b>Total Additions</b>	<u>\$ 10,108,664</u>		<u>\$ 470,102</u>	<u>\$ 10,578,767</u>	
	<b>Deductions:</b>					
7	Accumulated Depreciation	\$ 3,199,129		\$ 0	\$ 3,199,129	
8	CIAC For Finance and Escrow Riders	653,857		0	653,857	
9	Contributions in Aid of Construction	5,124,592		389,192	5,513,784	
10	<b>Total Deductions</b>	<u>\$ 8,977,578</u>		<u>\$ 389,192</u>	<u>\$ 9,366,770</u>	
11	<b>Rate Base</b>	<u>\$ 1,131,087</u>		<u>\$ 80,910</u>	<u>\$ 1,211,996</u>	

A/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-9.1"

B/ Exhibits of Clark Kahml 3.0-Plant in Service

C/ CA Exhibit, Schedule 4.

**Limestone Water Operating Company, LLC - Wastewater**  
Comparative Rate Base  
For the 12 Months Ending April 30, 2024

Line No.		<u>Consumer Advocate</u> A/	<u>Company</u> B/	<u>Difference</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 10,961,828	\$ 10,961,828	\$ 0
2	Land and Land Rights	-518,067	0	-518,067
3	Utility Plant Acquisition Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
4	Prepayments	5,545	5,545	0
5	Working Capital	<u>129,461</u>	<u>129,461</u>	<u>0</u>
6	<b>Total Additions</b>	<b>\$ <u>10,578,767</u></b>	<b>\$ <u>11,096,834</u></b>	<b>\$ <u>-518,067</u></b>
	<b>Deductions:</b>			
7	Accumulated Depreciation	\$ 3,199,129	\$ 3,199,129	\$ 0
8	Accumulated Amortization	653,857	0	653,857
9	Contributions in Aid of Construction	5,513,784	5,513,784	0
10	<b>Total Deductions</b>	<b>\$ <u>9,366,770</u></b>	<b>\$ <u>8,712,913</u></b>	<b>\$ <u>653,857</u></b>
11	<b>Rate Base</b>	<b>\$ <u>1,211,996</u></b>	<b>\$ <u>2,383,921</u></b>	<b>\$ <u>-1,171,925</u></b>

A/ CA Exhibit, Schedule 2.

B/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-9.1"

Limestone Water Operating Company, LLC - Wastewater

Comparative Working Capital

For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate	A/	Company	A/	Difference
1	Operating Expenses for Test Period	\$	129,461	\$	129,461	\$ 0
2	Working Capital Requirement	\$	<u>129,461</u>	\$	<u>129,461</u>	\$ <u>0</u>

A/ "BT-13.2"

**Limestone Water Operating Company, LLC - Wastewater**  
Income Statement at Current Rates  
For the 12 Months Ending April 30, 2024

Line No.		Test Period A/	Adjustments	Adjusted Test Period Amount
	<b>Operating Revenues:</b>			
1	Sewer Revenues	\$ 843,404	\$ 142,642	\$ 986,046
2	Other Revenues	201,451	354,492	555,943
3	<b>Total Sewer Revenue</b>	<b>\$ 1,044,855</b>	<b>\$ 497,134</b>	<b>\$ 1,541,989</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
4	Gain/Loss of Utility Property	\$ 76,473	\$ -76,473	\$ 0
5	Customer Record Collect (Billing)	73,193	-18,030	55,163
6	Customer Collection Expenses	237	0	236
7	Customer Record Collect (Bank Fees)	15,415	-8	15,407
8	Uncollectibles	4,969	-3	4,966
9	Meals & Travel	31	-31	0
10	Communication	3,553	0	3,553
11	Support Services (Admin Expenses Transferred)	302,529	-12,495	290,034
12	Bank Fees	19,541	-10	19,531
13	Legal	4,738	-3,426	1,312
14	Audit And Accounting	5,562	-2,621	2,941
15	MGMT Consult	4,854	-3	4,851
16	IT	669	-252	417
17	Property Insurance-Commercial	43,429	1,632	45,061
18	Regulatory Expense	27,519	639	28,158
19	Purchased Treatment	352	0	352
20	Sludge Removal	(80)	0	(80)
21	Purchased Power	173,269	2,151	175,420
22	Fuel for Power Production	38	0	38
23	Chemicals	18,508	0	18,508
24	Materials and Supplies	7,590	316	7,906
25	Mowing and Lawn Maintenance	141,876	0	141,876
26	Contract Services	413,507	84,642	498,149
27	Contract Services-Collections	31,578	0	31,578
28	Maintenance Expense	87,595	-300	87,295
29	Contract Operations - Pumping Ops	480	0	480
30	Pumping Maintenance	100	0	100
31	Treatment & Disposal	37,967	-4,634	33,333
32	Contract Services-Testing	42,596	318	42,914
33	Bad Debt	6,749	0	6,749
34	Misc, Exepense	20,011	-9	20,003
35	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 1,564,846</b>	<b>\$ -28,597</b>	<b>\$ 1,536,249</b>
36	Depreciation Expense	465,940	0	465,940
37	Amortization Expense	-189,623	-103,551	-293,174 C/
38	Amortization of Regulatory Asset Expense	0	0	0
39	General Taxes	2,073	0	2,073
40	Property Taxes	25,379	0	25,379
41	State Income Taxes	0	-10,907	-10,907
42	Federal Income Taxes	0	-32,949	-32,949
43	<b>Total Operating Expenses</b>	<b>\$ 1,868,615</b>	<b>\$ -176,004</b>	<b>\$ 1,692,611</b>
44	<b>Utility Operating Income</b>	<b>\$ -823,759</b>	<b>\$ 673,138</b>	<b>\$ -150,621</b>

A/ CA Exhibit, Schedule 7.

B/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tabs "BT-3.1" & "BT-4.1"

C/ CK Exhibit XX

**Limestone Water Operating Company, LLC - Wastewater**  
Comparative Income Statement at Current Rates  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate A/	Company B/	Difference
	<b>Operating Revenues:</b>			
1	Sewer Revenues	\$ 986,046	\$ 1,172,345	\$ -186,299
2	Other Revenues	555,943	15,332	540,611
3	<b>Total Sewer Revenue</b>	<b>\$ 1,541,989</b>	<b>\$ 1,187,678</b>	<b>\$ 354,312</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
4	Gain/Loss of Utility Property	\$ 0	\$ 0	\$ 0
5	Customer Record Collect (Billing)	55,163	55,163	0
6	Customer Collection Expenses	236	236	0
7	Customer Record Collect (Bank Fees)	15,407	15,407	0
8	Uncollectibles	4,966	4,966	0
9	Meals & Travel	-31	0	-31
10	Communication	3,553	3,553	0
11	Support Services (Admin Expenses Transferred)	256,895	302,373	-45,478
12	Bank Fees	19,531	19,531	0
13	Legal	-2,401	1,312	-3,713
14	Audit And Accounting	323	2,941	-2,618
15	MGMT Consult	4,851	4,851	0
16	IT	165	417	-252
17	Property Insurance-Commercial	46,586	45,061	1,525
18	Regulatory Expense	28,392	28,158	233
19	Purchased Treatment	352	352	0
20	Sludge Removal	-80	-80	0
21	Purchased Power	175,420	175,420	0
22	Fuel for Power Production	38	38	0
23	Chemicals	18,508	18,508	0
24	Materials and Supplies	7,906	7,906	0
25	Mowing and Lawn Maintenance	141,876	141,876	0
26	Contract Services	498,149	498,149	0
27	Contract Services-Collections	31,578	31,578	0
28	Maintenance Expense	87,295	87,295	0
29	Contract Operations - Pumping Ops	480	480	0
30	Pumping Maintenance	100	100	0
31	Treatment & Disposal	33,333	33,333	0
32	Contract Services-Testing	42,914	42,914	0
33	Bad Debt	6,749	6,749	0
34	Misc, Expense	20,003	20,003	0
35	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 1,498,256</b>	<b>\$ 1,548,589</b>	<b>\$ -50,333</b>
36	Depreciation Expense	465,940	465,940	0
37	Amortization Expense	-293,174 C/	-26,441	-266,733
38	Amortization of Regulatory Asset Expense	0	96,200	-96,200
39	General Taxes	2,073	2,072	1
40	Property Taxes	25,379	25,379	0
41	State Income Taxes	-10,907	0	0
42	Federal Income Taxes	-32,949	0	0
43	<b>Total Operating Expenses</b>	<b>\$ 1,654,618</b>	<b>\$ 2,111,739</b>	<b>\$ -413,265</b>
44	<b>Utility Operating Income</b>	<b>\$ -112,628</b>	<b>\$ -924,062</b>	<b>\$ 767,577</b>

A/ CA Exhibit, Schedule 5.

B/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tabs "BT-3.1" & "BT-4.1"

C/

**Limestone Water Operating Company, LLC - Wastewater**  
Comparative Water Revenue Summary  
For the 12 Months Ending April 30, 2024

<b>Line No.</b>	<b>Customer Class</b>	<b>Consumer Advocate</b> A/	<b>Company</b> B/	<b>Difference</b>
1	Cartwright Creek - Grassland	\$ 296,218	\$	\$ 296,218
2	Cartwright Creek - Arrington/Hardeman/Hideaway	278,736		278,736
3	Cartwright Creek	97,446		97,446
4	Aqua Utilities	118,127		118,127
5	Chapel Woods	49,822		49,822
6	Lakeside Estates (DSH)	54,005		54,005
7	Shiloh Falls	91,692		91,692
9	<b>Total Sewer Sales Revenue</b>	<b>\$ 986,046</b>	<b>\$ 1,172,345</b>	<b>\$ 986,046</b>
10	Forfeited Discounts	56,508		56,508
11	Non-Sufficient Fund Fees	65		65
12	Inspection Fees	11,550		11,550
13	Connection Fees / Tap Fees	481,575		481,575
14	<b>Total Other Operating Revenue</b>	<b>\$ 549,698</b>	<b>\$ 15,077</b>	<b>\$ 534,621</b>
14	<b>Total Revenues</b>	<b>\$ <u>1,535,744</u></b>	<b>\$ <u>1,187,422</u></b>	<b>\$ <u>1,520,668</u></b>

A/ WHN Revenue Workpaper R-1-1.00.

B/ Limestone Witness Thies Exhibit, Workpapers BT-3.1

**Limestone Water Operating Company, LLC - Wastewater**  
Excise and Income Taxes  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate	A/
1	<b>Operating Revenues</b>	<b>\$ 1,541,989</b>	
	<b>Operating Expenses:</b>		
2	Gain/Loss of Utility Property	\$ 0	
3	Customer Record Collect (Billing)	55,163	
4	Customer Collection Expenses	236	
5	Customer Record Collect (Bank Fees)	15,407	
6	Uncollectibles	4,966	
7	Meals & Travel	-31	
8	Communication	3,553	
9	Support Services (Admin Expenses Transferred)	256,895	
10	Bank Fees	19,531	
11	Legal	-2,401	
12	Audit And Accounting	323	
13	MGMT Consult	4,851	
14	IT	165	
15	Property Insurance-Commercial	46,586	
16	Regulatory Expense	28,392	
17	Purchased Treatment	352	
18	Sludge Removal	-80	
19	Purchased Power	175,420	
20	Fuel for Power Production	38	
21	Chemicals	18,508	
22	Materials and Supplies	7,906	
23	Mowing and Lawn Maintenance	141,876	
24	Contract Services	498,149	
25	Contract Services-Collections	31,578	
26	Maintenance Expense	87,295	
27	Contract Operations - Pumping Ops	480	
28	Pumping Maintenance	100	
29	Treatment & Disposal	33,333	
30	Contract Services-Testing	42,914	
31	Bad Debt	6,749	
32	Misc, Exepense	20,003	
33	Depreciation Expense	465,940	
34	Amortization Expense	-293,174	
35	<b>Total Operating Expenses</b>	<b>\$ 1,671,022</b>	
36	<b>NOI Before Excise and Income Taxes</b>	<b>\$ -129,033</b>	
37	AFUDC		
38	Interest Expense	38,774	B/
39	<b>Pre-tax Book Income</b>	<b>\$ -167,807</b>	
40	Schedule M Adjustments		
41	<b>Excise Taxable Income</b>	<b>\$ -167,807</b>	
42	Excise Tax Rate	6.50%	
43	<b>Excise Tax Payable</b>	<b>\$ -10,907</b>	
44	Excise Tax - Deferred	0	
45	<b>State Excise Tax Expense</b>	<b>\$ -10,907</b>	
	<b>Pre-tax Book Income</b>	<b>\$ -167,807</b>	
46	State Excise Tax Expense	-10,907	
47	Schedule M Adjustments	0	D/
48	<b>FIT Taxable Income</b>	<b>\$ -156,899</b>	
49	FIT Rate	21.00%	
50	<b>Federal Income Tax Expense</b>	<b>\$ -32,949</b>	

A/ CA Exhibit, Schedule 5.

B/ CA Exhibit, Schedule 10

C/ CA Exhibit, Schedule 13.

**Limestone Water Operating Company, LLC - Wastewater**  
Rate of Return Summary  
For the 12 Months Ending April 30, 2024

Line No.	Class of Capital	Consumer Advocate <sup>A/</sup>		
		Percent of Total	Cost Rate <sup>A/</sup>	Weighted Cost Rate
1	Short-Term Debt	0.00%	0.00%	0.0000%
2	Long-Term Debt	48.18%	6.64%	3.1992%
4	Parent Long Term Debt	0.00%	0.00%	0.0000%
5	Preferred Equity	0.00%	0.00%	0.0000%
6	Common Equity	51.82%	8.04%	4.1663%
7	Total	<u>100.00%</u>		<u>7.3655%</u>
Interest Expense Short-Term Debt <sup>S</sup>				
8	Rate Base			\$ 1,211,996 <sup>B/</sup>
9	Short-Term Weighted Debt Cost			<u>0.0000%</u>
10	<b>Short-Term Debt Interest Expense</b>			<u><u>\$ 0</u></u>
Interest Expense Long-Term Debt				
11	Rate Base			\$ 1,211,996 <sup>B/</sup>
12	Long-Term Weighted Debt Cost			<u>3.1992%</u>
13	<b>Long-Term Debt Interest Expense</b>			<u><u>\$ 38,774</u></u>
14	<b>Total Interest Expense</b>			<u><u>\$ 38,774</u></u>

A/ Rothschild Direct Tetimony Table 1  
B/ CA Exhibit, Schedule 2.

**Limestone Water Operating Company, LLC - Wastewater**  
Revenue Conversion Factor  
For the 12 Months Ending April 30, 2024

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.052868 A/	<u>0.052868</u>
3	Balance		1.052868
4	Uncollectible Ratio	0.010000 B/	<u>0.010529</u>
5	Balance		1.042339
6	State Excise Tax	0.065000 C/	<u>0.067752</u>
7	Balance		0.974587
8	Federal Income Tax	0.210000 C/	<u>0.204663</u>
9	Balance		<u>0.769924</u>
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><b>1.298829</b></u>

A/ WHN Exhibit R-10-1.00  
B/ Limestone UOC Exhibits BT-7  
C/ Statutory Rates.

**Limestone Water Operating Company, LLC - Water**  
**INDEX TO SCHEDULES**  
For the 12 Months Ending April 30, 2024

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**Limestone Water Operating Company, LLC - Water**  
Results of Operations  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate	Company E/	Difference
1	Rate Base	\$ 729,115 A/	\$ 888,407	\$ -159,292
2	Operating Income At Current Rates	-216,131 B/	-339,108	122,976
3	Earned Rate Of Return	-29.64%	-38.17%	8.53%
4	Fair Rate Of Return	7.37% C/	9.64%	-2.27%
5	Required Operating Income	53,703	85,626	-31,924
6	Operating Income Deficiency	269,834	424,734	-154,900
7	Gross Revenue Conversion Factor	1.298829 D/	1.367496	-0.068667
8	Gross Income Conversion Factor	_____	1.010101	_____
9	<b>Revenue Deficiency</b>	<b>\$ 350,468</b>	<b>\$ 450,561</b>	<b>\$ -100,093</b>

A/ CA Exhibit, Schedule 2.  
B/ CA Exhibit, Schedule 7.  
C/ CA Exhibit, Schedule 14.  
D/ CA Exhibit, Schedule 15.  
E/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-1.2"

**Limestone Water Operating Company, LLC - Water**  
Average Rate Base  
For the 12 Months Ending April 30, 2024

Line No.		Test Period	A/	Adjustments	Adjusted Test Period
	<b>Additions:</b>				
1	Utility Plant in Service	\$ 1,688,819		\$ 0	\$ 1,688,819 B/
2	Land and Land Rights	0		-159,292	-159,292 B/
3	Prepayments	902		0	902 B/
4	Construction Work In Process	0		0	0
5	Working Capital	<u>39,210</u>		<u>0</u>	<u>39,210 C/</u>
6	<b>Total Additions</b>	<b>\$ <u>1,728,931</u></b>		<b>\$ <u>-159,292</u></b>	<b>\$ <u>1,569,639</u></b>
	<b>Deductions:</b>				
7	Accumulated Depreciation	\$ 673,587		\$ 0	\$ 673,587 B/
8	Accumulated Amortization	0		0	0
9	Contributions in Aid of Construction	166,937		0	166,937 B/
10	<b>Total Deductions</b>	<b>\$ <u>840,524</u></b>		<b>\$ <u>0</u></b>	<b>\$ <u>840,524</u></b>
11	<b>Rate Base</b>	<b>\$ <u>888,408</u></b>		<b>\$ <u>-159,293</u></b>	<b>\$ <u>729,115</u></b>

A/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-9.2"  
B/ Exhibits of Clark Kahml 3.0-Plant in Service  
C/ CA Exhibit, Schedule 4.

**Limestone Water Operating Company, LLC - Water**  
Comparative Rate Base  
For the 12 Months Ending April 30, 2024

Line No.		<u>Consumer Advocate</u> A/	<u>Company</u> B/	<u>Difference</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 1,688,819	\$ 1,688,819	\$ 0
2	Land and Land Rights	-159,292	0	-159,292
3	Utility Plant Acquisition Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
4	Prepayments	902	902	1
5	Working Capital	<u>39,210</u>	<u>39,210</u>	<u>0</u>
6	<b>Total Additions</b>	<u><u>\$ 1,569,639</u></u>	<u><u>\$ 1,728,931</u></u>	<u><u>\$ -159,292</u></u>
	<b>Deductions:</b>			
7	Accumulated Depreciation	\$ 673,587	\$ 673,587	\$ 0
8	Accumulated Amortization	0	0	0
9	Contributions in Aid of Construction	166,937	166,937	0
10	<b>Total Deductions</b>	<u><u>\$ 840,524</u></u>	<u><u>\$ 840,524</u></u>	<u><u>\$ 0</u></u>
11	<b>Rate Base</b>	<u><u>\$ 729,115</u></u>	<u><u>\$ 888,407</u></u>	<u><u>\$ -159,292</u></u>

A/ CA Exhibit, Schedule 2.

B/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-9.2"

Limestone Water Operating Company, LLC - Wastewater  
Comparative Working Capital  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate A/	Company A/	Difference
1	Operating Expenses for Test Period	\$ 39,210	\$ 39,210	\$ 0
2	Working Capital Requirement	\$ 39,210	\$ 129,461	\$ 0

A/ "BT-13.2"

**Limestone Water Operating Company, LLC - Water**  
Comparative Income Statement at Current Rates  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate A/	Company B/	Difference
	<b>Operating Revenues:</b>			
1	Water Sales Revenues	\$ 200,935	\$ 197,053	\$ 3,881
2	Other Revenues	0	1,840	-1,840
3	<b>Total Water Revenue</b>	<b>\$ 200,935</b>	<b>\$ 198,894</b>	<b>\$ 2,041</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
4	Gain/Loss of Utility Property	\$ 229	\$ 0	\$ 229
5	Customer Record Collect (Billing)	16,067	16,069	-2
6	Customer Collection Expenses	71	71	0
7	Customer Record Collect (Bank Fees)	4,596	4,612	-16
8	Uncollectibles	1,482	1,487	-5
9	Meals & Travel	0	0	0
10	Communication	0	0	0
11	Support Services (Admin Expenses Transferred)	76,625	90,522	-13,897
12	Bank Fees	5,827	5,847	-20
13	Legal	1,327	754	573
14	Audit And Accounting	875	880	-6
15	MGMT Consult	1,447	1,452	-5
16	IT	0	0	0
17	Property Insurance-Commercial	12,554	12,340	215
18	Regulatory Expense	948	895	53
19	Miscellaneous	5,177	5,193	-16
20	Purchased Water	159,188	164,876	-5,688
21	Purchased Power	5,140	5,323	-184
22	Chemicals	1,907	1,975	-68
23	Materials and Supplies	3,500	1,866	1,634
24	Mowing and Lawn Maintenance	1,699	1,699	0
25	Contract Services	113,891	113,891	0
26	Maintenance Expense	25,529	25,529	0
27	Testing	850	850	0
28	Bad Debt	1,477	1,477	0
29	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 440,405</b>	<b>\$ 457,608</b>	<b>\$ -17,203</b>
30	Depreciation Expense	52,666	52,666	0
31	Amortization Expense	-14,896 C/	-7,441	-7,455
32	Amortization of Regulatory Asset Expense	0	28,800	-28,800
33	General Taxes	0	6,369	-6,369
34	State Excise Taxes	-17,067	0	-17,067
35	Federal Income Taxes	-51,555	0	-51,555
36	<b>Total Operating Expenses</b>	<b>\$ 409,553</b>	<b>\$ 538,001</b>	<b>\$ -128,448</b>
37	<b>Utility Operating Income</b>	<b>\$ -208,619</b>	<b>\$ -339,108</b>	<b>\$ 130,489</b>

A/ CA Exhibit, Schedule 5.

B/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tabs "BT-3.2" & "BT-4.2"

C/ CK Exhibit XX

**Limestone Water Operating Company, LLC - Water**  
Income Statement at Current Rates  
For the 12 Months Ending April 30, 2024

Line No.		Test Period	A/	Adjustments	Adjusted Test Period Amount	B/
	<b>Operating &amp; Maintenance Expenses:</b>					
1	Gain/Loss of Utility Property	\$ 229		\$ -229	\$ 0	
2	Customer Record Collect (Billing)	22,813		-6,746	16,069	
3	Customer Collection Expenses	71		0	71	
4	Customer Record Collect (Bank Fees)	4,604		8	4,612	
5	Uncollectibles	1,484		3	1,487	
6	Meals & Travel	0		0	0	
7	Communication	0		0	0	
8	Support Services (Admin Expenses Transferred)	90,366		-3,529	86,837	
9	Bank Fees	5,837		10	5,847	
10	Legal	809		-55	754	
11	Audit And Accounting	1,661		-781	880	
12	MGMT Consult	1,450		3	1,452	
13	IT	0		0	0	
14	Property Insurance-Commercial	12,614		-274	12,340	
15	Regulatory Expense	921		-27	895	
16	Miscellaneous	5,185		8	5,193	
17	Purchased Water	164,876		-5,688	159,188	
18	Purchased Power	5,323		-184	5,140	
19	Chemicals	1,975		-68	1,907	
20	Materials and Supplies	1,866		-64	1,801	
21	Mowing and Lawn Maintenance	1,699		0	1,699	
22	Contract Services	101,900		11,991	113,891	
23	Maintenance Expense	29,287		-3,758	25,529	
24	Testing	850		0	850	
25	Bad Debt	1,477		0	1,477	
26	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 457,298</b>		<b>\$ -9,381</b>	<b>\$ 447,918</b>	
27	Depreciation Expense	52,666		0	52,666	
28	Amortization Expense	-7,441		-7,455	-14,896	C/
29	Amortization of Regulatory Asset Expense	0		0	0	
30	General Taxes	0		0	0	
31	State Excise Taxes	0		-17,067	-17,067	
32	Federal Income Taxes	0		-51,555	-51,555	
33	<b>Total Operating Expenses</b>	<b>\$ 502,523</b>		<b>\$ -85,458</b>	<b>\$ 417,066</b>	
34	<b>Utility Operating Income</b>	<b>\$ -315,551</b>		<b>\$ 99,421</b>	<b>\$ -216,131</b>	

A/ CONFIDENTIAL Limestone UOC Exhibits Submission.xlsx, tab "BT-9.2"

B/ AB Limestone AB - Detail (confid).xlsx, tab "Water Exp"

C/ CK Exhibit XX

**Limestone Water Operating Company, LLC - Water**  
Comparative Water Revenue Summary  
For the 12 Months Ending April 30, 2024

<b>Line No.</b>	<b>Customer Class</b>	<b>Consumer Advocate</b> <sup>A/</sup>	<b>Company</b> <sup>B/</sup>	<b>Difference</b>
1	Aqua Utilities	\$ 151,015	\$	\$ 151,015
2	Candlewood Lakes	49,920		49,920
3	<b>Total Water Sales Revenue</b>	<b>\$ 200,935</b>	<b>\$ 197,053</b>	<b>\$ 200,935</b>
4	Forfeited Discounts			0
5	Non-Sufficient Fund Fees			0
6	Inspection Fees			
7	Connection Fees / Tap Fees			
8	<b>Total Other Operating Revenue</b>	<b>\$ 0</b>	<b>\$ 1,840</b>	<b>\$ -1,840</b>
9	<b>Total Revenues</b>	<b>\$ <u>200,935</u></b>	<b>\$ <u>198,894</u></b>	<b>\$ <u>199,094</u></b>

A/ WHN Revenue Workpaper R-1-1.00.

B/ Limestone Witness Thies Exhibit, Workpapers BT-3.2

**Limestone Water Operating Company, LLC - Water**  
Excise and Income Taxes  
For the 12 Months Ending April 30, 2024

Line No.		Consumer Advocate A/
1	<b>Operating Revenues</b>	<b>\$ 200,935</b>
	<b>Operating Expenses:</b>	
2	Gain/Loss of Utility Property	\$ 0
3	Customer Record Collect (Billing)	16,067
4	Customer Collection Expenses	71
5	Customer Record Collect (Bank Fees)	4,596
6	Uncollectibles	1,482
7	Meals & Travel	0
8	Communication	0
9	Support Services (Admin Expenses Transferred)	76,625
10	Bank Fees	5,827
11	Legal	1,327
12	Audit And Accounting	875
13	MGMT Consult	1,447
14	IT	0
15	Property Insurance-Commercial	12,554
16	Regulatory Expense	948
17	Miscellaneous	5,177
18	Purchased Water	159,188
19	Purchased Power	5,140
20	Chemicals	1,907
21	Materials and Supplies	3,500
22	Mowing and Lawn Maintenance	1,699
23	Contract Services	113,891
24	Maintenance Expense	25,529
25	Testing	850
26	Bad Debt	1,477
27	Depreciation Expense	52,666
28	Amortization Expense	-14,896
29	<b>Total Operating Expenses</b>	<b>\$ 440,176</b>
30	<b>NOI Before Excise and Income Taxes</b>	<b>\$ -239,241</b>
31	AFUDC	
32	Interest Expense	23,325 B/
33	<b>Pre-tax Book Income</b>	<b>\$ -262,567</b>
34	Schedule M Adjustments	
35	<b>Excise Taxable Income</b>	<b>\$ -262,567</b>
36	Excise Tax Rate	6.50%
37	<b>Excise Tax Payable</b>	<b>\$ -17,067</b>
38	Excise Tax - Deferred	0
39	<b>State Excise Tax Expense</b>	<b>\$ -17,067</b>
	<b>Pre-tax Book Income</b>	<b>\$ -262,567</b>
40	State Excise Tax Expense	-17,067
41	Schedule M Adjustments	0
42	<b>FIT Taxable Income</b>	<b>\$ -245,500</b>
43	FIT Rate	21.00%
44	<b>Federal Income Tax Expense</b>	<b>\$ -51,555</b>

A/ CA Exhibit, Schedule 7.

B/ CA Exhibit, Schedule 13.

**Limestone Water Operating Company, LLC - Water**  
Rate of Return Summary  
For the 12 Months Ending April 30, 2024

Line No.	Class of Capital	Consumer Advocate <sup>A/</sup>		
		Percent of Total	Cost Rate A/	Weighted Cost Rate
1	Short-Term Debt	0.00%	0.00%	0.0000%
2	Long-Term Debt	48.18%	6.64%	3.1992%
4	Parent Long Term Debt	0.00%	0.00%	0.0000%
5	Preferred Equity	0.00%	0.00%	0.0000%
6	Common Equity	51.82%	8.04%	4.1663%
7	Total	<u>100.00%</u>		<u>7.3655%</u>
S				
<b>Interest Expense Short-Term Debt</b>				
8	Rate Base			\$ 729,115 B/
9	Short-Term Weighted Debt Cost			0.0000%
10	<b>Short-Term Debt Interest Expense</b>			<u>\$ 0</u>
<b>Interest Expense Long-Term Debt</b>				
11	Rate Base			\$ 729,115 B/
12	Long-Term Weighted Debt Cost			3.1992%
13	<b>Long-Term Debt Interest Expense</b>			<u>\$ 23,325</u>
14	<b>Total Interest Expense</b>			<u>\$ 23,325</u>

A/ Rothschild Direct Tetimony Table 1

B/ CA Exhibit, Schedule 2.

**Limestone Water Operating Company, LLC - Water**  
Revenue Conversion Factor  
For the 12 Months Ending April 30, 2024

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.052868 A/	<u>0.052868</u>
3	Balance		1.052868
4	Uncollectible Ratio	0.010000 B/	<u>0.010529</u>
5	Balance		1.042339
6	State Excise Tax	0.065000 C/	<u>0.067752</u>
7	Balance		0.974587
8	Federal Income Tax	0.210000 C/	<u>0.204663</u>
9	Balance		<u>0.769924</u>
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.298829</u></u>

A/ WHN Exhibit R-10-1.00  
B/ Limestone UOC Exhibits BT-7  
C/ Statutory Rates.