

January 13, 2025

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Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *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, TPUC Docket No. 24-00044*

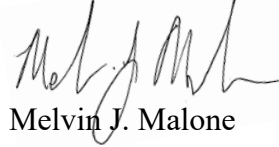
Dear Chairman Jones:

Attached for filing please find *Limestone Water Utility Operating Company, LLC's Rebuttal Testimony for (1) Dylan D'Ascendis; (2) Clare Donovan; (3) Mike Duncan; (4) Aaron Silas; (5) Brent Thies; and (6) Todd Thomas* in the above-captioned matter.

Hard copies will follow. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Russ Mitten, Limestone Water Utility Operating Company, LLC
Karen H. Stachowski, Consumer Advocate Division
Victoria B. Glover, Consumer Advocate Division
Shilina B. Brown, Consumer Advocate Division

**STATE OF TENNESSEE
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

IN RE:

LIMESTONE WATER UTILITY OPERATING COMPANY

REBUTTAL TESTIMONY

OF

CLARE DONOVAN

ON

**CARTWRIGHT CREEK COMMERCIAL REVENUES, O&M ADJUSTMENTS, RATE
CASE EXPENSE**

FILED: JANUARY 13, 2025

**INDEX TO THE REBUTTAL TESTIMONY OF
CLARE DONOVAN, ON BEHALF OF
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

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1 **REBUTTAL TESTIMONY**
2 **OF**
3 **CLARE DONOVAN**
4

5 **I. INTRODUCTION**

6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Clare Donovan, and my business address is 1630 Des Peres Rd., Suite
8 140, St. Louis, Missouri 63131.

9 **Q. DID YOU PREVIOUSLY SUBMIT PRE-FILED DIRECT TESTIMONY IN**
10 **SUPPORT OF THIS PETITION BEFORE THE TENNESSEE PUBLIC**
11 **UTILITY COMMISSION?**

12 A. Yes. My Direct Testimony was submitted on July 16, 2024, on behalf of Limestone
13 Water Utility Operating Company, LLC. (“Limestone Water” or “Company”).

14 **Q. ARE YOUR EDUCATIONAL BACKGROUND AND WORK**
15 **EXPERIENCE CONTAINED IN YOUR DIRECT TESTIMONY?**

16 A. Yes.

17 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

18 A. The purpose of my Rebuttal Testimony is to address and respond to the testimony
19 filed on behalf of the Consumer Advocate Division of the Tennessee Attorney
20 General’s Office (“Consumer Advocate” or “CAD”). Specifically, I will address,
21 in conjunction with Limestone Witness Mr. Thies, the Pre-filed Testimony of
22 Consumer Advocate Witness Mr. William Novak on the issue of Cartwright Creek
23 commercial revenues. Next, I will address one of the O&M adjustments
24 recommended by Consumer Advocate Witness Mr. Bradley. Finally, I will address

1 the issue of regulatory cost recovery expressed in Mr. Alex Bradley’s Pre-filed
2 Testimony.

3 **II. CARTWRIGHT CREEK COMMERCIAL REVENUES**

4 **Q. PLEASE DESCRIBE THE ISSUE WITH REGARD TO THE**
5 **CARTWRIGHT CREEK COMMERCIAL REVENUES.**

6 A. The Cartwright Creek commercial wastewater tariff provides for a flat monthly rate
7 of \$37.00 plus a usage component of \$8.75 per 1,000 gallons of water usage.
8 Recognizing that Limestone Water is not the water provider in the area, it is
9 dependent on a third-party for necessary water usage by which Limestone Water
10 would bill these commercial customers. While the Company attempted to obtain
11 this usage data, it was denied such information. Given the lack of necessary usage
12 data, the Company billed these commercial customers at the monthly minimum of
13 \$37.00.

14 **Q. HOW DID CAD PROPOSE TO ADDRESS THIS ISSUE?**

15 A. In Mr. Novak’s Pre-filed Testimony (pages 5-7), he addresses the issue of
16 Cartwright Creek commercial revenues. First, Mr. Novak refuses to recognize the
17 reasonableness of the Company’s problem. “The previous owners of Cartwright
18 Creek were able to obtain the usage of their commercial customers on a continuing
19 basis. Limestone’s failure to capture and bill for commercial usage results in an
20 over-stated revenue deficiency in this Docket.”¹ Second, regardless of whether the
21 failure to bill the usage component was reasonable, Mr. Novak imputed an amount

¹ Pre-filed Testimony of Consumer Advocate Witness William Novak, p. 6, TPUC Docket No. 24-00044 (Dec. 19, 2024) (hereinafter “*Novak Pre-filed*”).

1 of Cartwright Creek commercial revenues. Specifically, since commercial usage
2 revenues in the last Cartwright Creek rate case were \$91,230, Mr. Novak indicated
3 that he “would expect the test period commercial usage charges in the Cartwright
4 Creek service area to be similar to this amount.”² Mr. Novak then provides an
5 “attrition period forecast” amount of \$97,446.³

6 **Q. DO YOU AGREE WITH MR. NOVAK’S PROPOSAL TO IMPUTE AND**
7 **THEN FORECAST CARTWRIGHT CREEK COMMERCIAL**
8 **REVENUES?**

9 A. No. This issue depicts the fundamental problem with the wastewater rate design
10 that Mr. Novak’s proposal would unfortunately continue.⁴ Specifically that the
11 Company is beholden to a third-party to even be able to bill and collect its revenue
12 requirement. While Cartwright Creek has four (4) service areas, three (3) of those
13 service areas utilize the Nolensville College Grove Utility District (“Nolensville”)
14 as a water provider. Upon acquisition of the Cartwright Creek systems, Limestone
15 Water immediately contacted Nolensville in an effort to enter into an agreement by
16 which Nolensville would provide monthly water usage data for Limestone Water
17 commercial customers. Repeatedly, Limestone Water was informed that
18 Nolensville did not want to get involved in the Company’s billing issues and would
19 not provide water usage data.

20 That said, however, the Company is willing to accept Mr. Novak’s
21 imputation of Cartwright Creek wastewater revenues so long as the Cartwright

² *Novak Pre-filed* at 6..

³ *Id.* at 17.

⁴ *See Pre-filed Rebuttal Testimony of Limestone Water Witness Aaron Silas*, TPUC Docket No. 24-00044 (Jan. 13, 2025) (for the problems with Mr. Novak’s proposed rate design).

1 Creek commercial rate design is modified. As mentioned previously, Limestone
2 Water cannot be dependent on third parties to obtain the data necessary to bill and
3 recover its revenue requirement. Given Nolensville’s continued refusal to provide
4 this information, Mr. Novak is assuring, by proposing to continue this flawed rate
5 design, that the Company will under-collect its revenue requirement by
6 approximately \$100,000, which is not acceptable or reasonable
7

8 **III. O&M ADJUSTMENTS**

9 **Q. PLEASE EXPLAIN THE ISSUE WITH REGARDS TO O&M**
10 **ADJUSTMENTS?**

11 A. At pages 6–8 of his Pre-filed Testimony, Mr. Bradley provides several O&M
12 adjustments relevant to the Limestone Water revenue requirement for water
13 operations. At pages 9-11, Mr. Bradley then replicates these same adjustments for
14 the wastewater operations.

15 **Q. DOES THE COMPANY DISPUTE ANY OF MR. BRADLEY’S O&M**
16 **ADJUSTMENTS?**

17 A. Many of Mr. Bradley’s adjustments mirror adjustments previously made by the
18 Company in its efforts to normalize and annualize water and wastewater
19 financials.⁵ As such, the Company agrees to the vast majority of Mr. Bradley’s
20 adjustments. That said, one adjustment that was proposed by Mr. Bradley is
21 problematic. Specifically, Adjustment AB-3 “removes allocated charges from the

⁵ *Pre-filed Testimony of Consumer Advocate Witness Alex Bradley*, p. 7, TPUC Docket No. 24-00044 (Dec. 19, 2024) (hereinafter “*Bradley Pre-filed*”) (“My first adjustment to Water O&M Expenses is to accept the Company’s pro-forma O&M adjustments.”)

1 Service Company to Limestone Water in Account 6340 – Admin Expenses
2 Transferred, that were not related to the provision of utility services.”⁶

3 A portion of these charges are associated with depreciation expense for
4 office furniture, computers, and other office items, at the parent company level. It
5 is important to recognize that Mr. Bradley did not dispute the value offered by the
6 employees to Limestone Water operations. Similarly, Mr. Bradley did not dispute
7 the need for office furniture, computers, and other office items to allow these
8 employees to perform such activities. Here, however, Mr. Bradley inexplicably
9 asserts that the depreciation expense on the office furniture and other capital items
10 was “not related to the provision of utility services.” Recognizing that these capital
11 items have a limited life and are required to be depreciated, the parent company has
12 allocated a proportional share, according to the provisions of the Cost Allocation
13 Manual, to Limestone Water. The Company believes that this cost is related to the
14 provision of utility services and should be included in the revenue requirement for
15 both water and wastewater operations.

16 17 **IV. REGULATORY COST RECOVERY**

18 **Q. PLEASE DESCRIBE THE ISSUE WITH REGARDS TO REGULATORY**
19 **COST RECOVERY?**

20 A. In its Direct Testimony and workpapers, the Company included \$250,000 of cost
21 related to outside vendors (legal fees and return on equity services).⁷ Given that

⁶ *Id.* at 8 (for water operations); at 11 (for wastewater operations).

⁷ *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*, CONFIDENTIAL Exhibit “Limestone UOC Exhibits Submission,” Tab “43-Rate Case Expense.”

1 the Company expects to file its next case in two years, Limestone Water amortized
2 this amount over two years. Therefore, the Company proposals to collect \$125,000
3 in rates for the next two years.

4 **Q. DID CAD AGREE TO THIS PROPOSAL?**

5 A. No. Mr. Bradley expressed concerns with the amount of legal costs. Mr. Bradley
6 bases this concern on the fact that the Company has a limited number of customers.
7 Given this, Mr. Bradley has characterized the legal fees as “excessive.”⁸ Next, Mr.
8 Bradley claims that the two-year amortization period is “unusually short” and
9 “would result in excessive cost recovery by the Company.”⁹ For this reason, Mr.
10 Bradley recommends that the Commission disallow rate case expenses and instead
11 create a “separate proceeding” in which such costs can be analyzed and an
12 “appropriate amortization period” established.¹⁰ From such a proceeding, Mr.
13 Bradley recommends that a “separate surcharge” be established.¹¹

14 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE AMOUNT OF**
15 **LEGAL EXPENSES PROPOSED FOR INCLUSION IN REVENUE**
16 **REQUIREMENT?**

17 A. Yes. Mr. Bradley’s effort to characterize rate case expense based upon the number
18 of customers a utility serves is misplaced. Many of the issues considered in a rate
19 case and the costs associated with presenting those issues are the same regardless
20 of whether a utility has 5,000 customers or 500,000 customers. The Company does
21 not receive a discount from the providers of these services simply because it is a

⁸ *Id.* at 15-16.

⁹ *Id.* at 16.

¹⁰ *Id.*

¹¹ *Id.*

1 smaller company. While the Company is attempting to acquire more systems and
2 customers in an effort to achieve economies of scale,¹² it must necessarily file and
3 process rate cases in the interim. As such, it is appropriate that the Commission
4 include such rate case expenses in the revenue requirement.

5 **Q. DO YOU HAVE ANY THOUGHTS ON MR. BRADLEY’S OBJECTION TO**
6 **THE TWO-YEAR AMORTIZATION PERIOD?**

7 A. Mr. Bradley bases his objection to the two-year amortization period on the fact that,
8 before the ARM legislation was in place, “most utilities in Tennessee” . . . “did not
9 file rate cases every two years.”¹³ Mr. Bradley’s comparison to other Tennessee
10 utilities reflects a continuing failure to understand the unique nature of the
11 Company’s operations. Unlike “most utilities in Tennessee” which have mature
12 operations, steady revenues and predictable net income, Limestone Water is
13 acquiring distressed systems with outdated rates. Upon acquisition, the Company
14 must immediately incur operating losses associated with power and chemical
15 expenses as it replaces non-operable blowers and pumps and begins dispensing
16 disinfecting chemicals in water and wastewater. Furthermore, the Company begins
17 to immediately invest capital into these distressed systems. As Limestone Water
18 Witness Mr. Duncan testifies, simply for the systems reflected in this rate case, the
19 Company has incurred \$2.6 million of past operating losses.¹⁴ Given that it is
20 incurring net operating losses on the systems it acquires, the Company is radically
21 different from “most utilities in Tennessee” which are generating income. As such,

¹² See *Pre-filed Direct Testimony of Limestone Water Witness Mike Duncan*, p. 4, TPUC Docket No. 24-00044 (July 16, 2024) (hereinafter “*Duncan Direct*”) (for a discussion of pending acquisition applications).

¹³ *Bradley Pre-filed* at 16.

¹⁴ *Duncan Direct* at 4, note 3.

1 the Company must file rate cases on a more frequent basis. For this reason, a two-
2 year amortization period is appropriate.

3 **Q. DO YOU HAVE ANY THOUGHTS ON MR. BRADLEY’S PROPOSAL TO**
4 **DEFER THIS ISSUE TO A “SEPARATE PROCEEDING”?**

5 A. Yes. I find it interesting that Mr. Bradley’s solution to an issue regarding the
6 recovery of legal fees and rate case expense is to create another proceeding at which
7 the Company will have to incur even more legal fees and expenses.¹⁵ The Company
8 would prefer to save its ratepayers from such unnecessary costs. The Commission
9 allows for the recovery of rate case expense for all other utilities. It is inappropriate
10 for the Commission to suddenly disallow such costs here and require the Company
11 to incur carrying costs until a subsequent proceeding is completed. As noted above,
12 it would also be administratively inefficient to add an additional proceeding that
13 would incur further costs.

14 **Q. DO YOU HAVE ANY OPINION ON MR. BRADLEY’S PROPOSAL TO**
15 **CREATE A “SEPARATE SURCHARGE” FOR THE RECOVERY OF**
16 **RATE CASE EXPENSE?**

17 A. Mr. Bradley’s proposal is based upon his concern that, if included as a normalized
18 amount in revenue requirement, the Company may over-recover rate cases
19 expenses if it delays its next rate case filing for a period longer than the amortization
20 period. As such, Mr. Bradley claims that “[t]he advantage of a separate surcharge

¹⁵ See *Consumer Advocate’s Response to Limestone Water’s DR I-32*, TPUC Docket No. 24-00044 (Jan. 6, 2025) (The CAD’s response provides little to no assurance to the Commission that such a separate proceeding would not be met with a lengthy procedural schedule, coupled with multiple discovery phases.).

1 is that once the actual approved legal of regulatory costs is recovered, the surcharge
2 will cease.”¹⁶

3 The Company does not object to Mr. Bradley’s proposal to collect rate case
4 expenses through a separate surcharge instead of through a normalized amount in
5 the revenue requirement. This methodology mirrors that utilized by the Company
6 for its Texas affiliate. As Mr. Bradley points out, this methodology assures that the
7 utility exactly collects its rate case expense. Unlike the Consumer Advocate’s likely
8 well-intended but misguided proposal for a separate proceeding, this approach is
9 not administratively inefficient nor is it likely to unnecessarily create additional and
10 duplicative fees and expenses.

11 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

12 A. Yes.

¹⁶ *Bradley Pre-filed* at 16-17.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

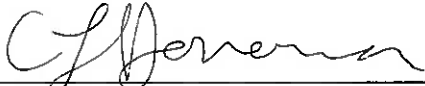
**PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
LLC, TO INCREASE CHARGES, FEES)
AND RATES AND FOR APPROVAL)
OF A GENERAL RATE INCREASE)
AND CONSOLIDATED RATES)**

DOCKET NO. 24-00044

VERIFICATION


**STATE OF MISSOURI)
COUNTY OF ST. LOUIS)**

I, CLARE DONOVAN, being duly sworn, state that I am authorized to testify on behalf of Limestone Water Utility Operating Company, LLC in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.



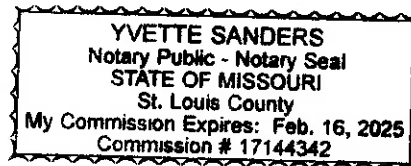
CLARE DONOVAN

Sworn to and subscribed before me
this 8th day of January, 2025.



Notary Public

My Commission Expires: 02.16.25



CERTIFICATE OF SERVICE

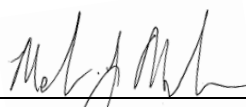
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 13th day of January 2025.



Melvin J. Malone