

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

24-00044

IN RE:

LIMESTONE WATER UTILITY OPERATING COMPANY

DIRECT TESTIMONY

OF

BRENT THIES

ON

**TEST YEAR DEVELOPMENT, REVENUE REQUIREMENT CALCULATION,
RATE BASE ITEMS INCLUDING RECOVERY OF ACQUISITION
ADJUSTMENTS AND TRANSACTION COSTS, DEPRECIATION EXPENSE /
CIAC AMORTIZATION, INCOME TAXES, TERMINATION OF FINANCIAL
SECURITY ESCROWS, AND ALTERNATIVE RATEMAKING MECHANISMS**

SPONSORING PETITIONER'S EXHIBITS:

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FILED: July 16, 2024

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BRENT G. THIES, ON BEHALF OF
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

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DIRECT TESTIMONY
OF
BRENT G. THIES

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brent G. Thies, and my business address is 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by CSWR, LLC (“CSWR”). My current position is Vice President & Corporate Controller.

Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

A. I am filing on behalf of Limestone Water Utility Operating Company (“Limestone Water” or “Company”). Limestone Water is the Tennessee utility operating company of CSWR, LLC (“CSWR”). CSWR is a holding company that owns and operates utility operating companies in 11 states.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE PUBLIC UTILITY COMMISSIONS?

A. Yes. I have testified before the state utility commissions in Missouri, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee, and Texas.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Arts in Communications/Public Relations from Missouri Baptist University in St. Louis, Missouri, and a Bachelor of Science in Accounting

1 from Liberty University in Virginia. I also hold a Master of Divinity degree from
2 Midwestern Baptist Theological Seminary in Kansas City, Missouri and a Master
3 of Business Administration degree from the University of Missouri-St. Louis. I am
4 licensed as a Certified Public Accountant in the State of Missouri.

5 I have been employed in the Accounting and Finance Department of CSWR
6 since July 2017. I started at CSWR as the Senior Accountant, responsible for
7 monthly accounting work for CSWR and its regulated utility subsidiaries. This
8 included analysis and reporting related to regulatory requirements. I was promoted
9 to the position of Controller in October 2018 and Vice President & Corporate
10 Controller in February 2022. While at CSWR, I have contributed to the financial
11 analysis, planning and filing requirements for multiple rate case filings in other
12 jurisdictions and various data requests and analysis items in acquisition cases in the
13 jurisdictions where CSWR subsidiaries operate.

14 Prior to CSWR, I was employed as the Controller of a multi-entity non-
15 profit in St. Louis, Missouri. During my time at CSWR, I have completed the
16 Fundamentals, Intermediate and Advanced Regulatory Studies Programs through
17 the Institute of Public Utilities at Michigan State University.

18 **Q. WHAT ARE YOUR DUTIES AS VICE PRESIDENT & CORPORATE**
19 **CONTROLLER?**

20 A. As Vice President & Corporate Controller, I am responsible for the accounting
21 books and records of CSWR and its regulated utility subsidiaries. This includes
22 setting financial controls and accounting policy along with the responsibility for the
23 accurate recording of revenues, expenses and capital expenditures. With my team,

1 I am also responsible for billing operations, preparing and filing regulatory annual
2 reports and responding to certain data requests for the regulated utility subsidiaries
3 of CSWR. My responsibilities also include preparation of monthly and quarterly
4 management reports and interfacing with external auditors and tax professionals.

5 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. In conjunction with the Direct Testimony of Limestone Water Witness Clare
8 Donovan¹ my testimony will support the quantification of the revenue requirement
9 in this case. My testimony will start with a discussion of the test year utilized in
10 this case. My testimony will then address the following areas:

- 11 • Revenue Requirement and Revenue Deficiency;
- 12 • Rate Base Accounting, including various components such as utility plant
13 in service (which includes a discussion of the recovery of acquisition
14 adjustments and transaction costs), depreciation reserve, cash working
15 capital, prepayments, accumulated depreciation, and the amortization of the
16 Contributions in the Aid of Construction (“CIAC”) including the
17 adjustment for past unamortized Cartwright Creek CIAC;
- 18 • Depreciation Expense;
- 19 • Income Taxes;
- 20 • Termination of Financial Security Escrows; and
- 21 • Alternative Ratemaking Mechanisms

¹ Most relevant to the revenue requirement calculation, Ms. Donovan will address the quantification of revenues and operating expenses.

1 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

2 A. Yes. I am sponsoring the Petitioner's Exhibits identified in the Table of Contents
3 to my testimony.

4 **Q. WAS THE INFORMATION CONTAINED IN YOUR TESTIMONY AND**
5 **EXHIBITS OBTAINED OR DERIVED FROM THE BOOKS AND**
6 **RECORDS OF LIMESTONE WATER?**

7 A. Yes.

8 **Q. WERE THE EXHIBITS THAT YOU SPONSOR PREPARED BY YOU OR**
9 **BY SOMEONE UNDER YOUR SUPERVISION?**

10 A. Yes.

11

12 **II. DEVELOPMENT OF THE TEST YEAR COST OF SERVICE**

13 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY THE TERM "REVENUE**
14 **REQUIREMENT."**

15 A. It is well established that the "revenue requirement" is "the revenue total that the
16 utility is authorized to collect" and is generally set to equal the utility's cost of
17 service.² The cost of service is the sum total of: (1) operations and maintenance
18 expense, (2) depreciation expense, (3) income taxes and other types of taxes, and
19 (4) a reasonable return on the utility's rate base. Formulaically, the cost of service
20 equation is:

21
$$RR = E + d + T + R(V-D)$$

22 Where: RR = Revenue Requirement

23 E = Operating Expenses

² See *Public Utility Economics*, Garfield & Lovejoy, 1964, at page 44.

1 d = Depreciation Expense
2 T = Taxes
3 R = Rate of Return
4 V = Valuation of Utility Plant and other allowed assets, generally
5 Original Cost
6 D = Accumulated Depreciation
7 (V-D) = Rate Base
8 R(V-D) = Earnings Allowed on Rate Base.³

9 To the extent that the revenue requirement exceeds the utility's normalized
10 revenues at present rates, a revenue deficiency exists, and a rate increase is needed.

11 **Q. PLEASE EXPLAIN THE PERIOD FOR WHICH THE REVENUE**
12 **REQUIREMENT IS CALCULATED.**

13 A. The revenue requirement is determined based on the utility revenue, expenses, and
14 rate base as reflected on the Company's books and records for the 12-month period
15 ended April 30, 2024, which is the test period. This test period relies on historic
16 data in that it consists entirely of actual data and does not include any projected
17 data. The Company then adjusted this test year data for various normalizations and
18 annualizations to attempt to make the historic test year more representative of
19 ongoing operations.

20 **Q. WHY DID THE COMPANY NOT UTILIZE AN ATTRITION OR**
21 **FORECAST YEAR FOR ITS REVENUE REQUIREMENT**
22 **CALCULATION?**

³ *Id.* at pages 44-45.

1 A. It is well established that a test period “is a measure of, or is representative of,
2 conditions during the period of new rates.”⁴ As Dr. Kahn pointed out,

3 No tradition in public utility regulation is more sanctified than the
4 use of an historic test period. Since the purpose of the exercise is to
5 set rates for the future, the parties try in various ways to adjust the
6 ‘test year’ experience for later ‘known changes’. . . The system
7 works moderately well, as long as the period during which the new
8 rates are in effect are not dramatically different from the test period.⁵

9 Consistent with this goal, and under the current operating circumstances and
10 conditions presented in Tennessee at this particular time, the Company believes that
11 the historic test period utilized in this case, as adjusted for known and measurable
12 changes and other normalizations and annualizations, is reflective of ongoing
13 operations and will establish rates that are representative of the period in which they
14 will be in effect.

15 The Company also believes that the utilization of historic data can be easier
16 on the Commission and other parties as it avoids issues and debate regarding: (1)
17 inflation rates and cost escalations, (2) forecasting of expenses, (3) calculation of
18 accumulated depreciation, (4) monthly projections of rate base additions; (5)
19 determination of expected organic customer growth; as well as (6) any changes in
20 expected customer water usage. These issues would be common to rate filings for
21 most utilities. As an acquisitive utility, Limestone has the added uncertainties
22 around the projected timing of new acquisitions and the estimation of revenue or
23 expenditures related to those systems.

⁴ *Accounting for Public Utilities*, Hahn & Aliff, 1989, Section 7.02.

⁵ *Id.* citing to A. Kahn, “*Between Theory and Practice: Reflections of a Neophyte Public Utility Regulatory*,” *Public Utility Fortnightly* (January 29, 1975).

1 Moreover, the use of the attrition year here would be contrary to the
2 Company's preference to allow newly acquired systems and customers to realize
3 the benefits of the Company's ownership prior to receiving any rate increases. If
4 Limestone Water was to employ an attrition year in this case and include the soon
5 to be acquired systems in its attrition year projections, those customers would be
6 receiving rate increases without first being provided a period of time to familiarize
7 themselves with the Company and to experience first-hand the benefits and
8 improvements offered by the Company.

9 Finally, as will be discussed later, Limestone Water intends to explore and
10 evaluate the possibility of seeking the implementation of an alternative ratemaking
11 mechanism ("ARM") in a subsequent filing. Under such a mechanism, Limestone
12 Water would propose comparing the net income / rate of return for a period in which
13 rates are in effect to the rate of return inherent in the rates established in this case.
14 Therefore, issues concerning inflation rates for expenses and the forecasting of
15 revenues and capital additions are minimized as they will be addressed using actual
16 quantities that can be audited for accuracy and prudence in a subsequent annual
17 rate review mechanism ("ARM") adjustment. The ARM adjustment would also
18 allow for the efficient and regular incorporation of newly acquired systems into
19 Limestone Water's tariffs.

20 Bottom line, a historic test year, in this case, is not only representative of
21 ongoing operations, but also easier for the administration of this case.

1 **Q. WHAT ACQUISITIONS DOES THE COMPANY ANTICIPATE?**

2 A. As described more fully in the Direct Testimony of Company Witness Mr.
3 Freeman, as of the end of the historic test period (April 30, 2024), Limestone Water
4 consists of two drinking water systems and eight wastewater systems. That said,
5 however, Limestone Water has four acquisition dockets pending before the
6 Tennessee Public Utility Commission (“TPUC” or “Commission”), which, if
7 approved, will result in the addition of one other water system and four other
8 wastewater systems.⁶ In keeping with the historic test year, the Company does not
9 seek to forecast costs, revenues or rate base for those pending systems and has not
10 included them in this rate case.

11 **Q. WHAT TYPE OF ADJUSTMENTS HAVE YOU MADE TO THE TEST**
12 **YEAR COST OF SERVICE?**

13 A. As described in my testimony and in Ms. Donovan’s Direct Testimony regarding
14 operating expenses and revenues, the Company employed a variety of
15 annualizations, normalizations, and known and measurable adjustments. Each of
16 these adjustments are discussed in more specificity in the Direct Testimony of
17 Company Witnesses Clare Donovan.

18 **Q. WHAT IS LIMESTONE WATER’S CALCULATED REVENUE**
19 **REQUIREMENT IN THIS CASE?**

20 A. The Company’s water revenue requirement in this proceeding, equal to the cost of
21 providing water service, is \$649,455 for the adjusted test year using the 12 months

⁶ TPUC Docket Nos. 24-00034 (Bridget Wilhite - Newport Resort drinking water system); 23-00077 (Cumberland Basin – Genesis Valley Estates wastewater system and The Bluffs at Cumberland Cove Subdivision wastewater system); 23-00037 (IRM – Riverstone Estates wastewater system); and 23-00070 (Sunset Cove Condominiums wastewater system).

1 ending April 30, 2024. The Company's water revenue requirement is found on
2 **Petitioner's Exhibit BT-1.2**. Similarly, the sewer revenue requirement in this
3 proceeding is \$2,410,952 for the adjusted test year using the 12 months ended April
4 30, 2024. The Company sewer revenue requirement is found on **Petitioner's**
5 **Exhibit BT-1.1**.

6 **Q. PLEASE DESCRIBE HOW THE COMPANY'S REVENUE DEFICIENCY**
7 **IS CALCULATED.**

8 A. The Company's water revenue deficiency, found on **Petitioner's Exhibit BT-1.2**,
9 is measured as the difference between the water revenue requirement of \$649,455
10 and the Company's adjusted and annualized water revenues at present rates.⁷ Thus,
11 the Company's water revenue deficiency in this proceeding is calculated to be
12 \$450,561. Similarly, as found on **Petitioner's Exhibit BT-1.1**, the Company's
13 sewer revenue deficiency is calculated to be \$1,223,275.

14 **Q. WHAT IS THE COMPANY'S RETURN ON EQUITY ("ROE") AT**
15 **CURRENT RATES?**

16 A. To date, Limestone Water has incurred operational losses on its water and sewer
17 operations. The Company's total retained net operating loss as of the end of the
18 test year is \$2,630,461. This accumulated loss is reflective of many factors
19 including the cost associated with proper and professional operations of the
20 Company's systems and the reality that many of the systems acquired by
21 Limestone Water had not experienced rate increases in many years. The
22 Company's ROE for water operations, based upon current rates, is negative at

⁷ As indicated, the quantification of revenues is contained in the testimony of Ms. Donovan.

(35.6)%. Similarly, the Company's ROE for sewer operations, based upon current rates, is (35.5)%.

III. RATE BASE

Q. WHAT ARE THE MAJOR COMPONENTS OF RATE BASE INCLUDED IN THIS FILING?

A. The major components of rate base included in this rate case filing are as follows:

- Utility Plant in Service ("UPIS"), including the recovery of acquisition adjustments and pre-acquisition legal and engineering costs
- Cash Working Capital Allowance
- Prepayments
- Accumulated Depreciation
- Contributions in Aid of Construction ("CIAC")

Each of these major components is described in more detail in the testimony below.

A. UTILITY PLANT IN SERVICE

Q. PLEASE DESCRIBE UPIS.

A. UPIS includes the original cost of acquired systems along with acquisition-related expenses and post-acquisition improvements necessary to provide safe and reliable sewer and water services. UPIS for the historic test period includes asset values for all systems acquired as of April 30, 2024. The UPIS includes the acquisition asset values, transaction costs, and construction costs associated with improvements completed through the end of the test year. The total test year balances of UPIS for water and sewer as of April 30, 2024, are shown in **Petitioner's Exhibits BT-10.1 and BT-10.2.**

1 **Q. WHAT IS THE ACCOUNTING TREATMENT THAT LIMESTONE**
2 **WATER HAS USED IN RECORDING HISTORICAL ASSET VALUES**
3 **FOR ITS ACQUISITIONS?**

4 A. The Company’s determination of accurate net book values begins with an
5 examination of the historical values of acquired assets using books and records
6 provided by prior owners, including the annual reports provided to the
7 Commission, when available. Where these values are available in sufficient detail,
8 they are the primary source of the information used to initially record the amounts
9 of the acquired assets. This is in keeping with the Utility Plant Instructions
10 contained in the Uniform System of Accounts published by the National
11 Association of Regulatory Utility Commissioners (“NARUC”), which is the system
12 of accounts this Commission directs water utilities to use in Tennessee.⁸ As it
13 relates to an acquired system, the Commission’s rules provide that “all amounts
14 included in the accounts for utility plant acquired as an operating unit or system,
15 shall be stated at the cost incurred by the person who first devoted the property to
16 utility service.”⁹ Where detailed annual reports were available, Limestone Water
17 adjusted the balances for any known and measurable changes that have occurred
18 since the annual report was filed and used the adjusted values to create acquisition
19 date accounting entries on its books.¹⁰

⁸ See TPUC Rule 1220-04-01.11(1)(g) and (h).

⁹ Uniform System of Accounts for Class A Water Utilities. National Association of Regulated Utility Commissioners, Washington, D.C., Instruction 18, page 20 (1996).

¹⁰ Please note that the known and measurable changes in this instance consist primarily of adjusting the accumulated depreciation reserve by calculating depreciation expense between the date of the annual report used to obtain asset account balances and the date of acquisition.

1 **Q. DID ANY OF LIMESTONE’S ACQUISITIONS IN TENNESSEE INVOLVE**
2 **CIRCUMSTANCES IN WHICH ANNUAL REPORTS WERE EITHER**
3 **INCOMPLETE OR UNAVAILABLE?**

4 A. Yes. The Candlewood Lakes system was an unregulated system and was owned
5 and operated by the Candlewood Lakes Property Owner’s Association. As an
6 unregulated entity, no regulatory annual report was available to use as a basis for
7 determining the acquisition date asset values. Limestone Water was able to
8 obtain financial and asset information from the Property Owner’s Association
9 and used this data to arrive at its acquisition date asset values.

10 **Q. HOW DOES LIMESTONE WATER DETERMINE THE**
11 **REASONABLENESS OF THE PURCHASE PRICE FOR A SYSTEM?**

12 A. When evaluating a system for possible acquisition, Limestone Water routinely
13 consults publicly available documents (such as Commission annual reports and
14 information available from health and environmental regulators) and conducts site
15 visits to gauge for itself the plant configuration and the condition of equipment. A
16 final purchase price is then determined based on arms-length negotiations between
17 the parties, with Limestone Water’s objective being to pay the least amount
18 necessary to acquire the system, make necessary improvements and establish rates
19 based on a reasonable cost of service.

20 **Q. HAS LIMESTONE WATER EVER ACQUIRED A SYSTEM OR ASSET**
21 **FROM AN AFFILIATE?**

22 A. No. Each of the systems purchased in Tennessee was purchased from a non-
23 affiliated, wholly independent third-party.

1 **1. ACQUISITION ADJUSTMENTS**

2 **Q. WHAT IS AN ACQUISITION ADJUSTMENT?**

3 A. In general terms, an acquisition adjustment is the amount by which the purchase
4 price for an asset is different from the net book value of that asset.

5 **Q. DOES LIMESTONE WATER SEEK AN ACQUISITION ADJUSTMENT**
6 **FOR THE PURCHASE PRICE OF ANY SYSTEM THAT WAS ABOVE**
7 **NET BOOK VALUE OF THE ACQUIRED UTILITY PLANT ASSETS AS**
8 **REPORTED ON THAT UTILITY’S ANNUAL REPORT?**

9 A. Yes. Limestone Water seeks an acquisition adjustment associated with five
10 acquisitions: Aqua Utilities, Cartwright Creek, Shiloh Falls, Candlewood Lakes,
11 and DSH – Lakeside Estates.

12 **Q. CAN YOU PROVIDE A QUANTIFICATION OF THE ACQUISITION**
13 **ADJUSTMENTS ASSOCIATED WITH THESE LIMESTONE WATER**
14 **ACQUISITIONS?**

15 A. Yes. The following table depicts the acquisition adjustments associated with those
16 five Limestone Water acquisitions:

Acquisition	Wastewater	Water	Total
Aqua	323,487	386,816	710,303
Candlewood		59,322	59,322
Cartwright Creek	1,240,278		1,240,278
Shiloh Falls	150,519		150,519
DSH	31,147		31,147
Total	1,745,431	446,137	2,191,569

17

18 **Q. DOES LIMESTONE WATER SEEK TO INCORPORATE THESE**
19 **ACQUISITION ADJUSTMENTS AS AN ADDITION TO RATE BASE?**

1 A. Yes. Limestone Water seeks to include in rate base the acquisition adjustments
2 associated with all five transactions identified in the previous table.¹¹ Based upon
3 the policy positions set forth in the Direct Testimony of Company Witness Mr.
4 Duncan, as well as the Direct Testimony of Company Witnesses Messrs. Silas,
5 Thomas, and Freeman addressing specific factors enumerated in Commission Rule
6 1220-04-14-.04, Limestone Water seeks to incorporate these acquisition
7 adjustments as an addition to rate base. No acquisition adjustments have been
8 included in the rate base as filed.

9 **Q. WOULD YOU IDENTIFY THE FACTORS SET FORTH IN COMMISSION**
10 **RULE 1220-04-14-.04?**

11 A. Yes. In the preamble to the rule, the Commission establishes an overarching
12 requirement that the recovery of the acquisition adjustment “will not result in unjust
13 or unreasonable rates and charges for the acquiring utility or for customers.”
14 Beyond that, the Commission sets forth the following six (6) factors:

15 (a) Cost savings or increases resulting from consolidation of the selling
16 utility's system into the acquiring utility's operations;

17 (b) Improvements in public utilities services resulting from the acquisition;

18 (c) Remediation of public health, safety and welfare concerns of the selling
19 utility's system resulting from the acquisition;

20 (d) Incentives for acquisition of a financially or operationally troubled
21 system, which may be demonstrated by bankruptcy, receivership, financial distress,

¹¹ Importantly, consistent with previous decisions, Limestone Water has not included the acquisition adjustments in rate base. Rather, the Company is seeking to include such items in rate base and has included them in its revenue requirement calculation.

1 notice of violation, order of abatement, or inability to continue as a going concern
2 of the selling utility;

3 (e) Amount of any assets contributed or donated to the selling utility
4 included in the proposed acquisition transaction; and

5 (f) Any other measurable benefits, costs, or service changes affecting
6 acquired and/or existing customers resulting from the acquisition.

7 **Q. WOULD YOU BRIEFLY DISCUSS THE TESTIMONY OF EACH OF**
8 **THESE INDIVIDUALS AS IT APPLIES TO THE RECOVERY OF**
9 **ACQUISITION ADJUSTMENTS?**

10 A. Yes. Later in my testimony I will address the fact that the recovery of the
11 acquisition adjustments will not result in “unjust or unreasonable rates”. In
12 addition, my testimony will address the financial aspects associated with recovery
13 of the acquisition adjustments. Moreover, I will address, at least as it relates to the
14 Cartwright Creek and DSH acquisitions, the fact that the recovery of the acquisition
15 adjustments provides an incentive for the acquisition of a financially troubled
16 system as reflected by the fact that both systems were relying heavily on a financial
17 security escrow rather than investor supplied capital.

18 That all said, the following Limestone Water witnesses will provide
19 testimony related to the factors enumerated by the Commission related to the
20 recovery of the five acquisition adjustments:

21 Mike Duncan: Policy basis for acquisition adjustment recovery and how
22 that policy provides incentives for acquisition of financially or operationally

1 troubled systems, and improvements in public utilities services as a result of the
2 improved compliance functions provided by Limestone Water.

3 Aaron Silas: Improvements in public utilities services as a result of the
4 improved customer service and corporate communications functions provided by
5 Limestone Water.

6 Todd Thomas: Cost savings resulting from the acquisition of systems by
7 Limestone Water; improvements in public utilities services as a result of the
8 improved operations provided by Limestone Water; and remediation of public
9 health, safety and welfare concerns.

10 Jake Freeman: Improvements in public utilities services as a result of the
11 professional engineering functions provided by Limestone Water.

12 **Q. WHILE COMPANY WITNESSES DUNCAN, SILAS, THOMAS AND**
13 **FREEMAN PROVIDE TESTIMONY ON VARIOUS FACTORS**
14 **ENUMERATED IN THE COMMISSION'S ACQUISITION ADJUSTMENT**
15 **RULE, DO YOU HAVE ANY THOUGHTS RELATED TO THOSE**
16 **FACTORS?**

17 A. Yes. The Commission's acquisition adjustment rule includes "Incentives for
18 acquisition of a financially or operationally troubled system that may be
19 demonstrated by bankruptcy, receivership, financial distress, notice of violation,
20 order of abatement, or inability to continue as a going concern of the selling
21 utility..." The systems acquired as part of the Cartwright Creek and DSH
22 acquisitions exhibited serious financial distress for a significant period of time prior
23 to acquisition by Limestone Water. The most obvious evidence for this is the

1 surcharges that the Commission required the entities to charge and collect from
2 customers. Cartwright Creek in particular was required to collect a surcharge
3 intended to be a source of capital for improvements to its system assets. Further,
4 the Commission required Cartwright Creek to charge a significant tap fee and place
5 the cash collected into an escrow account. Cartwright Creek was to seek
6 Commission approval to use those funds. While each situation has specific
7 circumstances, the conclusion from the Commission's requirements for Cartwright
8 Creek is that the previous owner struggled to source the capital required to make
9 improvements to its system assets. Traditionally, utilities seek a balance of debt
10 and equity capital to invest in system assets along with requiring contributions from
11 certain parties who wish to connect to the system. If Cartwright Creek had
12 demonstrated an ability to raise the capital necessary, it would not have been
13 necessary for the Commission to provide a capital plan of surcharges and escrow
14 to ensure that the previous owner could make necessary improvements to its
15 system.

16 Similarly, the DSH system tariff included a monthly surcharge amount and
17 an escrow requirement as well. The prior owner of DSH was also required to use
18 the escrow funds for system improvements and to obtain Commission authorization
19 to withdraw from the escrow account. Conclusions can be drawn about the DSH
20 system that is similar to Cartwright Creek. The previous owners experienced
21 financial distress such that they were unable to source the necessary debt or equity
22 capital to make the necessary upgrades and improvements to the system.

1 Contrary to the financial situations of the Cartwright Creek and DSH
2 previous owners, Limestone Water and its parent company, CSWR, LLC have
3 shown the ability to source both debt and equity capital to make the necessary
4 system upgrades and improvements. As can be seen on balance sheet of CSWR,
5 LLC (Petitioner's Exhibit BT-15), Limestone Water's parent has sourced over five
6 hundred million dollars in equity which it has used to acquire, improve and operate
7 systems in Tennessee and throughout its eleven-state footprint. Additionally,
8 regulated utility subsidiaries of CSWR, LLC in Missouri, Mississippi, Kentucky
9 and Louisiana have been able to source commercially available debt at market rates
10 of interest.

11 **Q. THE COMMISSION'S RULE DISCUSSES THE NEED TO ESTABLISH**
12 **AN AMORTIZATION PERIOD FOR THE ACQUISITION**
13 **ADJUSTMENTS. DO YOU HAVE A POSITION ON AN APPROPRIATE**
14 **AMORTIZATION PERIOD?**

15 A. Yes. The utility plant assets of water and wastewater systems are long-lived assets,
16 often with useful lives of fifty years, as in the case of underground collection and
17 distribution pipes. Various other assets including structures, tanks and treatment
18 equipment have lives that are twenty years or more. Generally, acquisition
19 adjustments should be amortized at a similar rate as the useful lives of the plant
20 assets that make up the system. For that reason, I recommend an amortization
21 period of twenty years for the requested acquisition adjustments.

22 **Q. THE COMMISSION'S RULE INCLUDES A REQUIREMENT THAT THE**
23 **RECOVERY OF THE AMORTIZATION ADJUSTMENT "WILL NOT**

1 **RESULT IN UNJUST OR UNREASONABLE RATES AND CHARGES.”**
2 **DO YOU BELIEVE THAT RECOVERY OF THE AMORTIZATION**
3 **ADJUSTMENTS IN THIS CASE WILL MEET THIS REQUIREMENT?**

4 A. Yes. Acquisition Adjustments, should they be granted, would impact the revenue
5 requirement in two ways. First, they would be amortized, and the resulting
6 amortization expense would be added to the cost of service. Using the
7 aforementioned twenty-year amortization period, the Acquisition Adjustment
8 amortization expense would be \$109,578 annually, and would result in an average
9 monthly rate impact of \$3.17 for sewer customers and \$3.14 for water customers.

10 The other impact on customer rates would come from the inclusion of the
11 Acquisition Adjustment in rate base. This would result in an increase to rate base
12 and an annual increase to the required return totaling \$266,490. That corresponds
13 to a monthly average bill impact of \$7.63 for sewer customers and \$7.56 for water
14 customers. Summing these components together results in an average total revenue
15 impact of \$376,068 which yields an average monthly increase of \$10.80 per sewer
16 customer and \$10.70 per month, for water customers.

17 **Q. IF GRANTED, WOULD THESE ACQUISITION ADJUSTMENTS**
18 **IMPACT ANY CURRENT OR FUTURE LIMESTONE CUSTOMERS**
19 **NOT SERVED BY THESE FIVE SYSTEMS?**

20 A. Possibly. Limestone Water is proposing to include acquisition adjustments as
21 components of rate base and include both the amortization expense and return
22 component in the consolidated cost of service. Therefore, the recovery of the
23 acquisition adjustments would equally impact all Limestone Water customers,

1 including customers of systems like Chapel Woods that were acquired with no
2 acquisition adjustment.

3 There are other options for incorporating approved acquisition adjustments
4 into rates, including surcharge mechanisms. As mentioned, the Company's
5 calculations above assume inclusion of acquisition adjustment costs in the
6 consolidated cost of service, but the Company would look for guidance from the
7 Commission on other options.

8 **Q. DID LIMESTONE WATER ACQUIRE ANY SYSTEMS FOR WHICH THE**
9 **ORIGINAL COST OF THE ACQUIRED PROPERTY LESS DEPRECIATION**
10 **EXCEEDS THE ACTUAL PURCHASE PRICE?**

11 A. Yes. For Chapel Woods, the purchase price for the acquired system was less than
12 the original cost of the acquired property less depreciation of the acquired system.

13 **Q. ARE THERE ANY REASONS THAT A NEGATIVE ACQUISITION**
14 **ADJUSTMENT SHOULD NOT BE ACCOUNTED FOR?**

15 A. Yes. At a high level, when negotiating a purchase price, the purchase price is often
16 negotiated down to account for issues associated with the system that are identified
17 as part of due diligence, the cost of needed improvements, or unresolved title or
18 regulatory issues associated with a system. Accordingly, the purchase price may
19 appear to be superficially low on account of other costs that were borne by
20 Limestone Water as part of the acquisition.

21 **2. TRANSACTION COSTS**

22 **Q. DOES THE COMPANY SEEK TO INCLUDE ANY TRANSACTION**
23 **COSTS IN RATE BASE? IF SO, PLEASE DESCRIBE THOSE COSTS.**

1 A. Yes, the table below summarizes the transaction costs by acquisition that Limestone
2 Water has incurred and which it seeks to include in rate base.¹² The total is
3 \$544,454 with \$426,354 for sewer and \$118,100 for water. In its acquisition case
4 orders, Limestone Water was required to present these assets for inclusion in rate
5 base during its first general rate case.

Acquisition	Transaction Cost
Aqua	\$ 40,523
Cartwright Creek	\$ 198,892
Chapel Woods	\$ 40,516
DSH	\$ 94,278
Shiloh Falls	\$ 66,556
Candlewood Lakes	\$ 103,690
Total	\$ 544,454

6
7 **Q. WHAT TYPES OF EXPENDITURES HAVE BEEN INCLUDED IN THE**
8 **POOL OF TRANSACTION COSTS?**

9 A. Transaction costs are expenditures that are incurred in the course of executing and
10 consummating the acquisition of a utility systems. Importantly, the acquisition-
11 related costs do not include any costs related to business development. Transaction
12 costs include the following more specific types of expenditures:

13 Real Estate related legal costs – As part of preparing to acquire a utility
14 system, Limestone Water uses real estate attorneys to perform work related to the
15 property and assets that are to be acquired. This work includes title research to
16 determine the ownership history of the property and assets and confirm that the
17 Company and its customers have no risk of future issues related to property

¹² Much like the acquisition adjustments, the Company has not included these transaction costs in rate base. Rather, Limestone Water requests that the Commission allow it to include these transaction costs in rate base. Once approved, the Company proposes that the acquisition costs would be depreciated over the same depreciable life as the underlying assets.

1 ownership and rights. The legal work also includes research of easements and
2 rights of way to confirm that the Company and its operators have sufficient access
3 to operate plants, wells, lift stations and other equipment.

4 Regulatory legal costs – In order to prosecute an acquisition case,
5 Limestone Water incurs costs for legal support and advice. This allows the
6 Company to complete the required documentation and process steps as set forth
7 by the Commission.

8 System Mapping – Prior to acquisition, the Company incurs expenses
9 associated with GIS and system mapping. This mapping process allows the
10 Company to understand its service areas and system components, including the
11 distribution or collection systems. It also provides for efficient and effective
12 operations as it enables Limestone Water to pinpoint system components and
13 associate them with work orders to be completed by system operators.

14 Engineering Analysis – Transaction costs also include costs associated with
15 preliminary engineering analysis of the system and its assets. This analysis
16 provides Limestone Water with an engineering memo that outlines the system
17 condition, age and operational status. The memo also provides a sense of the scale
18 and scope of improvements that will be needed in both the short and long term.
19 These findings allow the Company to communicate well with contract operators
20 prior to the date of the acquisition closing and ready the operators to provide high-
21 quality service beginning on the day of closing.

22 Ultimately, Limestone Water believes these costs are important and
23 necessary components of the costs required to acquire a utility system and prepare

1 it for safe and reliable operations. Without system mapping, certainty about title,
2 confirmation of access and basic asset statuses, proper operations are impossible.
3 For these reasons, the Commission should include these costs in Limestone Water's
4 rate base and authorize recovery through rates.

5 **B. CASH WORKING CAPITAL**

6 **Q. HOW DID YOU CALCULATE THE CASH WORKING CAPITAL**
7 **ALLOWANCE IN THIS CASE?**

8 A. Cash working capital is the capital that is required to bridge the gap from when cash
9 is paid for expenses necessary to provide safe and reliable service and when cash is
10 received from customers for that service. As such, cash working capital is included
11 in rate base and permitted to earn a return. This amount of required capital must be
12 supplied by investors as part of their investment.

13 While known methods, such as a lead/lag study, are used to calculate the
14 working capital allowance, Limestone Water has opted to use the 45-day
15 convention, also known as the 1/8 convention. According to Hahne and Aliff, "the
16 wide acceptance of the 1/8 formula resulted from the fact that it was determined to
17 be a reasonable estimate of what a lead-lag study would produce without the related
18 expense of a lead-lag study..."¹³ This convention multiplies the operating expenses
19 (excluding depreciation, overhead allocation and taxes) by 45/365 to produce a
20 working capital amount to be included in rate base. The Company has used the 45-
21 day convention to calculate the \$39,210 cash working capital amount for water and
22 \$129,461 for sewer. These amounts are included in the rate base calculation. The

¹³ Hahne, Robert L. & Aliff, Gregory E. (2021). "Accounting for Public Utilities, Vol. 1". LexisNexis. Pp. 5.04[1].

1 Working Capital calculations are shown in **Petitioner’s Exhibits BT-13.1 and BT-**
2 **13.2.**

3 **Q. HAS THE 1/8 FORMULA BEEN APPROVED FOR ANY LIMESTONE**
4 **WATER AFFILIATES?**

5 A. Yes. Many jurisdictions use a 45-day convention to produce a reasonable working
6 capital adjustment without the need to conduct an expensive lead/lag study. For
7 instance, in its recent rate case in Kentucky, Limestone Water’s affiliate (Bluegrass
8 Water) proposed a similar 45-day convention. There, the Commission expressly
9 adopted the use of such a cash working capital methodology. “The Commission
10 finds the 1/8th approach to be a reasonable approach for Bluegrass Water,
11 particularly given its size and relative sophistication.”¹⁴

12 **C. PREPAYMENTS**

13 **Q. WHAT ARE PREPAYMENTS?**

14 A. In the course of utility operations most expenses are paid for at the time that the
15 service or product is obtained. However, that is not always the case. Prepayments
16 represent funds paid for an expense in advance of the expense. Examples include
17 the cost of subscription services, insurance and various regulatory fees such as
18 operating permits. Since these expenses must be paid for before any benefit can be
19 gained from the expense, the Company must source capital from investors to fund
20 the prepayment. Prepayments are therefore added to rate base to fairly compensate
21 investors for the contribution of capital. In this case, the total of prepayments
22 included in rate base is \$5,454 for sewer and \$902 for water.

¹⁴ *In the Matter of Bluegrass Water Utility Operating Company LLC.*, Kentucky Public Service Commission Case No. 2022-00432, issued February 14, 2024, at page 41.

1 **D. ACCUMULATED DEPRECIATION**

2 **Q. WHAT IS ACCUMULATED DEPRECIATION?**

3 A. As the name implies, accumulated depreciation is simply a quantification of the
4 depreciation that has accumulated on plant used in water utility service since the
5 asset was placed in service. Since it reflects a reduction in the value of an asset that
6 was recovered by the utility from ratepayers, accumulated depreciation is an offset
7 to rate base.

8 **Q. PLEASE DESCRIBE THE CALCULATION OF ACCUMULATED**
9 **DEPRECIATION.**

10 A. Accumulated depreciation consists of the historical total of UPIS depreciation to
11 date. Where available, the original balances of accumulated depreciation that were
12 associated with assets acquired by Limestone Water from the prior owners have
13 been carried forward on the books of Limestone Water. Acquired assets and those
14 improvements that Limestone Water has subsequently placed into service have
15 been depreciated according to rates presented in the acquisition application and, in
16 the case of systems that were previously regulated by the Commission, are rates
17 that have been previously established by the Commission for those systems.

18 The values for accumulated depreciation that are included in rate base are
19 based on life to date depreciation of UPIS placed into service as of April 30, 2024
20 2024. The calculations are shown in **Petitioner's Exhibits BT-11.1 and BT-11.2.**

21

22

23

1 **E. CONTRIBUTIONS IN AID OF CONSTRUCTION**

2 **Q. WHAT ARE CONTRIBUTIONS IN AID OF CONSTRUCTION (“CIAC”)?**

3 A. CIAC reflects non-refundable money or physical property that is received from
4 third parties, and thus is not considered to be investor supplied capital. An example
5 would be a portion of main that was relocated to accommodate road alignment
6 changes and the relocation was funded by a local municipality. Another example
7 includes tap fees that a customer pays to connect to the system. Where the tap fee
8 is equivalent to the cost of the assets and labor required to connect a customer to
9 the system, the tap fee should be accounted for as CIAC. CIAC balances are
10 calculated as of the end of the test period and reflected in **Petitioner’s Exhibits**
11 **BT-12.1 and BT-12.2.**

12

13 **IV. DEPRECIATION EXPENSE AND CIAC AMORTIZATION**

14 **A. DEPRECIATION EXPENSE**

15 **Q. WHAT IS DEPRECIATION EXPENSE?**

16 A. Depreciation expense is the recovery, over time, of the capital investment
17 represented by UPIS. Typically, depreciation rates that reflect the expected lifespan
18 of a particular asset, as well as the cost of removal of that asset upon retirement and
19 the salvage value of the retired asset, are calculated through a depreciation study.

20 **Q. HAS THE COMPANY PERFORMED A DEPRECIATION STUDY IN**
21 **ANTICIPATION OF THIS RATE CASE?**

22 A. No. A depreciation study can be an expensive undertaking for a company the size
23 of Limestone Water. For instance, in the context of Limestone Water’s Kentucky

1 affiliate's recent rate case, which involved systems serving more wastewater
2 customers than Limestone Water, the cost of a depreciation study was \$40,935.
3 Given the limited number of customers in Tennessee, a depreciation study was
4 deemed cost prohibitive.

5 **Q. WHAT DEPRECIATION RATES HAS LIMESTONE WATER BEEN**
6 **USING FOR THE ASSETS THAT IT HAS ACQUIRED AND**
7 **CONSTRUCTED?**

8 A. Consistent with its approved acquisition applications, Limestone Water has been
9 using the depreciation rates set forth in those applications. In many cases, where
10 the acquired systems were already regulated by the Commission, the depreciation
11 rates had previously been approved by the Commission.¹⁵

12 **Q. WHAT DEPRECIATION RATES DOES LIMESTONE WATER PROPOSE**
13 **TO UTILIZE GOING FORWARD?**

14 A. The Company proposes to utilize a single set of depreciation rates for all of its water
15 and wastewater assets. The utilization of a single set of depreciation rates not only
16 simplifies the Company's books and records, it will also simplify the ratemaking
17 process going forward. Therefore, Limestone Water proposes that it be authorized
18 to utilize the rates in **Petitioner's Exhibit BT-6.3** "Schedule of Depreciation
19 Rates."

¹⁵ Recognizing that several of the systems that were acquired were previously regulated, the depreciation rates for the assets acquired had been previously approved by the Commission. As such, depreciation rates for Aqua Utilities, Cartwright Creek, Shiloh Falls, and DSH acquisitions have all been previously approved by the Commission. For instance, in Aqua Utilities last rate case (TPUC Docket No. 15-00044), an approved depreciation rate of 2.5% (40 years) was used for mains and service lines and a depreciation rate of 10% (10 years) was used for all other equipment. (*See Direct Testimony of Joe Shirley*, TPUC Docket No. 16-00127, filed November 10, 2016, at page 11).

1 **Q. DO YOU BELIEVE THAT THE PROPOSED DEPRECIATION RATES**
2 **ARE A REASONABLE SURROGATE IN THE ABSENCE OF AN**
3 **EXPENSIVE DEPRECIATION STUDY? IF SO, PLEASE EXPLAIN.**

4 A. Yes. The rates proposed on **Petitioner’s Exhibit BT-6.3** “Schedule of
5 Depreciation Rates.” are similar to those proposed by the Company and accepted
6 by the Commission in various acquisition cases.

7 **Q. WOULD YOU PLEASE DESCRIBE THE DEPRECIATION EXPENSE**
8 **REQUESTED FOR RECOVERY IN THIS CASE?**

9 A. Yes. Depreciation expense was calculated by multiplying the test year end UPIS
10 balances for each plant account by the proposed depreciation rates. This is offset
11 by CIAC amortization, which is similarly calculated by multiplying gross CIAC
12 balances, as at the end of the test year, by the applicable depreciation rate for the
13 underlying asset supported by CIAC. The CIAC amortization essentially offsets
14 the depreciation expense resulting from assets funded by CIAC. Depreciation
15 expense is shown on **Petitioner’s Exhibits BT-6.1 and BT-6.2.**

16 **B. CIAC AMORTIZATION**

17 **Q. HOW SHOULD CIAC BE TREATED FOR RATEMAKING PURPOSES?**

18 A. As mentioned, CIAC balances are not investor supplied capital. As such, it is
19 inappropriate for the Company to earn a return on CIAC balances. That said,
20 however, CIAC is also associated with an actual physical asset. As with assets
21 funded through investor capital, CIAC related assets also deteriorate over time.
22 Much like the depreciation of assets funded with investor capital, CIAC balances
23 should also diminish over time. In this case, Limestone Water proposes to amortize

1 CIAC balances for particular plant accounts over the same time period as similar
2 accounts funded by investor capital are depreciated.

3 **Q. PLEASE DESCRIBE THE ISSUES WITH THE ACCUMULATED**
4 **DEPRECIATION AND CIAC BALANCE FOR CARTWRIGHT CREEK.**

5 A. As part of its acquisition of Cartwright Creek, Limestone Water discovered that
6 Cartwright Creek CIAC balances had not been amortized. Instead, the CIAC
7 balance remained on the Cartwright Creek books at the original level. Thus, there
8 were significant mismatches between the value of the assets supported by the CIAC
9 and the CIAC balances. The issues of depreciation expense and CIAC were the
10 subjects of much testimony and debate during Cartwright Creek's 2016 rate case.
11 Tennessee Staff asserted that all the utility plant was fully depreciated or donated
12 and Cartwright Creek was not allowed to include depreciation of assets or
13 amortization of CIAC in its cost of service. While the conclusion is understandable
14 for ratemaking, the fact that Cartwright Creek stopped recording any amortization
15 or depreciation expense on its books created difficulty in determining the proper
16 balance of CIAC and accumulated depreciation associated with the Cartwright
17 Creek assets.

18 **Q. HOW DOES LIMESTONE WATER PROPOSE TO CORRECT THE CIAC**
19 **BALANCES FOR THE CARTWRIGHT CREEK ASSETS?**

20 A. Limestone Water proposes to utilize an average amortization rate of 5% that is
21 based on the utility plant assets on the books of Cartwright Creek on the day of
22 acquisition by Limestone Water.

23

1 **V. INCOME TAXES**

2 **Q. WHAT IS THE FEDERAL TAX CLASSIFICATION OF LIMESTONE**
3 **WATER?**

4 A. While Limestone Water is organized as a limited liability company, it has elected
5 treatment as a C-Corporation for federal and state tax purposes. The entity is
6 required to file Form 1120 annually with the Internal Revenue Service.

7 **Q. HOW HAS LIMESTONE WATER CALCULATED INCOME TAX IN ITS**
8 **REVENUE REQUIREMENT?**

9 A. The income tax rates used by Limestone Water are 21% for federal income and
10 6.5% for Tennessee state corporate income. Income tax has been calculated by first
11 calculating the estimated equity return on rate base included in our revenue
12 requirement and multiplying that return by an Income Conversion Factor of 1.35.

13 **Q. WHAT IS THE GROSS INCOME CONVERSION FACTOR?**

14 A. Each dollar of equity return granted to Limestone Water also carries a tax
15 responsibility for both federal and state income tax. The Gross Income Conversion
16 Factor incorporates the federal and state tax rates, along with an allowance for bad
17 debt of 1%, into an income multiplier. The Gross Income Conversion Factor used
18 in this filing is 1.35 and its calculation can be found in **Petitioner's Exhibit BT-7**.

19

20 **VI. TERMINATION OF FINANCIAL SECURITY ESCROWS**

21 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE COMMISSION'S**
22 **ESCROW REQUIREMENT.**

23 A. Commission Rule 1220-04-13.07 addresses financial security of public wastewater
24 utilities holding or seeking a Certificate of Convenience and Necessity ("CCN").

1 Specifically, “the Commission may review the financial condition of any public
2 wastewater utility at any time to determine whether a reserve / escrow account
3 balance is adequate, or an account should be established.”¹⁶ As set forth in the rule,
4 the escrow is designed to ensure that capital is available to reimburse “the utility
5 for extraordinary expenses of the utility or for necessary capital projects.”¹⁷ Prior
6 to reimbursement, however, the “utility must first receive authorization from the
7 Commission.”¹⁸

8 **Q. DOES LIMESTONE WATER MAINTAIN AN ESCROW ACCOUNT FOR**
9 **ANY OF ITS WASTEWATER SYSTEMS?**

10 A. Yes. For instance, upon its acquisition of the Cartwright Creek systems, Limestone
11 Water assumed the obligation to maintain the financial security escrow account.
12 The approved settlement in TPUC Docket No. 21-00053 provided for the following
13 conditions:

- 14 i. At closing, Cartwright Creek will transfer to Limestone all fees held in
15 escrow for Commission-authorized tap fees and the Capital
16 Improvement Surcharge (“CIS”).
17
- 18 ii. At closing, Limestone will assume Cartwright Creek’s obligation to
19 collect tap fees and the CIS, deposit those funds in Commission-
20 approved escrow accounts, and obtain Commission pre-approval for
21 disbursements from those accounts.
22
- 23 iii. Limestone will report quarterly, in the manner prescribed in the
24 Commission’s 08/25/20 Order in Docket No. 19-00097, regarding
25 quarter-end balances in each escrow account and any disbursements
26 made during the reporting quarter.¹⁹
27

¹⁶ TPUC Rule 1220-04-13.07(6).

¹⁷ TPUC Rule 1220-04-13.07(7).

¹⁸ *Id.*

¹⁹ See *Stipulation and Settlement Agreement*, para. 4, TPUC Docket No. 21-00053 (Oct. 12, 2021) (approved by the Commission on January 24, 2022).

1 **Q. OTHER THAN THE CARTWRIGHT CREEK SYSTEMS, DOES**
2 **LIMESTONE WATER MAINTAIN FINANCIAL SECURITY ESCROWS**
3 **FOR ANY OTHER SYSTEMS?**

4 A. Yes. In its recent acquisition of the DSH system, Limestone Water agreed to
5 maintain a similar escrow account.

6 Limestone shall maintain a separate escrow account specific to DSH
7 operations. Limestone and DSH shall provide documentation
8 demonstrating the value of the Escrow Accounts at closing, the
9 combined value of which should be no less than \$26,000.00. The
10 escrow proceeds and the \$10.24 monthly escrow charge per
11 customer shall be maintained separately from other Limestone
12 escrow accounts and such account shall be dedicated to the legacy
13 DSH system.²⁰

14
15 In addition, Limestone Water has filed an application to acquire the assets of IRM
16 Utility, Inc.²¹ The current IRM tariff provides for a monthly residential charge of
17 \$10.13 to be placed in the Company's escrow account.²² Similarly, Limestone
18 Water has filed an application to acquire the wastewater assets of Cumberland
19 Basin Wastewater Systems.²³ The current Cumberland Basin tariff for the Bluffs
20 at Cumberland Cove provides for a monthly residential charge of \$7.03 to be placed
21 into an escrow account and a monthly residential charge for Genesis Village Estates
22 of \$14.94 to be placed into an escrow account.²⁴ Given this, the issue regarding the
23 termination of financial security escrows is not limited solely to the systems that

²⁰ See *Stipulation and Settlement Agreement*, para. 15, TPUC Docket No. 23-00016 (Sept. 25, 2023) (approved by the Commission on December 26, 2023).

²¹ See TPUC Docket No. 23-00037. IRM operates a wastewater system known as Riverstone Estates.

²² IRM Utility, Inc. Wastewater Utility Service Tariff No. 1, Second Revised Page 1. There are various escrow charges for commercial rates.

²³ See TPUC Docket No. 23-00077. Cumberland Basin operates wastewater systems known as The Bluffs at Cumberland Cove and Genesis Village Estates.

²⁴ Cumberland Basin Wastewater Systems Wastewater Tariff, Revised Sheet #1.

1 Limestone Water has already acquired, but will also extend to systems that the
2 Company seeks to acquire.

3 **Q. WHAT ARE THE CURRENT BALANCES FOR THE FINANCIAL**
4 **SECURITY ESCROW ACCOUNTS MAINTAINED BY LIMESTONE**
5 **WATER?**

6 A. As of May 31, 2024, the balance in the escrow account for Cartwright Creek is
7 \$603,003.97. The balance in the DSH escrow as of May 31, 2024 is \$50,853.08.

Acquisition	Escrow Balance Ending 5/31/2024
Cartwright Creek	\$603,003.97
DSH-Lakeside Estates	\$50,853.08
Total	\$653,857.05

8

9 **Q. ARE ALL REGULATED TENNESSEE WASTEWATER SYSTEMS**
10 **REQUIRED TO MAINTAIN A FINANCIAL SECURITY ESCROW**
11 **ACCOUNT?**

12 A. No, consistent with the Commission’s ability to require the establishment of an
13 escrow account on a “case-by-case basis,” several regulated wastewater systems
14 are not required to maintain the financial security escrow account. For instance,
15 when they were acquired by Limestone Water, the Aqua Utilities and Shiloh Falls
16 systems were not required to maintain the financial security escrow account.
17 Moreover, when it acquired the unregulated Chapel Woods and Candlewood
18 wastewater systems, the Commission did not order Limestone Water to establish
19 and maintain a financial security escrow account. Additionally, of the systems that

1 Limestone Water is currently seeking to acquire, neither the Newport Resort²⁵ nor
2 Sunset Cove²⁶ systems currently maintain a financial security escrow account.

3 Finally, among other wastewater systems regulated by the Commission and
4 identified on the Commission's website,²⁷ it appears that Superior Wastewater is
5 not required to collect an escrow for its recently approved expansion around
6 Triune.²⁸ Similarly, based upon the tariff on the Attorney General website,²⁹ it does
7 not appear that Berry's Chapel Utility Inc. charges customers any amount that is
8 placed into a financial security escrow.

9 **Q. CAN THE ESCROW REQUIREMENT BE TERMINATED OR WAIVED?**

10 A. I am not an attorney, but the plain language of the rule appears to support the
11 interpretation or conclusion that the escrow requirement may be terminated or
12 waived at the discretion of the Commission. More specifically, I am referring to
13 the following provision: "The requirement for a public wastewater utility to
14 maintain a reserve / escrow account shall be determined by the Commission on a
15 case-by-case basis."³⁰ Additionally, rule provides that "the TPUC may waive or
16 modify requirements of this rule for good cause shown, including but not limited
17 to affordability of rates, minimization of rate shock or other operating
18 characteristics of the utility."³¹ Thus, it appears that the Commission has absolute
19 discretion as it applies to the establishment of a financial security escrow.

²⁵ TPUC Docket No. 24-00034.

²⁶ TPUC Docket No. 23-00070.

²⁷ [ListofWaterWasteWaterUtilities.pdf \(tn.gov\)](#)

²⁸ See TPUC Docket No. 23-00085.

²⁹ [1400004bm.pdf \(tn.gov\)](#)

³⁰ TPUC 1220-04-13.07(6) (emphasis added).

³¹ TPUC Rule 1220-04-13.07(8) (emphasis added).

1 **Q. DO YOU HAVE ANY UNDERSTANDING FOR THE REASON THAT THE**
2 **FINANCIAL SECURITY ESCROW FOR CARTWRIGHT CREEK WAS**
3 **CREATED?**

4 A. I believe, as the rule sets forth, the Cartwright Creek financial security escrow was
5 created to ensure that sufficient capital would be available to fund capital projects.
6 This understanding is supported by the previous dockets for Cartwright Creek.
7 Since at least 2009, there appears to have been concerns with Cartwright Creek's
8 ability or willingness to fund capital improvements. For instance, in 2009, Mr.
9 Dave Peters, on behalf of the Consumer Advocate and Protection Division
10 ("CAPD") of the Office of the Attorney General, filed testimony which, among
11 other things, eliminated any amount of depreciation expense. As he noted at that
12 time, "CAPD has eliminated this [proposed depreciation expense] due to the fact
13 that all of the plant-in-service of the Company is contributed plant."³² While
14 Cartwright Creek initially opposed the elimination of depreciation expense,³³ it
15 ultimately reached a settlement whereby depreciation expense was expressly
16 excluded from the revenue requirement.³⁴

17 The problem with the lack of investment by Cartwright Creek apparently
18 did not get any better over the subsequent years. Specifically, in the context of

³² *Direct Testimony of Dave Peters*, TPUC Docket No. 09-00056, filed August 24, 2009, at page 9.

³³ In fact, Cartwright Creek argued that the lack of depreciation expense, would hinder its "ability to secure or borrow funds for the repair and replacement of the facility. Cartwright Creek requests that the TRA consider an additional surcharge in lieu of allowing Cartwright Creek to include depreciation expense in its operating expenses in determining the required annual revenue." *Rebuttal Testimony of Robert Cochrane*, TPUC Docket No. 09-00056, filed September 18, 2009, at page 6.

³⁴ *Proposed Settlement Agreement*, TPUC Docket No. 09-00056, filed November 4, 2009, at page 4 ("As a result of this Settlement Agreement, the Company is agreeing to the Consumer Advocate's position with regarding to the following expense classifications: (e) depreciation expense of \$0 versus the Company's depreciation expense of \$27,645.").

1 Cartwright Creek's 2016 rate case, the Tennessee Staff again disallowed any
2 depreciation expense. "The net annual depreciation expense for the Attrition Period
3 is forecasted to be zero. The Company's utility plant has either been fully
4 depreciated (as in the case of Grasslands system) or contributed to the utility by
5 developers (as is the case for Arrington Retreat and Hideaway systems)."³⁵ Thus,
6 between 2009 and 2016, it is apparent that the Cartwright Creek shareholders had
7 not invested any capital into those systems. As such, to the extent that any capital
8 improvements were made, they must have been provided by ratepayers through the
9 financial security mechanism.³⁶

10 This lack of capital investment was confirmed in the acquisition
11 application's context where Limestone Water acquired Cartwright Creek.

12 Cartwright Creek has not recorded depreciation expense since 2010.
13 The lack of depreciation expense recording is understandable given
14 Cartwright Creek's situation. Cartwright Creek developed a
15 negative rate base as of 2010, which would have only been
16 exacerbated by the continued recording of depreciation expense.
17 Therefore, Cartwright Creek ceased recording depreciation expense
18 in 2011. Recent capital expenditures have either been funded with
19 CIAC or through the use of escrow funds.³⁷

20
21 Thus, from sometime prior to 2009 through 2021, Cartwright Creek
22 investors had not introduced any new capital into that wastewater system.

23 **Q. DID THE SAME SITUATION EXIST FOR DSH?**

24 A. Yes, it appears that DSH also failed to invest in that wastewater system.
25 Specifically, in the context of the acquisition docket whereby Limestone Water

³⁵ *Direct Testimony of Joe Shirley*, TPUC Docket No. 16-00127, filed November 10, 2016, at pages 2-3.

³⁶ It is interesting that while depreciation expense was disallowed due to the lack of investor provided capital, the parties failed to provide for an amortization for the Cartwright Creek CIAC balances previously discussed.

³⁷ *Direct Testimony of David Dittmore*, TPUC Docket No. 21-00053, filed August 30, 2021, at page 17.

1 acquired DSH, the witness for the Consumer Advocate Division (“CAD”) indicated
2 that “all [DSH] UPIS was either contributed to DSH or funded with the use of
3 Escrow funds.”³⁸

4 Later, in the same testimony, the CAD witness noted that DSH charges a
5 tap fee and an escrow fee that is placed into either the Lakeside Equipment Escrow
6 or the Lakeside Expansion escrow account. These escrow accounts “represent
7 funds that ratepayers have provided as a ‘means to prepay the costs for non-routine
8 system maintenance to minimize future financial impact of such maintenance of the
9 rate payer and the utility.’”³⁹ In fact, the CAD witness points out that a portion of
10 the escrow is intended to be used by DSH “to replace a pump.”⁴⁰

11 Thus, routine maintenance / capital improvements, like the replacement of
12 a pump, were paid by ratepayers via funds that had been collected and placed into
13 an escrow account.

14 **Q. DOES THE SAME FINANCIAL SITUATION EXIST FOR LIMESTONE**
15 **WATER?**

16 A. No. Unlike Cartwright Creek and DSH, Limestone Water is well capitalized. To
17 date, CSWR, LLC (the parent company of Limestone Water and 10 other state
18 utility operating companies) has invested nearly eleven million into Limestone
19 Water Tennessee operations. In all situations, those improvements were made by
20 Limestone Water investors. Even improvements at Cartwright Creek and DSH

³⁸ *Direct Testimony of Alex Bradley*, TPUC Docket No. 23-00016, filed August 7, 2023, at page 4.

³⁹ *Id.* at page 6.

⁴⁰ *Id.*

1 have been funded by investor contributions and the funds in the escrow accounts
2 were not accessed to pay for such improvements.

3 In addition to the willingness of investors to contribute capital to the system,
4 Limestone Water hopes to gain access to debt markets. To date, Limestone Water
5 has not had sufficient cash flow to service a debt issuance. As a result of this case,
6 however, Limestone Water hopes to be able to issue debt as cash flows provide.

7 As discussed earlier in this testimony, other of CSWR's regulated utility
8 affiliates have been able to secure commercial debt financing at market rates once
9 sufficient rates were established to generate the cash necessary to service that debt.
10 Thus, unlike Cartwright Creek and DSH, Limestone Water and its parent have
11 demonstrated their ability, independent of any escrowed funds, to maintain and
12 improve these wastewater systems through equity infusions. Therefore, customers
13 of Cartwright Creek and DSH should not be required to continue contributing to an
14 escrow account to be assured that the wastewater system is maintained. As such,
15 Limestone Water seeks to either have terminated or waived any monthly charges
16 that would otherwise be collected and maintained in an escrow account.

17 **Q. IN THE EVENT THAT THE COMMISSION TERMINATED OR WAIVED**
18 **THE COLLECTION AND ESCROW OF SUCH FUNDS, WHAT WOULD**
19 **HAPPEN TO THE CURRENTLY EXISTING ESCROW FUNDS?**

20 A. Limestone Water's most immediate request is to simply terminate the collection of
21 any further funds to be placed into an escrow account. The savings to customers is
22 not insignificant. For instance, for DSH customers, the escrowed amount is \$10.24

1 / customer. Thus, the most immediate request is to stop the collection of further
2 amounts from ratepayers and the placement of those funds into the escrow accounts.

3 As for the funds in the escrow accounts, Limestone Water is open to
4 guidance from the Commission. It would seem difficult, if not impossible, to
5 attempt to recreate the records to determine how much of the escrow accounts is
6 attributable to individual customers. Thus, direct refunds would appear to be an
7 impossibility. Given this, the most expedient and reasonable solution would seem
8 to be to close the escrow account and the funds retained by Limestone Water. In
9 this customer-friendly approach, the funds would be treated as CIAC and used as
10 an offset to rate base. Thus, the ratepayers are given the ratemaking benefit for this
11 contributed capital.

12 **VII. ALTERNATIVE RATEMAKING MECHANISMS**

13 **Q. PLEASE DESCRIBE LIMESTONE WATER'S PLAN FOR RATE CASES** 14 **AND RATE SETTING IN THE FUTURE?**

15 **A.** Limestone Water began operations in Tennessee in late 2021 with the acquisition
16 of the Cartwright Creek system. Since then, the Company has acquired numerous
17 other systems. Many of these systems had not been subject to a regular schedule
18 of rate adjustments to reflect ongoing changes in the cost of service. Most notably
19 the Aqua Utilities water and wastewater systems have not been part of a rate case
20 or rate reset since 2006. Limestone Water recognizes that a financially healthy and
21 well-functioning utility should seek to adjust rates regularly. The regulated utility
22 affiliates of Limestone Water in other states have filed general rate cases or used
23 other rate reset mechanisms to adjust rates every 1-3 years. In some cases involving

1 Limestone Water's affiliates, customer billing rates have come down over time.
2 This reflects the scale and cost efficiencies that will be realized as Limestone Water
3 continues to acquire systems in Tennessee and as its parent, CSWR, LLC continues
4 to grow in all of its jurisdictions.

5 In Limestone Water's case, regular rate adjustments would include
6 adjusting rates for the customers of newly acquired systems. As mentioned
7 previously in this testimony, the Company has acquisition cases before the
8 Commission currently and intends to continue acquiring distressed water and
9 wastewater systems throughout Tennessee. To accomplish the necessary frequency
10 of rate increase, Limestone Water would need to file general rate cases every 2-3
11 years. In lieu of this, the Company intends to explore and evaluate requesting
12 authorization to utilize the Commission's Alternative Rate Mechanism to
13 implement an annual rate review and adjustment of rates. This would, if pursued,
14 provide a pathway to adjust rates for newly acquired customers and for the
15 moderation of rate change impacts to existing customers.

16
17 **VIII. CONCLUSION**

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 **A. Yes.**

Limestone Water Operating Company, LLC
24000-XXX
Revenue Requirement - Sewer
For the Period Ending April 30, 2024

Line Number (A)	Description (B)	Sewer (C)
1		
2	Total Original Cost Rate Base	\$2,383,921
3		
4	Net Income at Present Rates	(\$924,062)
5		
6	Earned Rate of Return	-38.8%
7		
8	Requested Rate of Return	9.6%
9		
10	Required Return on Rate Base	\$229,767
11		
12	Weighted Return on Equity	6.8%
13		
14	Operating Income Deficiency	\$1,153,829
15		
16	Net Income Required for Return on Equity	\$161,701
17		
18	Gross Revenue Conversion Factor	1.01
19	Gross Income Conversion Factor	1.37
20		
21	Revenue Deficiency	\$1,223,275
22		
23	Pro Forma Revenue at Present Rates	\$1,187,678
24		
25	Total Revenue Requirement	\$2,410,952
26		
27		
28		

Limestone Water Operating Company, LLC
24000-XXX
Revenue Requirement - Water
For the Period Ending April 30, 2024

Line Number (A)	Description (B)	Water (C)
1		
2	Total Original Cost Rate Base	\$888,408
3		
4	Net Income at Present Rates	(\$339,108)
5		
6	Earned Rate of Return	-38.2%
7		
8	Requested Rate of Return	9.6%
9		
10	Required Return on Rate Base	\$85,626
11		
12	Weighted Return on Equity	6.8%
13		
14	Operating Income Deficiency	\$424,734
15		
16	Net Income Required for Return on Equity	\$60,261
17		
18	Gross Revenue Conversion Factor	1.01
19	Gross Income Conversion Factor	1.37
20		
21	Revenue Deficiency	\$450,561
22		
23	Pro Forma Revenue at Present Rates	\$198,894
24		
25	Total Revenue Requirement	\$649,455
26		
27		
28		

Limestone Water Operating Company, LLC
24000-XXX
Income Statement Summary - Sewer
For the Period Ending April 30, 2024

Line Number	Description	Test Year Ended April 30, 2024	Known and Measurable Adjustments	Present Rates Pro Forma For 12 Months Ended April 30, 2024 (E) (C)+(D)	Pro Forma Adjustments	Proposed Rates Pro Forma For the 12 Months Ended April 30, 2024 (G)
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1						
2	Total Revenue	\$861,313	\$326,364	\$1,187,678	\$1,223,275	\$2,410,952
3						
4	Operating Expenses					
5	Total G&A - General & Admin	(\$625,328)	\$99,357	(\$525,971)	(\$12,233)	(\$538,203)
6	Total Ops & Maint - Operations & Maintenance	(\$967,576)	(\$82,492)	(\$1,050,069)	\$0	(\$1,050,069)
7	Depreciation	(\$443,445)	(\$22,495)	(\$465,940)	\$0	(\$465,940)
8	CIAC Amort	\$189,623	(\$163,182)	\$26,441	\$0	\$26,441
9	Amortization of Regulatory Asset Expense	\$0	(\$96,200)	(\$96,200)	\$0	(\$96,200)
10	Total Operating Expense	(\$1,846,727)	(\$265,012)	(\$2,111,739)	(\$12,233)	(\$2,123,972)
11						
12	Gross Operating Income	(\$985,413)	\$61,352	(\$924,062)	\$1,211,042	\$286,980
13						
14	Interest	\$0	\$0	\$0	(\$68,066)	(\$68,066)
15						
16	Funds Available for Income Tax and Equity	(\$985,413)	\$61,352	(\$924,062)	\$1,142,976	\$218,915
17						
18	Income Taxes	\$0	\$0	\$0	(\$57,213)	(\$57,213)
19						
20						
21	Net Income	(\$985,413)	\$61,352	(\$924,062)	\$1,085,763	\$161,701
22						
23						

Limestone Water Operating Company, LLC
24000-XXX
Income Statement Summary - Water
For the Period Ending April 30, 2024

Line Number	Description	Test Year Ended April 30, 2024	Known and Measurable Adjustments	Present Rates Pro Forma For 12 Months Ended April 30, 2024 (E) (C)+(D)	Pro Forma Adjustments (F)	Proposed Rates Pro Forma For the 12 Months Ended April 30, 2024 (G)
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1						
2	Total Revenue	\$186,059	\$12,834	\$198,894	\$450,561	\$649,455
3						
4	Operating Expenses					
5	Total G&A - General & Admin	(\$153,631)	\$7,694	(\$145,937)	(\$4,506)	(\$150,443)
6	Total Ops & Maint - Operations & Maintenance	(\$309,807)	(\$8,233)	(\$318,040)	\$0	(\$318,040)
7	Depreciation	(\$46,753)	(\$5,912)	(\$52,666)	\$0	(\$52,666)
8	CIAC Amort	\$7,085	\$356	\$7,441	\$0	\$7,441
9	Amortization of Regulatory Asset Expense	\$0	(\$28,800)	(\$28,800)	\$0	(\$28,800)
10	Total Operating Expense	(\$503,107)	(\$34,894)	(\$538,001)	(\$4,506)	(\$542,507)
11						
12	Gross Operating Income	(\$317,048)	(\$22,060)	(\$339,108)	\$446,056	\$106,948
13						
14	Interest	\$0	\$0	\$0	(\$25,366)	(\$25,366)
15						
16	Funds Available for Income Tax and Equity	(\$317,048)	(\$22,060)	(\$339,108)	\$420,690	\$81,582
17						
18	Income Taxes	\$0	\$0	\$0	(\$21,322)	(\$21,322)
19						
20						
21	Net Income	(\$317,048)	(\$22,060)	(\$339,108)	\$399,368	\$60,261
22						
23						

Limestone Water Operating Company, LLC
24000-XXX
Detailed Income Statement - Sewer
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Description	Schedule	Test Year Ended April 30, 2024	Known and Measurable Adjustments	Present Rates Pro Forma For 12 Months Ended April 30, 2024	Pro Forma Adjustments	Proposed Rates Pro Forma For the 12 Months Ended April 30, 2024
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1		Revenues						
2	521.000	Revenue-Sewer		\$846,589	\$325,756	\$1,172,345	\$1,223,275	\$2,395,620
3	532.000	Sewer - Late Fees		\$31	\$225	\$256		\$256
4	536.000	Sewer - Misc. Service Revenue		\$14,693	\$383	\$15,077		\$15,077
5		Total Revenue		\$861,313	\$326,364	\$1,187,678	\$1,223,275	\$2,410,952
6								
7		Expenses						
8		<u>G&A - General & Admin:</u>						
9	408.100	Taxes		(\$2,072)		(\$2,072)		(\$2,072)
10	408.160	Property Tax		(\$25,379)		(\$25,379)		(\$25,379)
11	414.000	Gain/Loss of Utility Property		(\$76,473)	\$76,473	\$0		\$0
12	903.100	Cust Record Collect (Billing)		(\$73,192)	\$18,029	(\$55,163)		(\$55,163)
13	903.200	Customer Collection Expenses		(\$236)		(\$236)		(\$236)
14	903.280	Cust Record Collect (Bank Fees)		(\$15,407)		(\$15,407)		(\$15,407)
15	904.000	Uncollectible Accounts		(\$4,966)		(\$4,966)	(\$12,233)	(\$17,199)
16	921.110	Office Exp - Meals and Travel		(\$31)	\$31	\$0		\$0
17	921.500	Office Exp - Communication		(\$3,553)		(\$3,553)		(\$3,553)
18	922.000	Admin Expenses Transferred		(\$302,373)		(\$302,373)		(\$302,373)
19	923.100	OSS - Bank Fees		(\$19,531)		(\$19,531)		(\$19,531)
20	923.400	OSS - Legal		(\$5,025)	\$3,713	(\$1,312)		(\$1,312)
21	923.500	OSS - Audit and Accounting		(\$5,559)	\$2,618	(\$2,941)		(\$2,941)
22	923.600	OSS - MGMT Consult		(\$4,851)		(\$4,851)		(\$4,851)
23	923.900	OSS - IT		(\$669)	\$252	(\$417)		(\$417)
24	924.400	Property Insurance - Commercial		(\$43,536)	(\$1,525)	(\$45,061)		(\$45,061)
25	928.100	Regulatory Expense - DNR		(\$27,925)	(\$233)	(\$28,158)		(\$28,158)
26	928.300	Regulatory Expense - Other		\$0		\$0		\$0
27	930.200	Misc. General Exp		(\$14,551)		(\$14,551)		(\$14,551)
28		Total G&A - General & Admin		(\$625,328)	\$99,357	(\$525,971)	(\$12,233)	(\$538,203)
29								
30		<u>Ops & Maint - Operations & Maintenance:</u>						
31	710.000	Sewer - Purchased Treatment		(\$352)		(\$352)		(\$352)
32	711.000	Sewer - Sludge Removal		\$80		\$80		\$80
33	715.000	Sewer - Purchased Power		(\$173,269)	(\$2,151)	(\$175,420)		(\$175,420)
34	716.000	Sewer - Fuel for Power Production		(\$38)		(\$38)		(\$38)
35	718.000	Sewer - Chemicals		(\$18,508)		(\$18,508)		(\$18,508)
36	720.000	Sewer - Materials and Supplies		(\$6,491)	(\$316)	(\$6,807)		(\$6,807)
37	720.100	Sewer - Materials and Supplies - Collection Ops		(\$484)		(\$484)		(\$484)
38	720.400	Sewer - Materials and Supplies - Pumping Maint		(\$160)		(\$160)		(\$160)
39	720.500	Sewer - Materials and Supplies - T&D Ops		(\$35)		(\$35)		(\$35)
40	720.600	Sewer - Materials and Supplies - T&D Maint		(\$419)		(\$419)		(\$419)
41	729.000	Sewer - Mowing and Lawn maintenance		(\$141,876)		(\$141,876)		(\$141,876)
42	730.000	Sewer - Contract Operations		(\$413,507)	(\$84,642)	(\$498,149)		(\$498,149)
43	730.100	Sewer - Contract Operations - Collection Ops		(\$31,578)		(\$31,578)		(\$31,578)
44	730.200	Sewer - Collection Maintenance		(\$58,343)	\$900	(\$57,443)		(\$57,443)
45	730.201	Sewer - Collection Maint - Plant S&I		(\$800)		(\$800)		(\$800)
46	730.202	Sewer - Collection Maint - Pumping Equip Maint		(\$6,634)		(\$6,634)		(\$6,634)
47	730.203	Sewer - Collection Maint - Maint of Meters		(\$568)		(\$568)		(\$568)
48	730.204	Sewer - Collection Maint - Maint of Mains		(\$3,040)	(\$600)	(\$3,640)		(\$3,640)
49	730.205	Sewer - Collection Maint - Other Collection Plant Maint		(\$3,200)		(\$3,200)		(\$3,200)
50	730.206	Sewer - Collection Maint - Maint Customer Services		(\$15,010)		(\$15,010)		(\$15,010)
51	730.300	Sewer - Contract Operations - Pumping Ops		(\$480)		(\$480)		(\$480)
52	730.400	Sewer - Pumping Maintenance		(\$100)		(\$100)		(\$100)
53	730.500	Sewer - T&D Ops		(\$3,959)		(\$3,959)		(\$3,959)
54	730.600	Sewer - T&D Maintenance		(\$26,259)	\$4,634	(\$21,625)		(\$21,625)
55	730.602	Sewer - T&D Maint - Pumping Equip Maint		(\$1,050)		(\$1,050)		(\$1,050)
56	730.603	Sewer - T&D Maint - Other T&D Plant Maint		(\$6,699)		(\$6,699)		(\$6,699)
57	735.000	Sewer - Contract Svcs - Testing		(\$42,596)	(\$318)	(\$42,914)		(\$42,914)
58	770.000	Sewer - Bad Debt Exp		(\$6,749)		(\$6,749)		(\$6,749)
59	775.000	Sewer - Misc. Expense		(\$5,257)		(\$5,257)		(\$5,257)
60	775.600	Sewer - Misc. Expense - T&D Maint		(\$195)		(\$195)		(\$195)
61		Total Ops & Maint - Operations & Maintenance		(\$967,576)	(\$82,492)	(\$1,050,069)	\$0	(\$1,050,069)
62								
63		<u>Depr & Amort - Depreciation & Amortization:</u>						
64	403.000	Depreciation		(\$443,445)	(\$22,495)	(\$465,940)		(\$465,940)
65	403.100	CIAC Amort		\$189,623	(\$163,182)	\$26,441		\$26,441
66	405.100	Amortization of Regulatory Asset Expense		\$0	(\$96,200)	(\$96,200)		(\$96,200)
67		Total Depr & Amort - Depreciation & Amortization		(\$253,822)	(\$281,877)	(\$535,700)	\$0	(\$535,700)
68								
69		Total Expenses		(\$1,846,727)	(\$265,012)	(\$2,111,739)	(\$12,233)	(\$2,123,972)
70								\$0
71		Gross Operating Income		(\$985,413)	\$61,352	(\$924,062)	\$1,211,042	\$286,980

Limestone Water Operating Company, LLC
24000-XXX
Detailed Income Statement - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Description	Schedule	Test Year Ended April 30, 2024	Known and Measurable Adjustments	Present Rates Pro Forma For 12 Months Ended April 30, 2024	Pro Forma Adjustments	Proposed Rates Pro Forma For the 12 Months Ended April 30, 2024
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1		Revenues						
2	460.000	Water - Unmetered Revenue		\$184,219	\$12,834	\$197,053	\$450,561	\$647,614
3	470.000	Water - Late Fees		\$210		\$210		\$210
4	471.000	Water - Misc Service Revenues		\$1,631		\$1,631		\$1,631
5		Total Revenue		\$186,059	\$12,834	\$198,894	\$450,561	\$649,455
6								
7		Expenses						
8		<u>G&A - General & Admin:</u>						
9	408.100	Taxes		(\$620)		(\$620)		(\$620)
10	408.160	Property Tax		(\$5,749)		(\$5,749)		(\$5,749)
11	414.000	Gain/Loss of Utility Property		(\$229)	\$229	\$0		\$0
12	903.100	Cust Record Collect (Billing)		(\$22,814)	\$6,745	(\$16,069)		(\$16,069)
13	903.200	Customer Collection Expenses		(\$71)		(\$71)		(\$71)
14	903.280	Cust Record Collect (Bank Fees)		(\$4,612)		(\$4,612)		(\$4,612)
15	904.000	Uncollectible Accounts		(\$1,487)		(\$1,487)	(\$4,506)	(\$5,992)
16	921.110	Office Exp - Meals and Travel		\$0		\$0		\$0
17	921.500	Office Exp - Communication		\$0		\$0		\$0
18	922.000	Admin Expenses Transferred		(\$90,522)		(\$90,522)		(\$90,522)
19	923.100	OSS - Bank Fees		(\$5,847)		(\$5,847)		(\$5,847)
20	923.400	OSS - Legal		(\$523)	(\$231)	(\$754)		(\$754)
21	923.500	OSS - Audit and Accounting		(\$1,664)	\$784	(\$880)		(\$880)
22	923.600	OSS - MGMT Consult		(\$1,452)		(\$1,452)		(\$1,452)
23	923.900	OSS - IT		\$0		\$0		\$0
24	924.400	Property Insurance - Commercial		(\$12,506)	\$167	(\$12,340)		(\$12,340)
25	928.100	Regulatory Expense - DNR		(\$495)		(\$495)		(\$495)
26	928.300	Regulatory Expense - Other		(\$400)		(\$400)		(\$400)
27	930.200	Misc. General Exp		(\$4,639)		(\$4,639)		(\$4,639)
28		Total G&A - General & Admin		(\$153,631)	\$7,694	(\$145,937)	(\$4,506)	(\$150,443)
29								
30		<u>Ops & Maint - Operations & Maintenance:</u>						
31	610.000	Water - Purchased Water		(\$164,876)		(\$164,876)		(\$164,876)
32	615.000	Water - Purchased Power		(\$5,323)		(\$5,323)		(\$5,323)
33	618.000	Water - Chemicals		(\$1,975)		(\$1,975)		(\$1,975)
34	620.000	Water - Materials and Supplies		(\$1,191)		(\$1,191)		(\$1,191)
35	620.100	Water - Materials and Supplies - SoS Ops		(\$400)		(\$400)		(\$400)
36	620.600	Water - Materials and Supplies - T&D Maint		(\$274)		(\$274)		(\$274)
37	629.000	Water - Mowing and Lawn Maintenance		(\$1,699)		(\$1,699)		(\$1,699)
38	630.000	Water - Contract Operations		(\$101,900)	(\$11,991)	(\$113,891)		(\$113,891)
39	630.100	Water - Source of Supply Ops		(\$5,388)		(\$5,388)		(\$5,388)
40	630.200	Water - Source of Supply Maintenance		(\$6,743)	\$900	(\$5,843)		(\$5,843)
41	630.203	Water - SoS Maint - Wells and Springs		(\$320)		(\$320)		(\$320)
42	630.300	Water - Treatment Ops		(\$200)		(\$200)		(\$200)
43	630.405	Water - Treatment Maint - Maint of Purification Equip		(\$360)		(\$360)		(\$360)
44	630.500	Water - T&D Ops		(\$2,760)		(\$2,760)		(\$2,760)
45	630.600	Water - T&D Maintenance		(\$1,540)		(\$1,540)		(\$1,540)
46	630.603	Water - T&D Maint - Hydrant Maint		(\$1,665)		(\$1,665)		(\$1,665)
47	630.604	Water - T&D Maint - Maps and Records		(\$240)		(\$240)		(\$240)
48	630.605	Water - T&D Maint - Meter Maint		(\$5,318)	\$2,858	(\$2,460)		(\$2,460)
49	630.606	Water - T&D Maint - Maint of Customer Services		(\$3,120)		(\$3,120)		(\$3,120)
50	630.607	Water - T&D Maint - Maint of Mains		(\$1,633)		(\$1,633)		(\$1,633)
51	635.000	Water - Testing		(\$850)		(\$850)		(\$850)
52	670.000	Water - Bad Debt		(\$1,477)		(\$1,477)		(\$1,477)
53	675.000	Water - Misc Expense		(\$554)		(\$554)		(\$554)
54		Total Ops & Maint - Operations & Maintenance		(\$309,807)	(\$8,233)	(\$318,040)	\$0	(\$318,040)
55								
56		<u>Depr & Amort - Depreciation & Amortization:</u>						
57	403.000	Depreciation		(\$46,753)	(\$5,912)	(\$52,666)		(\$52,666)
58	403.100	CIAC Amort		\$7,085	\$356	\$7,441		\$7,441
59	405.100	Amortization of Regulatory Asset Expense		\$0	(\$28,800)	(\$28,800)		(\$28,800)
60		Total Depr & Amort - Depreciation & Amortization		(\$39,669)	(\$34,356)	(\$74,025)	\$0	(\$74,025)
61								
62		Total Expenses		(\$503,107)	(\$34,894)	(\$538,001)	(\$4,506)	(\$542,507)
63								\$0
64		Gross Operating Income		(\$317,048)	(\$22,060)	(\$339,108)	\$446,056	\$106,948

Limestone Water Operating Company, LLC
24000-XXX
Income Tax Summary - Sewer
For the Period Ending April 30, 2024

Line Number	Description	Tax Rates	Sewer
(A)	(B)	(C)	(D)
1			
2	Gross Operating Income		\$286,980
3			
4	Interest Expense		(\$68,066)
5			
6	Taxable Income		\$218,915
7			
8	State Income Tax	6.5%	\$14,229
9			
10	Federal Taxable Income		\$204,685
11			
12	Federal Income Tax	21.0%	\$42,984
13			
14	Total Income Tax		\$57,213
15			
16			
17			

Limestone Water Operating Company, LLC
24000-XXX
Income Tax Summary - Water
For the Period Ending April 30, 2024

Line Number	Description	Tax Rates	Water
(A)	(B)	(C)	(D)
1			
2	Gross Operating Income		\$106,948
3			
4	Interest Expense		(\$25,366)
5			
6	Taxable Income		\$81,582
7			
8	State Income Tax	6.5%	\$5,303
9			
10	Federal Taxable Income		\$76,279
11			
12	Federal Income Tax	21.0%	\$16,019
13			
14	Total Income Tax		\$21,322
15			
16			
17			

Limestone Water Operating Company, LLC
24000-XXX
Capital Structure
For the Period Ending April 30, 2024

	Class of Capital	% of Hypothetical Capital Structure	Cost Rate	Weighted Cost
(A)	(B)	(C)	(D)	(E)
1				
2	Long-Term Debt	43.00%	6.64%	2.86%
3				
4	Common Equity	57.00%	11.90%	6.78%
5				
6				
7	Total Capital	<u>100.00%</u>		<u>9.64%</u>
8				
9				
10				

Limestone Water Operating Company, LLC
24000-XXX
Depreciation Expense Summary - Sewer
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Asset Balance 4/30/24	Depreciation Rate	Adjusted Test Year Depreciation Expense Ending 4/30/24
(A)	(B)	(C)	(D)	(E)	(F)
1					
2	353.000	Sewer - Land and Land Rights	\$988,170	0%	\$0
3	354.005	Sewer - S&I	\$2,998,578	3%	(\$74,964)
4	360.001	Sewer - Collection Sewers - Force	\$1,147,151	2%	(\$22,943)
5	361.001	Sewer - Collection Sewers - Gravity	\$892,932	2%	(\$17,859)
6	363.000	Sewer - Services to Customers	\$93,998	2%	(\$1,880)
7	364.002	Sewer - Flow Measuring Devices	\$13,653	3%	(\$455)
8	370.000	Sewer - Receiving Wells	\$217,903	4%	(\$8,716)
9	371.002	Sewer - Pumping Equip	\$1,173,715	10%	(\$117,372)
10	380.003	Sewer - Treatment & Disposal Equip	\$2,265,020	5%	(\$113,251)
11	381.001	Sewer - Plant Sewers	\$58,897	3%	(\$1,472)
12	382.001	Sewer - Outfall Sewer Lines	\$27,118	2%	(\$542)
13	389.002	Sewer - Other Plant & Misc. Equip	\$36,908	5%	(\$1,845)
14	393.002	Sewer - Tools, Shop, and Garage Equip	\$19,132	10%	(\$1,913)
15	395.000	Sewer - Power Operated Equip	\$4,149	7%	(\$277)
16	396.002	Sewer - Communication Equip	\$369,647	10%	(\$36,965)
17	397.001	Sewer - Misc Equipment	\$18,452	10%	(\$1,845)
18	398.002	Sewer - Other Tangible Plant	\$636,406	10%	(\$63,641)
19					
20			\$10,961,828		(\$465,940)

Limestone Water Operating Company, LLC
24000-XXX
Depreciation Expense Summary - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Asset Balance 4/30/24	Depreciation Rate	Adjusted Test Year Depreciation Expense Ending 4/30/24
(A)	(B)	(C)	(D)	(E)	(F)
1					
2	303.000	Water - Land and Land Rights	\$133,458	0%	\$0
3	304.006	Water - S&I	\$4,607	3%	(\$115)
4	304.100	Water - S&I Source of Supply	\$1,246,688	3%	(\$31,167)
5	309.001	Water - Supply Mains	\$8,639	10%	(\$864)
6	320.003	Water - Treatment Equip	\$733	3%	(\$21)
7	331.002	Water - Transmission & Distribution Mains	\$112,139	2%	(\$2,243)
8	333.004	Water - Services to Customers	\$112,860	10%	(\$11,286)
9	334.001	Water - Meters and Installation	\$30,986	10%	(\$3,099)
10	335.001	Water - Hydrants	\$20,878	10%	(\$2,088)
11	339.000	Water - Other Plant and Misc Equip	\$2,032	10%	(\$203)
12	346.001	Water - Communication Equip	\$6,019	10%	(\$602)
13	347.001	Water - Misc Equip	\$9,781	10%	(\$978)
			\$1,688,819		(\$52,666)

Limestone Water Operating Company, LLC
24000-XXX
Schedule of Depreciation Rates
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Current Accrual Rate	Average Service Life
(A)	(B)	(C)	(D)	(E)
1				
2	303.000	Land and Land Rights	0.00%	n/a
3	304.006	S&I	2.50%	40.0
4	304.100	S&I Source of Supply	2.50%	40.0
5	309.001	Supply Mains	10.00%	10.0
6	320.003	Treatment Equip	2.86%	35.0
7	331.002	Transmission & Distribution Mains	2.00%	50.0
8	333.004	Services to Customers	10.00%	10.0
9	334.001	Meters and Installation	10.00%	10.0
10	335.001	Hydrants	10.00%	10.0
11	339.000	Other Plant and Misc Equip	10.00%	10.0
12	346.001	Communication Equip	10.00%	10.0
13	347.001	Misc Equip	10.00%	10.0
14	353.000	Land and Land Rights	0.00%	n/a
15	354.005	S&I	2.50%	40.0
16	360.001	Collection Sewers - Force	2.00%	50.0
17	361.001	Collection Sewers - Gravity	2.00%	50.0
18	363.000	Services to Customers	2.00%	50.0
19	364.002	Flow Measuring Devices	3.33%	30.0
20	370.000	Receiving Wells	4.00%	25.0
21	371.002	Pumping Equip	10.00%	10.0
22	380.003	Treatment & Disposal Equip	5.00%	20.0
23	381.001	Plant Sewers	2.50%	40.0
24	382.001	Outfall Sewer Lines	2.00%	50.0
25	389.002	Other Plant & Misc. Equip	5.00%	20.0
26	393.002	Tools, Shop, and Garage Equip	10.00%	10.0
27	395.000	Power Operated Equip	6.67%	15.0
28	396.002	Communication Equip	10.00%	10.0
29	397.001	Misc Equipment	10.00%	10.0
30	398.002	Other Tangible Plant	10.00%	10.0

Limestone Water Operating Company, LLC
24000-XXX
Income Conversion Factor
For the Period Ending April 30, 2024

Line Number	Gross Income Conversion Factor Calculation	Total Rate	Conversion Factor %	Total Conversion Factor
(A)	(B)	(C)	(D)	(E)
1				
2	Gross Income from Revenue		100.000%	
4	Less: Bad Debt	1.000%	<u>1.000%</u>	3.721%
5	Net Income After Bad Debt		<u>99.000%</u>	
6				
7				
8	Less: State Income Tax @ 6.5%	6.500%	<u>6.435%</u>	23.945%
9	Net Income After Bad Debt and State Tax		<u>92.565%</u>	
10				
11	Less: Federal income Tax @ 21%	21.000%	<u>19.439%</u>	72.334%
12				
13	Net Income After Bad Debt, State and Federal Income Taxes:		<u>73.126%</u>	100.000%
15				
16	Operating Income Conversion Factor (1/Line 12)		<u>136.750%</u>	
17				
18				
19				

Limestone Water Operating Company, LLC
24000-XXX
Revenue Conversion Factor
For the Period Ending April 30, 2024

Line Number (A)	Gross Revenue Conversion Factor Calculation (B)	Total Rate (C)	Conversion Factor % (D)	Total Conversion Factor (E)
1				
2	Gross Income from Revenue		100.000%	
4	Less: Bad Debt	1.000%	<u>1.000%</u>	100.000%
5	Net Income After Bad Debt		<u><u>99.000%</u></u>	
6				
7				
8	Gross Revenue Conversion Factor (1/Line 12)		<u><u>101.010%</u></u>	
9				
10				
11				

Limestone Water Operating Company, LLC
24000-XXX
Rate Base Summary - Sewer
For the Period Ending April 30, 2024

Line Number	Description	Base Year Ended: 4/30/2024	Known and Measurables	Adjusted Test Year Ending 4/30/24
(A)	(B)	(C)	(D)	(E)
1				
2	Utility Plant in Service	\$10,961,828		\$10,961,828
3				
4	Accumulated Provision for Depreciation	(\$3,199,129)		(\$3,199,129)
5				
6	Accumulated Amortization	\$0		\$0
7				
8	Utility Plant Acquisition Adjustments	\$0		\$0
9				
10	Net Utility Plant	\$7,762,699	\$0	\$7,762,699
11				
12	Less:			
14	Contributions in Aid of Construction, net	\$5,124,592	\$389,192	\$5,513,784
16				
17	Subtotal:	\$5,124,592	\$389,192	\$5,513,784
18				
19	Add:			
20	Cash Working Capital	\$129,461		\$129,461
22	Prepayments	\$5,545		\$5,545
24				
25	Subtotal:	\$135,006	\$0	\$135,006
26				
27	Total Original Cost Rate Base	\$2,773,113	(\$389,192)	\$2,383,921
28				
29				
30				

Limestone Water Operating Company, LLC
24000-XXX
Rate Base Summary - Water
For the Period Ending April 30, 2024

Line Number	Description	Base Year Ended: 4/30/2024	Known and Measurables	Adjusted Test Year Ending 4/30/24
(A)	(B)	(C)	(D)	(E)
1				
2	Utility Plant in Service	\$1,688,819		\$1,688,819
3				
4	Accumulated Provision for Depreciation	(\$673,587)		(\$673,587)
5				
6	Accumulated Amortization	\$0		\$0
7				
8	Utility Plant Acquisition Adjustments	\$0		\$0
9				
10	Net Utility Plant	\$1,015,233	\$0	\$1,015,233
11				
12	Less:			
14	Contributions in Aid of Construction, net	\$166,937		\$166,937
16				
17	Subtotal:	\$166,937	\$0	\$166,937
18				
19	Add:			
20	Cash Working Capital	\$39,210		\$39,210
22	Prepayments	\$902		\$902
24				
25	Subtotal:	\$40,112	\$0	\$40,112
26				
27	Total Original Cost Rate Base	\$888,408	\$0	\$888,408
28				
29				
30				

Limestone Water Operating Company, LLC
24000-XXX
Utility Plant In Service Summary - Sewer
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	353.000	Sewer - Land and Land Rights	\$988,170
3	354.005	Sewer - S&I	\$2,998,578
4	360.001	Sewer - Collection Sewers - Force	\$1,147,151
5	361.001	Sewer - Collection Sewers - Gravity	\$892,932
6	363.000	Sewer - Services to Customers	\$93,998
7	364.002	Sewer - Flow Measuring Devices	\$13,653
8	370.000	Sewer - Receiving Wells	\$217,903
9	371.002	Sewer - Pumping Equip	\$1,173,715
10	380.003	Sewer - Treatment & Disposal Equip	\$2,265,020
11	381.001	Sewer - Plant Sewers	\$58,897
12	382.001	Sewer - Outfall Sewer Lines	\$27,118
13	389.002	Sewer - Other Plant & Misc. Equip	\$36,908
14	393.002	Sewer - Tools, Shop, and Garage Equip	\$19,132
15	395.000	Sewer - Power Operated Equip	\$4,149
16	396.002	Sewer - Communication Equip	\$369,647
17	397.001	Sewer - Misc Equipment	\$18,452
18	398.002	Sewer - Other Tangible Plant	\$636,406
19			
20			\$10,961,828

Limestone Water Operating Company, LLC
24000-XXX
Utility Plant In Service Summary - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	303.000	Water - Land and Land Rights	\$133,458
3	304.006	Water - S&I	\$4,607
4	304.100	Water - S&I Source of Supply	\$1,246,688
5	309.001	Water - Supply Mains	\$8,639
6	320.003	Water - Treatment Equip	\$733
7	331.002	Water - Transmission & Distribution Mains	\$112,139
8	333.004	Water - Services to Customers	\$112,860
9	334.001	Water - Meters and Installation	\$30,986
10	335.001	Water - Hydrants	\$20,878
11	339.000	Water - Other Plant and Misc Equip	\$2,032
12	346.001	Water - Communication Equip	\$6,019
13	347.001	Water - Misc Equip	\$9,781
14			
15			<u><u>\$1,688,819</u></u>

Limestone Water Operating Company, LLC
24000-XXX
Accumulated Depreciation Summary - Sewer
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	353.000	Sewer - Land and Land Rights	\$0
3	354.005	Sewer - S&I	(\$1,340,543)
4	360.001	Sewer - Collection Sewers - Force	(\$24,679)
5	361.001	Sewer - Collection Sewers - Gravity	(\$254,178)
6	363.000	Sewer - Services to Customers	(\$1,511)
7	364.002	Sewer - Flow Measuring Devices	(\$1,003)
8	370.000	Sewer - Receiving Wells	(\$125,721)
9	371.002	Sewer - Pumping Equip	(\$404,940)
10	380.003	Sewer - Treatment & Disposal Equip	(\$801,879)
11	381.001	Sewer - Plant Sewers	(\$1,453)
12	382.001	Sewer - Outfall Sewer Lines	(\$21,794)
13	389.002	Sewer - Other Plant & Misc. Equip	(\$33,195)
14	393.002	Sewer - Tools, Shop, and Garage Equip	(\$526)
15	395.000	Sewer - Power Operated Equip	(\$23)
16	396.002	Sewer - Communication Equip	(\$36,403)
17	397.001	Sewer - Misc Equipment	(\$615)
18	398.002	Sewer - Other Tangible Plant	(\$150,666)
19			
20			(\$3,199,129)

Limestone Water Operating Company, LLC
24000-XXX
Accumulated Depreciation Summary - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	303.000	Water - Land and Land Rights	\$0
3	304.006	Water - S&I	(\$38)
4	304.100	Water - S&I Source of Supply	(\$648,753)
5	309.001	Water - Supply Mains	(\$873)
6	320.003	Water - Treatment Equip	(\$74)
7	331.002	Water - Transmission & Distribution Mains	(\$11,775)
8	333.004	Water - Services to Customers	(\$6,742)
9	334.001	Water - Meters and Installation	(\$2,155)
10	335.001	Water - Hydrants	(\$807)
11	339.000	Water - Other Plant and Misc Equip	(\$17)
12	346.001	Water - Communication Equip	(\$201)
13	347.001	Water - Misc Equip	(\$2,151)
14			
15			<u>(\$673,587)</u>

Limestone Water Operating Company, LLC
24000-XXX
Contributions in Aid of Construction - Sewer
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	271.000	Contributions in Aid of Construction (CIAC)	\$5,863,488
3			
4	272.000	Accumulated Amortization of CIAC	(\$738,897)
5			
6			<u>\$5,124,592</u>
7			
8			
9			

Limestone Water Operating Company, LLC
24000-XXX
Contributions in Aid of Construction - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Title	Balance 4/30/2024
(A)	(B)	(C)	(D)
1			
2	271.000	Contributions in Aid of Construction (CIAC)	\$297,916
3			
4	272.000	Accumulated Amortization of CIAC	(\$130,978)
5			
6			<u><u>\$166,937</u></u>
7			
8			
9			

Limestone Water Operating Company, LLC
24000-XXX
Working Capital Summary - Sewer
For the Period Ending April 30, 2024

Line Number	Description	Operating Expense	Lead Days	Working Capital Requirement
(A)	(B)	(C)	(D)	(E)
1				
2	Operating Expenses for Test Period	\$1,050,069	45	\$129,461
3				
4	Total Working Capital	<u>\$1,050,069</u>	<u>45</u>	<u>\$129,461</u>
5				
6				
7				

Limestone Water Operating Company, LLC
24000-XXX
Working Capital Summary - Water
For the Period Ending April 30, 2024

Line Number	Description	Operating Expense	Lead Days	Working Capital Requirement
(A)	(B)	(C)	(D)	(E)
1				
2	Operating Expenses for Test Period	\$318,040	45	\$39,210
3				
4	Total Working Capital	<u>\$318,040</u>	<u>45</u>	<u>\$39,210</u>
5				
6				
7				

Limestone Water Operating Company, LLC
24000-XXX
Balance Sheet
For the Period Ending April 30, 2024

	April 30, 2024
	Test Year
	As Filed
Assets	
Current Assets	
Cash & Equivalents	\$851,499
Accounts Receivable	\$132,939
Other Current Assets	\$114,585
Total Current Assets	<u>\$1,099,023</u>
Non-Current Assets	
Preliminary Survey & Investigation	\$493,628
Other Non-Current Assets	\$625,696
Total Non-Current Assets	<u>\$1,119,324</u>
Utility Plant in Service	
Total Plant in Service	\$12,650,648
Construction Work in Progress	\$1,785,396
Utility Plant Acquisition Adjustment	\$2,150,279
Less: Depreciation Reserve	(\$3,872,716)
Net Plant in Service	<u>\$12,713,607</u>
Total Assets	<u><u>\$14,931,954</u></u>
Liabilities & Equity	
Current Liabilities	
Accounts Payable	\$1,320,126
Other Current Liabilities	\$64,611
Total Current Liabilities	<u>\$1,384,737</u>
Long-Term Liabilities	
Contributions in Aid of Construction	\$5,291,529
Notes Payable	\$0
Payable to Associated Companies	\$6,452,008
Total Long-Term Liabilities	<u>\$11,743,537</u>
Equity	
Paid-in Capital	\$4,434,141
Retained Earnings	(\$2,630,461)
Total Equity	<u>\$1,803,680</u>
Total Liabilities & Equity	<u><u>\$14,931,954</u></u>

CSWR, LLC
24000-XXX
Balance Sheet
For the Period Ending April 30, 2024

	April 30, 2024
	Test Year
	As Filed
Assets	
Current Assets	
Cash & Equivalents	\$600,351
Accounts Receivable	\$1,459
Other Current Assets	\$1,556,240
Total Current Assets	<u>\$2,158,050</u>
Non-Current Assets	
Preliminary Survey & Investigation	\$1,204,720
Other Non-Current Assets	\$538,295,600
Total Non-Current Assets	<u>\$539,500,320</u>
Utility Plant in Service	
Total Plant in Service	\$950,517
Construction Work in Progress	\$3,417,442
Utility Plant Acquisition Adjustment	\$0
Less: Depreciation Reserve	(<u>\$426,754</u>)
Net Plant in Service	<u>\$3,941,206</u>
Total Assets	<u><u>\$545,599,576</u></u>
Liabilities & Equity	
Current Liabilities	
Accounts Payable	\$855,329
Other Current Liabilities	\$472,630
Total Current Liabilities	<u>\$1,327,959</u>
Long-Term Liabilities	
Contributions in Aid of Construction	\$0
Notes Payable	\$0
Other Long-Term Liabilities	\$439,301
Total Long-Term Liabilities	<u>\$439,301</u>
Equity	
Paid-in Capital	\$573,419,877
Retained Earnings	(<u>\$29,587,560</u>)
Total Equity	<u>\$543,832,317</u>
Total Liabilities & Equity	<u><u>\$545,599,576</u></u>

VERIFICATION

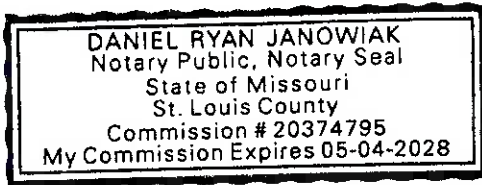
I, Brent Thies, Vice President and Corporate Controller, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 12th day of July, 2024.

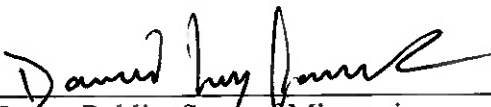


Brent Thies
Vice President and Corporate Controller

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

SUBSCRIBED AND SWORN TO before me on this the 13th day of July, 2024.





Notary Public, State of Missouri
My Commission Expires 5/4/28