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April 10, 2026

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VIA ELECTRONIC FILING

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

RE: *Petition of Limestone Water Utility Operating Company, LLC to Increase Charges, Fees and Rates and for Approval of a General Rate Increase and Consolidated Rates [Phase 2 Increase], TPUC Docket No. 24-00044*

Dear Chairman Jones:

Attached for filing please find *Limestone Water Utility Operating Company, LLC's Rebuttal Testimony of Aaron Silas* for Phase 2 of the above-captioned matter.

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

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

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

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BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

April 10, 2026

IN RE:

**PETITION OF LIMESTONE WATER UTILITY)
OPERATING COMPANY, LLC TO INCREASE)
CHARGES, FEES AND RATES, AND FOR)
APPROVAL OF A GENERAL RATE INCREASE)
AND CONSOLIDATED RATES)
[PHASE 2 INCREASE])**

Docket No. 24-00044

REBUTTAL TESTIMONY

OF

AARON SILAS

ON BEHALF OF

LIMESTONE WATER UTILITY OPERATING COMPANY, LLC

PHASE TWO

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**REBUTTAL TESTIMONY OF
AARON SILAS**

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I. INTRODUCTION

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

8 A. My name is Aaron Silas. My business address is 1630 Des Peres Road, Suite 140,
9 St. Louis, Missouri, 63131.

10 **Q. WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY
11 OPERATING COMPANY?**

12 A. I am the Assistant Vice President of Customer Experience & Regulatory Operations
13 at CSWR, LLC (“CSWR”), the affiliated company that has operational oversight
14 over CSWR’s utility operating companies, including Limestone Water Utility
15 Operating Company (“Limestone Water” or “Company”).

17 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN PHASE TWO OF
18 THIS DOCKET?**

19 A. Yes, my Pre-filed Direct Testimony in this case was filed March 2, 2026.

21 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN PHASE
22 TWO OF THIS CASE?**

23 A. The purpose of my rebuttal testimony is to address the Pre-filed Testimony filed
24 March 26, 2026, by two witnesses representing the Consumer Advocate Division of
25 the Office of the Tennessee Attorney General (“CAD” or “Consumer Advocate”) –
26

1 Mr. Clark Kaml and Mr. William Novak. As I will explain in detail, the testimony
2 of both these witnesses goes well beyond the scope of Phase Two of this case
3 established by the Tennessee Public Utility Commission (“Commission” or
4 “TPUC”). For that reason, all or most of those witnesses’ testimonies is improper
5 and should be disregarded by the Commission in reaching its decisions regarding
6 issues reserved for Phase Two.
7

8
9 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

10 A. Yes, I am sponsoring the following exhibits in support of my Rebuttal Testimony:

- 11 • AS RT Exhibit 1

12
13 **Q. WERE THESE EXHIBITS DEVELOPED BY YOU OR BY SOMEONE**
14 **UNDER YOUR DIRECT SUPERVISION?**

15 A. Yes.

16
17 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THE TESTIMONY FILED BY**
18 **MR. KAML AND MR. NOVAK IS IMPROPER.**

19 A. As I described in my Pre-filed Direct Testimony in Phase Two of this case, in its
20 July 10, 2025, *Order Setting Utility Rates (“2025 Order”)*, the Commission found a
21 revenue deficiency of \$432,751 for the Company’s water operations and a revenue
22 deficiency of \$929,573 for its sewer operations. However, because the Commission
23 concluded adopting rates to recover the entire, company-wide revenue deficiency
24 would have too great an impact on customers, it directed that recovery be phased in
25
26

1 to mitigate customer rate shock.¹ Therefore, although the *2025 Order* expressly
2 states the Commission “[adopted] a rate design to recover the entire deficiency” it
3 further concluded “that the overall rate increase be spread over two phases, one
4 effective May 1, 2025, and the second effective May 1, 2026.”² To assist the
5 Commission in determining what rates should be implemented in Phase Two, the
6 *2025 Order* directed the Company and the CAD to provide “updated information
7 from Limestone, including, but not limited to, the amount of revenues collected by
8 month by system and the latest available billing determinants by system.”³

11 As the excerpts from the *2025 Order* I just referenced make clear, the scope
12 of Phase Two of this docket was limited by the Commission. The rate design adopted
13 to set rates in Phase One to recover the entire revenue deficiency would continue.
14 The only issue(s) for consideration in Phase Two would be the rates needed to
15 recover the deferred portion of that deficiency (\$640,292 for both water and sewer
16 operations). And to assist the Commission in setting those rates, Limestone Water
17 would submit certain relevant updated information that would reviewed by both the
18 CAD and the Commission.

21 The *2025 Order* did not re-open the issue of what rate design should be
22 adopted to implement Phase Two rates. Instead, the sole issue for consideration in
23

25 ¹ *2025 Order* at 103-104 and 106-107.

26 ² *Id.* at 106.

³ *Id.*

1 Phase Two was what rates should be implemented using the previously adopted rate
2 design to collect the portion of the Company’s overall revenue rate increase not
3 recovered through rates set in Phase One.
4

5 **Q. HOW WERE PHASE ONE RATES DESIGNED AND ALLOCATED**
6 **ACROSS SYSTEMS AND CUSTOMER CLASSES?**

7 A. Phase One rates were implemented on a standalone, system-specific basis, consistent
8 with the *2025 Order*. The rate design and allocation methodology approved in that
9 Order included continued use of flat monthly wastewater rates and the adoption of
10 Equivalent Residential Units (“ERUs”) for commercial wastewater customers.⁴ Rate
11 increases were allocated proportionally and consistently with the Commission’s
12 approved structure, and no new rate classes, cost reallocations, or policy changes
13 were introduced by Limestone Water in the rates filed to comply with Phase One of
14 the *2025 Order*.⁵
15
16

17 **Q. DID THE TESTIMONY FILED BY THE CAD’S WITNESSES IN PHASE**
18 **TWO OF THIS CASE COMPLY WITH THE LIMITED SCOPE**
19 **PRESCRIBED IN THE COMMISSION’S 2025 ORDER?**
20

21 A. No, it did not. The testimony filed by both the CAD’s witnesses asks the Commission
22 to re-open rate design issues already decided in the *2025 Order*.⁶ As such, the CAD’s
23

24 ⁴ See *Commission’s Acknowledgement Letter*, Tariff No. 2025-0023 (Aug. 20, 2025).

25 ⁵ See *Commission’s Acknowledgement Letter*, Tariff No. 2025-0023.

26 ⁶ See, generally, *Pre-filed Testimony of Consumer Advocate Witness William H. Novak*, 2:18-24 and 15:4-7, TPUC Docket No. 24-00044 (Mar. 26, 2026) (hereinafter “*Novak*”); and *Pre-filed Testimony of Consumer Advocate Division Witness Clark D. Kaml*, TPUC Docket No. 24-00044 (Mar. 26, 2026) (hereinafter “*Kaml*”).

1 testimony in Phase Two goes well beyond the limited scope set out in the *2025 Order*
2 – i.e., updated information, such as system-specific billing determinants and
3 revenues, that would affect rates necessary to recover the portion of Limestone
4 Water’s company-wide revenue deficiency not recovered through rates set in Phase
5 One. The rate design the Commission adopted in the *2025 Order* was to continue,
6 and the Phase Two information the Commission ordered the parties to present was
7 not an invitation or opportunity to revisit or relitigate any aspect of the *2025 Order*.
8

9
10 **Q. DID THE CAD PREVIOUSLY PRESENT EVIDENCE REGARDING A**
11 **RATE DESIGN PRIOR TO THE ISSUANCE OF THE 2025 ORDER?**

12 A. Yes. In December 2024 both Mr. Kaml and Mr. Novak filed testimony proposing
13 the rate design the CAD believed the Commission should approve in this case. And
14 it’s clear from the *2025 Order* the Commission fully considered that testimony.⁷ But
15 it’s equally clear the Commission rejected the CAD’s proposed rate design and
16 instead adopted the rate design implemented in Phase One of this case. That’s the
17 rate design the Commission expressly stated will be carried forward to Phase Two.
18 Therefore, the testimonies of Mr. Kaml and Mr. Novak, which attempt to re-open
19 and relitigate what rate design is appropriate for Phase Two, are clearly beyond the
20 scope of what the Commission envisioned for the current proceeding.⁸
21
22
23

24 ⁷ *2025 Order* at 104-106.

25 ⁸ Mr. Kaml’s testimony in Phase 2 acknowledged that the CAD addressed rate design in the general rate case. *Kaml*,
26 3:16-22. In fact, much of Mr. Kaml’s testimony on rate design in Phase 2 is the same exact testimony that he submitted
on rate design in the general rate case. *See, e.g., Kaml*, pp. 3-5.

1 **Q. IF THE CAD WAS DISSATISFIED WITH THE RATE DESIGN THE**
2 **COMMISSION ADOPTED IN THE 2025 ORDER WERE REMEDIES**
3 **AVAILABLE TO CONTEST THE COMMISSION'S DECISION?**
4

5 A. Yes. It is my understanding that the CAD could have asked the Commission to
6 reconsider its rate design decisions. And if the Commission refused or if the CAD
7 was still dissatisfied after reconsideration of the *2025 Order*, the CAD could have
8 appealed the Order. But the CAD did not seek reconsideration and did not file an
9 appeal. Therefore, I believe it would be unfair, and perhaps unlawful, for the CAD
10 to attempt to challenge the previously approved rate design at this phase of the
11 proceeding. Yet that is exactly what the CAD's Phase Two testimony attempts to do.
12

13 **Q. HOW WERE RATES STRUCTURED ACROSS LIMESTONE WATER'S**
14 **SYSTEMS FOR PHASE TWO?**
15

16 A. Consistent with the *2025 Order*, Limestone Water continued to apply standalone
17 rates by system. The Phase Two rate design does not consolidate systems or alter the
18 system-specific rate structures approved by the Commission.
19

20 **Q. HOW WAS THE REMAINING REVENUE DEFICIENCY ALLOCATED IN**
21 **PHASE TWO?**

22 A. The remaining revenue deficiency was allocated using the same Commission-
23 approved methodology employed in Phase One. Phase Two rates were designed to
24 recover the balance of the Commission-approved revenue deficiency by applying
25
26

1 proportional increases consistent with the Phase One allocation, rather than
2 introducing new rate structures or reallocating costs among customer classes.

3
4 **Q. HOW DID LIMESTONE WATER CALCULATE THE CARRYING**
5 **CHARGES IN ITS PHASE TWO DESIGN?**

6 A. In the *2025 Order*, the Commission identified an overall revenue deficiency of
7 \$1,362,324 and approved Limestone Water to recover \$722,031.72 of that deficiency
8 through Phase One rates.⁹ As a result, the remaining unrecovered revenue deficiency
9 during the pendency of Phase One was \$640,292.28.¹⁰ Consistent with the
10 Commission’s directive, Limestone Water calculated carrying charges by applying
11 its Commission-approved overall Rate of Return of 8.488 percent to the remaining
12 deficiency, which results in carrying charges of \$54,348.01. The Company proposes
13 to recover those carrying charges during the initial year Phase Two rates are in effect
14 – recovery over a one-year period.
15

16
17 **Q. HOW ARE COMMERCIAL WASTEWATER CUSTOMERS TREATED**
18 **UNDER THE PHASE TWO RATE DESIGN?**

19
20 A. As I explained in my Phase Two Direct Testimony, commercial wastewater customers are
21 billed based on Equivalent Residential Units (“ERUs”), consistent with the tariff provisions
22 approved by the Commission in the *2025 Order*.¹¹
23

24 _____
⁹ *2025 Order* at 103-107.

25 ¹⁰ See Exhibit AS-3: Limestone Water’s proposed rate design for Phase Two, TPUC Docket No. 24-0044 (Mar. 2,
2026).

26 ¹¹ *Pre-filed Direct Testimony of Limestone Water Witness Aaron Silas, Phase Two*, at 8-9, TPUC Docket No. 24-
00044 (Mar. 2, 2026).

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Q. HAVE SOME ERU ASSIGNMENTS BEEN ADJUSTED PURSUANT TO THE APPROVED TARIFF SINCE PHASE ONE IMPLEMENTATION?

A. Yes. As commercial customers have presented updated information regarding their operations, flow characteristics, or usage assumptions, Limestone Water has reviewed that information and updated ERU assignments where appropriate. When ERU adjustments result in changes to billed amounts, the Company has provided appropriate credits or refunds consistent with the tariff and standard billing practices. This process ensures that commercial customers are billed accurately and in accordance with the Commission-approved methodology.

Q. HAS LIMESTONE WATER CONDUCTED A GENERAL REVIEW OF COMMERCIAL CUSTOMER ERU ASSIGNMENTS SINCE PHASE ONE IMPLEMENTATION?

A. Yes. As I mentioned in my Direct Testimony as part of its Phase Two filing, Limestone Water performed a general review of all commercial customer ERU assignments, which included the most up-to-date information available. This review included updated billing records, customer counts, and usage data, where applicable, and reflects the Company's continued effort to ensure that commercial billing determinants remain accurate and consistent with the Commission-approved methodology. Those results are reflected in Limestone Water's Phase Two filing.

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Q. DESCRIBE THE ERU RATE DESIGN METHODOLOGY THE COMMISSION APPROVED IN ITS 2025 ORDER.

A. In its *2025 Order*, the Commission approved a commercial sewer rate design framework utilizing an Equivalent Residential Unit (“ERU”) methodology to recover sewer revenues through flat monthly charges.

Under that framework, residential customers are assigned one ERU per connection, while commercial customers are assigned ERU values that reflect their relative contribution to the sewer system based on standardized design-basis characteristics. The ERU methodology converts non-residential connections into a common unit comparable to a residential customer, allowing the Commission-approved sewer revenue requirement to be equitably allocated across customer classes through fixed monthly charges.

Consistent with the Commission’s Order, Limestone implemented the ERU methodology through its tariff filings. In a filing dated May 19, 2025, Limestone expressly confirmed that it “continues to apply the ERU methodology outlined in the evidentiary record to determine commercial wastewater rates,” and submitted revised Phase One rate design schedules incorporating that methodology for ease of reference. The May 19 filing further explains that ERU classifications were applied consistently with the tariff and that Limestone remains available to receive and evaluate information from customers seeking review of their assigned ERUs.

1 So, in addition to being fully presented and described in testimony and
2 exhibits in the general rate case in Docket No. 24-00044, the ERU methodology was
3 again outlined and implemented in the May 19, 2025, filing, through the
4 Commission-approved tariff revisions, thereby formalizing its application as part of
5 the Commission-approved rate design. It is also noteworthy here that the flat monthly
6 sewer charges derived from ERU assignments were approved even in systems where
7 metered water usage data exists, reflecting the Commission’s determination that,
8 under the unique circumstances presented in the general rate case in Docket No. 24-
9 00044, fixed sewer rates based on standardized billing determinants provide
10 predictability and reliable recovery of the approved revenue requirement.

11
12
13 **Q. HOW DID LIMESTONE WATER DEVELOP THE ERUS THE**
14 **COMMISSION APPROVED IN PHASE ONE?**

15
16 **A.** Limestone Water developed the ERUs used in Phase One by applying a standardized,
17 design-basis methodology grounded in wastewater engineering criteria and
18 presented and described in the evidentiary record of the general rate case.

19
20 For commercial sewer customers, Limestone first identified the facility type
21 associated with each connection and then applied design-basis flow assumptions
22 taken from the Tennessee Department of Environment and Conservation’s
23 (“TDEC”) Design Criteria for Review of Sewage Works Construction Plans and
24 Documents. Those criteria provide typical daily wastewater flows for different types
25 of non-residential facilities.
26

1 By way of example, under TDEC’s design criteria, a bowling alley is assigned
2 wastewater flow on a per-“alley” basis. The typical design flow is 200 gallons per
3 day per bowling alley lane. If a bowling alley has ten lanes, the corresponding typical
4 daily wastewater flow under the design criteria would be 2,000 gallons per day.
5

6 To express that flow in a common unit comparable to a residential customer,
7 Limestone converted the design-basis flow to ERUs using a residential benchmark
8 of 300 gallons per day per residential connection, which represents one ERU. In this
9 example, a bowling alley with a typical design flow of 2,000 gallons per day would
10 therefore be assigned approximately 6.7 ERUs (2,000 gallons per day divided by 300
11 gallons per day per ERU).
12

13 This same process was applied across commercial customer types using the
14 appropriate design-basis units identified in the TDEC criteria. The resulting ERU
15 values were explained in my Pre-filed Direct Testimony, supportive exhibits, and
16 responses to discovery in Phase One, as well as being implemented via tariff
17 revisions compliant with the Commission’s decisions in Phase One. The use of ERUs
18 allowed the Commission-approved sewer revenue requirement to be allocated across
19 commercial customers in a manner that reflects relative expected system usage while
20 maintaining predictable, flat monthly sewer charges.
21
22

23 **Q. IN HIS PRE-FILED TESTIMONY, MR. NOVAK CLAIMS THE BILLING**
24 **DETERMINANTS LIMESTONE WATER USED TO DEVELOP ITS**
25 **PROPOSED PHASE TWO RATES “GO BEYOND THE IMAGINED SCOPE**
26

1 **FOR THE IMPLEMENTATION OF PHASE 2 BILLING RATES.”¹² DO YOU**
2 **AGREE WITH MR. NOVAK’S CLAIM? PLEASE EXPLAIN.**

3
4 A. No, I do not agree with Mr. Novak’s claim.

5 The Commission’s *2025 Order* explicitly directs Limestone to provide
6 updated information in Phase Two, including “the latest available monthly billing
7 determinants by system.”¹³ That directive necessarily contemplates that billing
8 determinants would change between Phase One and Phase Two as customer counts,
9 system conditions, and operating data are updated over time.
10

11 In practice, updated billing determinants during Phase One did not uniformly
12 increase customer bills and, in some cases, resulted in lower proposed Phase Two
13 rates. For example, in the Aqua Utilities service area, the number of residential sewer
14 connections increased during Phase One. When the Commission-approved Phase
15 Two revenue requirement was allocated across a larger customer base using updated
16 billing determinants, the resulting per-customer residential sewer rate was lower than
17 it would have been had Phase One billing determinants been held constant.
18

19
20 If Limestone Water had used Phase One billing determinants for Aqua
21 Utilities residential sewer customers in its Phase Two proposal, those customers
22 would have experienced higher monthly rates than those proposed in Phase Two,
23 despite no increase in the revenue requirement itself. Therefore, updating billing
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¹² *Novak*, 12:5-7.

¹³ *2025 Order*, p. 106.

1 determinants actually mitigated rate impacts for those customers rather than
2 exacerbating them.

3
4 More broadly, Limestone’s use of updated billing determinants in Phase Two
5 does not “re-open” cost of service, alter the approved rate design framework, or
6 change the allocation of revenues among customer classes. Doing so simply applies
7 the same Commission-approved rate design to current, system-specific data, fully
8 consistent with the Commission’s directive and its purpose of phasing in the rate
9 increase over two years.¹⁴

10
11 Accordingly, the billing determinants used by Limestone in Phase Two do not
12 exceed the scope of Phase Two implementation but instead ensure that the remaining
13 Commission-approved revenue deficiency is recovered accurately and equitably
14 based on updated information, as required by the Commission’s Order.

15
16 **Q. MR. NOVAK ALSO ALLEGES “LIMESTONE HAS NOT PROVIDED THE**
17 **INDIVIDUAL ERU CALCULATIONS FOR COMMERCIAL CUSTOMERS**
18 **DESPITE REQUEST TO DO SO.”¹⁵ IS THAT ALLEGATION ACCURATE?**
19 **PLEASE EXPLAIN.**

20
21 **A.** No, that allegation is not accurate. Limestone has provided the individual ERU
22 calculations for commercial customers as part of both the Phase Two filing and its
23

24
25 ¹⁴ 2025 Order, p. 106 (“The collective impact on customers’ bills led to the panel adopting a rate design to recover the
26 entire deficiency company-wide, which is warranted to lessen the impact on water rates. Moreover, to further alleviate
the immediate impact on customers, the panel determined that the overall rate increase be spread over two years[.]”).

¹⁵ Novak, 12:14-15.

1 discovery responses. Specifically, Limestone produced a system-by-system
2 spreadsheet identifying each commercial customer, the applicable design-basis units,
3 the corresponding ERU assignment, and the calculations used to convert those
4 design-basis units into ERUs. That information was included in the confidential
5 support filed with the Phase Two rate design and was referenced repeatedly in
6 Limestone's responses to Consumer Advocate discovery requests. Finally,
7 Limestone has provided narrative explanations describing how ERUs are derived,
8 including the design criteria used, the conversion methodology, and the manner in
9 which ERUs are applied to calculate monthly sewer charges.

12 **Q. IN HIS PRE-FILED TESTIMONY, MR. NOVAK ALSO STATES THAT**
13 **“THE USAGE FOR EACH INDIVIDUAL COMMERCIAL CUSTOMER IS**
14 **DETERMINED FROM AN INDEX PUBLISHED IN 1998 THAT IS BASED**
15 **ON THE BUSINESS LINE ENGAGED IN BY THE COMMERCIAL**
16 **CUSTOMER.”¹⁶ DO YOU AGREE?**

18 A. No, I do not agree with that characterization.

19
20 Commercial ERU assignments are not determined from a fixed index that
21 assigns usage solely based on a customer's business line. Rather, ERUs are
22 developed by applying design-basis wastewater flow criteria to information about
23

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¹⁶ *Novak*, pp. 5-6.

1 each customer’s specific facility characteristics, consistent with established
2 engineering and regulatory guidance.

3
4 The reference materials cited by Limestone Water, including TDEC’s *Design*
5 *Criteria for Review of Sewage Works Construction Plans and Documents*, provide
6 typical wastewater flow rates expressed in design-basis units—such as per employee,
7 per seat, per dwelling unit, or per bowling alley lane. Those criteria do not function
8 as an “index” that automatically assigns usage based on business type alone. Instead,
9 they establish typical flow ranges that must be applied to the actual design-basis
10 characteristics of a given facility.
11

12 Accordingly, ERUs are derived from design-basis calculations applied to
13 customer-specific attributes, rather than from a static index that assigns usage solely
14 by business line. Mr. Novak’s statement oversimplifies the methodology and does
15 not accurately describe how ERUs are developed or applied in the
16 Commission-approved rate design framework.
17

18
19 **Q. MR. KAML CONTENDS THAT LIMESTONE IS MISUSING THE TDEC**
20 **DESIGN CRITERIA IN DEVELOPING ERUS.¹⁷ DO YOU AGREE?**

21 A. No, I do not agree with Mr. Kaml’s contention.

22 Limestone is not misusing the TDEC design criteria, nor is it relying on those
23 criteria as a substitute for actual cost-of-service studies or metered usage. Rather,
24

25
26 ¹⁷ *Pre-filed Testimony of Consumer Advocate Division Witness Clark D. Kaml*, pp. 7-8, TPUC Docket No. 24-00044 (Mar. 26, 2026) (hereinafter “Kaml”).

1 Limestone applies the TDEC design criteria for their intended purpose—as a
2 standardized reference for estimating typical wastewater flows—within a flat
3 monthly sewer rate structure that reflects the largely fixed nature of wastewater
4 system costs.
5

6 As explained in my Pre-filed Direct Testimony in the general rate case, the
7 vast majority of wastewater costs do not vary in proportion to short-term changes in
8 water usage. Sewer infrastructure is designed to accommodate fluctuations
9 efficiently, regulatory permit requirements remain constant regardless of flow, and
10 demand for sewer service is largely inelastic. For those reasons, a flat monthly sewer
11 rate appropriately reflects cost of service and provides predictability for customers
12 and revenue stability for the utility.
13
14

15 Within that framework, the TDEC design criteria provide typical wastewater
16 flow relationships expressed in design-basis units—such as per employee, per seat,
17 or per bowling alley lane—that are commonly used in wastewater planning where
18 customer-specific flow data is incomplete, unavailable, or not comparable across
19 customers. Limestone applies those design-basis relationships to customer-specific
20 facility characteristics and converts the resulting flows into ERUs using a residential
21 benchmark.
22

23
24 Importantly, this methodology aligns with a key principle articulated in the
25 Commission’s *2025 Order*, under which the Commission prioritized maintaining
26 affordable residential rates while shifting a higher portion of the additional revenue

1 increase to commercial sewer customers.¹⁸ By assigning proportionally higher ERUs
2 to commercial customers with higher expected system impacts, the ERU framework
3 advances that Commission objective without increasing residential bills or relying
4 on variable usage charges.
5

6 Accordingly, Limestone’s application of the TDEC design criteria is
7 consistent with their intended use as planning-level guidance and supports the
8 Commission’s stated rate design priorities. It does not constitute misuse, as alleged
9 by Mr. Kaml.
10

11 **Q. WHY DID LIMESTONE PROPOSE THE ERU METHODOLOGY THAT**
12 **THE COMMISSION APPROVED IN THE GENERAL RATE CASE?**
13

14 A. Limestone proposed the ERU methodology because it provides a consistent and
15 equitable way to allocate sewer costs where reliable, customer-specific sewer usage
16 data is not available or cannot be obtained consistently, particularly for commercial
17 customers.
18

19 In many service areas, Limestone does not own both the water and sewer
20 systems, and actual water usage data is either unavailable, estimated, or not
21 representative of sewer loading. Even where water usage data exists, it may vary
22 seasonally, reflect non-consumptive uses, or be inconsistent over time. As a result,
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¹⁸ See 2025 Order, p. 107 (“In developing the phase one rate design, the panel prioritized maintaining affordable residential rates and shifting a higher portion of the additional revenue increase to commercial sewer customers.”).

1 “actual usage” does not provide a reliable or administrable basis for sewer rate
2 design.

3
4 This issue was illustrated during the April 8, 2025, Public Comment Hearing,
5 where the parties heard from a commercial customer— a country club —whose
6 sewer bill fell to approximately \$34 per month prior to Phase 1 because Limestone
7 Water was unable to consistently obtain water usage data. This is a country club that
8 supports golf, tennis, swimming, exercise facilities, dining, and hosted events such
9 as weddings. Despite its significant and ongoing impact on the sewer system, the
10 absence of consistent usage data led to charges that did not reflect the customer’s
11 relative contribution to system costs.

12
13 The ERU methodology addresses that problem by allocating sewer costs
14 based on standardized design-basis criteria that reflect typical wastewater
15 contributions by facility type, rather than fluctuating or unavailable usage data. This
16 ensures that large commercial facilities with higher expected sewer impacts are
17 assigned an appropriate share of the Commission-approved revenue requirement on
18 a consistent basis. In doing so, the ERU framework supports the Commission’s
19 stated objective of maintaining affordable residential rates while shifting a higher
20 portion of the additional revenue increase to commercial sewer customers.

21
22 For these reasons, Limestone Water proposed—and the Commission
23 approved—the ERU methodology as a practical, equitable alternative to usage-based
24 sewer billing for commercial customers.
25
26

1 **Q. IN LIGHT OF THE CAD'S ATTACKS ON THE COMMISSION-**
2 **APPROVED RATE DESIGN, DO YOU KNOW OF OTHER STATE**
3 **COMMISSIONS THAT HAVE ADOPTED A SIMILAR ERU**
4 **METHODOLOGY?**

5
6 A. Yes. Similar ERU-based methodologies are currently used by affiliates of Limestone
7 Water's parent company in other jurisdictions, including Florida, Mississippi, and
8 Louisiana.

9
10 In those states, regulated affiliates use ERU- or ERU-like frameworks to
11 allocate sewer costs among customers based on standardized measures of expected
12 system use rather than customer-specific sewer metering. Those methodologies have
13 been approved by the respective state commissions and have been implemented
14 successfully as part of commission-approved rate designs.

15
16 **Q. MR. KAML STATES THAT "THE TARIFF DOES NOT FULLY EXPLAIN**
17 **ERU CALCULATIONS, PROVIDE FORMULAS, OR HOW ERUS CAN BE**
18 **CHALLENGED."**¹⁹ **IS THE COMPANY PROPOSING TO ADDRESS MR.**
19 **KAML'S ISSUE HERE?**

20
21 A. Yes. Limestone Water agrees that additional clarity would be beneficial and is
22 proposing to address this concern through targeted enhancements to the tariff.

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¹⁹ *Kaml* at 10:3-4.

1 Specifically, and as outlined in **AS RT Exhibit 1** to my testimony, Limestone
2 Water proposes to add an appendix to the tariff that would include a reference chart
3 identifying, by facility type, the applicable design basis, typical wastewater flow
4 assumptions, and corresponding ERU multipliers used in assigning commercial
5 ERUs. This appendix would provide additional transparency into how ERUs are
6 derived and allow customers to better understand how their monthly sewer charges
7 are calculated.
8

9
10 In addition, and as outlined in **AS RT Exhibit 1** to my testimony, Limestone
11 Water proposes to include a formal, tariff-based process by which commercial
12 customers may request a review of their assigned ERU. Under this process, a
13 customer could submit relevant facility information to the Company for evaluation,
14 and Limestone Water would review whether the assigned ERU appropriately reflects
15 the customer's design-basis characteristics consistent with the approved
16 methodology. To ensure administrative efficiency and billing certainty, such reviews
17 would be limited to one request per customer per year, and any approved adjustment
18 would be applied prospectively.
19

20
21 These tariff additions would improve transparency and address the concerns
22 raised by Mr. Kaml, while preserving the Commission-approved ERU framework
23 and the predictability of flat monthly sewer charges.
24

25 **Q. THE CONSUMER ADVOCATE RECOMMENDS THAT THE**
26 **COMMISSION PAUSE OR LEAVE UNCHANGED PHASE ONE**

1 **COMMERCIAL SEWER RATES PENDING FURTHER REVIEW. DO YOU**
2 **AGREE WITH THAT RECOMMENDATION?**²⁰
3

4 A. No, I do not agree with that recommendation.

5 As I noted earlier, the *2025 Order* approved a phased-in rate increase for the express
6 purpose of allowing the Company to recover the entire Commission-approved revenue
7 deficiency, with Phase Two implementing the remaining portion of that increase effective
8 May 1, 2026. Pausing or freezing Phase Two rates for commercial sewer customers would
9 prevent recovery of a portion of the revenue deficiency the Commission has already
10 prevent recovery of a portion of the revenue deficiency the Commission has already
11 determined is just and reasonable.

12 Importantly, the Consumer Advocate does not dispute the amount of the approved
13 revenue requirement or the Commission’s decision to phase in recovery over two years.
14 The recommendation to hold commercial sewer rates at Phase One levels would therefore
15 operate as a partial denial of recovery, rather than an implementation issue within the scope
16 of Phase Two.
17

18 In addition, the Commission directed the parties to provide updated information,
19 including the latest available billing determinants, to support implementation of Phase Two
20 rates—not to delay or suspend recovery for any customer class. Limestone’s proposed
21 Phase Two rates apply the Commission-approved rate design framework to updated,
22 Phase Two rates apply the Commission-approved rate design framework to updated,
23

24
25
26

²⁰ See, e.g., *Novak* at 2:21-24.

1 system-specific data and do not reopen cost of service or allocation determinations made in
2 Phase One.

3
4 For these reasons, a pause of Phase Two rates for commercial customers would be
5 inconsistent with the Commission's Final Order and the purpose of the phased-in rate
6 structure adopted in this case.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8
9 A. Yes.

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AS RT EXHIBIT 1

AJS-1: Proposed ERU Appendix

Appendix A – Commercial Sewer Equivalent Residential Unit (ERU) Methodology

A.1 Purpose

This Appendix is provided to describe the methodology used to assign Equivalent Residential Units (“ERUs”) for commercial sewer customers and to improve transparency and consistency in the administration of Commission-approved commercial sewer rates.

A.2 Overview of ERU Methodology

Equivalent Residential Units are assigned to commercial sewer customers to express their relative expected contribution to the sewer system in terms comparable to a residential customer.

ERUs are determined using standardized wastewater design-basis criteria derived from the Tennessee Department of Environment and Conservation’s Design Criteria for Review of Sewage Works Construction Plans and Documents, supplemented where appropriate by comparable state design guidance for facility types not expressly addressed in the Tennessee criteria.

Each residential sewer customer is assigned one (1) ERU, based on a typical residential design-basis flow of 300 gallons per day. Commercial sewer customers are assigned ERUs by converting typical design-basis wastewater flows into residential equivalents as described below.

A.3 ERU Calculation Method

For each commercial sewer customer, ERUs are calculated as follows:

1. The customer’s facility type is identified.
2. The applicable **design-basis unit** (e.g., per employee, per seat, per alley) is determined based on recognized wastewater design criteria.
3. The **typical wastewater flow per design-basis unit** is applied to the customer’s facility characteristics to estimate total typical daily wastewater flow.
4. The resulting typical daily flow is divided by **300 gallons per day** to determine the customer’s ERU assignment.

A.4 Commercial ERU Reference Table

The table below summarizes the design-basis assumptions used to assign ERUs to commercial sewer customers. Actual ERU assignments reflect the specific characteristics of each facility.

Facility Type	Design Basis	Typical Flow (gallons per unit per day)	ERU Multiplier	Source
Residential		300	1.00	TN Design Criteria
Airport	Passenger	3	0.01	TN Design Criteria
Apartment House	Person	50	0.17	TN Design Criteria
Apartment, Resort	Person	60	0.20	TN Design Criteria
Assembly Hall	Seat	3	0.01	TN Design Criteria
Automobile Service Station	Employee	12	0.04	TN Design Criteria
Bar	Employee	13	0.04	TN Design Criteria
Barber Shop	Chair	50	0.17	NC Design Criteria
Boarding House	Person	40	0.13	TN Design Criteria
Bowling Alley	Alley	200	0.67	TN Design Criteria
Camps:			-	TN Design Criteria
Pioneer Type	Person	25	0.08	TN Design Criteria
Children's	Person	45	0.15	TN Design Criteria
Day, w meals	Person	15	0.05	TN Design Criteria
Day, w/o meals	Person	13	0.04	TN Design Criteria
Luxury, private bath	Person	90	0.30	TN Design Criteria
Trailer Camp	Person	125	0.42	TN Design Criteria
Campground-developed	Person	30	0.10	TN Design Criteria
Church	Seat	3	0.01	NC Design Criteria
Cocktail Lounge	Seat	20	0.07	TN Design Criteria
Coffee Shop	Employee	10	0.03	TN Design Criteria
Country Club	Guests	100	0.33	TN Design Criteria
Department Store	Toilet Room	500	1.67	TN Design Criteria
Dining Hall	Meal Served	7	0.02	TN Design Criteria
Dormitory/Bunkhouse	Person	40	0.13	TN Design Criteria
Fairground	Visitor	2	0.01	TN Design Criteria
Hospital Medical	Bed	165	0.55	TN Design Criteria
Hospital Mental	Bed	100	0.33	TN Design Criteria
Hotel	Guests	50	0.17	TN Design Criteria
Industrial Building	Employee	13	0.04	TN Design Criteria
Laundry	Machine	550	1.83	TN Design Criteria
Office	Employee	13	0.04	TN Design Criteria
Picnic Park	Visitor	2	0.01	TN Design Criteria

Prison	Inmate	120	0.40	TN Design Criteria
Public Lavatory	User	5	0.02	TN Design Criteria
Rest Home	Resident	90	0.30	TN Design Criteria
Restaurant			-	TN Design Criteria
Conventional	Customer	9	0.03	TN Design Criteria
Short Order	Customer	6	0.02	TN Design Criteria
Bar	Customer	3	0.01	TN Design Criteria
School			-	TN Design Criteria
w cafeteria, gym showers	Student	25	0.08	TN Design Criteria
w cafeteria only	Student	15	0.05	TN Design Criteria
w/o all	Student	11	0.04	TN Design Criteria
School Boarding	Student	75	0.25	TN Design Criteria
Shopping Center	Employee	10	0.03	TN Design Criteria
Store, resort	Employee	10	0.03	TN Design Criteria
Swimming Pool	Employee	10	0.03	TN Design Criteria
Theater	Seat	3	0.01	TN Design Criteria
Visitor Center	Visitor	5	0.02	TN Design Criteria
Warehouse	Loading Bay	100	0.33	NC Design Criteria

A.5 ERU Review and Adjustment Process

A commercial sewer customer may request review of its assigned ERU by submitting relevant facility information to the Company for evaluation. The Company shall assess whether the assigned ERU reasonably reflects the customer's facility characteristics using the methodology described in this Appendix and the Commission-approved rate design framework.

Upon receipt and verification of the information necessary to evaluate the applicable design basis, any approved ERU adjustment shall be implemented within one billing cycle. To promote billing certainty and administrative efficiency, each commercial sewer customer shall be limited to one (1) ERU review request per calendar year, unless otherwise directed by the Commission. Any approved ERU adjustment shall be applied prospectively from the date the ERU review request was initiated and shall not result in retroactive billing adjustments.

CERTIFICATE OF SERVICE

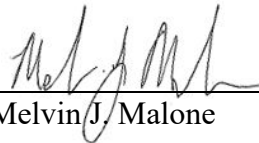
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 10th day of April 2026.



Melvin J. Malone