

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

August 28, 2026

IN RE:

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

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**DOCKET NO.
24-00044**

**AMENDED ORDER MPLEMENTING PHASE TWO OF THE GENERAL RATE
INCREASE APPROVED IN THE 2025 RATE CASE ORDER SETTING UTILITY RATES**

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¹The Amendments to the Order are not substantive but organizational only, as reflected above in the Table of Contents.

This matter came before Chairman David F. Jones, Vice Chairman John A. Hie, Commissioner Herbert H. Hilliard, Commissioner Clay R. Good, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the panel assigned to this docket, during a regularly scheduled Commission Conference held on June 1, 2026.² The panel convened to consider Limestone Water Utility Operating Company, LLC’s (“Limestone” or “Company”) March 2, 2026 filing, submitted to implement the second phase of the two-phased rate increase ordered by the Commission in its *Order Setting Utility Rates (“2025 Rate Case Order”)*.³

I. INTRODUCTION

Limestone is an indirect, wholly owned subsidiary of Central States Water Resources, LLC (“CSWR”), located in St. Louis, Missouri. In 2020, the Commission approved the acquisition of Limestone’s first water and wastewater systems in the State of Tennessee.⁴ Since then, Limestone has acquired several additional water and wastewater systems in Tennessee through purchases of existing systems, contracts for new developments, and service extensions to areas contiguous to its existing facilities.

II. PROCEDURAL HISTORY

A. RATE CASE *PETITION* AND PROCESS

On July 16, 2024, Limestone filed a general rate case seeking to raise rates for 573 water customers and 1,914 wastewater customers served by its systems in five Tennessee counties.⁵ In its *Petition*, Limestone asserted that its proposed rate increases were necessary because several of the

² Commissioner Herbert H. Hilliard was absent from the Commission Conference on June 1, 2026, and did not vote in this matter.

³ *2025 Rate Case Order*, p. 112 (July 10, 2025).

⁴ *In re: Joint Application Of Aqua Utilities Company, Inc. And Limestone Water Utility Operating Company, LLC For Authority To Sell Or Transfer Title To The Assets, Property, And Real Estate Of A Public Utility And For A Certificate Of Public Convenience And Necessity*, Docket No. 19-00062, *Order Approving Sale of Assets, Property, and Real Estate and Certificate of Public Convenience of Aqua Utilities Company, LLC Subject to Conditions and Requirements of the Tennessee Public Utility Commission* (December 7, 2020).

⁵ *Petition*, p. 1 (July 16, 2024); *see also 2025 Rate Case Order*, p. 4 (July 10, 2025).

systems it had acquired had significant long-term compliance and operational issues, and that the rates in effect, which in some instances had not been adjusted for decades, no longer covered the costs of operating or maintaining those systems in compliance with state laws and regulations. As a result, the rates did not adequately cover operating costs and capital investments, preventing the Company from earning a fair return.⁶

In support of its *Petition*, Limestone included pre-filed testimonies from several Company representatives covering, among other topics, its budget procedures, operations, scheduled capital projects, capital structure, customer services, revenue requirement calculation, and the recovery of acquisition adjustments. In his pre-filed testimony, Mr. Aaron Silas, then CSWR's Director of Regulatory and Customer Operations, described Limestone's proposed rate design, which included the use of Equivalent Residential Units ("ERUs") developed from the Tennessee Department of Environment and Conservation ("TDEC") Design Criteria for Review of Sewage Works Construction Plans and Documents ("TDEC Design Criteria"), which he attached to his testimony, and explained how Limestone intended to use the document to calculate the ERUs.⁷

On August 15, 2024, the Consumer Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate") was granted leave to intervene in the proceeding and initiated discovery to investigate the *Petition* in anticipation of a hearing on the merits of the rate request.⁸ The Consumer Advocate filed testimony opposing the rate increase and asserted that the rate adjustment be delayed until additional revenue data was available.⁹ Alternatively, the Consumer Advocate proposed an increase in customer rates of \$633,669.¹⁰ To collect its proposed rate increase, the Consumer Advocate further proposed a rate design consisting of a flat 52.21% increase across

⁶ *Petition*, p. 3 (July 16, 2024).

⁷ Aaron Silas, Pre-Filed Direct Testimony, pp. 17-20 and Exhibit AJS-3 (July 16, 2024).

⁸ *Order Establishing Procedural Schedule* (September 12, 2024).

⁹ William H. Novak, Pre-Filed Direct Testimony, p. 10 (December 19, 2024).

¹⁰ David N. Dittmore, Pre-Filed Direct Testimony, pp. 3-4 (February 6, 2025). Mr. Dittmore adopted the pre-filed testimony previously submitted by Alex Bradley on December 19, 2024, and made certain additional modifications.

water and wastewater rates, including both residential and commercial classes. The Consumer Advocate did not calculate rates separately for water and wastewater operations in its rate design.¹¹

Throughout the proceeding, the Commission provided several opportunities for public comment, including two specially scheduled Public Comment Sessions, first in Counce and then in Franklin, Tennessee, and received numerous written comments in the docket file.¹² In February 2025, the Commission held a multi-day evidentiary hearing on the merits of Limestone's request for a rate increase, inviting public comment both before and after the hearing. Thereafter, as ordered by the Commission during the hearing, Limestone filed updated calculations and exhibits on its water and wastewater revenue deficiencies and rate design.¹³ Both parties also filed post-hearing briefs.¹⁴

Given the complexity of the case, Chairman Jones, the presiding member of the panel, pre-filed his anticipated motion on April 11, 2025. The motion outlined the numerous rulings he intended to propose for the panel's vote.¹⁵ Following deliberations on April 14, 2025, the Commission unanimously approved the Chairman's motion.¹⁶ As part of its ruling, the panel rejected both Limestone's consolidated rate design and the Consumer Advocate's proposal for an across-the-board rate increase for all customer classes.¹⁷ Instead, the panel determined that separate, standalone system-specific residential and commercial rates should be used to recover the revenue deficiency.¹⁸ With respect to commercial sewer rates, the panel directed Limestone to submit a tariff sufficient to

¹¹ *Id.* at Schedule 10.

¹² *Notice of Public Comment* (January 6, 2025); Transcript of Public Comment Session (January 30, 2025); *Notice of Public Comment* (February 4, 2025); Transcript of Public Comment Session (February 13, 2025).

¹³ *Order Establishing Post-Hearing Procedural Schedule* (February 24, 2025); *Limestone Water Utility Operating Company, LLC's Replacement Attachment to Response No. 6 to Staff's January 31st Data Request* (February 27, 2025).

¹⁴ *Limestone Water Utility Operating Company, LLC Post-Hearing Brief* (March 12, 2025); *Consumer Advocate Division's Post-Hearing Brief* (March 12, 2025).

¹⁵ *Chairman David F. Jones Pre-Filed Motion on the Merits of the Limestone Water Utility Operating Company LLC Rate Case* (April 11, 2025).

¹⁶ *Notice of Panel Convening Electronically Via WebEx* (April 4, 2025); Transcript of Commission Conference, pp. 11-12 (April 14, 2025).

¹⁷ *2025 Rate Case Order*, pp. 105-106 (July 10, 2025).

¹⁸ *Id.* at Commission Exhibits, Att. No. 4 Commission Rate Design Exhibit.

generate an additional \$242,076 in commercial sewer revenues and to coordinate with Commission Staff to implement the phase-one commercial rate design.¹⁹

On May 1 and May 19, Limestone filed its initial and revised tariffs to implement phase one of the ordered rate increase.²⁰ Because neither party proffered usage data, there was no basis to support an alternative to the ERU methodology presented in Limestone’s testimony and supporting documents. Consistent with the panel’s directive, Commission Staff reviewed Limestone’s proposed rate design, as reflected in its filings. With authority delegated by the panel, Staff employed the only practicable method, the ERU methodology, to evaluate the tariffs. Staff filed a letter in the docket acknowledging receipt, confirming its review, noting that the tariffs achieved the required revenue increase, and accepting them consistent with the panel’s April 14 deliberations. The tariff became effective May 1, 2025.²¹ Limestone later submitted a correction on July 2, 2025.²² The Consumer Advocate, the sole intervenor, did not file an objection, request a modification, or seek a suspension of the tariff as authorized under Commission Rule 1220-04-01-.06.

On July 10, 2025, the Commission issued its final *2025 Rate Case Order*, which addressed all elements necessary to establish rates, including the Company’s revenue requirement of \$1,362,324, expenses, rate base, capital structure, and an overall rate of return (“ROR”) of 8.488%. After determining a revenue deficiency, the Commission adopted a revenue conversion factor and rate design for Limestone’s water and wastewater operations. Concerned about the immediate impact of the increase on the Company’s modest customer base, the panel directed that the rate increase be implemented in two phases, one year apart, to mitigate the impact on customers.²³

¹⁹ *Id.* at 107.

²⁰ *Limestone Water Utility Operating Company, LLC’s Rate Design and UOC Tariff* (May 1, 2025); *Limestone Water Utility Operating Company, LLC’s Revised Rate Design and UOC Tariff* (May 19, 2025).

²¹ *Commission Acknowledgment of Receipt of Limestone Water Utility Operating Company’s Tariff Filings* (May 22, 2025).

²² *Limestone Water Utility Operating Company, LLC’s Second Revised Rate Design and UOC Tariff* (July 2, 2025).

²³ *2025 Rate Case Order*, p. 106 (July 10, 2025).

The Commission ordered Limestone to begin recovering 53% of the revenue deficiency on May 1, 2025, and required the Company to file a substantive filing before the remaining portion of the increase could take effect. Limestone was ordered to file, by March 2, 2026, (a) monthly revenues by system collected during phase one, (b) updated monthly billing determinants, (c) a proposed rate structure to complete the phased recovery, and (d) supporting documents. The panel also made clear that the filing schedule provided the Consumer Advocate with sufficient time to review Limestone's filing and, if desired, to submit its own alternative rate design and testimony during phase two.²⁴

B. 2026 IMPLEMENTATION OF THE SECOND PHASE OF THE APPROVED RATE INCREASE

In compliance with the *2025 Rate Case Order*, the Company filed its March 2, 2026 filing, consisting of Aaron Silas's pre-filed testimony and exhibits. His testimony included the amounts of revenue collected by month and by system in phase one; the latest available monthly billing determinants by system; a rate designed to recover the remaining approved revenue deficiency; and supporting documentation.²⁵

The Administrative Judge conducted preliminary matters in accordance with all applicable procedural rules, including issuing a procedural schedule at the Consumer Advocate's request.²⁶ Under the procedural schedule, the parties engaged in discovery; both issued requests and received timely responses.²⁷ Thereafter, the Consumer Advocate filed the pre-filed testimonies of its witnesses, William H. Novak and Clark D. Kaml, and the Affidavit of Glynn Taylor, a commercial customer of Limestone.²⁸ Finally, Limestone filed Mr. Silas's rebuttal testimony.²⁹

²⁴ *Id.* at 106, 112.

²⁵ Aaron Silas, Pre-Filed Direct Testimony, p. 4 (March 2, 2026).

²⁶ *Order Granting Consumer Advocate's Motion and Establishing Procedural Schedule* (February 25, 2026).

²⁷ *Consumer Advocate's First Set of Discovery Requests to Limestone Water Utility Operating Company, LLC* (March 11, 2026); *Limestone Water Utility Operating Company, LLC's Responses to Consumer Advocate's First Set of Discovery Requests* (March 18, 2026). See also *Limestone Water Utility Operating Company, LLC's Discovery Requests to the Consumer Advocate Division* (April 1, 2026); *Consumer Advocate's Responses to Limestone's First Set of Discovery Requests* (April 7, 2026).

²⁸ *Aff. of Glynn Taylor* (March 26, 2026); Clark D. Kaml, Pre-Filed Direct Testimony (March 26, 2026); William H. Novak, Pre-Filed Direct Testimony (March 26, 2026).

²⁹ Aaron Silas, Pre-Filed Rebuttal Testimony (April 10, 2026).

Again, the Commission held two specially scheduled Public Comment Sessions in Counce and in Franklin, Tennessee, and received many written comments from members of the public filed in the docket. The public's concerns focused on consumers' experiences with service quality and rates.³⁰ During the Public Comment Sessions, consumers raised environmental and health concerns about sewage overflows, including flows into local creeks, fields, and community amenities such as a neighborhood soccer field; water quality in areas where the Company provides water service; and a lack of communication and transparency, including difficulty navigating Limestone's website.³¹

As noticed on April 17, 2026, the Commission held a full evidentiary hearing on Limestone's proposed implementation of the second-phase rate increase during its regularly scheduled Commission Conference on April 28, 2026. The parties and their counsel appeared and participated in the hearing:

Limestone Water Utility Operating Company, LLC | **Melvin J. Malone, Esq.** and **John H. Dollarhide, Esq.**, Butler Snow, LLP, 150 3rd Avenue South, Suite 1600, Nashville, Tennessee 37201;

Consumer Advocate Division of the Office of the Tennessee Attorney General | **Vance L. Broemel, Esq.** and **Karen Stachowski, Esq.**, Office of the Tennessee Attorney General, Consumer Advocate Division, P.O. Box 20207, Nashville, Tennessee 37202-0207.

During the hearing, the panel heard testimony from Limestone witness, Aaron Silas, and the Consumer Advocate's witnesses, William H. Novak and Clark D. Kaml. All witnesses were subject to cross-examination and questioning by the Commissioners and Commission Staff. The panel also solicited public comments, during which several Limestone customers – including Glynn Taylor, who filed an Affidavit in the record – discussed their experiences with the utility and its service and expressed concern about the impact of the phase one rate increase.³² Following the notice issued on

³⁰ *Notice of Opportunity for Public Comment* (March 10, 2026); Transcript of Public Comment Session (April 16, 2026); *Notice of Opportunity for Public Comment* (March 17, 2026); Transcript of Public Comment Session (April 20, 2026).

³¹ Transcript of Public Comment Session, pp. 19, 22-23, 25, 28-29, 32-33, 35 (April 16, 2026); Transcript of Public Comment Session, pp. 21, 25-27, 31-33, 38, 40 (April 20, 2026).

³² Transcript of Hearing, pp. 9-44 (April 28, 2026).

May 22, 2026, the panel convened during its regularly scheduled Commission Conference on June 1, 2026, to deliberate on the administrative record for the second phase of the rate increase.³³

III. APPLICABLE LAW

It is well established under Tenn. Code Ann. §§ 65-5-101 and 103, the Commission’s core ratemaking authority, that the Commission has broad, “practically plenary” authority and discretion to set rates for the public utilities within its jurisdiction.³⁴ In exercising this authority, the only statutory limitation on the Commission’s ratemaking authority is that approved rates must be just and reasonable, that is, rates that give the regulated utility an opportunity to recover its prudently incurred operating expenses and to earn a reasonable return on its investment.³⁵

The United States Supreme Court’s decision in *Federal Power Commission v. Hope Natural Gas Co.* confirms that ratemaking is judged by its results, not by adherence to any particular formula. The overall impact of the rates must allow the utility to maintain financial integrity, attract capital, and compensate investors for the risks they assume. Rates meeting these standards fall within the “zone of reasonableness,” regardless of the specific methodology used to derive them.³⁶ Likewise, in *CF Industries v. Tennessee Public Service Commission*, the Tennessee Supreme Court held that the Commission has broad discretion to choose the methodology it deems appropriate when setting rates, relying on its expertise and regulatory judgment. No statute or decision requires the use of a specific approach or methodology, and rate design is inherently a matter of informed judgment. The only requirement is that the end result be just and reasonable; when supported by sufficient evidence, the Commission’s chosen methodology will be upheld.³⁷

³³ *Notice of Deliberations* (May 22, 2026); Transcript of Commission Conference (June 1, 2026).

³⁴ *Tenn. Cable Television Ass’n v. Tenn. Pub. Ser. Comm’n*, 844 S.W.2d 151, 159 (Tenn. Ct. App. 1992).

³⁵ *Bluefield Water Works & Improvement Co. v. Pub. Ser. Comm’n of the State of West Virginia*, 262 U.S. 679 (1923).

³⁶ *Federal Power Comm’n v. Nat. Gas Pipeline Co. of Am.*, 315 U.S. 575, 585 (1942); *Federal Power Comm’n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944).

³⁷ *CF Indus. v. Tennessee Pub. Serv. Comm’n*, 599 S.W.2d 536, 543 (Tenn. 1980).

Rate design, a crucial component of ratemaking, is the key step in determining customer classes, assigning costs, and establishing and implementing specific charges. Many factors, including economic and social considerations such as affordability, must be balanced when designing a rate structure. As with all aspects of ratemaking, rate design is subject to the Commission's judgment and discretion to ensure that the resulting rates are just, reasonable, and not unduly discriminatory under law.

IV. PHASE TWO IMPLEMENTATION

To ensure the proper implementation of the second phase of the approved rate increase, the Commission initiated this proceeding to review Limestone's updated financial and billing information and the rate design for collecting the remaining deficiency. The proceedings included notice, discovery by the parties, testimony, public comment, and a hearing based on the phase two administrative record. The Commission resolves the issues before it based on the phase two evidentiary record and issues its findings of fact and legal conclusions, supported by substantial and material evidence in that record.

This order memorializes the panel's rulings that the approved rate framework remains just and reasonable; that the second phase of the rate increase is based on the most up-to-date financial and billing information; that the rate design and class allocations for all customers, including commercial sewer classifications, are implemented using the only viable method currently available; and that conditions are established to address ongoing concerns about Limestone's service. In summary, the phase two proceedings confirm compliance with the *2025 Rate Case Order* and ensure that the approved framework yields just and reasonable rates that are not unduly discriminatory. These proceedings do not reopen the Commission's comprehensive ruling on the rate case *Petition*.

**A. LIMESTONE WITNESS, PRE-FILED TESTIMONY, AARON SILAS CSWR, ASST VICE
PRESIDENT OF CUSTOMER EXPERIENCE AND REGULATORY OPERATIONS**

On March 2, 2026, Limestone filed the Pre-Filed Direct Testimony of Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations at CSWR, LLC. Mr. Silas testified that the filing was intended to support Limestone's phase two compliance submission, as required by the Commission's *2025 Rate Case Order*. He explained that the filing includes (1) monthly revenues by month and by system for phase one, (2) updated billing determinants, and (3) the Company's proposed rate design for phase two, along with supporting testimony and exhibits.³⁸

Mr. Silas explained that the first phase of the approved rate adjustments was implemented in accordance with the Commission-approved method, which required the use of standalone, system-specific rates. He further testified that Limestone's phase-one rate design followed the Commission-approved methodology, including flat monthly rates and the use of ERUs for commercial wastewater customers. He noted that all rate increases were allocated proportionally and consistent with the phase-one structure, and that no new customer classes, cost reallocations, or policy changes were proposed.³⁹

With respect to phase two, Mr. Silas testified that the Company proposed no changes to the Commission-approved revenue requirement, cost of service, rate base, or allocation methodology. Instead, the proposed phase two rates were designed solely to recover the remaining portion of the revenue deficiency identified in the *2025 Rate Case Order*, along with the associated carrying charges authorized by the Commission. He stated that the Company's phase-two rate design continued to rely on the same revenue allocation, system-specific rate structure, and rate design principles approved in the *2025 Rate Case Order*. Limestone continued to apply standalone rates for each system and did

³⁸ Aaron Silas, Pre-Filed Direct Testimony, p. 4 (March 2, 2026).

³⁹ *Id.* at 5-6.

not consolidate systems or reallocate costs among customer classes. He further stated that the Company calculated the required carrying charges by applying the Commission-approved rate of return of 8.488% to the unrecovered revenue deficiency.⁴⁰

Mr. Silas also addressed how commercial wastewater customers are treated under the phase two proposal. He stated that commercial customers are billed based on ERUs, using the methodology previously approved by the Commission and reflected in Limestone's tariff. The tariff assigns ERUs based on typical wastewater flows set forth in the TDEC Design Criteria. He testified that the Company has updated certain ERU assignments when commercial customers provided revised information about their operations, flow characteristics, or usage assumptions. When these adjustments changed previously billed amounts, the Company issued appropriate credits or refunds in accordance with the tariff.⁴¹

To illustrate this process, Mr. Silas described the Company's review of the ERU assignment for Old Natchez Country Club ("the Club"). He testified that, because internal attendance and activity data were unavailable to the Company, Limestone initially assigned ERUs using publicly available indicators of facility scale and expected utilization, including amenities and publicly reported estimates of golf activity. After phase one implementation, Limestone sought more detailed information from the customer; however, the Club declined to provide internal attendance metrics. Upon receiving updated information on operations, flow characteristics, or usage assumptions, Limestone updated the ERU assignment and issued a refund based on the revised assignment. Mr. Silas stated that this cooperative, data-driven approach supports accurate billing while maintaining the integrity of the Commission-approved rate design.⁴²

⁴⁰ *Id.* at 7-8.

⁴¹ *Id.* at 8-9.

⁴² *Id.* at 9-11.

Further, Mr. Silas testified that Limestone also conducted a broader review of all commercial ERU assignments as part of the phase two compliance filing. The review covered billing records, customer counts, and usage data to ensure that billing determinants remain accurate and consistent with the approved methodology. He noted that any proposed increases in ERU assignments have been presented to the Commission for review and approval as part of this filing and have not been implemented unilaterally. He also confirmed that Limestone has not increased any commercial ERU assignments since the implementation of phase one and that any increase in ERU assignments will be submitted to the Commission for consideration.⁴³

B. CONSUMER ADVOCATE PRE-FILED DIRECT TESTIMONY

B(1). CLARK D. KAML, FINANCIAL ANALYST, TENNESSEE CONSUMER ADVOCATE DIVISION

On March 26, 2026, the Consumer Advocate filed the Pre-Filed Direct Testimony of Clark D. Kaml, a Financial Analyst with the Consumer Advocate. Mr. Kaml's testimony addressed Limestone's proposed commercial wastewater rate design and the Company's calculation and application of ERUs. He explained that his review evaluated the Company's rate design against widely accepted ratemaking principles, including simplicity, transparency, customer comprehension, rate and revenue stability, fairness, nondiscrimination, and efficiency in discouraging wasteful use.⁴⁴

Based on these principles, Mr. Kaml testified that Limestone's commercial rate structure contains several key deficiencies. He stated that the rate design is neither simple nor easily understood; customers lack sufficient information to estimate their ERUs; ERU determinations are open to interpretation and dispute; and the tariff does not provide clear methods for reviewing, evaluating, revising, or challenging ERUs. He further testified that the commercial rate structure lacks a usage-based component, provides no price signal for efficiency, and has led to instability in

⁴³ *Id.* at 11-12.

⁴⁴ Clark D. Kaml, Pre-Filed Direct Testimony, pp. 3-4 (March 26, 2026).

customer bills. He also stated that the record does not demonstrate that ERUs assigned under the current rate design are equitable among commercial customers.⁴⁵

Mr. Kaml acknowledged that, assuming ERUs remain fixed, certain benefits arise, including billing predictability, revenue stability, and straightforward billing calculations once the ERU assignment is known. However, these limited benefits do not outweigh the fundamental shortcomings of the current ERU-based rate structure.⁴⁶ Mr. Kaml stated that Limestone assigns ERUs based on facility types listed in the TDEC Design Criteria, which include flow estimates tied to a variety of “units,” such as seats, customers, employees, beds, or other facility metrics, depending on the facility type. The Company then divides the TDEC design flow by 300 gallons per day to determine the ERU value. Mr. Kaml testified that this methodology relies on theoretical design capacity rather than actual wastewater flow or water-usage data for any specific facility. He further stated that Limestone’s reliance on TDEC’s criteria, rather than actual measurements, results in ERU assignments based on assumptions rather than verifiable facts. He noted that TDEC expressly states that its Design Criteria are intended for sewage-works construction planning review, not for customer billing or ratemaking.⁴⁷

Mr. Kaml identified four overarching concerns with the Company’s use of ERUs: (1) ERU calculations depend on “units” that vary widely by facility type, creating inconsistency and confusion; (2) TDEC’s Design Criteria were not intended for customer billing; (3) Limestone’s rate structure applies a fixed-charge design regardless of actual usage, misaligning rates with cost-causation principles; and (4) ERU assignments are subjective because they rely on Limestone’s judgment, with no formulas or reproducible calculations available to customers or the Commission.⁴⁸

⁴⁵ *Id.* at 5.

⁴⁶ *Id.*

⁴⁷ *Id.* at 6-7.

⁴⁸ *Id.* at 7-9.

Mr. Kaml further testified that the tariff does not provide formulas, definitions, or methodology for calculating ERUs, nor does it specify any process for contesting or adjusting ERU assignments. He explained that Limestone has not provided actual ERU calculations in discovery or testimony, and that the ERU values in the Company's *Petition* and responses were provided only as hard-coded totals. Supporting documentation, he stated, consists of descriptions rather than numerical values linking specific customer characteristics to the assigned ERU. He also testified that inconsistencies in the Company's ERU estimates between phase one and phase two illustrate the challenges and uncertainties in Limestone's ERU determination process.⁴⁹

Further, Mr. Kaml testified that TDEC's design-flow estimates are often outdated because they rely on historical assumptions about water consumption that no longer reflect current usage patterns. He stated that water usage and wastewater flows are correlated, and that water-usage-based billing removes guesswork and facility-type disputes. He recommended that Limestone be required to demonstrate that it has made reasonable efforts to obtain actual water-usage data before resorting to design-flow estimates under TDEC's criteria.⁵⁰

In addressing the Company's proposal to recover carrying charges over a one-year period, Mr. Kaml asserted that it is more typical and reasonable to recover such charges over a longer period, such as three years. If the Commission approves a one-year recovery period, he recommended that Limestone be required to refile its tariffs after 12 months to remove the carrying-charge component, reflecting a \$54,346.01 reduction once those charges are fully recovered.⁵¹

Mr. Kaml concluded by recommending that the Commission require Limestone to include detailed ERU formulas and methodologies in the tariff; establish clear procedures for reviewing and adjusting ERUs; use actual water-usage data where feasible; ensure the transparency and

⁴⁹ *Id.* at 10-13.

⁵⁰ *Id.* at 13-14.

⁵¹ *Id.* at 14-15.

reproducibility of all calculations; and recover carrying charges over three years, or, alternatively, refile rates after one year to remove carrying-charge revenues.⁵²

B(2). WILLIAM H. NOVAK, CONSULTANT, PRESIDENT OF WHN CONSULTING

On March 26, 2026, the Consumer Advocate filed the Pre-Filed Direct Testimony of William H. Novak, President of WHN Consulting. In his testimony, Mr. Novak contended that the Commission’s phase-one rate design was only partially affirmed. He asserted that the Commission adopted phase-one rates for residential water and sewer customers but declined to affirm the commercial sewer rates because the record lacked sufficient information on the determinants of commercial sewer billing. Accordingly, he stated that the panel directed Limestone and Commission Staff to jointly develop an appropriate rate design for commercial customers to recover the phase-one increase in commercial sewer revenue.⁵³

Mr. Novak stated that Limestone and Commission Staff implemented a rate design for commercial customers based on ERUs, with ERUs determined by applying a 1998 flow-based reference table to the type of commercial business. However, he testified that no evidence supporting an ERU-based rate design was introduced during the first phase of the case, and the Commission did not deliberate on that methodology. He further testified that although Staff issued a tariff approval letter stating that the filing was “consistent with the Commission’s decision on April 14, 2025,” the tariff could not be consistent because the ERU methodology was never entered into evidence or considered by the Commission.⁵⁴

Mr. Novak explained that ERU assignments for each commercial business are based on flow estimates from a 1998 study, with examples included in the ERU reference table he attached to his testimony. He testified that the record lacks sufficient evidence to support ERUs as a rate-design

⁵² *Id.* at 15.

⁵³ William H. Novak, Pre-Filed Direct Testimony, pp. 5-6 (March 26, 2026).

⁵⁴ *Id.*

billing component because (1) a complete copy of the 1998 study has not been provided; (2) no analysis has compared ERU-derived usage with actual billed water usage; and (3) the Commission has never approved the ERU methodology for any utility. He stated that the use of ERUs raises a major rate-design question that requires significantly more vetting.⁵⁵

Turning to phase two, Mr. Novak testified that Limestone proposed allocating the phase two deficiency using the same percentage allocations adopted by the Commission in phase one. However, he also testified that Limestone materially altered the billing determinants used in phase two, including significant changes to commercial determinants tied to ERU values.⁵⁶ He asserted that these changes exceeded the scope of a phase-in implementation and instead constituted a single-issue rate case. He stated that the Commission's purpose in phasing in rates was to mitigate customer rate shock, not to reopen or revise billing determinants. Therefore, he recommended that all billing determinants remain as they were in the *2025 Rate Case Order* and that only the remaining phase two revenue deficiencies be implemented.⁵⁷

Mr. Novak further testified that Limestone has not provided individual ERU calculations for commercial customers despite discovery requests. He stated that without access to the actual ERU calculations, the Commission lacks the evidentiary basis to confirm the accuracy of Limestone's proposed phase two rate design for commercial customers.⁵⁸ Consistent with these conclusions, Mr. Novak recommended that phase two rates for residential customers be calculated using the same billing determinants employed in phase one, which he believes reflect what the Commission would have adopted had there been no phase-in.⁵⁹ He also recommended that the Commission take additional evidence on the appropriate billing structure for commercial sewer customers, given that

⁵⁵ *Id.* at 6-7.

⁵⁶ *Id.* at 8-10.

⁵⁷ *Id.* at 12.

⁵⁸ *Id.* at 12-13.

⁵⁹ *Id.* at 14.

the ERU methodology was neither presented as evidence nor formally considered by the Commission. Pending further Commission guidance, Mr. Novak recommended that existing commercial sewer rates from phase one remain unchanged.⁶⁰

Finally, Mr. Novak testified that he agreed with the Company's calculation of phase two carrying costs totaling \$54,347 but recommended spreading the recovery of these carrying charges over a three-year period rather than the one-year period proposed by Limestone. He stated that a three-year recovery period aligns with the Commission's treatment of similar cost-recovery mechanisms in other cases.⁶¹

B(3). AFFIDAVIT OF LIMESTONE CUSTOMER, GLYNN TAYLOR/OLD NATCHEZ COUNTRY CLUB

On March 26, 2026, the Consumer Advocate filed the Affidavit of Glynn Taylor, President and part-owner of the Club. Mr. Taylor testified that the Club's wastewater charges rose from about \$37 per month to \$14,204 per month beginning in May 2025.⁶² After receiving the first bill reflecting the new charge, he spoke with multiple Limestone representatives. He stated that Company personnel initially told him that the new charge was based on applying a commercial sewer rate of \$168.96 per ERU to an assigned 83 ERUs, which Limestone calculated assuming 497 daily attendees, generating 50 gallons of wastewater. Mr. Taylor filed a billing complaint with the Commission on June 12, 2025.⁶³

Mr. Taylor testified that he later requested a review of the Club's bill. A Company representative advised that Limestone could conduct a review if he provided daily counts of Club members and staff present. He explained that the Club does not formally track daily attendance and that, although estimating usage from attendance would be imprecise, the Club's metered sanitary

⁶⁰ *Id.* at 15.

⁶¹ *Id.* at 14-15.

⁶² *Aff. of Glynn Taylor*, pp. 1-2 (March 26, 2026).

⁶³ *Id.* at 2.

water usage offered a reliable basis for estimating actual wastewater flows. He stated that the representative informed him that the rate was correct, directed him to Limestone's tariff, and advised him to contact Mr. Aaron Silas.⁶⁴

When Mr. Taylor contacted Mr. Silas, he was told that the Club's ERU assignment was based on an assumption of 250 daily attendees producing 100 gallons per day, a different explanation from the prior representative.⁶⁵ Mr. Taylor also stated that the public notices available to customers did not allow him to determine the Club's actual monthly charge.⁶⁶ According to the Affidavit, after several email exchanges, Mr. Silas explained that Limestone estimated daily attendance using publicly available information about facility amenities, including the Club's website.⁶⁷ Mr. Taylor reported that he then provided 12 months of metered sanitary water flow data from the rate case test period, along with calculations of the Club's estimated headcount, ERUs, and monthly charge based on actual water usage.⁶⁸

Mr. Taylor testified that Limestone ultimately agreed to revise the Club's ERU assignment using the metered water usage data he supplied. On October 21, 2025, Mr. Silas notified him that the Club's ERUs had been reduced to 20, resulting in a revised monthly charge of \$3,379.20, and that the Company would issue a credit retroactive to May 1, 2025.⁶⁹ In concluding his Affidavit, Mr. Taylor stated that the Club's experience showed that Limestone's ERU methodology produced substantially inaccurate results and raised concerns about "the veracity and practical usefulness of the entire rate design," noting that errors of a similar magnitude could affect other commercial customers.⁷⁰

⁶⁴ *Id.* at 3-5.

⁶⁵ *Id.* at 5-6.

⁶⁶ *Id.* at 7.

⁶⁷ *Id.* at 8-10.

⁶⁸ *Id.* at 11.

⁶⁹ *Id.* at 12.

⁷⁰ *Id.* at 11.

C. LIMESTONE WITNESS, PRE-FILED REBUTTAL TESTIMONY, AARON SILAS CSWR, ASST VICE PRESIDENT OF CUSTOMER EXPERIENCE AND REGULATORY OPERATIONS

On April 10, 2026, Limestone filed the Pre-Filed Rebuttal Testimony of Aaron Silas. In rebuttal, Mr. Silas testified that the Consumer Advocate's phase two testimony exceeded the scope of issues reserved for the second phase of this proceeding.⁷¹ He further asserted that the *2025 Rate Case Order* adopted a rate design that remained in effect for both phases of the rate implementation and was no longer an open issue. He also asserted that phase two was limited to determining rates necessary to recover the remaining portion of the approved revenue deficiency.⁷²

Mr. Silas explained that the Commission had already decided on the appropriate rate design in phase one and had rejected the rate design proposal presented earlier by the Consumer Advocate's witnesses. He noted that the Consumer Advocate neither sought reconsideration of the Commission's decision nor filed an appeal. In his view, the Consumer Advocate cannot now use phase two to challenge the previously approved rate design.⁷³

Mr. Silas testified that Limestone proposes to recover the remaining revenue deficiency of \$640,292.28, consistent with the Commission-approved methodology used in phase one, and to recover \$54,348.01 in carrying charges for the first 12 months of phase two implementation. He stated that commercial wastewater customers would continue to be billed using updated ERUs, revised as appropriate based on updated customer information on operations, flow characteristics, or usage assumptions.⁷⁴

Mr. Silas described the ERU methodology as assigning one ERU per residential connection and assigning ERUs to commercial customers based on their relative expected contribution to the sewer system. He stated that the methodology is grounded in standardized design-basis characteristics

⁷¹ Aaron Silas, Pre-Filed Rebuttal Testimony, p. 3 (April 10, 2026).

⁷² *Id.* at 4-5.

⁷³ *Id.* at 6-7.

⁷⁴ *Id.* at 7-9.

from the TDEC Design Criteria. Under this approach, non-residential flows are converted to ERUs using a benchmark of 300 gallons per day per residential customer. He further testified that this methodology was set forth in the evidentiary record and implemented through Commission-approved tariff filings.⁷⁵

Mr. Silas disputed the Consumer Advocate's assertions that Limestone improperly updated billing determinants for phase two. He testified that the Commission's *2025 Rate Case Order* expressly directed Limestone to provide "updated billing determinants," which necessarily change between phases as customer counts and conditions evolve.⁷⁶ He stated that updating billing determinants does not reopen cost of service, alter the rate design, or change the allocation of revenues among classes. He provided examples showing that updated determinants in some areas reduced phase two rates relative to what they would have been under phase one determinants.⁷⁷

Mr. Silas also disputed Mr. Novak's assertion that Limestone failed to provide ERU calculations. He testified that Limestone supplied spreadsheets showing each commercial customer's design basis units and corresponding ERU calculations, along with narrative explanations detailing how ERUs were derived and applied to determine monthly charges. He further rejected Mr. Novak's characterization of ERUs as derived from a fixed 1998 index, asserting that ERUs are determined by applying design basis wastewater flow criteria to customer-specific facility characteristics.⁷⁸

In rebuttal to Mr. Kaml, Mr. Silas testified that Limestone did not misuse the TDEC Design Criteria. He stated that the TDEC criteria provide standardized design-basis flow references appropriate for flat-rate sewer systems, where costs are largely fixed and usage data may be unavailable or inconsistent. He noted that demand for sewer services is inelastic, regulatory requirements do not vary with flow, and flat monthly sewer rates provide predictability and revenue

⁷⁵ *Id.* at 10-12.

⁷⁶ *Id.* at 12-13.

⁷⁷ *Id.* at 13-14.

⁷⁸ *Id.* at 14-16.

stability.⁷⁹ Mr. Silas further stated that the ERU methodology aligns with the Commission's objective of maintaining affordable residential rates while shifting a greater share of the revenue burden to commercial sewer customers.⁸⁰

Mr. Silas also testified that regulators in other states, including Florida, Mississippi, and Louisiana, have adopted ERU methodologies similar to Limestone's for affiliated utilities. He acknowledged that customers would benefit from greater clarity on how ERUs are assigned. He further testified that Limestone proposes to add a tariff appendix with a reference chart showing design-basis assumptions and corresponding ERU multipliers by customer type, and to include a formal process allowing commercial customers to request one ERU review per year, with adjustments applied prospectively.⁸¹

Finally, Mr. Silas opposed the Consumer Advocate's recommendation to pause or leave phase one commercial sewer rates unchanged pending further review. He testified that doing so would prevent the Company from recovering a portion of the Commission-approved revenue deficiency. He also noted that the Consumer Advocate does not dispute the revenue requirement and that freezing phase two rates would be inconsistent with the Commission's mandate to implement phased recovery with updated data.⁸²

V. FINDINGS OF FACT & CONCLUSIONS OF LAW

The goal of rate design is to set rates that allow the utility to recover its revenue requirement, which includes prudently incurred operating expenses and a reasonable return on investor-supplied capital. In practice, rate design allocates the total revenue requirement across customer classes and translates it into the specific charges each customer pays. Because customer usage patterns, cost drivers, and policy considerations vary widely, rate design necessarily incorporates a range of

⁷⁹ *Id.* at 16-17.

⁸⁰ *Id.* at 17-18.

⁸¹ *Id.* at 20-21.

⁸² *Id.* at 21-23.

economic and social factors. The Commission exercises broad discretion in this process to balance fairness, efficiency, and regulatory consistency. With these principles in mind, the panel addressed the rate design issues presented in phase two.

A. UPDATED FINANCIAL INFORMATION

In compliance with the *2025 Rate Case Order*, Limestone filed updated financial information as part of its March 2, 2026, phase two filing. In his testimony, Mr. Silas presented Limestone's monthly system-level data for the phase one implementation period.⁸³ The Consumer Advocate did not raise any issues with the financial information filed by Limestone. The Commission reviewed the updated financial information in Limestone's phase two filing and found that it complied with its directive in the *2025 Rate Case Order*.

B. BILLING DETERMINANTS

As ordered, Limestone included updated billing determinants for commercial-class customers in its March 2, 2026, filing. The Consumer Advocate asserted that using updated determinants exceeded the scope of the phase two rate implementation and argued that the phase one billing determinants should be used instead.⁸⁴ The Consumer Advocate further characterized Limestone's reliance on updated determinants as an improper single-issue rate proceeding, asserting that such changes fall outside the limited purpose of phase two implementation.⁸⁵

In its March 2 filing, Limestone explained that billing determinants naturally evolve over time as customer counts, usage patterns, and system conditions change. The Company maintained that using updated determinants does not reopen the cost-of-service, allocations, or the rate design previously approved by the Commission. Rather, updated determinants simply apply the Commission's prior determinations to current system conditions. Limestone also noted that using

⁸³ Aaron Silas, Pre-Filed Direct Testimony, p. 12, Ex. AJS-1 (March 2, 2026).

⁸⁴ William H. Novak, Pre-Filed Direct Testimony, p. 12 (March 26, 2026); Transcript of Hearing, p. 198 (April 28, 2026).

⁸⁵ *Id.*

current data can moderate rate impacts for some customers when connections increase, because a larger customer base would spread the revenue requirement across more accounts.⁸⁶

In its *2025 Rate Case Order*, the Commission directed Limestone to file updated billing determinants for the second-phase implementation of the approved rates.⁸⁷ The panel found that this requirement supports the core regulatory principle that rate design relies on current, accurate operational data to ensure that authorized revenues are collected fairly across customer classes. Billing determinants capture essential information, such as customer counts and system operations, that materially influence rate calculations and naturally shift over time, often significantly in growing or evolving utility systems.

The panel agreed that billing determinants naturally change as customer and system conditions evolve, and that using updated determinants more accurately reflects current operations. Updated determinants do not reopen the underlying revenue requirement, cost of service, class allocations, rate design methodology, or policy conclusions previously ordered by the Commission. Instead, they ensure that the rate design process applies the approved outcomes to the system's actual conditions when the rates take effect. The panel therefore found that the use of updated determinants does not constitute single-issue ratemaking and does not alter or undermine the phase two mandate.

Further, the panel found that using updated billing determinants advances one of the fundamental objectives of sound rate design: establishing reasonable, internally consistent rates that allow the Company to recover its authorized revenues without over- or under-collection. Relying on outdated determinants that do not reflect current system conditions increases the risk that rates will either overburden customers or fail to generate the revenues authorized by the Commission.

⁸⁶ Aaron Silas, Pre-Filed Direct Testimony, pp. 11-12 (March 2, 2026); Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 13-14 (April 10, 2026); Transcript of Hearing, pp. 59-62 (April 28, 2026).

⁸⁷ *2025 Rate Case Order*, p. 112 (July 10, 2025).

Using current determinants helps maintain rate stability by aligning charges with actual system usage and customer distribution. The panel found no evidence that updating the determinants would cause unreasonable rate volatility, customer inequity, or inappropriate rate shifting. Instead, updated determinants enable more accurate, transparent, and administratively efficient implementation of the approved rates. For these reasons, the panel concluded that the updated billing determinants filed by Limestone are appropriate for designing phase-two rates and are consistent with both the Commission's *2025 Rate Case Order* and established ratemaking principles.

C. RATE DESIGN / ERU METHODOLOGY FOR COMMERCIAL SEWER BILLING

Consistent with the Commission's *2025 Rate Case Order*, Limestone and the Consumer Advocate each filed rate design proposals for phase two implementation. The Consumer Advocate opposed the use of updated billing determinants and therefore proposed a residential rate design based on the phase one determinants. For commercial sewer customers, however, the Consumer Advocate did not propose its own rate design; instead, it recommended that the Commission take additional evidence and leave commercial rates at phase one levels.⁸⁸ In addition, the Consumer Advocate filed the Affidavit of Glynn Taylor, a representative of a commercial customer of Limestone, who testified that a rate design based on sanitary water flow would be the most accurate.⁸⁹

Limestone proposed a rate design based on the ERU methodology, which estimates the capacity a customer contributes to the wastewater system.⁹⁰ To calculate ERUs, Limestone used the TDEC Design Criteria, which provide typical daily wastewater flow estimates for different commercial facility types.⁹¹ Under the TDEC Design Criteria, a typical residence produces 300

⁸⁸ William H. Novak, Pre-Filed Direct Testimony, pp. 14-15 (March 26, 2026); Transcript of Hearing, p. 199 (April 28, 2026).

⁸⁹ *Aff. of Glynn Taylor*, p. 8 (March 26, 2026).

⁹⁰ Aaron Silas, Pre-Filed Rebuttal Testimony, p. 10 (April 10, 2026); Transcript of Hearing, pp. 172-73, 175 (April 28, 2026).

⁹¹ Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 11-12 and AS RT Exh. 1 (April 10, 2026); Aaron Silas, Pre-Filed Direct Testimony, Ex. AJS-3 (July 16, 2024); Transcript of Hearing, pp. 172-73, 175 (April 28, 2026).

gallons of wastewater per day; therefore, Limestone defines one ERU as 300 gallons per day.⁹² A commercial customer's typical daily flow is estimated by applying the appropriate TDEC facility type standard, and that amount is divided by 300 gallons to determine the number of ERUs assigned.⁹³ A commercial customer's flat rate is then calculated by multiplying the number of assigned ERUs by the approved flat rate.⁹⁴

As explained below, the panel, as in phase one, agreed that the phase two rate design should continue to be based on the ERU methodology and that it was appropriate to use updated billing determinants. The panel further found that the revenue requirement should continue to be allocated across customer classes using the same percentages applied in the first phase: 15.02 percent to water customers and 84.98 percent to sewer customers.⁹⁵ Under this allocation, fixed water rates would increase by approximately 40 percent and fixed sewer rates by approximately 32 percent, except that the rate increase for Cartwright Creek sewer customers would be limited to 23 percent.

The panel limited the Cartwright Creek commercial sewer rate increase to 23 percent because, in phase one, the Commission assigned a larger share of the revenue requirement to commercial sewer customers to keep residential rates affordable. As a result, the Cartwright Creek commercial flat rate increased to approximately \$169 per ERU, producing larger-than-expected increases for some commercial customers.⁹⁶ To support rate balance across all systems, the panel found it appropriate to moderate the second-phase increase for Cartwright Creek commercial sewer customers.

The only usage-based rate in this case applies to Aqua Utilities ("Aqua") water customers. In phase one, the usage rate was set at \$3.05 per 1,000 gallons. For phase two, the panel found that the

⁹² Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 11-12 and AS RT Exh. 1 (April 10, 2026); Aaron Silas, Pre-Filed Direct Testimony, Ex. AJS-3 at 2 (July 16, 2024).

⁹³ Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 11-12 and AS RT Ex. 1 (April 10, 2026); Transcript of Hearing, pp. 100-103 (April 28, 2026).

⁹⁴ Transcript of Hearing, pp. 73-74, 104 (April 28, 2026).

⁹⁵ Aaron Silas, Pre-Filed Direct Testimony, Ex. AJS-3 (March 2, 2026).

⁹⁶ Limestone Water Utility Operating Company, LLC's Revised Rate Design and UOC Tariff, Ex. 1: Commission Rate Design (May 19, 2025).

rate will increase to \$5.82 per 1,000 gallons. Although this is a substantial percentage increase, the usage component accounts for only a small portion of the typical bill. On average, Aqua water customers use approximately 2,624 gallons per month, resulting in an average usage charge of \$15.27. When combined with the fixed monthly charge, the average Aqua water bill under phase two rates is estimated at \$58.60 per month, which the panel finds reasonable.⁹⁷

The Commission previously directed Limestone to file a proposed rate design for phase two and invited the Consumer Advocate to file an alternative rate design. Both parties, therefore, had the opportunity to present rate designs for commercial sewer customers in both phases of the rate increase. In phase two, Limestone again presented the ERU methodology adopted in phase one. Mr. Silas testified that ERUs remain the appropriate basis for assigning commercial wastewater charges, consistent with the TDEC Design Criteria.⁹⁸ He further explained that after phase one was implemented, several commercial customers provided new operational information, prompting Limestone to reevaluate and adjust certain ERU assignments.⁹⁹

In preparation for phase two, Limestone conducted a comprehensive review of all commercial ERU assignments using the most current billing and facility data. Based on this updated information, some proposed ERU assignments increased, while others decreased.¹⁰⁰ Mr. Silas emphasized that these revised ERUs will take effect only if approved by the Commission.¹⁰¹ He explained that the ERU system is necessary because wastewater systems are dominated by fixed costs and water-use

⁹⁷ Aaron Silas, Pre-filed Direct Testimony, Ex. AJS-3 (March 2, 2026).

⁹⁸ *Id.* at 8-9; Transcript of Hearing, pp. 62-63 (April 28, 2026).

⁹⁹ Aaron Silas, Pre-filed Direct Testimony, pp. 9-10 (March 2, 2026); Transcript of Hearing, pp. 124-27 (April 28, 2026).

¹⁰⁰ Aaron Silas, Pre-filed Direct Testimony, pp. 11-12 (March 2, 2026); Transcript of Hearing, pp. 130, 182 (April 28, 2026). Limestone initially calculated the design basis for two schools using a one-half multiplier, which represents a 50% discount to the schools for wastewater service. In the phase two filing, the Company eliminated the one-half multiplier and proposed to use the full design basis for the schools. *Limestone Water Utility Operating Company, LLC's Responses to Consumer Advocate's First Set of Discovery Requests*, p. 10 (March 18, 2026). While providing a substantial service discount to schools or other public institutions may be laudable in certain circumstances, in this case the service discount afforded to the schools would have to be recovered from other customers, who themselves are already facing substantial rate increases due to Limestone's authorized cost of service determined in the rate case. Thus, under the circumstances, it appears reasonable for Limestone to discontinue the service discount to the schools.

¹⁰¹ Aaron Silas, Pre-filed Direct Testimony, pp. 11-12 (March 2, 2026).

data are often unavailable or unreliable, particularly in areas where Limestone does not operate the water system. Limestone also stated that ERUs help maintain affordable residential rates while appropriately assigning costs to higher-impact commercial users.¹⁰² To improve transparency, the Company stated that it has already provided ERU calculation spreadsheets and is now proposing to add a complete ERU appendix to the tariff, along with a formal ERU review and challenge process.¹⁰³

The Consumer Advocate argued that ERUs lack transparency, rely on design-based assumptions rather than measured usage, and produce adjustments over time that are not fully explained in the tariff.¹⁰⁴ The Consumer Advocate also claimed that Limestone did not provide ERU calculations.¹⁰⁵ It recommended freezing commercial sewer rates at phase one levels until further review is completed.¹⁰⁶

After reviewing the record, the panel found substantial and material evidence that the ERU methodology provides a reasonable and consistent framework for allocating commercial sewer costs across varied facility types, particularly in systems where granular water usage or sewer flow data are unavailable. Further, the record contains no evidence that systemwide water usage data are available at a scale sufficient to support an alternative rate design. The panel further found that both parties have already had two opportunities to propose commercial rate designs. Delaying implementation is unsupported by the record and would prevent the Company from collecting its previously authorized revenue requirement. Continued under-collection would result in confiscatory rates, violating the

¹⁰² Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 15-18 (April 10, 2026) Transcript of Hearing, pp. 63, 115-16 (April 28, 2026).

¹⁰³ Aaron Silas, Pre-Filed Rebuttal Testimony, pp. 21-22 and AS RT Ex. 1 (April 10, 2026); Transcript of Hearing, p. 62 (April 28, 2026).

¹⁰⁴ Clark D. Kaml, Pre-Filed Direct Testimony, pp.7-12 (March 26, 2026); Transcript of Hearing, pp. 202-03 (April 28, 2026).

¹⁰⁵ William H. Novak, Pre-Filed Direct Testimony, p. 12 (March 26, 2026); Transcript of Hearing, p. 203 (April 28, 2026).

¹⁰⁶ William H. Novak, Pre-Filed Direct Testimony, pp. 2, 15-16 (March 26, 2026); Transcript of Hearing, p. 199 (April 28, 2026).

constitutional prohibition against taking property without just compensation.¹⁰⁷ Therefore, the panel found that Limestone’s ERU methodology results in just and reasonable rates and is in the public interest.

To address the transparency and ERU clarity concerns raised by the Consumer Advocate, the panel directed Limestone to submit a revised tariff including the following:

1. A comprehensive ERU Appendix that explains ERU calculations, identifies all reference sources, and defines each customer classification used by the Company in simple, easy-to-understand terms, so that each classification clearly explains the basis for its assignment.
2. Customer notification of the assigned classification should be provided via a bill insert or another direct communication method. Alternatively, Limestone may prominently display the assigned classification on each customer’s monthly billing materials.
3. A formal ERU challenge process in the tariff that includes:
 - a. The form and content of information required from the customer;
 - b. A description of the process the Company will use to review and resolve assignment challenges;
 - c. A requirement that the Company resolve challenges within 45 days of receiving a complete request;
 - d. Language stating that any ERU changes apply prospectively; and
 - e. Beginning July 1, 2027, an Annual ERU Transparency Report must be filed with the Commission documenting all commercial ERU challenges, assignments before and after review, the methodology used, and any credits or refunds.

All recommended service rates, by system and customer classification, are presented in the attached *Phase Two Rate Design Exhibit*. These rates represent an equitable distribution of the revenue requirement and are designed to generate the revenues needed to meet Limestone’s authorized revenue requirement.

¹⁰⁷ “Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.” *Bluefield Water Works & Improvement Co. v. Pub. Ser. Comm’n of the State of West Virginia*, 262 U.S. 679 (1923)).

This rate design equitably allocates the required revenue among systems, customer classes, and individual customers. It also ensures that Limestone can recover its authorized revenues and continue to provide safe, reliable water and wastewater service. For these reasons, the panel found that the rate design, using updated billing determinants, results in just and reasonable rates and is in the public interest.

During the phase two proceedings, the Consumer Advocate raised concerns about whether the ERU methodology used in the first phase had been formally approved by the Commission, noting that the *2025 Rate Case Order* did not explicitly reference ERUs. The *2025 Rate Case Order*, however, directed Limestone to file a commercial sewer rate design and to work with Commission Staff to implement it for the first increase.¹⁰⁸ Limestone did so. On May 1, 2025, the Company filed a tariff incorporating ERUs and submitted revised tariffs on May 19 and July 2, 2025.¹⁰⁹ No objection, request for modification, or request for suspension of the tariff was filed, as permitted under Commission Rules 1220-01-02-.02(5) or 1220-04-01-.06. Accordingly, the ERU-based design took effect through the standard tariff review process.

To the extent that the Consumer Advocate's procedural concern is that ERUs were not explicitly described in the *2025 Rate Case Order*, the phase two record resolves any ambiguity. Phase two included extensive testimony and analysis of the ERU methodology, a full opportunity for the Consumer Advocate to challenge its merits, and a requirement that Limestone justify the approach. The Consumer Advocate did not present a viable alternative rate design for commercial sewer customers, except to propose freezing commercial rates. That proposal implicitly acknowledged the lack of practical data supporting a different or usage-based rate design.

¹⁰⁸ *2025 Rate Case Order*, p. 107 (July 10, 2025).

¹⁰⁹ *Commission Acknowledgment of Receipt of Limestone Water Utility Operating Company's Tariff Filings* (May 22, 2025); *Limestone Water Utility Operating Company, LLC's Second Revised Rate Design and UOC Tariff* (July 2, 2025).

After reviewing the entire record, the panel voted unanimously to approve the ERU-based commercial rates in phase two. As a result, even if ERUs had not been formally adopted in phase one (which they were), the Commission's phase two findings fully resolve that concern. The panel evaluated the ERU methodology on the merits in a contested case proceeding, affirmed that Staff implemented the phase one order within the scope of the panel's direction, and expressly adopted an ERU framework going forward. Staff implemented the only workable option, consistent with the Commission's directives, and the Commission subsequently confirmed the approach after a full evidentiary hearing. Any procedural concerns related to phase one are therefore rendered moot by the Commission's explicit approval of ERU-based rates in phase two.

In addition, pursuant to this Order, Limestone has filed a revised tariff with a rate design that uses ERUs and includes updated billing determinants. This rate design takes effect on June 1, 2026.¹¹⁰ As a result, the first-phase rate design is no longer in effect, and any issues regarding its implementation are moot.

D. CARRYING COSTS FOR DEFERRED PHASE TWO REVENUE

In addition to the base rate increase, the Company was authorized, under the *2025 Rate Case Order*, to recover carrying charges associated with the delayed recovery of revenues. These charges were to be calculated using the Company's authorized rate of return. Limestone calculated the carrying charges on the second-phase revenue deficiency of \$640,292.28 using the approved rate of return of 8.488%. Based on that calculation, the Company proposed recovering the carrying charges through a temporary one-year surcharge. The total carrying charges of \$54,348.01 will result in monthly surcharges of \$1.24 for water service and \$1.67 for sewer service.¹¹¹ The Consumer

¹¹⁰ The Revised Compliant Tariff with an Effective Date of June 1, 2026 (June 5, 2026).

¹¹¹ Aaron Silas, Pre-filed Direct Testimony, Ex. AJS-3 (March 2, 2026); Aaron Silas, Pre-filed Rebuttal Testimony, p. 8 (April 10, 2026).

Advocate concurred with Limestone's methodology and the resulting amount but recommended extending the recovery period to three years to further mitigate the impact on bills.¹¹²

The panel found that, although Limestone correctly calculated carrying charges using the authorized 8.488% rate of return, totaling \$54,348.01 for the originally anticipated 12-month period, the Company had incurred 13 months of carrying costs as of the June 1, 2026, deliberations. Accordingly, the panel adjusted the carrying costs calculation to reflect an additional month, resulting in a recovery of \$58,877 over 13 months. In addition, while the Consumer Advocate's proposal represented a reasonable effort to reduce the immediate burden on ratepayers, the panel concluded that extending the surcharge over three years would provide minimal incremental relief given the relatively small size of the carrying charges. The panel also determined that a longer recovery period could create administrative inefficiencies and conflict with the Commission's established phase-in structure, which is intended to implement approved rate components in a timely, transparent, and predictable manner.

The panel further noted that maintaining a one-year recovery period aligns with longstanding regulatory treatment of carrying charges for delayed revenue recognition. Carrying charges primarily compensate the utility for the time value of money when revenue is deferred. Because these amounts are modest and represent a transitional feature of the phase-in plan rather than a permanent rate component, prompt recovery helps avoid unnecessary inter-period distortions, supports accurate regulatory accounting, and reduces the risk of customer confusion associated with longer-lived surcharges.

Accordingly, the panel concluded that a one-year recovery period is appropriate. Recovery of the carrying charges should be implemented through a temporary bill surcharge that automatically terminates and is removed from customers' bills within 30 days of full recovery of the carrying

¹¹² William H. Novak, Pre-Filed Direct Testimony, p. 15 (March 26, 2026); Transcript of Hearing, p. 198 (April 28, 2026).

charges or after 12 months, whichever occurs first. To ensure transparency and facilitate Commission oversight, Limestone is directed to report in its quarterly surveillance reports the cumulative amount of carrying charges recovered through surcharges. This reporting requirement will allow the Commission to monitor progress toward full recovery and ensure that the surcharge is retired promptly once the authorized amount has been collected.

E. SERVICE QUALITY AND COMPLIANCE

Throughout this proceeding, the Commission has held several Public Comment Sessions and received written statements in the docket file. Taken together, these submissions provide a meaningful picture of customer experiences with Limestone's operations. Many commenters expressed concerns about the quality and reliability of Limestone's service. These concerns included assertions that the utility has failed to follow through on certain representations to customers and, in some cases, has been unresponsive to inquiries or complaints.¹¹³ Although not every comment alleged misconduct, the volume and consistency of certain themes indicate a recurring pattern of communication challenges between Limestone and its customers.

The panel found that, under these circumstances, additional recordkeeping obligations are necessary to ensure accountability and to enable the Commission to monitor Limestone's responsiveness. Robust documentation is a cornerstone of effective utility oversight, especially when service quality concerns have been raised. Accurate written records also help safeguard customers and the utility by documenting what was reported, how Limestone responded, and whether issues were ultimately resolved.

Accordingly, the panel directed Limestone to maintain accurate, complete written records of all complaints from its water and wastewater customers. These records must, at a minimum, identify

¹¹³ Transcript of Public Comment Session, pp. 19, 22-23, 28-29, 33, 35 (April 16, 2026); Transcript of Public Comment Session, pp. 21, 25-27, 31-34, 38, 40 (April 20, 2026) (Concerns were raised regarding raw sewage overflowing into Cartwright Creek and the Harpeth River as well as onto a neighborhood soccer field. Environmental violations fall under the jurisdiction of the Tennessee Department of Environment and Conversation).

the nature of each complaint, the date and time it was received, the actions Limestone took in response, and the final resolution or status of each complaint. Maintaining these records will enhance transparency and ensure the Commission has reliable documentation to evaluate trends or investigate individual cases. Limestone shall make this information available upon the Commission's request.

In addition, the panel found that improving consumer access to Commission resources is an important step toward strengthening public confidence in the complaint process. When customers feel their concerns are minimized or inadequately addressed, it is essential that information about alternative avenues for recourse be readily available. To promote transparency and empower consumers, Limestone shall provide a direct link on its website to the Commission's Consumer Services landing page. This measure will facilitate quick access for customers seeking Commission assistance when they are dissatisfied with Limestone's response to their concerns.

The panel directed Limestone to include clear, easy-to-understand language in its billing materials informing customers that they may file complaints directly with the Commission. The notice should include both the Commission's internet address and telephone number so customers are aware of the full range of contact options. Including this information in billing statements ensures that customers receive it regularly and in a context where they are already thinking about their utility services. It also reinforces the principle that access to independent oversight is a fundamental customer right. Collectively, these requirements are intended to improve Limestone's responsiveness, enhance public trust, and provide the Commission with the information needed to carry out its regulatory responsibilities effectively.

VI. IT IS THEREFORE ORDERED THAT:

1. Limestone Water Utility Operating Company, LLC's recovery of the phase two revenue deficiency of \$640,292, plus 13 months of carrying charges of \$58,877, through the implementation of rates and charges effective June 1, 2026, is approved.

2. The carrying costs of \$58,877 shall be recovered through a temporary surcharge over a 12-month period, resulting in residential surcharges of \$1.34 per month for water service and \$1.81 per month for sewer service. These surcharges shall automatically terminate and be removed from customer bills within 30 days after the carrying costs are recovered or within 12 months, whichever occurs first. Limestone Water Utility Operating Company, LLC, shall report the cumulative amount of carrying costs collected through the surcharges in its quarterly surveillance reports filed with the Commission.

3. The updated monthly billing determinants by system, filed by Limestone Water Utility Operating Company, LLC, in this phase of the proceedings, shall be used to establish the phase two rates.

4. The same allocation of the revenue deficiency between water and wastewater operations used in phase one shall be used in phase two, except that the rate increase for Cartwright Creek sewer customers shall be limited to 23 percent and the usage-based rate for Aqua Utilities water customers shall increase to \$5.82 per 1,000 gallons. The individual service rates, as set forth in the ***Phase Two Rate Design Exhibit*** attached to this Order, are approved and establish water and wastewater service rates for all systems and customer classifications addressed in the 2025 rate case hearing. These rates are designed to recover the remaining phase two revenue deficiency. The Tennessee Public Utility Commission Staff is directed to provide the parties with an Excel file containing the *Phase Two Rate Design Exhibit* and to offer clarification, as needed.

5. Limestone Water Utility Operating Company, LLC, shall use the Equivalent Residential Unit methodology for commercial sewer billing, as applied in the phase one rate design.

6. Limestone Water Utility Operating Company, LLC, is directed to file a comprehensive Equivalent Residential Unit Appendix to its tariff that explains in detail how Equivalent Residential Units are calculated, identifies all reference sources, and defines all customer

classifications used by Limestone Water Utility Operating Company, LLC, in simple, easy-to-understand terms, with each classification clearly explaining the basis for its assignment;

7. Limestone Water Utility Operating Company, LLC, shall notify each customer, either through a bill insert or another direct communication method, of the classification assigned to that customer. Alternatively, Limestone Water Utility Operating Company, LLC, may prominently display the assigned classification on each customer's monthly billing materials.

8. Limestone Water Utility Operating Company, LLC, is directed to include in its tariff a formal process enabling customers to challenge their Equivalent Residential Unit assignment. This process shall include:

- a. the form and content of information required from the customer;
- b. a description of the process Limestone Water Utility Operating Company, LLC, will use to review and resolve assignment challenges;
- c. a requirement that Limestone Water Utility Operating Company, LLC, resolve challenges within 45 days of receiving a complete request;
- d. language stating that any changes to assigned Equivalent Residential Units will be applied prospectively; and
- e. beginning July 1, 2027, Limestone Water Utility Operating Company, LLC, shall annually file an Equivalent Residential Unit Transparency Report for the prior 12-month period ending May 31, identifying all commercial Equivalent Residential Unit challenges, listing each customer's Equivalent Residential Unit assignment before and after review, explaining the data and methodology used, and documenting any credits or refunds issued.

9. Limestone Water Utility Operating Company, LLC, shall maintain accurate written records of all complaints from its water and wastewater customers. At a minimum, the records shall

include the nature of each complaint, the time and date the complaint was received, the action taken, and the final resolution. This information shall be made available upon the Commission's request.

10. Limestone Water Utility Operating Company, LLC, shall add a navigation link on its website to the Commission's Consumer Services landing page to make it easier for its customers to contact the Commission when they are dissatisfied with the utility's response to their concerns. Limestone Water Utility Operating Company, LLC, shall also include language in its billing materials stating that complaints may be filed with the Commission, including the Commission's accurate internet address and telephone number.

11. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within 15 days of the date of this Order.

12. Any person aggrieved by the Commission's decision in this matter has the right to seek judicial review by filing a Petition for Review with the Tennessee Court of Appeals, Middle Section, within 60 days of the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION

Commission Panel Vote

The Commission panel has adopted the foregoing order.
All members present and voting concurred; except
Commissioner Herbert H. Hilliard, who was absent.

Chairman David F. Jones
Vice Chairman John A. Hie
Commissioner Clay R. Good
Commissioner David Crowell

Order Issued and Attested By:

A handwritten signature in dark ink, appearing to read "Earl Taylor" with a stylized flourish or initials "abh" at the end.

Earl R. Taylor, Executive Director

EXHIBIT

Phase Two Rate Design

	Base Year Revenue	Phase 1			Revenue Increase	Phase 2			Revenue Increase	
		Determinants	Rate	Revenue		Determinants	Rate	Revenue		
Water										
Candlewood	\$58,080	1,452	\$50.00	\$72,600	\$14,520	1,262	\$70.00	\$88,340	\$15,740	40.00%
Aqua Utilities- 5/8"	128,519	5,016	31.00	155,496	26,977	4,787	43.33	207,421	51,925	39.77%
Aqua Utilities- 3/4"	3,075	120	31.00	3,720	645	234	43.33	10,139	6,419	39.77%
Aqua Utilities- 1"	307	12	31.00	372	65	88	43.33	3,813	3,441	39.77%
Aqua Utilities- 1 1/2"	307	12	31.00	372	65	12	43.33	520	148	39.77%
Aqua Utilities- 2"	922	36	31.00	1,116	194	10	43.33	433	(683)	39.77%
Aqua Utilities- unknown	5,842	228	31.00	7,068	1,226	218	43.33	9,446	2,378	39.77%
Usage:										
Candlewood - No meter - (Flat Rate)	0	0		0	0	0		0	0	
Aqua Utilities - usage per 1,000 gallons	0	21,240,360	3.05	64,783	64,783	14,033,940	5.82	81,678	16,894	90.82%
Total Bill Revenue	\$197,053	6,876		\$305,527	\$108,474	6,611		\$401,790	\$96,263	96,194
Sewer										
Aqua Utilities-Residential	\$113,761	4,440	\$35.00	\$155,400	\$41,639	4,507	\$46.50	\$209,559	\$54,159	32.86%
Aqua Utilities-Commercial	2460	432	35.00	15,119	12,659	444	46.50	20,646	5,527	32.86%
Cartwright - Grassland - Comm 1-2 Bedroom	1509	0	0.00	0	(1,509)	0	0.00	0	0	#DIV/0!
Cartwright - Grassland - Res 1-2 Bedroom	17136	408	65.00	26,520	9,384	424	86.00	36,490	9,970	32.31%
Cartwright - Grassland - Res 3 Bedroom	155682	3348	70.00	234,360	78,678	3,336	92.50	308,615	74,255	32.14%
Cartwright - Grassland - Res 4 Bedroom	119808	2304	75.00	172,800	52,992	2,277	99.00	225,401	52,601	32.00%
Cartwright - Grassland - Res 5 Bedroom	5304	96	75.00	7,200	1,896	96	99.00	9,531	2,331	32.00%
Cartwright - Commercial	289259	2496	168.96	421,712	132,453	2,736	207.20	566,899	145,187	22.63%
Cartwright - Arrington/Hardeman/Hideaway -Res	293709	5316	75.00	398,700	104,991	5,144	99.00	509,282	110,582	32.00%
Chapel Woods	50460	1740	40.00	69,600	19,140	1,695	53.00	89,855	20,255	32.50%
Shiloh Falls - Residential	34094	3816	25.00	95,400	61,306	3,947	33.00	130,253	34,853	32.00%
Shiloh Falls - Commercial	55868	1644	55.60	91,406	35,539	756	73.50	55,566	(35,840)	32.19%
Lakeside Estates (DSH) - Commercial	31452	1716	55.00	94,384	62,932	2,232	73.00	162,936	68,552	32.73%
Lakeside Estates (DSH) - Residential	1844	60	55.00	3,300	1,456	67	73.00	4,916	1,616	32.73%
Total Bill Revenue	\$1,172,345	27,816		\$1,785,901	\$613,556	27,662		\$2,329,949	\$544,048	544,098
Imputed Cartwright - Commercial	\$91,230									
Other Revenue	\$231,599									
Total Base Year Revenue	1,692,227									

722,030 Phase 1 Increase
722,032
640,310 Phase 2 Increase
640,292

Water -Revenue Deficiency	\$432,751
Sewer -Revenue Deficiency	\$929,573
Overall Staff Revenue Deficiency	\$1,362,324
Phase 1 Increase	\$722,032
Phase 2 Increase	\$640,292
Rate of Return	8.488%
Carrying Costs	\$58,877

	Staff Deficiency	Phase 1 Increase	Phase 1 % Increase	Phase 2 Increase	Carrying Cost	Determinants	Surcharge Carrying Cost
Water	\$432,751	\$108,474	15.02%	\$96,194	\$8,845	6,611	\$1.34
Sewer	\$929,573	\$613,558	84.98%	\$544,098	\$50,032	27,662	\$1.81
	\$1,362,324	\$722,032		\$640,292	\$58,877		