

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

IN RE:)
)
PETITION OF LIMESTONE WATER UTILITY)
OPERATING COMPANY, LLC FOR APPROVAL) **No. 25-00066**
OF AND AUTHORITY TO BORROW UP TO)
\$4,000,000 TO FINANCE ADDITIONS AND)
IMPROVEMENTS TO FACILITIES AND)
ACQUISITIONS PURSUANT TO T.C.A § 65-4-109.)

**PETITION OF LIMESTONE WATER UTILITY OPERATING COMPANY, LLC FOR
APPROVAL OF AND AUTHORITY TO BORROW UP TO \$4,000,000 TO FINANCE
ADDITIONS AND IMPROVEMENTS TO FACILITIES AND ACQUISITIONS
PURSUANT TO TENN. CODE ANN. § 65-4-109**

Comes the Petitioner, Limestone Water Utility Operating Company, LLC (“Limestone Water” or the “Company”) and respectfully represents and shows to the Tennessee Public Utility Commission (“Commission”) as follows:

1. Limestone Water is a public utility as defined in T.C.A. § 65-4-101, and as of July 31, 2025, provides residential water service to approximately 573 customers and wastewater service to approximately 1,914 customers in the State of Tennessee.
2. Limestone Water is a wholly owned subsidiary of CSWR, LLC (“CSWR”), which provides, through various subsidiaries, water and wastewater service in eleven (11) states.
3. Limestone Water is a Tennessee limited liability company with its principal office and place of business located at 1630 Des Peres Road, Suite 140, St. Louis, Missouri, 63131.

4. All correspondence and communication with respect to this Petition should be sent to the following:

Russ Mitten, General Counsel
CSWR, LLC
1630 Des Peres Road, Suite 140
St. Louis, MO 63131
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(T) 314-380-8595

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5. As found by the Commission in its recent rate case decision, as of the end of the April 30, 2024, the Company owned, operated, managed, and controlled plants, property, equipment, and facilities having an original cost of approximately \$4.75 million within the State of Tennessee. The Company is subject to the jurisdiction, regulation, and supervision of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A.

6. T.C.A. § 65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it has first obtained authority from the commission for such proposed issue. It shall be the duty of the commission after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the commission.

7. As explained in the accompanying Pre-filed Direct Testimony of CSWR Vice President & Corporate Controller Brent Thies, the Company's current capitalization consists entirely of equity. This is a result of the Company's unique business model. Specifically, the

Company acquires distressed water and wastewater systems in Tennessee. Typically, the distressed nature of the utility is characterized not only by operational and process deficiencies, the utility also routinely has rates that are out of date and do not cover operating costs. At the time that it acquires these distressed systems, the Company adopts the current rates being charged by the utility.

The out-of-date adopted rates are immediately exacerbated by the need for Limestone Water to immediately invest capital in the system. For instance, many wastewater systems did not have operational mechanical components, such as aeration and disinfection equipment. Moreover, upon acquiring the system and operating it properly, the Company routinely sees an immediate increase in operations and maintenance costs. For instance, recognizing that a failed blower does not use any electricity, the Company immediately sees an increase in electric costs when the blower is replaced and begins to operate.

Recognizing that adopted rates do not reflect operating or capital costs, Limestone Water incurs significant capital losses until it can process a rate case. Specifically, through June 30, 2025, Limestone Water incurred \$4.7 million of past operating losses. Given these operating losses, Limestone Water has not realized sufficient funds to service long-term debt. As such, Limestone Water has historically relied entirely on equity investment made by CSWR to cover capital and operating costs.

8. Recently, the Commission issued its decision in the Company's first rate case (Docket No. 24-00044). In that docket, the Commission replaced the previous non-compensatory rates with rates that largely reflect the operational and financial costs of the Company. Given this, the Company can now service a certain level of long-term debt.

9. Subject to the authorization of the Commission, the Company proposes to issue debt in an aggregate amount of up to \$4,000,000. The terms of the Company debt will include the following:

- (a) Title of the Debt: CoBank, ACB
- (b) Aggregate Principal Amount to be Issued: UP to \$4,000,000 fully amortizing senior secured term loan.
- (c) Expected Date of Issue: It is anticipated that the first issue of Company debt will occur, depending on the timing of the Commission's authorization, in the fourth quarter of 2025 with a subsequent issuance to occur in the second quarter of 2026.
- (d) Date of Maturity: Up to 20 years from the date of issuance.
- (e) Interest Rate: The interest rate will be established based upon economic conditions and market rates at the time of issuance.
- (f) Principal Repayment: Consecutive monthly installments of principal, payable on the 20th of each month, with the first installment due twelve months following closing and the last installment due on the maturity date. The amount of each installment shall be the same principal amount that would be due and payable if the loan was payable in level installments of principal and interest and such schedule was calculated using the interest rate applicable on the date of amortization; provided, however, that if on the date the loan is made, the Company fixes the rate of interest on the entire principal amount of the loan to the final maturity date thereof, then the rate utilized in calculating the amortization schedule may be the rate of interest accruing on the loan.
- (g) Collateral: The debt will be secured by a statutory first lien on all equity that the Company may now own or hereafter acquire.

A copy of the term sheet is filed as Exhibit 1.

10. The purpose for which Limestone Water proposes to issue the debt is to fund necessary Tennessee capital projects, as well as to finance pending and future Tennessee acquisitions.

11. As a result of this debt issuance, Limestone Water's capital structure will move from one that is entirely equity-based to a balanced capital structure that consists of 49% equity and 51% debt.

12. The program for financing set out in this Petition:

- (a) the purposes for which the funds derived therefrom will be used are in the best interests of the Company and the customers that it serves;
- (b) provides terms and conditions for the financing that are the best available at this time; and
- (c) is in accordance with and within the authority of the Commission pursuant to Tenn. Code Ann. § 65-4-109 and should, therefore, be approved.

PREMISES CONSIDERED, PETITIONER PRAYS THAT THE COMPANY BE AUTHORIZED TO:

- 1. Issue the Company securities to CoBank from time to time over the next year, as described in this Petition;
- 2. Use the cash proceeds from such issuance for the purposes set forth in this Petition; and
- 3. Have such other relief as it might be entitled to in this cause.

Dated: August 27, 2025

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Melvin Malone', written in a cursive style.

Melvin Malone
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Attorneys for Petitioner Limestone Water
Utility Operating Company, LLC

97193120.v1

EXHIBIT 1



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800-542-8072
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CONFIDENTIAL

DRAFT

August 7, 2025

Mr. Brent Thies
Limestone Water Utility Operating Company, LLC
Knoxville, Tennessee

Dear Mr. Thies:

This Non-Binding Summary of Terms and Conditions (this "Summary") is being presented to Limestone Water Utility Operating Company, LLC (the "Company") by CoBank, ACB ("CoBank") for information and discussion purposes only. This Summary is neither a commitment nor an offer to extend credit and does not create any obligation on the part of CoBank. This Summary is intended to provide a summary of the primary terms and conditions of the proposed transaction between CoBank and the Company; however, this Summary does not contain all of the terms and conditions applicable to a credit facility provided by CoBank and ultimately contained in any loan documentation. CoBank's decision to extend credit to the Company is contingent upon completion to CoBank's satisfaction of all necessary due diligence, receipt of internal credit approvals, and the preparation of final documentation in form and substance satisfactory to CoBank. All figures, terms, and conditions are subject to change at any time. A commitment by CoBank will exist only if a formal, written commitment letter or definitive loan documents are prepared and executed by CoBank and the Company, and not otherwise. This Summary is strictly confidential and may not be released to or discussed with any third party without the prior written consent of CoBank.

Borrower:	Limestone Water Utility Operating Company, LLC ("Company" or "Borrower")
Lender:	CoBank, ACB
Type of Credit Facilities:	Up to a \$4,000,000.00 fully amortizing senior secured term loan (the "Term Loan" or "Loan").
Purpose:	To fund infrastructure capex and related closing costs.
Availability:	Funds will be available for up to 1 year from closing.
Closing Date:	Shall be the date of execution and delivery of definitive loan documents and satisfaction or waiver of all condition precedent to the Term Loan.
Loan Maturity Date:	Up to 20 years from the end of the availability period (the "Loan Maturity Date").

Interest: The Company will pay interest on the outstanding balance of the Term Loan in accordance with one or more of the following interest rate options, as selected by the Company:

Weekly Quoted Variable Rate Option: At a rate per annum equal at all times to the rate of interest established by CoBank on the first business day of each week. The rate established by CoBank shall be effective until the first business day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

Quoted Fixed Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods, as may be agreeable to CoBank in its sole discretion in each instance, provided that (1) such interest period shall not exceed the maturity date of the Term Loan; (2) the minimum fixed period shall be 1 year; (3) amounts may be fixed in increments of \$100,000.00 or multiples thereof; and (4) the maximum number of fixes in place at any one time shall be 5.

Interest will be calculated on the actual number of days elapsed on the basis of a year consisting of 360 days and shall be payable monthly in arrears with the first payment commencing 12 months subsequent to closing.

Default Interest: Upon the occurrence and during the continuance of an event of default, a default rate of interest shall apply in an amount equal to 2% above the interest rate then in effect. Such interest will be payable on demand.

Origination Fees: 75bps.

Unused Commitment Fee: 25bps paid monthly during Availability period.

Principal Repayment: Consecutive monthly installments of principal, payable on the 20th of each month, with the first installment due twelve months following closing and the last installment due on the maturity date. The amount of each installment shall be the same principal amount that would be due and payable if the loan was payable in level installments of principal and interest and such schedule was calculated using the interest rate applicable on the date of amortization; provided, however, that if on the date the loan is made, the Company fixes the rate of interest on the entire principal amount of the loan to the final maturity date thereof, then the rate utilized in calculating the amortization schedule may be the rate of interest accruing on the loan.

Prepayment: Any prepayment of any portion of the Term Loan accruing interest pursuant to any fixed rate option prior to the last day of the applicable interest period will be subject to a surcharge equal to the greater of (a) the sum of: (i) the present value of any funding losses sustained by CoBank

as a result of such prepayment, plus (ii) a per annum yield of .5% of the amount repaid for the period such amount was scheduled to have been outstanding at such fixed rate, or (b) \$300.

Collateral:

The Borrower's obligations under the Loan will be secured by a statutory first lien on all equity that the Borrower may now own or hereafter acquire or be allocated in CoBank.

In addition, the Borrower's obligations will be secured under a mortgage, security agreement and/or an equity pledge of ownership interest.

Documentation:

The Standard Loan Agreement ("SLA"), and any such amendments thereto, will remain in effect and govern the Loan. The SLA contains conditions precedent, representations and warranties, covenants, events of default, remedies upon default, and various miscellaneous provisions.

Conditions Precedent.

The Borrower shall provide evidence the Loan has been authorized by the Tennessee Public Service Commission and sufficient water rates (tariff) have been approved to enable repayment of the Loan.

Financial Covenants:

Debt Service Coverage ratio $\geq 1.40x$ at each FYE beginning 2026 and TTM 6/30/2026. (The overhead expense, also known as the "management fee", and accrued interest to the parent, may be added back to operating cash flow for the purpose of this test)

Debt/Capitalization ratio $\leq 60\%$ at each FYE beginning 2026 and TTM 6/30/2026. (Intercompany Payables will be excluded from the calculation, as they are subordinate to CoBank debt)

Debt/EBITDA ratio $\leq 6.0x$ at each FYE beginning 2026 and TTM 6/30/2026. (Intercompany Payables will be excluded from the calculation, as they are subordinate to CoBank debt. The management fee will be added back to EBITDA for the purpose of testing Debt/EBITDA)

All financial covenants are subject to amendment as needed (in CoBank's discretion).

Negative covenants:

Standard negative covenant package including but not limited to i.) no additional debt other than unsecured, subordinate Intercompany Payables and subject to amendment as needed (in CoBank's discretion).

Reporting Requirements:

Company prepared TTM statements for 6/30/2026

Company-prepared financial statements due within 120 days of each FYE.

Audited financial statements of Central States Water Resources (parent) due within 120 days of each FYE.

Compliance certificates due within 120 days of each FYE certified by a senior officer of the company.

All reporting requirements are subject to amendment as needed (in CoBank's discretion).

**Expenses and
Indemnification:**

The Company will pay all out-of-pocket costs and expenses of CoBank related to the negotiation, drafting, execution and administration of all loans. Typical expenses include without limitation due diligence expenses, legal fees and expenses, filing fees, lien search fees, appraisal fees, mortgage fees, title insurance and collateral inspection fees. The foregoing fees and expenses shall be due and payable regardless of whether the loans described herein close.

The Company will pay, and hold CoBank and its officers, directors, employees, agents, and attorneys (the "Indemnitees") harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, and claims of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitees as a result of its being a party to the credit agreement, except with respect to liabilities arising from the gross negligence or willful misconduct of that Indemnatee as determined by a final non appealable judgment of a court of competent jurisdiction.

Patronage:

At the sole discretion of CoBank's Board of Directors, each year eligible customers may qualify under CoBank's patronage plan for patronage certificates and distributions. CoBank reserves the right to sell, assign and/or participate in credit facilities discussed hereunder on a non-patronage basis.

Capitalization:

The Term Loan will be capitalized in accordance with CoBank's bylaws and will be eligible for patronage. As a new borrower, \$1,000 in CoBank capital will be required.

Governing Law:

The loan documents will be governed by and construed in accordance with the laws of the State of Colorado. The Company will submit to the nonexclusive jurisdiction and venue of the federal and state courts of the State of Colorado and will waive any rights to a trial by jury in respect of any litigation arising out of or in connection with this financing.