

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

25-00066

IN RE:

LIMESTONE WATER UTILITY OPERATING COMPANY

DIRECT TESTIMONY

OF

BRENT THIES

ON

**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 T.C.A § 65-4-109**

**DIRECT TESTIMONY
OF
BRENT THIES**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

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

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

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

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION (“COMMISSION”)?

A. Yes. I filed testimony in Limestone Water’s recent rate case (Docket No. 24-00044). In addition, I have testified before the state utility commissions in Missouri, Kentucky, Louisiana, Mississippi, North Carolina, Florida, Arizona, and Texas.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

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

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

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

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

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

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

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

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

A. The purpose of my testimony is to support the proposed long-term debt financing petition (the “Petition”) and accompanying schedules submitted by Limestone Water in this docket. The Petition, if approved by the Commission, will allow the Company to issue long-term debt in an aggregate amount of up to \$4,000,000.

Q. PLEASE DESCRIBE LIMESTONE WATER.

A. Limestone Water is the Tennessee utility operating company of CSWR, LLC (“CSWR”). CSWR is a holding company that owns and operates utility operating companies in 11 states. Consistent with that of its parent company, Limestone Water’s mission is to “Bring safe, reliable and environmentally responsible water resources to every community in the United States.” Given this mission, CSWR created Limestone Water to acquire distressed water and wastewater systems in Tennessee.

Q. PLEASE DESCRIBE LIMESTONE WATER’S HISTORY IN TENNESSEE.

A. Limestone Water purchased its first systems in Tennessee (Aqua Utilities water and wastewater) in March 2021. Since that time, the Company has purchased several other water and wastewater systems. To date, Limestone water owns and operates 14 water and wastewater systems in Tennessee. On August 18, the Commission approved the Company’s application to acquire the Sunset Cove sewer system in Union County.

Q. WHAT IS LIMESTONE WATER’S CURRENT CAPITALIZATION?

A. As was explained in Limestone Water’s recent rate case, the Company’s capital structure consists of 100% equity.

Q. WOULD YOU EXPLAIN HOW LIMESTONE WATER’S MISSION IMPACTS ITS CURRENT CAPITAL STRUCTURE?

A. The distressed water and wastewater systems that the Company acquires typically exhibit many of the same characteristics. Most relevant to this docket, is the fact that most of the acquired systems have not sought rate increases in years or even decades. For instance, prior to the recently completed rate case, the Shiloh Falls has not had a rate increase since 2007 and the DSH – Lakeside Estates system has not had a rate increase since 2011.¹ The practical effect of these utilities’ failure to seek timely rate increases is that the rates adopted by Limestone Water upon acquiring the distressed systems do not reflect current operating and compliance costs, including inflation-driven cost increases.

The inadequacy of the adopted rates is exacerbated by the operational failures of the utility’s previous management and 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. There is a very real financial impact associated with the capital used to replace these failed components. What is often forgotten, however, is that the replacement of these failed components also causes an immediate increase in operations and maintenance costs. That is to say, a failed blower

¹ The failure of small water and wastewater companies to ask for rate increases appears to be ubiquitous to all states. In a 1992 report, the National Regulatory Research Institute noted: “[O]ften times the smaller companies fail to ask the Commission for sufficient rate increases or do not ask at all because of the time and complexity, either real or perceived, involved in a rate case filing.” *Viability Policies and Assessment Methods for Small Water Utilities*, National Regulatory Research Institute, at pages 3-4 (June 1992).

does not use any electricity. Therefore, once a blower is replaced and begins to operate, power costs necessarily increase. Still again, a disinfection system that does not add disinfection to the wastewater discharge is incurring very little chemical cost. When the disinfection system is replaced and operated properly, chemical costs will immediately increase. So, as shown by these scenarios, and as further outlined in TPUC Docket No. 24-00044, the adopted rates are inadequate in that they not only reflect the capital invested by Limestone Water but also fail to reflect the O&M costs associated with properly operating the distressed system.

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.

Q. HAS THIS SITUATION CHANGED?

A. Yes. As mentioned, Limestone Water has recently completed its first Tennessee rate case. The practical effect of this rate case is that the rates approved by the Commission not only cover Limestone Water's operating costs but also contribute to the Company's equity cost of capital. Given this realized return, the Company can now demonstrate to lenders an ability to service long-term debt. Thus, Limestone Water seeks authority to issue long-term debt to be secured by the Company's Tennessee assets.

Q. PLEASE DESCRIBE THE TERMS OF THE COMPANY'S PROPOSED DEBT ISSUANCE.

A. Recently, the Company has received a term sheet from CoBank which provides the issuance of debt by Limestone Water. As described more fully in Exhibit 1 to the Petition, the Company seeks to borrow up to \$4,000,000 of debt secured by the assets of Limestone Water. The loan matures in 20 years with monthly installments due beginning one year following closing.

Q. WHAT INTEREST RATE WILL BE PAID ON THE BORROWED FUNDS?

A. The applicable interest rate will be determined at the time of the debt issuance based upon interest rates at that point in time.

Q. WILL LIMESTONE WATER ISSUE THE ENTIRE \$4,000,000 OF DEBT AT ONE TIME?

A. No. While the overall rate increase would normally have allowed Limestone Water to service the entire \$4,000,000 of debt, the Commission phased in the overall rate increase. Specifically, in its rate case decision, the Commission determined that the “overall rate increase be spread over two phases, one effective May 1, 2025, and the second effective May 1, 2026.”²

Given this phase in approach, the Company initially intends to issue that amount of debt that can be supported by the phase 1 rate increase. On or after May 1, 2026 (when the phase 2 rate increase becomes effective), the Company will issue the remaining amount of debt that is supported by the phase 2 rate increase.

The CoBank term sheet contemplates such an approach. Specifically, the term sheet states that “Funds will be available for up to 1 year from closing.”

² *In re: Petition of Limestone Water Utility Operating Company, LLC to Increase Charges, Fees and Rates and for approval of a General Rate Increase and Consolidated Rates*, Docket No. 24-00044, page 106 (July 10, 2025).

Q. HOW WILL THIS DEBT ISSUANCE IMPACT THE COMPANY’S CAPITAL STRUCTURE?

- A. As previously described, the Company’s current capital structure consists entirely of invested equity. Therefore, this debt issuance will be the first step in balancing Limestone Water’s capital structure. As reflected in the following table, this debt issuance will move the Company’s capital structure from one that is entirely equity-based to a balanced capital structure that consists of 49% equity and 51% debt.

	Current		Pro-Forma	
	\$\$	%	\$\$	%
Equity	3,806,758	100%	4,103,290	51%
Debt	0	0%	4,000,000	49%

Q. DOES THE COMPANY ANTICIPATE FUTURE DEBT ISSUANCES?

- A. Yes. This debt issuance represents Limestone Water’s first step towards a balanced capital structure. As the Company processes future rate cases and realizes a capital return from systems not contemplated in the completed rate case, it intends to seek authority to issue additional debt to help finance additional acquisitions and capital improvements. Consistent with this Petition, the Company will seek Commission approval for such future debt issuances and will describe how such future debt issuances will be used for the benefit of the Company’s ratepayers.

Q. HOW WILL THE COMPANY USE THE PROCEEDS FROM THE DEBT ISSUANCE?

- A. The Company intends to use the proceeds from the debt issuance to not only fund necessary Tennessee capital projects, but to also finance pending and future Tennessee acquisitions. Relevant to necessary capital projects, the Company provided testimony in its rate case related to its plans to rehabilitate the Grassland wastewater system, expand the Shiloh Falls

spray field, and to drill a redundant drinking water well at Candlewood Lakes. Therefore, the proceeds from this debt issuance will make the Company less dependent on equity issuances from its parent company.

Q. WILL THE DEBT ISSUANCE BE BENEFICIAL TO LIMESTONE WATER CUSTOMERS?

A. Yes. The debt issuance will not only be beneficial to the Company's current customers, but also the customers of distressed water and wastewater systems that will be acquired by Limestone Water in the future. As noted previously, proceeds from the proposed issuance are for the construction, completion, extension or improvements or additions to its facilities, and other capital investments, all of which shall be necessary and proper for the provision of utility service, and the improvement or maintenance of its service to its customers. Further, approval of this petition will allow Limestone Water to finance its acquisition of additional distressed systems in Tennessee.

Q. WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?

A. I recommend that the Commission approve the Petition as submitted.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

VERIFICATION

I, Brent Thies, Vice President and Corporate Controller, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 22 of August, 2025.



Brent Thies
Vice President and Corporate Controller

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

SUBSCRIBED AND SWORN TO before me on this the 22 day of August, 2025.


Notary Public

My Commission Expires: 04-10-2027

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