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Room on October 30, 2025 at 2:13 p.m.

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

RE: *Petition of Limestone Water Utility Operating Company, LLC 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, TPUC Docket No. 25-00066*

Dear Chairman Jones:

Attached for filing please find *Limestone Water Utility Operating Company, LLC's Responses to Consumer Advocate's First Set of Discovery Requests* in the above-captioned matter.

Please note that the responses as well as the attachments contain **CONFIDENTIAL INFORMATION**. The responses and attachments are being submitted **UNDER SEAL** as **CONFIDENTIAL** and **PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version are attached.

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

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Russ Mitten, Central States Water Resources
Vance Broemel, Consumer Advocate Division
Shilina B. Brown, Consumer Advocate Division

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BUTLER SNOW LLP

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

**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)**

DOCKET NO. 25-00066

**LIMESTONE WATER UTILITY OPERATING COMPANY, LLC’S RESPONSES TO
CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS**

Limestone Water Utility Operating Company, LLC (“Limestone”), by and through counsel, hereby submits its Responses to the First Set of Discovery Requests propounded by the Consumer Advocate Division of the Attorney General’s Office (“Consumer Advocate” or “CAD”).

GENERAL OBJECTIONS

1. Limestone objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.
2. Limestone objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission (“TPUC”).

3. The specific responses set forth below are based on information now available to Limestone, and Limestone reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. Limestone objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. Limestone objects to each request to the extent it seeks information outside Limestone's custody or control.

6. Limestone's decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of Limestone's General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. Limestone objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome and exceed the scope of permissible discovery.

8. Limestone objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. Limestone does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

RESPONSES TO FIRST SET OF DISCOVERY REQUESTS

1-1. Source and Use. Refer to Confidential Exhibit-1. Does Limestone plan to use the market to obtain the least cost funding or is it limited to specific source(s) in Confidential Exhibit-1?

RESPONSE: Limestone has not independently gone to the market to seek other potential funding options. The Company's determination to proceed with Cobank is based on the experiences of its regulated affiliates that did go to the market and determined thereafter that CoBank is the best available option. As reflected in **Confidential Exhibit-1**, Limestone has engaged exclusively with Cobank, which establishes interest rates on the Secured Overnight Financing Rate ("SOFR"), an independent, market-based standard.

1-2. Source and Use. Refer to the *Direct Testimony of Brent Theis* at 8. The table on page 8 indicates total capitalization for Limestone more than doubling from current to pro-forma. Respond to the following:

- a. Detail how the additional capital be utilized and in what time frame; and
- b. How does Limestone project its rate base to change in the same time frame?

RESPONSE: The table on page 8 of Mr. Theis's Direct Testimony reflects Limestone's projected final-stage capital structure following the full draw of \$4 million in requested debt, which may occur over a twelve-month period. The Company expects to draw funds as needed during this period and apply them to the identified construction and improvement projects. Limestone anticipates that all funds will directly support capital investment and rate base growth.

1-3. Source and Use. Refer to the *Direct Testimony of Brent Theis* at 9 where he states, “Further, approval of this petition will allow Limestone Water to finance its acquisition of additional distressed systems in Tennessee.” Respond to the following:

- a. What acquisitions are currently being contemplated by Limestone in Tennessee?
- b. How much financing does Limestone need for planned acquisition activities in Tennessee?

RESPONSE:

- a. For clarification of the CAD’s request and Limestone’s response, the above-quoted language from Mr. Theis’s Direct Testimony only reflects a portion of his testimony regarding how Limestone plans to use the proceeds from the proposed loan. At page 9 of his Direct Testimony, Mr. Theis states the proposed debt financing will be used “for the construction, completion, extension or improvements” of systems Limestone Water currently owns and for the “acquisition of additional distressed systems in Tennessee.” With regard to the latter proposed use of funds, Limestone currently has [REDACTED] pending acquisition contracts in Tennessee — [REDACTED] — which it intends to submit for approval by the Tennessee Public Utility Commission at a later date.
- b. Limestone does not anticipate using all of the requested debt financing for acquisition activities; however, Limestone estimates that approximately [REDACTED] will be utilized for the planned acquisitions activities referenced in subpart a. Furthermore, the resulting balanced capital structure will provide a strong foundation for continued growth and potential acquisitions in Tennessee.

1-4. Source and Use. Refer to Confidential Exhibit-1. Provide copies of all communication between Cobank and Limestone describing Limestone, its operations, financing, and explaining the use of the funds. This should include all historical financial information, projections, and business plans.

RESPONSE: Please see the Confidential folder titled “**DR 4 Communication – Confidential**” for all available correspondence between CoBank and Limestone responsive to this request, which is being submitted **UNDER SEAL** as **CONFIDENTIAL INFORMATION**.

1-5. Source and Use. Refer to Confidential Exhibit-1. Provide copies of all confidential standard loan agreements referenced in Confidential Exhibit-1.

RESPONSE: To date, Limestone has not executed any loans with CoBank; therefore, no loan agreements currently exist. This response will be supplemented when a loan agreement is provided by CoBank.

1-6. Source and Use. Refer to Confidential Exhibit-1 at 3, section Conditions Precedent, and respond to the following:

- a. Fully detail and explain the understanding of the phrase [REDACTED]
- i. Does approval include the use of the funds?
 - ii. Does the statement imply that the Commission will ensure that rates are sufficient to repay the loan?
 - iii. Will the loan(s) be callable if this condition is not met?

RESPONSE: For context, the complete phrase is as follows: [REDACTED]

[REDACTED]

[REDACTED]

CoBank understands, through discussions with Limestone, that any debt issued to Limestone subject to Tenn. Code Ann. § 65-4-109 requires approval from the Tennessee Public Utility Commission. Given Limestone's financial condition prior to its most recent rate case, CoBank recognizes that the newly approved rates are required to support servicing this debt.

- i. Limestone objects to this request to the extent it seeks a legal conclusion and on the grounds that the question is ambiguous. The Commission interprets and applies Tenn. Code Ann. § 65-4-109. Subject to and without waiving this objection, Limestone responds as follows: Tenn. Code Ann. § 65-4-109 sets forth the requirement underlying the Petition. The Petition was filed pursuant to this statutory requirement.
- ii. No. The referenced section provides that Limestone is required to submit evidence that the debt has been authorized, and that Limestone can service the debt. CoBank has been provided the results of Limestone's most recent rate case and incorporated those data into its underwriting projections.
- iii. For clarification of the CAD's request and this response, the "condition" in the referenced section is that Limestone submit evidence that the debt has been authorized, and that Limestone can service the debt. The loan has not been consummated. If the Tennessee Public Utility Commission does not grant approval for the proposed financing, the transaction will not proceed to closing.

1-7. Ability To Service Debt. Refer to the *Direct Testimony of Brent Thies* at 6. Mr. Thies states, “the Company can now demonstrate to lenders an ability to service long-term debt.” Provide the metrics, the formulas and the data, used by Limestone to demonstrate to lenders an ability to service long-term debt.

RESPONSE: Please see attachment “**DR 7 TN Limestone-Financials – Confidential,**” which is being submitted **UNDER SEAL** as **CONFIDENTIAL INFORMATION.** Additionally, the CoBank debt service coverage ratio (“DSCR”) covenant requires a minimum of 1.40x EBITDA. Limestone projects a DSCR of 3.21x for 2026 and 3.41x for 2027, indicating strong capacity to service the proposed long-term debt.

1-8. Capital Expenditures. What is Limestone’s projected capital expenditure for each of its existing service areas for the next 10 years in Tennessee?

RESPONSE: Please see attachment “**DR 8 Capital Expenditure - Confidential,**” for Limestone’s estimated capital expenditure for the next 10 years, which is being submitted **UNDER SEAL** as **CONFIDENTIAL INFORMATION.**

1-9. Loan Maturity. Refer to the *Petition* at 4. It states that the date of maturity may be up to 20 years. Respond to the following:

- a. Explain why the maturity date has been limited to 20 years;
- b. Does Limestone project that any of its capital investments have a life longer than 20 years;
- c. Provide the estimated issuance periods and the amounts that are expected to be issued per period; and
- d. What is the duration of the approval?

RESPONSE:

- a. The 20-year term is a standard CoBank loan product consistent with terms for other CSWR affiliates.
- b. Yes, Limestone projects certain capital investments have useful lives longer than 20 years.
- c. The term sheet provides for full draw of the \$4 million within 12 months. Limestone anticipates drawing approximately \$2 million initially, with the remaining \$2 million drawn by the end of that 12-month period.
- d. Limestone objects to this request on the grounds that it is ambiguous, as it is not clear what is meant by the phrase “the duration of the approval[.]” Subject to and without waving this objection, Limestone responds as follows: The proposed loan maturity date is up to 20 years.

1-10. Interest Rate. Refer to the *Petition* at p. 4, ¶ 9(e). It states that the interest rate will be established based on the economic conditions and market rates at the time of issuance.

Respond to the following:

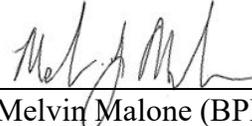
- a. Provide all estimates of rates and market conditions that Limestone anticipates at the time of the issuance;
- b. How will the market rate be determined;
- c. Does Limestone expect that the interest rates will be capped or limited to a spread on US Treasuries? If so, what are those values; and
- d. Does Limestone expect origination, transaction, or closing costs/fees? If so, what are the estimated fees/costs?

RESPONSE:

- a. Limestone anticipates a fixed rate at issuance based on prevailing market conditions.
The current SOFR rate is approximately 4.24%.

- b. Historically, CSWR affiliates have secured fixed-rate debt with CoBank at interest rates approximately 1.00% to 1.75% above the prevailing SOFR rate at the time of closing.
- c. Yes. When Limestone issues fixed-rate, long-term debt, the interest rate is effectively tied to the U.S. Treasury yield of similar maturity plus a credit spread. Based on recent borrowing experience and current market conditions, Limestone expects the credit spread for CSWR operating subsidiaries to fall in the range of 100 to 200 basis points over the 20-year U.S. Treasury.
- d. The origination cost in the term sheet is issued at 0.75%. Limestone anticipates de minimus closing cost and transaction fees but those are not available at this time.

Respectfully submitted,



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PUBLIC VERSION

EXHIBIT 1

Term Sheet

PUBLIC VERSION

EXHIBIT 4

Communication

PUBLIC VERSION

EXHIBIT 7

Financials

PUBLIC VERSION

EXHIBIT 8

Capital Expenditure

CERTIFICATE OF SERVICE

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

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This the 30th day of October 2025.



Melvin Malone