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November 17, 2025

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VIA ELECTRONIC FILING

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:

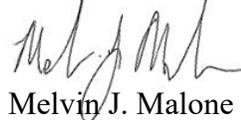
Attached for filing please find *Limestone Water Utility Operating Company, LLC's Rebuttal Testimony of Brent G. Thies* in the above-captioned matter.

Please note that Exhibit BT(R)-2 is being submitted **UNDER SEAL** as **CONFIDENTIAL and PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of Exhibit BT(R)-2 is 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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REBUTTAL TESTIMONY

OF

BRENT G. THIES

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

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

4 **Q. DID YOU PREVIOUSLY SUBMIT PRE-FILED DIRECT TESTIMONY IN**
5 **SUPPORT OF THIS PETITION BEFORE THE TENNESSEE PUBLIC UTILITY**
6 **COMMISSION?**

7 A. Yes. My Direct Testimony was submitted on August 27, 2025, on behalf of Limestone
8 Water Utility Operating Company, LLC. (“Limestone Water” or “Company”).

9 **Q. ARE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE**
10 **CONTAINED IN YOUR DIRECT TESTIMONY?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. Because it appears the Consumer Advocate Division of the Tennessee Attorney General
14 (“CAD”) does not oppose Limestone Water’s requests for authority to enter into a long-
15 term debt financing agreement with CoBank in an aggregate amount of up to \$4,000,000,
16 the purpose of my testimony is to respond to the recommendations made by the CAD’s
17 witness in this case, Clark Kaml. Those recommendations are as follows:

- 18 • That funds from the proposed debt issuance be used exclusively for capital
19 improvements to systems Limestone Water currently owns and operates;

- 1 • That the interest rate on the proposed loan be limited to “a rate that is competitive
2 and consistent with rates of similar utilities”; and
- 3 • That the Company be required to provide information regarding how and when the
4 Grasslands wastewater treatment project will be funded and when necessary
5 upgrades will be completed.

6 **Q. HOW DOES LIMESTONE WATER RESPOND TO MR. KAML’S**
7 **RECOMMENDATIONS?**

8 A. The Company does not oppose two of Mr. Kaml’s recommendations. However, for reasons
9 I will explain later in my testimony, because of Limestone Water’s current risk profile and
10 the associated challenges of securing debt financing from a lender other than CoBank, it is
11 our position that his recommendation regarding the interest rate is misguided and
12 unwarranted.

13 **Q. DOES THE COMPANY ACCEPT MR. KAML’S FIRST RECOMMENDATION**
14 **THAT THAT FUNDS FROM THE PROPOSED DEBT ISSUANCE BE USED**
15 **EXCLUSIVELY FOR CAPITAL IMPROVEMENTS TO SYSTEMS LIMESTONE**
16 **WATER CURRENTLY OWNS AND OPERATES?**

17 A. Yes.

18 **Q. HOW DOES THE COMPANY PROPOSE TO TRACK THE PROCEEDS FROM**
19 **THE COBANK DEBT FINANCING TO SHOW THAT SUCH FUNDS ARE USED**
20 **EXCLUSIVELY TO FUND CAPITAL IMPROVEMENTS TO WATER AND**
21 **WASTEWATER SYSTEMS LIMESTONE WATER CURRENTLY OWNS AND**
22 **OPERATES?**

1 A. I propose the Company file semi-annual reports in the format presented on **Petitioner’s**
2 **Exhibit BT(R)-1** showing how much of the loan has been drawn to date, how much has
3 been spent per project, and the remaining loan balance. I currently estimate it will take 18-
4 24 months to utilize the full loan proceeds, and I propose Limestone Water continue
5 sending semi-annual reports until the Commission is satisfied the entire loan amount has
6 been expended for capital improvements to existing systems.

7 **Q. YOU PREVIOUSLY STATED THE COMPANY HAS CONCERNS REGARDING**
8 **MR. KAML’S SECOND RECOMMENDATION. PLEASE EXPLAIN THOSE**
9 **CONCERNS.**

10 A. Mr. Kaml’s second recommendation is that Limestone be required to demonstrate that
11 recoverable interest expense associated with the proposed CoBank loan is “competitive
12 and consistent with rates of similar utilities.” Because Mr. Kaml’s recommendation
13 concerns “recoverable” interest costs, I assume he intends this recommendation to apply to
14 future Limestone Water rate cases where the Company seeks recovery of its debt costs
15 through rates. But whether Mr. Kaml’s recommendation applies to the current case or a
16 future rate case, the Commission should understand how difficult it will be to find debt
17 costs that are “competitive and comparable” for utilities truly similar to Limestone Water
18 at the time CoBank agrees to the debt issue proposed in this case.

19 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY YOUR LAST STATEMENT.**

20 A. Since at least 2020, CSWR, LLC, on behalf of its utility operating subsidiaries, including
21 Limestone Water, has discussed with multiple commercial lenders about the possibility of
22 obtaining debt financing for those subsidiaries. However, the lenders have consistently

1 expressed reluctance to offer such financing because of the subsidiaries' ongoing cash
2 losses under rates they assumed as part of their respective acquisition transactions.

3 Limestone Water's history in Tennessee illustrates the reason for the lenders'
4 reluctance. As shown on income statements excerpted from the Company's 2021, 2022,
5 2023, and 2024 Annual Reports, which are attached to my testimony as **Petitioner's**
6 **Exhibit BT(R)-2** which is being submitted **UNDER SEAL** as **CONFIDENTIAL**
7 **INFORMATION**, in each of those years Limestone Water recorded a net operating loss
8 from its water and wastewater operations. And, those losses increased each year -- ranging
9 from (\$232,263) in 2021 to (\$1,892,787) in 2024. Those losses reflect the fact that the
10 systems Limestone Water acquired in Tennessee were distressed and the rates the previous
11 owners charged for service -- which the Company adopted and continued in effect
12 immediately after closing -- were inadequate to fully cover the systems' operating costs at
13 the time of acquisition. The losses these inadequate rates produced increased after
14 Limestone Water's acquisition for two primary reasons: 1) because it costs more to operate
15 a water or wastewater system properly than it does to run the system improperly, operating
16 costs increase after closing, and 2) the Company was required to significantly increase
17 capital investment -- which was all but non-existent under previous owners -- to repair,
18 upgrade, and replace systems whose needs had been neglected for many years.

19 But regardless of why the Company incurred the losses I just mentioned, lenders
20 expect a borrower to be able to repay both the principal and interest associated with a loan.
21 And Limestone Water's income statement -- like those of its affiliates outside Tennessee --
22 did not reflect a capacity to do that. In CSWR's discussions with prospective lenders, we
23 were advised lenders generally require a borrower to show several consecutive quarters of

1 positive net income in order to be considered creditworthy. Therefore, Limestone Water
2 has been unable to secure commercial debt financing until the proposed CoBank
3 transaction that's under consideration in this case.

4 Consequently, for the reasons I just described, I believe it would be impossible to
5 find evidence necessary to satisfy Mr. Kaml's requirement that the Company's interest
6 expense for the proposed Co Bank loan be "competitive and consistent . . . with rates of
7 similar utilities." To do so the Commission would need to find, for comparison purposes,
8 one or more utilities that were able to obtain commercial debt financing despite never
9 recording a profit from operations (i.e., positive net income) and whose financial records
10 included a large net operating loss for the fiscal year immediately preceding the year the
11 loan was made. In my experience such utilities do not exist.

12 **Q. WITH THE CHALLENGES YOU HAVE OUTLINED IN OBTAINING DEBT**
13 **FINANCING, DOES LIMESTONE WATER REGRET ACQUIRING THESE**
14 **DISTRESSED SYSTEM IN TENNESSEE?**

15 A. Absolutely not. CSWR's mission statement, and that of each of its operating companies,
16 including Limestone Water, is to bring safe, reliable and environmentally responsible water
17 resources to every community in the United States. This is an inspiring and challenging
18 mission. Yet, this mission was very prominently declared in each of Limestone Water's
19 acquisitions cases before the Commission because the Company carries its mission front
20 and center. The Company acquired these systems based upon its authentic desire to be part
21 of the solution to the significant and growing challenges confronting small and distressed
22 water and wastewater systems, as well as municipalities, developers, and homebuilders.

1 **Q. GIVEN ALL THE DIFFICULTIES YOU JUST DESCRIBED, HOW WAS**
2 **LIMESTONE WATER ABLE TO SECURE DEBT FINANCING FROM COBANK?**

3 A. CoBank is the difference and its willingness to provide debt financing when other lenders
4 refused to do so stems from who CoBank is and what it does. CoBank is a national
5 cooperative bank that is part of the Farm Credit System, which is a network of banks and
6 lending institutions chartered to support agriculture and rural communities. CoBank's
7 mission is to "serve as a relevant and dependable provider of credit and other value-added
8 financial services and support to agriculture, rural infrastructure, and other related
9 industries for the benefit of rural America." Rural water and wastewater are part of this
10 mission, and it is deeply engaged in financing rural infrastructure. CoBank's commitment
11 to rural water and wastewater utilities is reflected in the following excerpt from its website:
12 "For rural communities to thrive, water and waste disposal must be acknowledged as a top
13 priority. We recognize the critical nature of implementing timely water facility projects and
14 offer a more streamlined finance process with far less paperwork."

15 Consistent with its mission, CoBank has provided debt financing to Limestone
16 Water's affiliates in Missouri, Texas, Louisiana, Kentucky, and Mississippi on terms
17 identical or materially similar to those proposed in this case. Unlike most lenders, CoBank
18 understands the regulatory process companies like Limestone Water face, and while other
19 lenders focus on a company's past financial performance CoBank's focus is on the future.
20 Before it is willing to consider making a loan, CoBank requires our affiliates to complete
21 at least one statewide general rate case. It then bases its lending decision on the outcome
22 of that case and its assessment of the type and quality of regulatory support the utility is
23 likely to receive in the future. The completion of Limestone Water's initial rate case earlier

1 this year is what enabled the Company to convince CoBank to offer the debt financing
2 proposal under consideration in this case. CoBank's mission and commitment is similar to
3 Limestone Water's mission and commitment.

4 **Q. HAVE ANY OF THE LIMESTONE WATER AFFILIATES THAT HAVE**
5 **OBTAINED DEBT FINANCING FROM COBANK HAD THE COSTS OF THAT**
6 **FINANCING REVIEWED BY REGULATORS IN A SUBSEQUENT RATE CASE?**

7 A. Yes. Limestone's affiliates in Louisiana, Missouri and Kentucky were required to request
8 approval from state regulatory commissions to issue debt. In all cases, the lender was
9 CoBank and the debt instruments carried terms and conditions similar to those sought by
10 Limestone and each issuance was approved. Also, in one or more rate cases state regulatory
11 commissions in Missouri, Louisiana, and Mississippi have reviewed debt costs associated
12 with CoBank loans made to the state affiliate and none of those commissions has found the
13 costs of the CoBank debt to be excessive or unreasonable. And although the Public Utility
14 Commission of Texas has not issued a final order in that affiliate's general rate case – the
15 first rate case since it received debt financing from CoBank – no party to that case has
16 proposed any adjustment to costs associated with that financing.

17 **Q. DO YOU BELIEVE THE DEBT FINANCING TERMS OFFERED BY COBANK**
18 **ARE FAIR AND REASONABLE?**

19 A. Yes. Based on its affiliates' experience with CoBank, the Company understands that the
20 debt financing terms offered in this situation are similar or the same as those offered to the
21 affiliates. As described above, those affiliates' financing have been reviewed and confirmed
22 in both financing cases and rate cases in the respective states. This affiliates' experience
23 leads the Company to believe that the terms offered to Limestone are fair and reasonable.

1 In addition, CoBank’s interest rate will be based on the Secured Overnight Financing Rate
2 (“SOFR”), which is a common benchmark for interest rates that is similar to LIBOR.
3 Basing the interest rate on a published and widely accepted benchmark affords the
4 Company and other stakeholders, clear understanding of the rate and easy comparison to
5 the broader interest rate market.

6 **Q. HOW DO YOU RESPOND TO MR. KAML’S FINAL RECOMMENDATION –**
7 **THAT LIMESTONE WATER BE REQUIRED TO PROVIDE UPDATES**
8 **REGARDING UPGRADES TO THE COMPANY’S GRASSLANDS**
9 **WASTEWATER TREATMENT FACILITY, INCLUDING INFORMATION ON**
10 **HOW THE PROJECT WILL BE FINANCED?**

11 A. Limestone Water has no objection to this recommendation, and in response the Company
12 proposes to provide semi-annual updates to the Commission regarding both the progress
13 of the Grasslands project and how we expect to finance that project.

14 The Company’s application for a permit to construct a new treatment facility was
15 submitted to the Tennessee Department of Environment and Conservation (“TDEC”) in
16 September 2025 and was published for public comment later that month. Several comments
17 have been received, many of which request TDEC to hold a public hearing regarding
18 Limestone Water’s construction plans. It is unknown at this time how TDEC will respond
19 to the public comments, but the Company cannot begin the bidding or construction process
20 until a permit is issued. If that process is completed by the end of this year or early next
21 year, it is hoped the projected eighteen-month construction can be completed in the third
22 quarter of 2027.

1 As for how the project will be funded, Limestone Water has sought and will
2 continue to seek access to public grants or loans to finance all or a portion of the project's
3 costs. However, those types of funds typically are not available to investor-owned utilities,
4 and to date the Company's efforts have not borne fruit.

5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 **A. Yes, it does.**

EXHIBIT BT(R)1

Limestone Utility Operating Company, LLC

Use of Funds Report

| | |
|------------------------------|---------------------|
| Total Available Funds | 4,000,000.00 |
| Total of funds draw | 1,000,000.00 |
| Improvements | |
| System 1 | 50,000.00 |
| System 2 | 50,000.00 |
| System 3 | 50,000.00 |
| System 4 | 50,000.00 |
| System 5 | 50,000.00 |
| System 6 | 50,000.00 |
| System 7 | 50,000.00 |
| System 8 | 50,000.00 |
| Total Improvements | 400,000.00 |
| Funds on hand | 600,000.00 |
| Remaining funds to draw | 3,000,000.00 |
| Total Funds Available | 3,600,000.00 |

PUBLIC VERSION

EXHIBIT BT(R)2

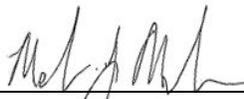
CERTIFICATE OF SERVICE

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 17th day of November 2025.



Melvin Malone