

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)
)
PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
LLC TO ELECT AND OPT INTO AN) **DOCKET NO. 26-00080**
ANNUAL RATE REVIEW)
MECHANISM AND ARRM TARIFF)
PURSUANT TO TENN. CODE ANN. §)
65-5-103(D)(6))

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

The following Informal Discovery Requests is hereby served upon Limestone Water Utility Company, LLC (“Limestone” or the “Company”), pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Regs. 1220-01-02-.11. The Consumer Advocate Division of the Office of the Attorney General (“Consumer Advocate”) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate Division, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Shilina Brown by Friday, October 30, 2026.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised based on privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of the discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular shall include the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

(a) “You,” “Your,” “Company,” or “Limestone” shall mean Limestone Water Utility Company, LLC and all of its employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(b) “Affiliate” shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater

clarification, “control” is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term “Affiliate” shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an “Affiliate”.

(c) “Communication” shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.

(d) “Document” shall have the broadest possible meaning under applicable law. “Document” shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made?

(e) “Person” shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(f) “Identify” with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;

- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
 - iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
 - iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.
- (g) “And” and “or” shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.
- (h) “Including” shall be construed to mean including but not limited to.

FIRST SET OF INFORMAL DISCOVERY REQUESTS

- 1-1.** Provide a copy of the federal income tax return and all attachments of Limestone that include a tax deduction for the Limestone plant in service in 2025.

RESPONSE:

- 1-2.** Confirm that Limestone will not incorporate a rate base offset for Accumulated Deferred Income Taxes (“ADIT”). If this is confirmed, provide the rationale for the omission of this traditional rate base component.

RESPONSE:

- 1-3.** Refer to the *Direct Testimony of Caitlin O’Reilly*, Exhibit CO-1, III. Methodologies, C. Expenses a. General & Administrative, ii. Which states that “Annualization of expenses where needed using actual expenses incurred.” With respect to this statement, respond to the following:
- a. Is Limestone proposing that this adjustment be applied to test year operating results?

- b. Would annualization of General and Administrative costs include recalculation of test period allocation in the rate reset period to reflect growth of CSWR's total customer base?
- c. Provide a hypothetical example describing how Limestone believes this calculation should be applied to (a) its test period results and (b) its rate reset calculation.
- d. Define the criteria that determine when annualization is "needed," and state whether revenues (including customer growth and new connections) will be annualized whenever expenses are.
- e. State whether "known & measurable" changes may include events occurring after the end of the HBP. If so, identify the cutoff date, and reconcile this with the Petition's representation (§12) that the ARRM contains no forward-looking components.
- f. Provide every annualization and known-and-measurable adjustment the Company would make to CY2025 and estimated CY2026 results, with calculations.

RESPONSE:

1-4. Refer to CY 2025 and 2026 actual results:

- a. Provide Limestone's income statement, balance sheet and rate base, by month and by system, for January 2025 through the most recent month available, in the format of proposed Schedules 2 and 3.
- b. Compare CY2025 actual revenues, O&M, G&A, depreciation and rate base, by system, to the amounts used to set rates in the Rate Case. Explain each variance greater than 10%.

RESPONSE:

1-5. Explain Limestone's rationale for concluding that a request late in the third quarter of 2026 to recover any revenue shortfalls accruing from January 1, 2026, does not constitute retroactive ratemaking.

- a. Identify every statute, rule, Commission order, and court decision on which the Company relies for the proposition that earnings for January 1 through October 4, 2026 may be reconciled and recovered (or refunded) through the ARRM.
- b. State whether the Company contends that the prohibition against retroactive ratemaking does not apply to the ARRM reconciliation. Explain the basis, including how the Company distinguishes recovery of a past earnings deficiency from prospective rate setting.

- c. State whether the Company relies on the Chattanooga Gas Company ARM (Docket Nos. 19-00047 and 20-00049) or any other Tennessee annual review mechanism as precedent for reconciling earnings for a period that began before the petition was filed. If so, identify the precedent and the specific facts the Company contends are comparable.
- d. State whether the Company would accept (i) excluding CY2026 from any earnings reconciliation while using CY2026 only for the prospective rate reset, or (ii) prorating any CY2026 reconciliation to begin no earlier than the date of the Commission's order approving the ARRM. If not, explain why.

RESPONSE:

1-6. Refer to *Direct Testimony of Caitlin O'Reilly*, Exhibit CO-1. For each methodology and each definition in the proposed tariff:

- a. Identify by page the specific finding in the Rate Case Orders that adopted it.
- b. Identify each element of the proposed ARRM that was not expressly adopted in the Rate Case Orders, including without limitation: year-end rate base; the deferral of earnings deficiencies to a regulatory asset; carrying charges and their rate; inclusion of the unamortized ARRM balance in rate base; annualization of acquired systems; the 45-day cash working capital lag; and the "New Matters" provision.
- c. Explain how *specify* is "based upon the methodology adopted" in the Rate Case within the meaning of TENN. CODE ANN. § 65-5-103(d)(6)(A).

RESPONSE:

1-7. Refer to *Direct Testimony of Aaron Silas* at 16. Regarding the Company's proposal that CY2026 serve as the first HBP, respond to the following:

- a. For each month of 2026 through May 31, 2026, provide by system and rate schedule the revenues billed at Phase I rates, and the revenues that would have been billed at Phase II rates using the same billing determinants.
- b. Confirm whether, under the proposed tariff, the difference calculated in (a) would contribute to a CY2026 earnings deficiency recoverable through the ARRM. If the Company disagrees, explain specifically which tariff provision prevents that result.

- c. State whether the Company will agree either (i) to begin the ARRM with the CY2027 HBP, or (ii) to impute full-year Phase II revenues in the CY2026 earnings test. If not, explain why recovering the phase-in period shortfall is consistent with the Rate Case Orders.
- d. Explain why Phase II rates became effective June 1, 2026 rather than May 1, 2026, and identify every event, filing or deficiency that contributed to the change in timing.

RESPONSE:

- 1-8.** State whether Limestone has recorded, or intends to record, any regulatory asset, deferred debit or other deferral on its books for any 2026 earnings deficiency, revenue shortfall or Phase I/Phase II revenue difference. If so, provide the journal entries, amounts and the accounting authority relied upon (including ASC 980 and any Commission Order).

RESPONSE:

- 1-9.** Refer to *Direct Testimony of Caitlin O'Reilly* at 17:1 – 18:8. Regarding Ms. O'Reilly's proposal to use year-end rate base, respond to the following:
- a. Confirm that rate base authorized by the Commission in TPUC Docket No. 24-00044 adopted an average of monthly balances. If denied, explain and cite the Rate Case record.
 - b. For CY2025 and estimated CY2026, quantify by system the difference between year-end and 13-month average rate base, and the resulting revenue requirement difference.
 - c. Also, refer to Exhibit CO-1, III. Methodologies, C. Expenses, e. Income Tax Expense. Explain why the Company proposed to compute synchronized interest on "average rate base" while the earnings test and reset use year-end rate base. Quantify the income tax effect of that difference.

RESPONSE:

- 1-10.** Refer to the *Direct Testimony of Aaron Silas* at 14:19 – 15:3. Regarding the determination of Interest Expense and respond to the following:
- a. Confirm that the 'higher of' methodology for determining Interest Expense is not a methodology included in the Company's Rate Case Order.

- b. Provide a comprehensive explanation underlying how the interest expense of Limestone is computed. In addition, provide the underlying calculations for the Interest Expense recorded in June 2026.
- c. Does the Company propose that there would be any distinction in the way interest expense is computed in the Historic Base Period contrasted with the rate reset period?
- d. Also, refer to Exhibit CO-1, III. Methodologies, F. Rate of Return. Limestone's proposed methodology requires a cost of debt of 6.64% and does not contemplate the 'higher' of methodology referenced in Mr. Silas' testimony (at 14:19 – 15:3). Provide an explanation of the Company's position between these two recommendations.

RESPONSE:

1-11. Provide a copy of the most recent Trial Balance of Limestone (water and wastewater).

RESPONSE:

1-12. Provide separate copies of the most recent Income Statement of Limestone Water and Limestone Wastewater.

RESPONSE:

1-13. Provide a sample calculation using hypothetical data demonstrating how the Historic Base Period Earnings Deficiency (sufficiency) would be computed under Limestone's request.

RESPONSE:

1-14. Regarding the application of carrying charges, provide an example of how such carrying charges would be calculated using hypothetical data.

RESPONSE:

1-15. Identify each third-party operator, maintenance contractor, laboratory, and call-center provider serving Limestone. Provide the contracts, pricing and escalation terms, and 2024–2026 payments by system.

RESPONSE:

1-16. State whether Limestone has any direct employees, and describe how field operations staff are employed, charged, and allocated.

RESPONSE:

1-17. Provide the Company’s capital budget by system and project for 2026 through 2031, with estimated in-service dates and identification of any project required by TDEC order, permit or consent agreement.

RESPONSE:

1-18. Provide the current status, scope, cost estimate (with all revisions), schedule and financing plan for the Grassland/Cartwright Creek treatment.

RESPONSE:

1-19. For 2027, estimate the ARRM rate base, revenue requirement, and monthly residential bill by system, based upon the as-proposed ARRM.

RESPONSE:

1-20. If Limestone records Allowance for Funds Used During Construction (“AFUDC”), provide the rate and methodology, and annual amounts for 2024–2026. State whether Construction Work in Progress (“CWIP”) will be included in the ARRM rate base, and explain how projects placed in service late in the HBP will be documented as used and useful at December 31.

RESPONSE:

1-21. State whether the Company intends to propose any change in depreciation rates through an ARRM filing or a New Matter. For 2024 through 2026, list plant retirements by account and system, and explain how retirements, cost of removal, and salvage are recorded.

RESPONSE:

1-22. Regarding costs allocated from CSWR to Limestone, provide the following:

- a. Describe the allocation methodology and factor(s) used to determine the “Limestone Alloc %” in Schedule 9
- b. Provide the monthly factor, numerator, and denominator for 2024 through 2026 year-to-date, along with the factor used in the Rate Case.
- c. Provide the monthly corporate cost allocations from CSWR reflected as an O&M expense on the books of Limestone for the period January, 2024 – August, 2026.
- d. Provide the monthly corporate cost allocations from CSWR capitalized on the books of Limestone for the period January, 2024 – August, 2026.
- e. Provide the monthly number of CSWR employees for the period January, 2024 – August, 2026.

RESPONSE:

1-23. Provide a copy of all correspondence provided to or received from TDEC for the period January 1, 2025 – the present.

RESPONSE:

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via electronic mail,

upon:

Melvin Malone
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This the 21st day of October, 2026.



SHILINA BROWN

Senior Assistant Attorney General