

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

**PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
LLC TO ELECT AND OPT INTO AN)
ANNUAL RATE REVIEW)
MECHANISM AND ARRM TARIFF)
PURSUANT TO TENN. CODE ANN.)
§ 65-5-103(d)(6))**

DOCKET NO. 26-00080

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

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

- 1-1.** Refer to the Direct Testimony of Aaron Silas at 8:9 – 13. Provide a copy of the formula rate provisions under which CSWR affiliates in Louisiana and Mississippi are operating.

RESPONSE: Please see the attachments labeled “DR 1-1 LA FRP” and “DR 1-1 MS FRP.”

- 1-2.** Refer to the Direct Testimony of Aaron Silas at 12:17 – 18. Mr. Silas states that the Company has added \$3,163,545 to its water and wastewater rate base. Reconcile this amount into the following categories:

- a. Reduction in Rate Base due to additional Accumulated Depreciation recorded since Limestone’s rate case.
- b. Increase in Rate Base due to Limestone acquisitions. Please specify amount by docket.
- c. Increase in Rate Base due to CSWR capital expenditures allocated to Limestone.
- d. Increase in Rate Base due to increase in Limestone’s gross plant in service located in Tennessee. Please provide a description of the capital expenditures and amounts spent by system.
- e. Changes in Limestone’s balances of Materials and Supplies.
- f. Other

RESPONSE:

- a. The \$3,163,545 referenced in Mr. Silas's testimony was not a calculation of net rate base and did not reflect reductions associated with accumulated depreciation recorded since Limestone's most recent rate case.
- b. The \$3,163,545 did not include additions to rate base associated with acquired systems.
- c. The \$3,163,545 did not include any increase in rate base resulting from CSWR allocated expenditures.

- d. The \$3,163,545 represents gross plant additions placed in service in Tennessee since the Company's most recent rate case. Please see the attached schedule labeled "DR 1-2 – Rate Base Additions," identifying such additions by system.
- e. The \$3,163,545 did not include changes in Materials and Supplies balances.
- f. None.

The approximately \$3.16 million in plant additions referenced in Mr. Silas's testimony primarily consists of wastewater infrastructure investments, with a smaller amount attributable to water system improvements. These additions include investments in lift stations, pumping equipment, treatment and disposal facilities, collection systems, monitoring and telemetry equipment, customer service connections, water distribution assets, and facility improvements across Limestone's Tennessee systems. The investments reflect the ongoing capital required to maintain regulatory compliance, improve reliability, replace aging infrastructure, and provide safe and reliable service to customers.

- 1-3.** Refer to the Direct Testimony of Aaron Silas at 15: 22 – 24. He states that "Limestone Water immediately begins investing capital after closing, and the rates in effect at closing do not provide any return on the newly invested capital." For each acquired system, provide the date of the acquisition, the amount and date of the "immediately invested capital." and a description of the "immediate investment" referenced by Mr. Silas.

RESPONSE: The word "immediately" can mean different things in different contexts and in different but similar circumstances. For example, "immediately" in one context may be within a few days and in another yet similar scenario it may be thirty (30) days. The phrase "immediately invested capital" was not intended to refer to a defined term or a specific

category of tracked investment. Rather, the phrase quoted above was intended to generally capture the circumstances of what may be, and oftentimes is, present and does occur in relation to the acquisition of small, and often distressed, systems. Thus, the phrases “In almost every case” (lines 11-12), “usually assumes” (lines 16-17), and “in most cases[.]” (lines 18-19). The Company does not have or maintain in the ordinary course of business a schedule identifying all immediately invested capital .

As discussed in Mr. Silas's testimony, Limestone routinely begins incurring costs and making investments following the acquisition of a system. Depending on the circumstances of the acquired utility, these activities may include repairs to existing infrastructure, replacement of failing equipment, treatment and water quality improvements, meter replacements, telemetry and monitoring enhancements, well and lift station improvements, regulatory compliance activities, information technology integration, and other operational, maintenance, and capital improvements necessary to provide safe and reliable service. The Company's point in the quoted testimony was that rates in effect at the time of acquisition generally do not reflect the return associated with investments made by Limestone following closing.

- 1-4.** Is Limestone willing to accept an annual cap on rate increases and accounting deferrals in order to ensure ongoing customer affordability? If not, please address how the ARM mechanism promotes affordability of customer rates.

RESPONSE: No, Limestone is not willing to generally accept an annual cap on rate increases and accounting deferrals. Limestone is open to discussing affordability concerns with the CAD. The ARRM is designed to promote affordability by allowing for smaller, more gradual

adjustments as eligible investments are placed into service, rather than requiring customers to absorb the full impact of those costs in a future general rate case. The mechanism also helps ensure rates more closely reflect the actual cost of providing safe and reliable water and wastewater service, while avoiding regulatory lag and supporting continued infrastructure investment necessary to maintain service quality.

Caps are not a specific or inherent part of general rate cases and likely are inconsistent with the utility's constitutional right to rates that cover its reasonable operating costs and provide a fair rate of return. Assuming that an annual cap is automatically required in an ARRM may also unintentionally undermine the intent of the Tennessee General Assembly. The legislatively-established parameters for an ARRM are set forth in the alternative regulatory methods statute – the methodologies adopted, and the determinations made, in a general rate case within 5 years of opting into an ARRM. These parameters do not include an annual cap.

- 1-5.** Under the Company's ARM proposal, will the Commission and intervenors in future ARM proceedings be permitted to evaluate the prudence of Limestone's operations, including its operating expenses and its capital expenditures?

RESPONSE: Yes. It is the Company's understanding and proposal that the Commission retains full authority to review, modify, disallow, or otherwise determine the appropriate ratemaking treatment of items included in an ARRM filing, including proposed adjustments and any new matters presented by the Company.

1-6. Refer to the Direct Testimony of Caitlin O'Reilly. Reconcile the following statements by Ms. O'Reilly:

- a. At 6:23 – 25. “The filing will also calculate the revenue requirement necessary to establish rates prospectively based upon updated financial information.”
- b. At 9:11 – 12. Limestone Water proposes to use actual recorded revenues rather than projected revenues.

Specifically, identify how the Company proposes to determine the appropriate revenue within the ARM rate reset calculation.

RESPONSE: As proposed in the Company's petition, the Company has requested to use historical revenues from the Historic Base Period to establish rates that provide the Company a reasonable opportunity to earn the authorized return approved in its last rate case. The Company does not propose to use forecasted revenues or projected usage. Any earnings deficiency or excess identified through the annual review would be recorded as a regulatory asset or regulatory liability, respectively, and incorporated into the prospective rate reset calculation.

1-7. Confirm or deny that the Company employs Allowance for Funds Used During Construction (AFUDC) accounting as applied to Construction Work in Progress (CWIP) balances on a monthly basis.

RESPONSE: Deny. The Company does not employ AFUDC accounting as applied to CWIP balances on a monthly basis.

1-8. Confirm or deny that the Company intends to use the year-end rate base within the historic revenue requirement calculation.

RESPONSE: Confirmed.

- 1-9.** Refer to the *Petition*, Appendix C: Proposed Tariff, Schedules 1 – 13. Using actual calendar-year 2025 books and records, complete every schedule listed in the Tariff (Schedules 1 through 13, water and sewer separately) exactly as the Company would in an Annual ARRM Filing. Provide the workbook in native Excel with all formulas intact, and state the resulting earnings deficiency or excess, carrying charge, Annual Reconciliation Balance and Annual True-Up Rate Adjustment.

RESPONSE: The Company objects to this request to the extent it seeks calculations, schedules, and workpapers that do not presently exist and are not maintained in the ordinary course. The proposed ARRM is a ratemaking methodology and no Annual ARRM Filing has been made. Accordingly, the Company has not prepared Schedules 1 through 13 using calendar year 2025 data, has not performed an earnings deficiency or excess calculation using those schedules, and has not calculated an Annual Reconciliation Balance, carrying charge, or Annual True-Up Rate Adjustment for calendar year 2025. Subject to and without waiving this objection, the Company notes that any future Annual ARRM Filing would be prepared using the books and records, adjustments, and supporting information available at the time of such filing and would be subject to Commission review.

- 1-10.** Refer to the Direct Testimony of Aaron Silas at 14:24 – 15:2, which states interest expense will be "the greater of actual incurred debt expense or" $6.64\% \times 45\%$ of rate base." Refer to the Direct Testimony of Caitlin O'Reilly at 14:9 – 12, which states 8.49% as the authorized rate of return to be used to determine earnings deficiency or excess. Refer to the *Petition*, Appendix C: Proposed ARRM Tariff, Section L, which states

Operating Income Deficiency or (Excess) shall be the amount resulting from subtracting the Historic Base Period operating income for the

authorized operating income computed by multiplying the Historic Base Period rate base by the authorized weighted return on Equity adopted in TPUC Docket No. 24-00044 or subsequent general rate case.

Respond to the following:

- a. What formula does the Company propose to use to determine the Earning Deficiency or Excess?
- b. Provide that formula algebraically, with each term defined and tied to a Schedule line.
- c. Explain whether "authorized weighted return on Equity" means 8.49%, 5.50% (10.00% × 55%), or another figure, and propose corrected Tariff language.
- d. Explain whether the three descriptions produce the same result, and if not, quantify the difference using 2025 data.
- e. Explain how each method complies with Tennessee Code Annotated §65-5-103(d)(2)(B).

RESPONSE:

- a. The Company proposes to determine the Earning Deficiency or Excess by comparing the Historic Base Period Net Operating Income to the Net Operating Income required to produce the authorized return. Consistent with Section I of the proposed tariff:

$$\text{Earning Deficiency}/(\text{Excess}) = \text{Historic Base Period Net Operating Income} - \text{Required Net Operating Income}$$

The resulting amount is positive when actual earnings exceed authorized earnings and negative when actual earnings are below authorized earnings. The amount is then converted to a Revenue Deficiency or Excess through application of the applicable Revenue Conversion Factor.

- b. Algebraically:

$$EDE = NOI - (RB \times ROR)$$

Where:

- EDE = Earning Deficiency or Excess

- $\text{NOI} = \text{Historic Base Period Net Operating Income (Schedule 3; Schedule 5)}$
 - $\text{RB} = \text{Historic Base Period Rate Base (Schedule 2)}$
 - $\text{ROR} = \text{Authorized Rate of Return utilized in the ARRM}$
 - $\text{Revenue Deficiency or Excess} = \text{EDE} \times \text{Revenue Conversion Factor}$
- c. The correct figure to apply to total rate base is the 8.488% Authorized Overall Rate of Return. Please see the attached labeled “DR 1-10 Revised ARRM Tariff,” that incorporates this change.
- d. The Company objects to this request to the extent it seeks calculations, schedules, and workpapers that do not presently exist and are not maintained in the ordinary course. Without waiving the foregoing objection, Limestone responds as follows: The overall-return method and the equity-return method produce the same result when the equity method deducts synchronized interest calculated using the Commission-authorized debt ratio and cost of debt.
- e. The overall rate-of-return method complies with Tenn. Code Ann. § 65-5-103(d)(2)(B) because it includes the return on investment at the rate of return approved in the Company’s most recent general rate case.

1-11. Refer to the Direct Testimony of Aaron Silas at 15:4 –16:15 and *Petition*, Appendix C:

Proposed ARRM Tariff, Section K. The Proposed Tariff states the following:

With respect to plant, revenues, expenses, and customers associated with systems acquired by the Company, such items shall be treated consistent with applicable Commission-approved ratemaking methodologies. Newly acquired systems, facilities, and customers may be included in the Historic Base Period results reflected in an Annual ARRM Filing only to the extent such assets and related costs have been placed in service, recorded on the

Company's books and records during the Historic Base Period, and are otherwise eligible for rate recovery under existing Commission authority. In such cases, both revenues and expenses related to the newly acquired system shall be annualized.

- a. Explain how customers of systems acquired after the Rate Case will be billed: at their pre-acquisition rates, at Limestone's consolidated rates, or otherwise. State whether any ARRM filing could move them to consolidated rates.
- b. Explain why existing Limestone customers should bear, through the true-up, operating losses of systems whose rates have not been reviewed in a general rate case.

RESPONSE:

- a. Customers of a newly acquired system will initially be billed under the rates and tariff applicable to that system at the time of acquisition, unless the Commission approves different rates as part of the acquisition proceeding or another Commission proceeding. The acquisition of a system does not, by itself, move those customers to Limestone's consolidated rates. Likewise, an ARRM filing would not automatically move newly acquired customers to consolidated rates. Any transition to consolidated rates would require Commission approval and would be clearly identified and supported in the applicable filing.
- b. The Company's proposal is not intended to require existing Limestone customers to bear unsupported operating losses associated with newly acquired systems. A newly acquired system would be included only to the extent its plant and related costs were placed in service, recorded during the Historic Base Period, and eligible for rate recovery under existing Commission authority. If included, the system's revenues, expenses, rate base, and customers would be reflected together and annualized on a consistent basis, rather than including only its costs or losses.

The resulting amounts would remain subject to review in the ARRM proceeding, including whether the costs were prudently incurred, properly

allocated, and eligible for recovery. However, the Company recognizes that including a newly acquired system operating under legacy rates could affect the consolidated revenue requirement. Accordingly, the Company proposes to clarify the tariff to provide that a newly acquired system will not be incorporated into consolidated ARRM rates unless the Commission has approved its inclusion and the associated treatment of its customers, revenues, expenses, and rate base.

- 1-12.** TENN. CODE ANN. § 65-5-103(d)(6) provides for an annual review “based upon the methodology adopted in its most recent rate case.” Provide the citation in the rate case, TPUC Docket No. 24-00044 orders,¹ adopting the methodology for the inclusion of post-test-period acquisitions.

RESPONSE: The Commission's Order in TPUC Docket No. 24-00044 speaks for itself. There is no language in TENN. CODE ANN. § 65-5-103(d)(6) that prohibits Commission-approved inclusion of post-test-period acquisitions in future annual review proceedings. The Company's proposal regarding the treatment of future acquisitions under the ARRM is intended to apply the Commission-approved ratemaking methodologies from Docket No. 24-00044, including the treatment of revenues, expenses, rate base, depreciation, taxes, and return calculations, to newly acquired systems that have been placed in service and recorded on the Company's books during the Historic Base Period. Any such inclusion would remain subject to Commission review and approval in the applicable ARRM proceeding.

¹ Order Setting Utility Rates, TPUC Docket No. 24-00044 (July 7, 2025) and Amended Order Implementing Phase Two of the General Rate Increase Approved in the 2025 Rate Case Order Setting Utility Rates, TPUC Docket No. 24-00044 (August 28, 2026).

An interpretation of TENN. CODE ANN. § 65-5-103(d)(6) that restricts the Commission's discretion to allow, upon review, the inclusion of post-test-period acquisitions in future annual review proceedings could undermine the Tennessee General Assembly's expressed intent of streamlined regulation.

1-13. Refer to *Petition*, Appendix C: Proposed ARRM Tariff, Schedules 8 and 9. Provide the CSWR cost allocation manual or written policy in effect for 2024, 2025, and 2026.

RESPONSE: Please see the attached labeled “**CONFIDENTIAL** DR 1-13 Cost Allocation Manual,” which is being filed UNDER SEAL as CONFIDENTIAL information.

1-14. Refer to the Direct Testimony of Aaron Silas at 9:20 – 22. Mr. Silas states Limestone has a 15% water-loss limit. Refer to *Petition*, Appendix C: Proposed ARRM Tariff, Section I.a. General & Administrative. This section provides “96.55% recoverability of water operations expense due to water loss percentages of 18.45%.”

- a. Provide the support calculating the 96.55%.
- b. Is the recoverable amount 100% -(actual loss – 15%)?
- c. Is this recalculated each year?
- d. If loss increases, would recoverability remain 96.55%?

RESPONSE:

- a. The 96.55% recoverability factor reflects the Commission's application of a 15.00% unaccounted-for-water limitation compared to the Company's actual water loss of 18.45%. The difference between the actual water loss percentage and the Commission-approved 15.00% level is 3.45%. Accordingly, the recoverability

factor is calculated as 100.00% less 3.45%, or 96.55%. The Commission adopted this adjustment in Docket No. 24-00044.

- b. Yes. Under the methodology adopted in Docket No. 24-00044, the recoverability factor is calculated as 100% minus the amount by which actual water loss exceeds 15.00%. For the 18.45% water loss level used in that proceeding, this resulted in a recoverability factor of 96.55%.
- c. No. As proposed, the ARRM utilizes the Commission-approved 96.55% recoverability factor established in Docket No. 24-00044 and does not recalculate that factor annually.
- d. Under the Company's proposal, yes. The 96.55% recoverability factor would remain unchanged unless modified by the Commission in a future proceeding.

1-15. Refer to the *Petition*, pp. 6 –7, ¶ 14. Limestone states it will provide 27 schedules. Confirm the number of schedules and identify each one.

RESPONSE: Please see the schedules provided in Appendix C.

1-16. Refer to the Direct Testimony of Aaron Silas at 17:1-10 and the *Petition*, Appendix C: Proposed ARRM Tariff, Section **Revenue Allocation and Rate Design**. Per the Proposed Tariff, the Company can propose revenue allocation and rate design methodologies it determines to be reasonable.

- a. Explain how that is consistent with TENN. CODE ANN. § 65-5-103(d)(6)(A) which states “a public utility may opt to file for an annual review of its rates based upon the methodology adopted in its most recent rate case pursuant to § 65-5-101 and subsection (a), if applicable.
- b. Reconcile this with Appendix C: Proposed ARRM Tariff, Definitions, D. Annual True-Up Revenue Requirement Rate Adjustment (True-Up Rate Adjustments),

Item (f), which states in part that “The Annual True Up Rate Adjustment Rate Increase or Reduction shall be allocated proportionately to the Revenue Requirements allocated to individual Rate Schedules in Docket No. 24-00044 or any subsequent general rate case to determine the total adjustment applicable to each Rate Schedule.”

RESPONSE:

- a. The Company believes its proposal is consistent with Tenn. Code Ann. § 65-5-103(d)(6)(A). The proposed ARRM utilizes the revenue requirement methodologies adopted in the Company's most recent rate case, including the treatment of revenues, expenses, rate base, taxes, capital structure, and authorized return. The Company's proposal regarding revenue allocation and rate design does not modify those underlying ratemaking methodologies but instead provides a mechanism through which the Company, intervenors, and the Commission may address how any Commission-determined revenue requirement is allocated among rate schedules. Similar provisions have been approved by the Commission in other annual review mechanisms. For example, the Chattanooga Gas Company ARM permits the utility to propose a rate design in each annual filing, allows intervening parties to propose alternatives, and provides that the Commission will determine the appropriate rate allocation and rate design in the public interest. The Company's proposed ARRM likewise preserves the Commission's authority to determine the appropriate revenue allocation and rate design while maintaining the underlying ratemaking methodologies adopted in Docket No. 24-00044.
- b. Section D(f) establishes the default allocation methodology by providing that any approved Annual True-Up Rate Adjustment will be allocated proportionately based on the revenue requirement allocations established in Docket No. 24-00044 or a subsequent general rate case. However, the Revenue Allocation and Rate Design

section preserves the ability of the Company, intervenors, and the Commission to propose and consider alternative revenue allocation or rate design treatments when circumstances warrant. The Commission retains full authority to determine the appropriate revenue allocation and rate design in each ARRM proceeding. This approach is consistent with the annual review mechanism approved for Chattanooga Gas Company, which permits the utility and other parties to propose rate design alternatives while maintaining the underlying ratemaking methodologies established in the most recent general rate case.

1-17. The rates established by the Commission were based on a total Company revenue requirement and were not based on earnings specific to the water system on a stand-alone basis and earnings on the sewer system on a stand-alone basis.

- a. Will the earnings true-up and rate reset be calculated separately for water and sewer?
- b. How will Limestone reconcile the individual earnings true-up for water and sewer with the allocation applied by the Commission?
- c. Discuss any existing cross subsidies. How will they be measured or addressed?

RESPONSE:

- a. Yes. Similar to the schedules and supporting calculations presented in Docket No. 24-00044, Limestone proposes to calculate the earnings true-up and rate reset separately for water operations and wastewater operations. The resulting water and wastewater earnings deficiencies or excesses would then be reflected in the overall ARRM filing.
- b. Limestone proposes to calculate the water and wastewater earnings true-ups separately and then reflect the resulting earnings deficiency or excess through the rate design component of the ARRM filing. This approach is consistent with the

Commission's decision in Docket No. 24-00044, where the Commission separately determined water and wastewater revenue deficiencies but ultimately combined those deficiencies for recovery through rate design.

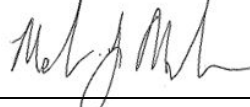
- c. Limestone has not performed a separate analysis of alleged cross-subsidies. In Docket No. 24-00044, the Commission specifically determined that the water and wastewater revenue deficiencies should be combined and recovered on a company-wide basis through rate design. To the extent concerns regarding revenue allocation or cost recovery arise in a future ARRM proceeding, such issues may be addressed through the revenue allocation and rate design process and remain subject to Commission review and approval.

1-18. Refer to the Direct Testimony of Aaron Silas at 15:4 – 16:15 and *Petition*, Appendix C: Proposed ARRM Tariff Section K. Confirm that Limestone’s proposal to include acquired systems automatically into the system is *de facto* consolidation of rate base and revenues. If this is an incorrect statement, explain how it is not *de facto* consolidation of rate base and revenues.

RESPONSE: No. The Company does not agree that the proposal constitutes automatic or *de facto* consolidation of rate base and revenues because, as previously noted, customers served by systems that have not been through the ARRM process will not be charged consolidated rates unless and until the Commission approves such rates. Under the proposed ARRM, newly acquired systems may be included in the Historic Base Period only to the extent that the associated plant, revenues, expenses, and customers have been placed in service, recorded on the Company's books and records, and are otherwise eligible for recovery. The

proposal does not automatically consolidate rates, customer classes, or revenue requirements, nor does it automatically grant recovery of acquisition-related costs. Any items included in an ARRM filing would remain subject to Commission review, and the Commission would retain full authority to approve, modify, or disallow the proposed treatment.

Respectfully submitted,



Melvin J. Malone (BPR No. 013874)
Butler Snow LLP
Neuhoff Building
1320 Adams Street, Suite 1400
Nashville, TN 37208
Phone: (615) 651-6700
Melvin.Malone@butlersnow.com

*Attorneys for Limestone Water Utility
Operating Company, LLC*

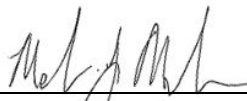
CERTIFICATE OF SERVICE

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

Vance Broemel, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Vance.Broemel@ag.tn.gov

Shilina B. Brown, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Shilina.Brown@ag.tn.gov

This the 21st day of October, 2026.



Melvin Malone

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

**PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
LLC TO ELECT AND OPT INTO AN)
ANNUAL REVIEW MECHANISM AND)
ARRM TARIFF PURSUANT TO TENN.)
CODE ANN. 65-5-103(d)(6))
)**

DOCKET NO. 26-00080

VERIFICATION

STATE OF MISSOURI)

COUNTY OF ST. LOUIS)

I, AARON SILAS, being duly sworn, state that I am authorized to testify on behalf of Limestone Water Utility Operating Company, LLC, in the above-referenced docket, that if present before the Commission and duly sworn, verifies that the data requests and discovery responses are accurate to the best of my knowledge.

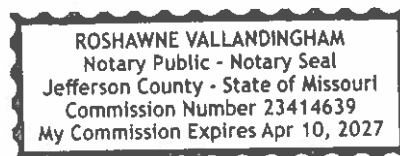


AARON SILAS

Sworn to and subscribed before me
this 21st day of OCTOBER, 2026.



Notary Public



My Commission expires: 04-10-2027

Magnolia Water Utility Operating Company, LLC
Water and Wastewater Tariff
Issued:
Revision: Original
Rider FRP

Section:
Effective Date:
Supersedes: *N/A*
Authority: U-35822
Page 1 of 7

FORMULA RATE PLAN RIDER FRP

1. GENERAL

Formula Rate Plan Rider FRP ("Rider FRP") defines the procedure by which the rates contained in the Magnolia Water Utility Operating Company, LLC ("Magnolia" or "Company") rate schedules may be periodically adjusted. Rider FRP shall apply in accordance with the provisions of Sections 2.A below to all water and wastewater service billed under the Rate Schedules, whether metered or unmetered, subject to the jurisdiction of the Louisiana Public Service Commission ("LPSC" or "Commission").

2. APPLICATION AND ANNUAL REDETERMINATION PROCEDURE

2.A. RATE ADJUSTMENTS

The Rate Adjustments shall be determined in accordance with the provisions of Sections 2.B and 2.C below.

2.B. ANNUAL FILING AND REVIEW

2.B.1. FILING DATE

On or before May 1 of each of the years 2023, 2024 and 2025, Magnolia shall file a report with the Commission containing a calculation of the Company's revenue requirement based on the twelve months ending December 31 of the previous year ("test year") prepared in accordance with the provisions of Section 2.C below. The annual filing shall be referred to as the "FRP Annual Report". A revised rate schedule shall be included in each filing containing revised FRP Rate Changes by Rate Class determined in accordance with the provisions of Section 2.C below. Each FRP Annual Report will be separately docketed and published in the Commission's Official Bulletin for intervention for a 15-day intervention period. Magnolia shall follow all Constitutional and LPSC publication requirements for each FRP Annual Report.

2.B.2. REVIEW PERIOD

The Commission Staff ("Staff"), its outside advisors, if any, and all intervenors of record as of the filing date, hereinafter collectively referred

to as the "Parties", shall each be provided a copy of each FRP Annual Report filing at the time it is filed with the Commission, along with all pleadings in the FRP-related proceedings (subject to confidentiality agreements, where applicable). At the time each FRP Annual Report is filed, Magnolia shall provide the Parties with a narrative summary of the request along all workpapers supporting the data and calculations reflected in the FRP Annual Report, including allocations of parent company expenses, with electronic spreadsheets with formulas intact. The Parties may request clarification and additional supporting data. The response to any request for clarification or additional supporting data shall be provided within 15 calendar days of the request.

The Parties shall have until July 1 of the filing year to review the FRP Annual Report to ensure that it complies with the Rider FRP and any applicable Commission Orders. If the Parties should detect any error(s) in the application of the principles and procedures or should otherwise disagree with any of the computations, revenues, or costs included in such computations, such error(s) and/or disagreements shall be formally communicated in writing to Magnolia by the July 1 deadline. Each such indicated error or disagreement shall include documentation of the proposed correction. The Company shall then have until August 1 to review any proposed corrections and/or adjustments, to work with the Parties to resolve any differences and to file a revised Rate Schedule containing FRP Rate Changes by Rate Class reflecting all corrections and adjustments upon which the Parties agree. The Company shall provide the Parties with all workpapers supporting any revisions made to the FRP Annual Report initially filed for the test year.

Except where there is an unresolved dispute, which shall be addressed in accordance with the provisions of Section 2.B.3 below, the FRP Rate Changes by Rate Class initially filed under the provisions of Section 2.B.1 above, or such revised FRP Rate Changes by Rate Class as may be determined pursuant to the terms of this Section 2.B.2, shall become effective September 1 for bills rendered on and after the first billing cycle for the month. Those FRP Rate Changes by Rate Class shall then remain in effect until changed pursuant to the provisions of this Rider.

To the extent that there are no issues raised during the annual review period of the FRP or any issues raised are amicably resolved, i.e., there are no unresolved issues to be addressed pursuant to Section 2.B.3, the parties shall submit a summary of the proceedings to the Commission for consideration as timely as practicable, including the terms under which any issues have

been resolved and the resulting effect on rates.

2.B.3. RESOLUTION OF DISPUTED ISSUES

In the event there are disputes regarding any FRP Annual Report, the Parties and the Company shall work together in good faith to resolve such disputes. If the Parties and the Company are unable to resolve all disputes by September 1, revised FRP rate Changes by Rate Class reflecting all revisions to the FRP Rate Changes by Rate Class initially filed on which the Company and Parties agree shall become effective as provided for in Section 2.B.2 above. Any disputed issues shall be submitted to the Commission for resolution.

If the Commission's final ruling on any disputed issues requires changes in the FRP Rate Changes by Rate Class initially implemented pursuant to the above provisions, the Company shall file a revised FRP Annual Report containing such further modified FRP Rate Changes by Rate Class within 15 days after receiving the Commission's Order resolving the dispute. The Company shall provide a copy of the revised filing to the Parties together with supporting documentation and workpapers, including electronic spreadsheets with formulas intact. Such modified FRP Rate Changes by Rate Class shall then be implemented with the next applicable monthly billing cycle after this filing and shall remain in effect until superseded by any subsequent FRP Rate Changes by Rate Class established in accordance with the provisions of this Rider FRP.

Within 60 days after receipt of the Commission's final ruling on disputed issues, the Company shall determine the amount to be refunded or surcharged to customers due to the disputed issues, if any, together with interest applied at the Company's Weighted Average Cost of Capital from September 1 of the filing year and the adjustment to the FRP Rate Changes by Rate Class to be applied prospectively. Any refund/surcharge amount shall be applied on a percentage basis pursuant to Section 2.C.3 of this Rider FRP and shall be based on the customer's applicable base revenue from the first billing cycle of September of the filing year through the last date the prior FRP Rate Changes by Rate Class were billed. Such refund/surcharge amount shall be applied to customers' bills in the manner prescribed by the Commission.

2.C. ANNUAL REDETERMINATION OF RATE ADJUSTMENTS

2.C. 1. DEFINITION OF TERMS

a. TEST YEAR

The test year shall be the twelve-month period ending December 31 immediately preceding the year in which the FRP Annual Report is filed. Attachment 1 to Rider FRP is a list of authorized ratemaking adjustments allowable to the per books amounts during the test year.

b. SYSTEM ACQUISITION REGULATORY ASSET

A regulatory asset referred to herein as the System Acquisition Regulatory Asset ("SARA") will be accrued for any operating losses during the test year, upon acquisition of 4,000 or more customers, whether acquired cumulatively or part of a single transaction, acquired after the initial rate filing test year, December 31, 2020. The SARA will accrue for such systems until the rates are next adjusted within the FRP. The operating loss for an acquired system will be calculated using the following formula for each acquired service area:

Revenue - General & Administrative Expense - Operations & Maintenance – Depreciation & Amortization = Operating Loss. For each system to which this provision is applicable during the test year, Magnolia must submit the calculations for the SARA in Attachment 2 of the FRP providing the operating loss calculations. The SARA will be submitted and reviewed annually as part of the FRP Annual Filing reviews and are subject to adjustment as part of those proceedings. The approved SARA will be amortized for ratemaking purposes over a 10-year period with an effective date of September 1, 2023.

If after the three-year FRP term approved in Order No. U-35822, Magnolia is no longer on a FRP, Magnolia shall file an application for review if its SARA on or before May 1, 2026 with all supporting documentation and shall file on or before May 1 each year thereafter until the SARA is fully amortized or unless otherwise directed by this Commission.

c. CALCULATED RETURN ON EQUITY

For years 2023 and 2024, the calculated Return on Equity ("ROE") for those test years shall be based on an imputed capital structure of 40% debt and 60% equity for FRP purposes, or higher amount if the actual debt level is higher than 40% as of the end of the test year.

For year 2025, the calculated Return on Equity ("ROE") for that test year shall be based on an imputed capital structure of 50% debt and 50% equity for FRP purposes, or higher amount if the actual debt level is higher than 50% as of the end of the test year.

The ROE determination shall be determined using the formula below and shall reflect the actual results for the test year, as recorded on the Company's books in accordance with NARUC Uniform System of Accounts and independently audited.

Net Operating Income/(Rate Base x Imputed or Actual Equity %) = ROE

d. INTEREST EXPENSE

Annualized interest expense, which will be based on Magnolia's actual or imputed debt ratio, will be deducted from Net Operating Income before determining ROE. If actual debt is below the debt level in imputed capital structure, Interest Expense on imputed debt shall be calculated using the following formula:

(Rate Base x Imputed Debt %) x Weighted Average Cost of Debt = Interest Expense

If Magnolia Water has no debt in place, the Weighted Average Cost of Debt will be the Prime Interest Rate for the United States as published in the December 31 edition of the Wall Street Journal for the Filing Year (or if December 31 is a weekend or holiday on the next business day thereafter).

e. BANDWIDTH FOR ROE RATIO

The ROE Ratio Bandwidth ("Bandwidth") shall be the range of values with a lower limit ("Lower Band") equal to 9.00% and an upper limit ("Upper Band") equal to 10.00%.

f. MIDPOINT FOR ROE RATIO

The ROE Ratio Midpoint ("Midpoint") shall be equal to 9.50%.

2.C.2. RIDER FRP REVENUE LEVEL

For each test year, the Total Rider FRP Revenue level shall be determined using the following rules:

a. NO RIDER FRP CHANGE

There shall be no change in the Rider FRP Revenue level in effect for the test year if the ROE is greater than or equal to the Lower Band and less than or equal to the Upper Band.

b. RIDER FRP INCREASE - ROE

If the ROE is less than the Lower Band, the Rider FRP Revenue level

in effect for the test year shall be increased by 100% of the difference between the ROE and the Lower Band.

c. RIDER FRP DECREASE - ROE

If the ROE exceeds the Upper Band, the Rider FRP Revenue level in effect for the test year shall be reduced by 100% of the difference between the ROE and the Upper Band.

2.C.3. RIDER FRP REVENUE ALLOCATION

The Total Rider FRP Revenue, as determined under the provisions of Section 2.C.2 above, shall be allocated to each applicable rate schedule based on an equal percentage of applicable base revenue. This percentage shall be developed by dividing the Total Rider FRP Revenue increase/decrease by the total applicable base revenue.

2.C.4. RIDER FRP CHANGES BY RATE CLASS

All applicable retail rates and riders on file with the Louisiana Public Service Commission will be adjusted so that average bills will be equal for customers in each rate class by service type.

3. PROVISIONS FOR OTHER RATE CHANGES

3.A. NO BASE RATE CHANGE

During the term of this FRP, Magnolia shall not file a base rate increase and the Commission shall not initiate a base rate reduction, except as otherwise specifically provided for herein.

3.B. EXTRAORDINARY COST OR REVENUE CHANGES

If Magnolia experiences a single extraordinary increase or decrease or multiple extraordinary increases or decreases in expenses or revenue, or a single extraordinary increase or decrease or multiple extraordinary increases or decreases in base revenues, net of any related offsetting increases or reductions in expenses, in a test year having a net annual revenue requirement impact exceeding two percent on a Louisiana retail jurisdictional basis, then either the Company or the Commission may address the ratemaking effects of such cost or revenue increase(s) or decrease(s) or increase or decrease in base revenues in either the annual FRP proceedings or in a separate proceeding outside the provisions of the FRP and established for that purpose. Should Magnolia propose to address the extraordinary

expense or revenue change in an annual FRP proceeding, it shall provide Staff with at least 60 days' notice, i.e., on or before March 1 of the filing year, detailing the extraordinary expenses or revenue in advance of the FRP filing date. Such notice shall be in writing addressed to the Executive Secretary and to the Staff Attorney assigned to the previous year's FRP proceeding, at a minimum. Upon receiving and reviewing such notice, Staff may require Magnolia to file its request in a separate proceeding. Staff shall notify Magnolia within 30 calendar days of receipt of Magnolia's notice whether it desires for Magnolia to address the extraordinary expenses or revenue in a separate proceeding. If Staff does not notify Magnolia within 30 calendar days that it desires Magnolia to address the extraordinary expenses or revenue in the FRP proceeding, Magnolia shall address the extraordinary expenses or revenue in a separate proceeding. In no event, shall any such ratemaking provide for multiple recoveries of the same expenses or revenues, whether in the same or subsequent years. Such extraordinary increases or decreases in expenses or revenue or, increase or decrease in base revenues shall be limited to an event or events of force majeure beyond the reasonable and direct control of Magnolia, including natural disaster, damage or unforeseeable loss of distribution assets, changes in regulation ordered by a regulatory body or other entity with appropriate jurisdiction, and orders or acts of civil or military authority.

3.C. SPECIAL RATE FILINGS

The FRP shall not preclude Magnolia from proposing revisions to existing rate schedules or new rate schedules, such as experimental, developmental, and alternative rate schedules, to address competitive and other business needs. Magnolia shall file any such proposed rate schedules or changes with the Commission and the Commission shall evaluate Magnolia's proposals in accordance with the rules and procedures then in effect.

4. EFFECTIVE DATE AND TERM

Rider FRP shall continue in effect for three years with FRP Annual Report filings to be made on or before May 1 of each of the years 2023, 2024 and 2025 for the test years ending December 31, 2022, 2023 and 2024, respectively. Unless Rider FRP is extended by the Commission, the FRP Rate Changes by Rate Class resulting from the 2025 FRP Annual Report filing based on the 2024 test year shall continue in effect until such time as they are superseded pursuant to a final Commission order. If this Rider FRP is terminated by a future order of the Commission, the then-existing Total FRP Revenue shall continue to be in effect until new base rates reflecting the then-existing Total FRP revenue are duly approved and implemented. Nothing contained in the Rider FRP shall limit the right of any party to file an appeal as provided by law.

MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC

RIDER FRP

ATTACHMENT 1

RATEMAKING ADJUSTMENTS

The Company's ratemaking adjustments to the per books amounts shall be limited to the following:

1. Long term debt interest expense shall be annualized by summing the per books long-term debt interest in December of the test year and multiplying the result times 12.
2. Depreciation expenses shall be annualized by multiplying the per books depreciation expense incurred in December of the test year times 12.
3. Property tax expense shall be annualized by multiplying the current effective millage rate times the December 31 gross plant.
4. Interest income shall be annualized by multiplying the per books interest income incurred in December of the test year times 12.
5. All fines and penalties shall be excluded from expenses.
6. All charitable contributions shall be excluded from expenses.
7. All political contributions and lobbying activities shall be excluded from expenses.
8. The System Acquisition Regulatory Asset authorized by Rider FRP shall not be included in any of these prescribed adjustments to ensure there is no double recovery of those expenses.
9. The Company or the Staff may propose that unusual or nonrecurring expenses incurred during the test year either may be excluded from expenses altogether or deferred and amortized over a reasonable number of years. The party making such a proposal shall have the burden to demonstrate that it is just and reasonable.
10. Should the Company report an ROE of more than 200 basis points below the Lower Band, the Company or the Staff may propose that costs resulting in said ROE, or a portion thereof, be deferred and amortized over a reasonable number of years.
11. Except as otherwise provided in the Rider FRP, the Company shall not include post-test year adjustments.

MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC

SYSTEM ACQUISITION REGULATORY ASSET

ATTACHMENT 2

Attachment 2 to Rider FRP addresses the System Acquisition Regulatory Asset and the required minimum documentation Magnolia must submit with each Annual FRP Report filing for Commission review:

1. All calculations in their native format detailing the operating costs of each system included in the regulatory asset.
2. All calculations in their native format detailing the revenues included from those customers of each system included in the regulatory asset.
3. All calculations in their native format detailing the losses included from those customers of each system included in the regulatory asset along with a narrative detailing each type of expense.
4. A narrative detailing the difference in operating expenses from the most recent annual report or audited financial report, if available, for each system included in the regulatory asset.

Without exception, any losses included in the regulatory asset should not be double counted as an expense in any current or future year of the FRP.

MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC

RIDER FRP

ATTACHMENT 3

PURCHASED WATER RATE

S-35835 In re: Request for a Letter of Non-Opposition for Authority to increase the Flow-through Rate for Water per 1,000 Gallons from \$6.10 to \$6.36 in 2021, and from \$6.36 to \$6.56 effective January 1, 2022, for the Dixie Garden and Kings Highway Subdivisions.

- Request filed December 28, 2020
- Conditional Staff approval filed March 23, 2021
- \$6.10 to \$6.36, effective date March 23, 2021
- \$6.36 to \$6.56, effective date January 1, 2022

S-35836 In re: Request for a Letter of Non-Opposition for Authority to increase the Flow-through Rate for Water per 1,000 Gallons from \$6.10 to \$6.36 in 2021, and from \$6.36 to \$6.56 effective January 1, 2022, for the Wildwood Forest Subdivision.

- Request filed December 28, 2020
- Conditional Staff approval filed March 23, 2021
- \$6.10 to \$6.36, effective date March 23, 2021
- \$6.36 to \$6.56, effective date January 1, 2022

Magnolia Water Utility Operating Company, LLC
Water and Wastewater Tariff
Issued:
Revision: Original
Rider FRP

Attachment 4

Supersedes: *N/A*
Authority: U-35822
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MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC

RIDER FRP

ATTACHMENT 4

TAX ELECTIONS

Annual FRP Filing the IRS Form 8832 C-Corp Election for Magnolia Water Utility Holding Company, LLC and Magnolia Water Utility Operating Company, LLC FRP Annual Filing Test Year



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I. GENERAL

Formula Rate Plan Rider FRP (“Rider FRP”) is authorized under Section 77-3-2(3) of the *Mississippi Code of 1972, as amended*, as a formula type rate of return evaluation rate. Rider FRP defines the procedure by which the rates contained in the Great River Utility Operating Company, LLC (“Great River” or “Company”) rate schedules may be periodically adjusted. Rider FRP shall apply, in accordance with the provisions of Section II below, to all water and wastewater service billed under the Company's Rate Schedules, whether metered or unmetered, subject to the jurisdiction of the Mississippi Public Service Commission (“MPSC” or “Commission”). The computation of time prescribed in this Rider FRP shall be in accordance with the Commission’s Rules, as such rules may be amended from time to time.

II. APPLICATION AND ANNUAL REDETERMINATION PROCEDURE

A. RATE ADJUSTMENTS

The Rate Adjustments shall be determined in accordance with the provisions of Sections II.B and II.C below.

B. ANNUAL REPORT AND REVIEW

i. FILING DATE AND FILING REQUIREMENTS

On or before February 28th of each year, Great River shall file a report with the Commission containing a calculation of the Company's revenue requirement and Actual Return on Rate Base based for the twelve months ending December 31 of the previous year (the “Test Year”) prepared in accordance with the provisions of Section II.C below. This annual filing shall be referred to as the “FRP Annual Report”. Any revised rate schedules shall be filed with the FRP Annual Report incorporating any revenue adjustment determined in accordance with the provisions of Section II.C below. Consistent with Commission Rules, separate FRP Annual Reports shall be filed for each service provided, one for water and one for wastewater. Each FRP Annual Report will be separately docketed each year. For purposes of rate adjustments under this Rider FRP, the information listed in Attachment 4 shall be deemed to meet the filing requirements required by Commission Rule.

ii. INTERIM RATES AND PERMANENT RATES

If the FRP Annual Report indicates a revenue and rate adjustment is needed, Great River shall implement the following:

- a. **Interim Rate:** This rate shall be implemented beginning with the first billing cycle of April and shall be designed to collect the entire revenue requirement, including any revenue adjustments indicated by the FRP Annual Report, over the remaining nine (9) months of the calendar year (April through December). The Interim Rate



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shall become effective upon Great River providing a bond or other surety traditionally used by Mississippi public utilities to secure such obligations. The Interim Rate is subject to a two percent (2%) cap of the Test Year aggregate retail revenues and will remain in effect through the date of implementation of the rates approved by a Commission order, or by operation of the terms of this Rider FRP.

- b. Permanent Rate:** Upon approval of the FRP Annual Report by Commission order or by operation of the terms of this Rider FRP, Permanent Rates calculated consistent with the methodology below shall become immediately effective:
1. The Permanent Rate shall be designed to collect the authorized annual revenue requirement over a twelve-month (12) period. Permanent Rates shall remain effective until superseded by subsequent rates implemented pursuant to the procedures of this Rider FRP or otherwise by Commission order.
 2. A surcharge or refund will be designed and implemented with the Permanent Rate and will cease with the last billing cycle of the calendar year. This rate is designed to collect or return any necessary adjustment to ensure the full annual revenue requirement is collected for the current calendar year.
- c.** The Interim Rate, Permanent Rate and surcharge or refund shall be designed to collect the Commission approved calendar year’s revenue requirement within the same calendar year.

iii. REVIEW PERIOD

The Mississippi Public Utilities Staff (“Staff”), its outside advisors, if any, and all interveners of record (each a “Party” and collectively the “Reviewing Parties”) shall have a total of eighty (80) calendar days from the date of filing to review the FRP Annual Report and document and report any errors, issues or disputes. The Reviewing Parties may request clarification and additional supporting data in accordance with the Commission’s Rules governing data requests. The response to any request for clarification or additional supporting data shall be provided within twenty (20) calendar days of the request. If the Reviewing Parties should detect any error(s) in the application of the provisions of Rider FRP or should otherwise disagree with any of the computations, revenues, or costs included in such computations, such error(s) and/or disagreements shall be formally communicated in writing to the Commission and Great River within eighty (80) calendar days of filing. Each such indicated error or disagreement shall include documentation of the proposed correction. The Company shall then have ten (10) calendar days to review any proposed corrections and/or adjustments, to work with the Reviewing Parties to resolve any differences and to file a revised rate schedules reflecting all corrections and adjustments upon which the Reviewing Parties agree. The Company shall provide the Reviewing Parties with all



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work papers supporting any revisions made to the FRP Annual Report initially filed for the Test Year.

To the extent that there are no issues raised during the annual review period of the FRP or any issues raised are amicably resolved, i.e., there are no unresolved issues to be addressed pursuant to Section II.B.iv, the Company and Reviewing Parties shall submit a summary of the proceedings to the Commission for consideration as timely as practicable, including the terms under which any issues have been resolved and the resulting effect on revenue requirement and rates.

iv. RESOLUTION OF DISPUTED ISSUES

In the event there is an unresolved dispute between Great River and one or more of the Reviewing Parties, before the conclusion of the ninety (90) day review period, the parties shall jointly submit to the Commission a statement of the issues to be resolved. Any Party may separately submit memoranda supporting their respective positions. The Commission shall render a ruling on such disputed issues on or before the first billing cycle of July of the filing year. Notwithstanding the provisions above, in the event the Test Year revenue requirement remains unauthorized or unapproved, Great River may implement, subject to refund by subsequent order of the Commission, a Rate Under Bond comprised of the Permanent Rates and surcharge/refund described above beginning with the first billing cycle of July upon Great River providing bond or other surety traditionally used by Mississippi public utilities to secure such obligations. The Permanent Rate portion of the Rate Under Bond to be placed into effect shall be calculated based in accordance with Section II.B.ii.b.1 above.

If a dispute or error is resolved such that there are changes in the revenue requirement and initially implemented schedule of rates pursuant to the above provisions, a revised revenue requirement and revised schedule of rates containing such further modified revenue requirement shall be submitted to the Commission within five (5) days of the Commission's order resolving the dispute. In addition to reflecting the Commission's ruling on the disputed issue, the final revenue requirement and revised schedules of rates shall also reflect the adjustments necessary to recover or credit the estimated revenue increase or decrease, respectively, that would have resulted had the final revenue requirement been implemented initially. Such revised rates reflecting the modified revenue requirement shall then become effective at the end of five (5) days, unless approved earlier by order of the Commission, and shall remain in effect until superseded by new rates established under this Rider FRP.



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C. ANNUAL REDETERMINATION OF RATE ADJUSTMENTS

i. DEFINITION OF TERMS

a. TEST YEAR

The Test Year shall be the twelve-month period ending December 31 immediately preceding the year in which the FRP Annual Report is filed. Attachment 1 to Rider FRP is a list of authorized ratemaking adjustments allowable to the per books amounts during the Test Year.

b. SYSTEM ACQUISITION REGULATORY ASSET

A regulatory asset referred to herein as the System Acquisition Regulatory Asset (“SARA”) will be accrued to reflect any operating losses incurred and booked during the Test Year associated with any newly acquired utility system not yet being charged a rate under Great River’s approved Tariff. The SARA will accrue for such systems from the date of acquisition until the rates are next adjusted within the FRP, at which point the system will be subject to consolidated rates, adjusted for any RMRA (discussed below) and will no longer incur the SARA operating losses. The SARA operating loss for an acquired system will be calculated using the following formula for each acquired service area:

Revenue - General & Administrative Expense - Operations & Maintenance = SARA Operating Loss.

For each system to which this provision is applicable during the Test Year, Great River must submit the operating loss calculations for the SARA consistent with Attachment 2 of the FRP. The SARA will be submitted and reviewed annually as part of the FRP Annual Report review and is subject to adjustment as part of those proceedings. The approved SARA will be amortized for ratemaking purposes over a seven (7) year period with: (1) the unamortized portion included in Rate Base; and (2) the amortized amount included as Amortization of Regulatory Asset.

c. RATE MITIGATION REGULATORY ASSET

In Docket Nos. 2022-UN-86 and 2022-UN-87, Great River was authorized to establish a regulatory asset (referred to herein as the Rate Mitigation Regulatory Asset (“RMRA”)) to defer a percentage of annual general and administrative expense and operation and maintenance expense for any utility system subject to the rates calculated pursuant to this FRP for the first time. RMRA was discontinued for any system acquisitions approve on or after January 1, 2025. For water systems previously subject to RMRA the deferral percentage shall be sixteen and one-half percent (16.5%); for sewer systems previously subject to RMRA, the deferral percentage shall be thirty-two percent (32%). The RMRA deferral shall be limited



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to one (1) year per utility system previously subject to RMRA For each system to which this provision is applicable during the Test Year, Great River shall submit the deferral calculations for the RMRA consistent with Attachment 2 of the FRP. The RMRA will be submitted and reviewed annually as part of the FRP Annual Report review and is subject to adjustment as part of those proceedings. The approved RMRA will be amortized for ratemaking purposes over a seven (7) year period with: (1) the unamortized portion included in the Rate Base; and (2) the amortized amount included as Amortization of Regulatory Asset.

d. ACTUAL RETURN ON RATE BASE

The Actual Return on Rate Base (“AROR”) to be included in the FRP Annual Report shall be determined using the schedule included in Attachment 3 and shall reflect the actual results for the Test Year, as recorded on the Company's books in accordance with NARUC Uniform System of Accounts and as adjusted per the terms of Attachment 1.

e. BENCHMARK RETURN ON RATE BASE

The Benchmark Return on Rate Base (“BROR”) for filing years 2024, 2025 and 2026 shall equal to 8.95%. The Commission shall initiate a review of provisions of Rider FRP following the conclusion of the FRP Annual Report for 2026 to re-evaluate the methodology for determining the BROR to apply prospectively beginning with filing year 2027.

f. RANGE OF NO CHANGE

The Range of No Change shall be the range of values with a lower limit (“Lower Point”) equal to .50% below the BROR and an upper limit (“Upper Point”) equal to .50% above the BROR.

g. ADJUSTMENT POINT

The Return on Rate Base Adjustment Point (“Adjustment Point”) shall be equal to the midpoint of the Range of No Change.

ii. REVENUE ADJUSTMENTS

A determination shall be made pursuant to this section as to whether Great River’s revenues should be increased, decreased or remain the same. If it is determined that revenues should be increased or decreased, revised rate schedules shall be adjusted and filed with the FRP Annual Report. The determination of any change to current revenue shall be made in accordance with the following rules:



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a. NO RIDER FRP CHANGE

There shall be no change in Great River’s revenue requirement and rates for FRP if the AROR is within the Range of No Change (i.e., greater than or equal to the Lower Point and less than or equal to the Upper Point).

b. RIDER FRP INCREASE – ROE

If the AROR is less than the Lower Point, Great River’s revenue requirement for FRP shall be increased by one hundred percent (100%) of the amount necessary to bring the AROR to the Adjustment Point.

c. RIDER FRP DECREASE - ROE

If the AROR exceeds the Upper Point, Great River’s revenue requirement for FRP shall be reduced by one hundred percent (100%) of the amount necessary to bring the AROR to the Midpoint.

iii. RIDER FRP REVENUE ALLOCATION

The Rider FRP revenue, as determined under the provisions of Section II.C.ii above, shall be allocated to each applicable rate schedule based on each rate schedule’s relative percent of total revenues. This percentage shall be developed by dividing the Rider FRP revenue increase/decrease by the total applicable base revenue.

III. PROVISIONS FOR OTHER RATE CHANGES

A. EXTRAORDINARY COST OR REVENUE CHANGES

If Great River experiences a single extraordinary increase or decrease or multiple extraordinary increases or decreases in expenses or revenue, or a single extraordinary increase or decrease or multiple extraordinary increases or decreases in base revenues, net of any related offsetting increases or reductions in expenses, in a test year having a net annual revenue requirement impact exceeding ten percent (10%) on a Mississippi retail jurisdictional basis, Great River may file for rate or other relief outside the provisions of this Rider FRP, but in accordance with the law of the State of Mississippi governing such filings, and the request will be handled by the Commission in accordance with its regulations and applicable law governing such filings. In no event, shall any such ratemaking provide for multiple recoveries of the same expenses or revenues, whether in the same or subsequent years.

B. SPECIAL RATE FILINGS

The FRP shall not preclude Great River from proposing revisions to existing rate schedules or new rate schedules, such as experimental, developmental, and alternative rate schedules,



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to address competitive and other business needs. Great River shall file any such proposed rate schedules or changes with the Commission and the Commission shall evaluate Great River's proposals in accordance with the rules and procedures then in effect.

C. FORCE MAJEURE

If any cause beyond the reasonable control of the Company, such as natural disaster, damage or loss of major capital equipment, orders or acts of civil or military authority, terrorist attacks, government mandates, the happening of any event or events which cause increased costs to the Company, or other causes, whether similar or not, results in a deficiency in revenues which is not readily capable of being redressed in a timely manner under Rider FRP, Great River may file for rate or other relief outside the provisions of this Rider FRP, but in strict accord with the law of the State of Mississippi governing such filing and said request will be handled by the Commission in accordance with its regulations and applicable law governing such filings.

IV. EFFECTIVE DATE AND TERM

Rider FRP shall continue in effect until modified or terminated by the Commission in accordance with the law of the State of Mississippi. If this Rider FRP is terminated by a future order of the Commission, the then-existing Total FRP Revenue shall continue to be in effect until new base rates reflecting the then-existing Total FRP revenue are duly approved and implemented. Further, any unamortized portion of the SARA or RMRA deferrals shall be included in future rates until fully amortized. Nothing contained in the Rider FRP shall limit the right of any party to file an appeal as provided by law.



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ATTACHMENT 1

ADJUSTMENTS TO TEST YEAR BOOK AMOUNTS

The Company's ratemaking adjustments to the per books amounts shall be limited to the following:

1. Long term debt interest expense shall be annualized by summing the per books long-term debt interest in December of the Test Year and multiplying the result times twelve (12).
2. Rate base shall be as of December 31 per the books of the Company.
3. Depreciation expenses shall be annualized by multiplying the per books depreciation expense incurred in December of the Test Year times twelve (12).
4. Property tax expense shall be annualized by multiplying the current effective millage rate times the December 31 plant in service.
5. Interest income shall be annualized by multiplying the per books interest income incurred in December of the Test Year times twelve (12).
6. All fines and penalties shall be excluded from expenses.
7. All charitable contributions shall be excluded from expenses.
8. All political contributions and lobbying activities shall be excluded from expenses.
9. The SARA authorized by Rider FRP shall not be included in any of these prescribed adjustments to ensure there is no double recovery of those expenses. An amortized portion of the SARA shall, however, be included as an expense in the Test Year and the unamortized portion included in rate base.
10. The RMRA authorized by Rider FRP shall not be included in any of these prescribed adjustments to ensure there is no double recovery of those expenses. An amortized portion of the RMRA shall, however, be included as an expense in the Test Year and the unamortized portion included in rate base.
11. The Company or the Staff may propose that unusual or nonrecurring revenues or expenses incurred during the Test Year either may be excluded from expenses altogether or deferred and amortized over a reasonable number of years. The party making such a proposal shall have the burden to demonstrate that it is just and reasonable.
12. The tax consequences of any adjustment shall be calculated in arriving at Net Income.
13. Except as otherwise provided in the Rider FRP, the Company shall not include post-Test Year adjustments.



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ATTACHMENT 2

SYSTEM ACQUISITION REGULATORY ASSET

For as long as a SARA remains on Great River's books, each Annual FRP Report shall contain the following information and documentation:

1. All calculations in their native format detailing the operating costs of each system included in the regulatory asset.
2. All calculations in their native format detailing the revenues included from those customers of each system included in the regulatory asset.
3. All calculations in their native format detailing the losses included from those customers of each system included in the regulatory asset along with a narrative detailing each type of expense.
4. A narrative detailing the difference in operating expenses from the most recent annual report or audited financial report, if available, for each system included in the regulatory asset.
5. Any amortization expense associated with any and all SARA on Great River's books.

Without exception, any losses included in the regulatory asset should not be double counted as an expense in any current or future test year of the FRP.

RATE MITIGATION REGULATORY ASSET

For as long as a RMRA remains on Great River's books, each Annual FRP Report shall contain the following information and documentation:

1. All calculations in their native format detailing the operating costs of each system included in the regulatory asset.
2. Any amortization expense associated with any and all RMRA on Great River's books.

Without exception, any costs deferred in the regulatory asset should not be double counted as an expense in any current or future test year of the FRP.



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ATTACHMENT 3

CALCULATION OF ACTUAL RETURN ON RATE BASE

Line #	Description (B)	Test Year Actual (C)	Adjustments (D)	Test Year Total (E)	Note (F)
1					
2	Operating Revenue				
3					
4	Operating Expenses				
5	General & Administrative Expense				
6	Operations & Maintenance Expense				
7	Depreciation				
8	Capitalization of Regulatory Asset				
9	Amortization, Miscellaneous				
10	Amortization of Regulatory Asset				
11	Total Operating Expenses				Sum of Lines 5-10
12					
13	Gross Operating Income				Line 2 less Line 11
14					
15	Interest Expense				
16					
17	Funds Available for Income Tax and Equity				Line 13 less Line 15
18					
19	Less Income Taxes				Statutory tax rate times Line 17
20					
21	Net Income				Line 17 less Line 19
22					
23	Rate Base				
24					
25	Actual Return on Rate Base				Line 21 divided by Line 23
26					



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ATTACHMENT 4

FILING REQUIREMENTS

Each FRP Annual Report shall contain the following documentation, data and information:

1. Input Schedule of Financial Assumptions;
2. Balance Sheet for the Test Year;
3. Income Statement for the Test Year;
4. Rate Comparison Sheet of Existing and Adjusted Rates;
5. Rate Base Detail;
6. RMRA and SARA calculations in accordance with Attachment 2 above;
7. Calculated AROR for the Test Year in accordance with Attachment 3 above;
8. Revenue Adjustment Calculation.
9. Summary of Adjustments to Test Year Book Amounts; and
10. Copy of notice to customers sent pursuant to Rule 9 of the Commission's Rules.

Limestone Utility Operating Company
Rate Base Additions
DR 2

b. Service Area	Wastewater	Water	Total
TN-Cumberland Basin	182,609.69	-	182,609.69
TN-Laurel Creek	2,896.50	-	2,896.50
TN-Riverstone Estates (IRM)	89,979.91	-	89,979.91
			275,486.10

d. Service Area	Wastewater	Water	Total
TN-Aqua	462,772.28	99,583.82	562,356.10
TN-Arrington Retreat	67,145.63	47,503.92	114,649.55
TN-Cartwright Creek	80,342.01	-	80,342.01
TN-Chapel Woods	247,356.49	-	247,356.49
TN-Genesis Village Estates	8,003.51	-	8,003.51
TN-Grasslands	674,076.33	-	674,076.33
TN-Hideaway	324,104.89	-	324,104.89
TN-Lakeside Estates	87,553.48	-	87,553.48
TN-Laurel Creek (USA)	37,724.25	-	37,724.25
TN-Limestone	61,672.50	-	61,672.50
TN-Riverstone Estates (IRM)	26,491.10	-	26,491.10
TN-Shiloh Falls	663,729.06	-	663,729.06
			2,888,059.27

Appendix C: Proposed ARRM Tariff

Limestone Water Utility Operating Company**Annual Rate Review Mechanism (ARRM)****Applicable**

To all water/sewer services provided under tariff services, excluding special contract

Purpose

This Annual Rate Review Mechanism ("ARRM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to opt for an annual review of the Company's rates. Pursuant to this ARRM and the annual filings described herein, the Company's tariff rates (excluding approved special contract rates) shall be adjusted to provide that the Company earns the Authorized Return on Equity. The rate adjustments implemented under this mechanism will reflect changes in the Company's jurisdictional revenues, cost of service, and rate base. The ARRM may be terminated or modified as provided under Tennessee Code Annotated Section 65-5-103(d)(6)(D).

Definitions

- A. **Annual ARRM Rate Effective Date** shall be the date the rate and rate adjustments established in the Annual ARRM proceeding are effective. The Annual ARRM Rate Effective Date shall be August 1 each year.
- B. **Annual Filing Date** shall be the date the Company will make its annual ARRM filing with the Tennessee Public Utility Commission. The Annual Filing Date shall be no later than March 20 of each year.
- C. **Annual Reconciliation Balance** is the sum of the Historic Base Period Earning Deficiency or (Excess) and the carrying charges from the mid-point to the end of the Historic Base Period multiplied by the Income Tax Gross-Up factor.
- D. **Annual True-Up Revenue Requirement Rate Adjustment (True-Up Rate Adjustments)** is the rate adjustment necessary to allow the Company to recover or credit to the customers the Historic Base Period earning deficiency or excess respectively and earn its Authorized Return on Equity on a going forward basis. The Annual True-Up Revenue Requirement Rate

Appendix C: Proposed ARRM Tariff

Adjustment shall be based on the Historic Base Period revenues, expenses, and rate base with the following adjustments:

- a. Tap & Inspection Fees shall be classified as Revenues
 - b. Bad Debt Expense shall be calculated using a 1% allowance
 - c. The Historic Base Period rate making Operating Expenses shall be increased to include the recovery of a positive Historic Base Period Annual Reconciliation Balance or reduced to credit a negative Historic Base Period Reconciliation Balance.
 - d. State Excise Tax and Federal Income Tax shall be computed based on the adjusted revenues and expenses, and synchronized interest computed by multiplying the Rate Base by the weighted cost of debt.
 - e. The rate base shall be adjusted to include:
 - i. The average unamortized balance of the Annual Reconciliation Balance (positive or negative) and the related deferred income tax assuming amortization over twelve (12) months
 - f. The Annual True Up Rate Adjustment Rate Increase or Reduction shall be allocated proportionately to the Revenue Requirements allocated to individual Rate Schedules in Docket No. 24-00044 or any subsequent general rate case to determine the total adjustment applicable to each Rate Schedule.
- E. **Approved Methodology** is defined as the methodology adopted by the Commission in Docket No. 24-00044 or in any subsequent general rate case, whichever is more recent, or as otherwise approved by the Commission.
- F. **ARRM Regulatory Asset or Regulatory Liability** shall be the Annual Reconciliation Balance and the related deferred income tax, with the Annual Reconciliation Balance multiplied by the composite Tennessee Excise and Federal Income Tax rate.
- a. The average unamortized balance of the ARRM Regulatory Asset or Regulatory Liability and the related Deferred Income Tax for the current Historic Base Period shall be components of the Annual True-Up Rate Adjustment Rate Base assuming amortization uniformly over twelve (12) months.

Appendix C: Proposed ARRM Tariff

- G. **Authorized Overall Rate of Return** is defined as the overall rate of return as computed in accordance with the procedure adopted by the TPUC in Docket No. 24-00044 or any subsequent general rate case. The capital structure (% short-term debt, % long-term debt, and % equity) shall be as adopted by the Commission in Docket No. 24-00044 or subsequent general rate case. The return on equity shall be 10.00% as adopted in Docket No. 24-00044 or the equity return adopted in a subsequent general rate case. The long-term debt cost rate shall be 6.64% as adopted in Docket No. 24-00044 or the debt cost adopted in a subsequent general rate case.
- H. **Authorized Return on Equity** is defined as the return on equity established in TPUC Docket No. 24-00044, or in any subsequent general rate case, whichever is more recent.
- I. **Earning Deficiency or Excess** shall be the net operating income for the Historic Base Period less the net operating income required to produce the authorized return on equity. The revenues shall be actual revenues for the Historic Base Period, and the expenses shall be adjusted consistent with Docket No. 24-00044:
- a. 96.55% recoverability of water operations expense due to water loss percentages of 18.45%
 - b. 100% exclusion of investment income, sponsorships, memberships, and duplicative depreciation expenses
 - c. Removal of known & measurable one-time expenses related to source of supply and meter maintenance
 - d. Annualization of expenses where needed using actual expenses incurred
 - e. Known & measurable contract rate changes if applicable
- J. **Historic Base Period** is defined as the twelve-month period ending December 31 of each year prior to each Annual Filing Date.
- K. **New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARRM Filing for which there is no explicit prior determination by the Commission regarding the Company.
- a. With respect to plant, revenues, expenses, and customers associated with systems acquired by the Company, such items shall be treated consistent with applicable

Appendix C: Proposed ARRM Tariff

Commission orders, accepted accounting principles, and prior Commission-approved ratemaking methodologies. Newly acquired systems, facilities, and customers may be included in the Historic Base Period results reflected in an Annual ARRM Filing only to the extent such assets and related costs have been placed in service, recorded on the Company's books and records during the Historic Base Period, and are otherwise eligible for rate recovery under existing Commission authority. In such cases, both revenues and expenses related to the newly acquired system shall be annualized.

- b. To the extent the inclusion or treatment of any acquisition-related item presents a New Matter for which there is no explicit prior Commission determination, the Company shall identify and disclose such item in its Annual ARRM Filing for Commission review and approval. Nothing in this Section shall be construed to authorize the automatic inclusion of new plant, expenses, or revenues outside the scope of previously approved ratemaking treatment, or to limit the Commission's authority to review, modify, or disallow any such items.
- L. **Operating Income Deficiency or (Excess)** shall be the amount determined by subtracting the Historic Base Period Net Operating Income from the Authorized Operating Income. Authorized Operating Income shall be calculated by multiplying the Historic Base Period Rate Base by the Authorized Overall Rate of Return, calculated using the capital structure, cost of debt, and return on equity adopted by the Commission in TPUC Docket No. 24-00044 or any subsequent general rate case. If Authorized Operating Income exceeds Historic Base Period Net Operating Income, the result shall be an Operating Income Deficiency. If Historic Base Period Net Operating Income exceeds Authorized Operating Income, the result shall be an Operating Income Excess.
- M. **Revenue Conversion Factor** is the adjustment factor necessary to translate any excess or deficiency in Net Operating Income NOI into a Revenue Deficiency or Surplus as adopted by the Commission in Docket No. 24-00044 or subsequent general rate case.
- N. **Revenue Deficiency or Excess** shall be the Earning Deficiency for the Historic Base Period multiplied by the Revenue Conversion Factor adopted in TPUC Docket No. 24-00044 or subsequent general rate case.

Appendix C: Proposed ARRM Tariff

- O. **Income Tax Gross-Up Factor** is $1 / (1 - \text{Composite Income Tax Rate})$. The Composite Income Tax Rate is $(\text{Tennessee Excise Tax Rate} + (1 - \text{Tennessee Excise Tax Rate}) \times \text{Federal Income Tax Rate})$.

Annual ARRM Filing

On the Annual Filing Date each year, the Company shall file with the Commission schedules and supporting work papers that reflect the actual annual amounts as recorded on the books and records of the Company for the Historic Base Period, the calculation of the Annual Reconciliation Revenue Deficiency/(Surplus), and the rates adjustments for the Company to recover or refund the earning deficiency (surplus) respectively for the Historic Base Period, and earn its authorized return on equity on a going forward basis.

Revenue Allocation and Rate Design

In each Annual ARRM Filing, the Company may propose such revenue allocation and rate design methodologies as it determines to be reasonable and appropriate based upon the revenue requirement developed in the filing. The Consumer Advocate, Commission Staff, and any intervening party may object to the Company's proposed revenue allocation or rate design methodology and may propose alternative methodologies. The Commission shall determine the appropriate revenue allocation and rate design methodology based upon the evidence presented, the proposals of the parties, and such other revenue allocation or rate design methodology as the Commission finds reasonable and in the public interest.

The filing shall include the following Schedules, Documents, and Information: