

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-938, SUB 6
DOCKET NO. W-1328, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | | |
|---|---|--------------------------|
| In the Matter of | | |
| Joint Application by Red Bird Utility Operating |) | ORDER APPROVING |
| Company, LLC d/b/a Red Bird Water and |) | STIPULATION, APPROVING |
| Baytree Waterfront Properties, Inc. for |) | BOND, APPROVING TRANSFER |
| Transfer of Public Utility Franchise and for |) | AND RATES, AND REQUIRING |
| Approval of Rates |) | CUSTOMER NOTICE |

BY THE COMMISSION: On October 9, 2020, Red Bird Utility Operating Company, LLC d/b/a Red Bird Water (Red Bird) and Baytree Waterfront Properties, Inc. (Baytree) filed with the Commission an Application for Transfer of Public Utility Franchise and for Approval of Rates (Application) seeking authority to transfer the wastewater utility system and public utility franchise serving the Windemere Pointe Subdivision in Montgomery County, North Carolina, from Baytree to Red Bird and approval of rates. Red Bird filed supplemental and additional materials in support of the Application on October 21, 2020, June 2, 2021, December 12, 2022, and August 2, 2023 (Supplemental Filings).

On September 13, 2023, the Commission issued its Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) setting this matter for a public witness hearing on October 18, 2023, and an expert witness hearing on November 6, 2023. The Scheduling Order required Red Bird to consult with the Public Staff to develop a Notice to Customers to be delivered to all affected customers.

On September 20, 2023, the Public Staff filed a letter regarding customer notice, with the Public Staff's proposed Notice to Customers attached. On that same date, Red Bird filed a Motion for Approval of Notice to Customers, along with its proposed Notice.

On September 25, 2023, the Commission issued its Order Granting Red Bird's Motion and Approving Customer Notice (Notice Order). The Notice to Customers, attached to the Notice Order as Appendix A, stated that the public witness hearing was subject to cancellation if no significant customer protests were received by October 11, 2023.

As required by the Commission's Notice Order, on September 29, 2023, Red Bird filed a Certificate of Service reflecting service of the Notice to Customers.

On October 9, 2023, Red Bird filed the direct testimony and exhibits of Josiah Cox, President of Red Bird and CSWR, LLC (CSWR), a Missouri limited liability company formed to provide managerial, technical, and financial support to its utility operating affiliates, including Red Bird.

On October 10, 2023, the Public Staff filed a Motion to Revise Order Scheduling Hearings and Discovery. On October 11, 2023, the Commission granted the Public Staff's motion and issued an Order Amending Discovery Guidelines, Filing Dates for Prefiled Testimony and Witness List, and Requiring Report.

On October 12, 2023, the Public Staff filed a Motion to Cancel Public Witness Hearing. In the motion, which was supported by Red Bird, the Public Staff stated that no customer statements had been filed in these dockets and that the Public Staff had not received any consumer statements regarding the Application. On October 13, 2023, the Commission granted the Public Staff's request and issued an Order Canceling Public Witness Hearing.

On October 23, 2023, the Public Staff filed the direct testimony of D. Michael Franklin, Public Utilities Engineer with the Public Staff's Water, Sewer, and Telephone Division; the direct testimony and exhibits of Hemanth Meda, Public Utilities Regulatory Analyst with the Public Staff's Accounting Division; and the direct testimony and exhibit of John R. Hinton, Director of the Public Staff's Economic Research Division.

On October 30, 2023, Red Bird filed the rebuttal testimony of witness Cox and the rebuttal testimony of Caitlin O'Reilly, Regulatory Accounting Manager for CSWR.

On November 1, 2023, Red Bird filed the Witness List and Estimated Cross-Examination Times.

On November 3, 2023, Red Bird filed its Motion for Leave to File Corrected Rebuttal Testimony and Request that Expert Witness Hearing be Rescheduled.

On November 6, 2023, the Commission issued its Order Granting Leave to File Corrected Rebuttal Testimony and Rescheduling Expert Witness Hearing, which rescheduled the expert witness hearing to commence on November 8, 2023.

On November 6, 2023, Red Bird filed the revised rebuttal testimony and exhibit of witness Cox.

On November 8, 2023, at the expert witness hearing, the Commission recessed the hearing and scheduled it to reconvene on December 13, 2023.

On December 6, 2023, Red Bird and the Public Staff (collectively, the Stipulating Parties) filed a Settlement Agreement and Stipulation (Stipulation) resolving all issues between the Public Staff and Red Bird.

On December 7, 2023, the Public Staff filed the joint settlement testimony and exhibits of Public Staff witnesses Franklin and Meda.

On December 7, 2023, Red Bird filed the settlement testimony of witness Cox.

Also on December 7, 2023, the Stipulating Parties filed a Joint Motion to Excuse Witnesses and Cancel Hearing.

On December 8, 2023, the Commission granted the Stipulating Parties' motion and issued an Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing, and Requiring Proposed Orders.

DESCRIPTION OF THE STIPULATION

The Stipulation provides, in pertinent part, the following:

- A. The transfer of the Baytree system to Red Bird should be approved.
- B. Prior to closing and pursuant to future order by the Commission, Red Bird shall post a bond in the amount of \$35,000 in a form acceptable to the Commission for the Baytree system.
- C. At closing, Red Bird will adopt the tariffs and rates currently in effect for Baytree's wastewater customers.
- D. At closing, Red Bird will adopt Baytree's accounting records, provide the detailed accounting records received from Baytree to the Public Staff, and will not adjust or make changes to those records without Commission approval.
- E. The Stipulating Parties agree that the net book value of the Baytree assets Red Bird is acquiring is \$10,653, as calculated in Public Staff Settlement Exhibit 1. This amount is based on plant additions through December 31, 2023, as provided by Red Bird, and includes depreciation and amortization calculated through December 31, 2023.
- F. Red Bird may request recovery of the following costs associated with the transfer of the Baytree system to Red Bird:
 - (i) Up to \$24,574 for engineering due diligence work listed in Cox Exhibit 4 in the next general rate case relating to the Baytree wastewater system, provided that the work results in reasonable and prudent capital investments to improve the wastewater system.

- (ii) Up to \$13,500 for legal costs related to the acquisition of the Baytree system in the next general rate case relating to the Baytree wastewater system.
- G. Red Bird agrees not to pursue rate recovery of any additional costs associated with the transfer, including due diligence, transactional, and regulatory costs, other than those listed in Paragraphs F.(i) and (ii) above and further detailed in Public Staff Settlement Exhibit 2.
- H. Red Bird agrees not to pursue an acquisition adjustment related to the Baytree system in this or any future proceeding.
- I. Consistent with the Settlement Agreement and Stipulation in Docket Nos. W-1328, Sub 10 and W-1146, Sub 13, key leadership from Red Bird and CSWR will meet with the Public Staff annually to provide an update detailing all changes in Red Bird's facilities and operations since the last annual update, as well as to discuss Red Bird's financial condition.

Based upon the foregoing, including the Application, the testimony and exhibits of the witnesses, the Stipulation, prior dockets, and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. Red Bird is a North Carolina limited liability company in good standing. Red Bird is a wholly owned subsidiary of its sole member, Red Bird Utility Holding Company, LLC (RBUH), which is also a North Carolina limited liability company in good standing. RBUH is a wholly owned subsidiary of its sole member, North Carolina Central States Water Resources, LLC, which is also a North Carolina limited liability company in good standing and a wholly owned subsidiary of CSWR.¹

2. Red Bird presently holds five utility franchises in North Carolina. On December 8, 2021, in Docket No. W-1328, Sub 7, the Commission issued an order granting Red Bird a wastewater utility franchise for the Ocean Terrace and Pine Knoll Townes I, II, and III townhome communities in Carteret County, North Carolina. On February 7, 2023, in Docket Nos. W-1328, Sub 4 and W-1040, Sub 10, the Commission issued an Order approving the transfer of the Bear Den Acres Development water system and public utility franchise to Red Bird. On August 29, 2023, in Docket Nos. W-1328, Sub 9 and W-992, Sub 8, the Commission issued an order approving the transfer of the Crosby Utilities, Inc. systems and issuing a franchise to Red Bird for those systems. On December 14, 2023, in Docket Nos. W-1146, Sub 13 and W-1328, Sub 10,

¹ U.S. Water Systems, LLC is a Delaware limited liability company and the sole owner/member of CSWR. It was formed by independent investment firm Sciens Capital Management, LLC to oversee water sector investments using investor dollars held by Sciens Water Opportunities Fund.

the Commission issued its Recommended Order Approving Stipulation, Approving Transfer and Rates, Granting Franchise, Approving Bond, and Requiring Customer Notice. On December 22, 2023, the Commission issued its Order Allowing Recommended Order to Become Effective and Final, by which it approved the transfer of the Total Environmental Solutions, Inc. water and wastewater systems and issued a franchise to Red Bird for those systems. On January 31, 2024, in Docket Nos. W-1296, Sub 3 and W-1328, Sub 3, the Commission issued an Order approving the transfer of the JL Golf water and wastewater systems to Red Bird.¹

3. Red Bird seeks Commission approval to acquire Baytree's sewer utility system. Baytree's service area is the Windermere Point Subdivision, located in Montgomery County, where Baytree provides sewer service to approximately 26 residential customers.

4. Baytree's wastewater system is regulated and permitted by the Montgomery County Environmental Health Office. The Baytree wastewater system was constructed and placed in service in the late 1980's and consists of a 13,000 gallon per day treatment and disposal system.

5. Baytree was issued a Certificate of Public Convenience and Necessity (CPCN) to provide water and sewer utility service to the Windemere Pointe Subdivision in Docket No. W-938, Sub 0. On March 9, 2001, the Commission approved Baytree's transfer of its water utility system to Montgomery County, an owner exempt from regulation, in Docket No. W-938, Sub 2.

6. A Red Bird affiliate, Central States Water Resources, Inc. (Central States), entered into an Agreement for Sale of Utility System with Baytree dated February 20, 2020 (Purchase Agreement). According to the Purchase Agreement, the closing of the sale will occur after regulatory approval is obtained. Central States subsequently assigned the Purchase Agreement to its affiliate, Red Bird. The unredacted Purchase Agreement is a confidential attachment to the Application.

7. Upon acquisition of the Baytree system, Red Bird plans to make capital improvements. Currently, based on its consulting engineer's 2021 assessment, Red Bird estimates that the cost of necessary improvements to the Baytree sewer system will be approximately \$155,800.

¹ In addition to the four systems for which Red Bird has been granted franchises in North Carolina, Red Bird's indirect corporate parent, CSWR, through separate state affiliates, has acquired and currently operates more than 800 water or wastewater utility systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Tennessee, Mississippi, Arizona, Florida, and South Carolina, providing utility service to more than 221,000 wastewater customers and over 146,000 water customers.

8. Baytree's presently approved monthly rates, which Red Bird proposes to adopt and are uncontested by the Public Staff, are as follows:

| <u>Wastewater Service Rates and Fees:</u> | <u>Present</u> | <u>Proposed</u> |
|---|----------------|-----------------|
| Monthly Flat Rate | \$34.69 | \$34.69 |
| Annual Availability Rate | \$139.90 | \$139.90 |
| Connection Charge | \$2,250 | \$2,250 |
| Reconnection Charge (if wastewater utility service is cut off by utility) | \$46.64 | \$46.64 |
| Monthly Finance Charge for Late Payment for Bills Past Due 25 Days | 1% | 1% |

9. The Stipulation resolves all contested issues between Red Bird and the Public Staff related to the transfer of the Baytree system to Red Bird.

10. The Stipulation is the product of give-and-take settlement negotiations between the Public Staff and Red Bird, constitutes competent, substantial, and material evidence in this proceeding, and is entitled to be given appropriate weight in this case, along with other evidence from Red Bird and the Public Staff.

11. Red Bird has the technical, managerial, and financial capacity to own and operate the Baytree wastewater system.

12. Consistent with N.C. Gen. Stat. § 62-111(a), approval of the Application is justified by the public convenience and necessity and is in the public interest.

13. It is appropriate for the Commission to approve the Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

The evidence supporting these findings of fact is found in Red Bird's Application and Supplemental Filings, consisting of Certificates of Good Standing from the North Carolina Secretary of State as to Red Bird, its sole member, Red Bird Utility Holding Company, LLC, and that entity's sole member, North Carolina Central States Water Resources, LLC; the direct testimony of Red Bird witness Cox and Cox Supplemental Exhibit 1; and the Commission's record in Docket Nos. W-1328, Sub 7, W-1040, Sub 10, W-1328, Sub 4, W-992, Sub 8, W-1328, Sub 9, W-1146, Sub 13, W-1328, Sub 10, W-1296, Sub 3, and W-1328, Sub 3, including the Commission's Utility Franchise Orders issued in these dockets.

Red Bird witness Cox provided testimony regarding Red Bird's relationship with CSWR and the role CSWR will play in Red Bird's operation of the Baytree system. Cox Direct Testimony at 6-8. In his direct testimony, witness Cox explained that Red Bird was formed to acquire water and wastewater assets in North Carolina and to operate those

assets as regulated utilities. *Id.* at 5. As of October 9, 2023, the date his testimony was filed, witness Cox testified that in addition to the three utility franchises that Red Bird currently holds in North Carolina, Red Bird also has transfer applications pending before the Commission in several other dockets. *Id.*

The Commission concludes that these findings are informational, procedural, and jurisdictional in nature and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3

The evidence supporting this finding of fact is contained in Red Bird's Application and Supplemental Filings; the testimony of Red Bird witness Cox; and the testimony of Public Staff witness Franklin.

The Commission concludes that this finding is informational in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 4

The evidence supporting this finding of fact is found in the testimony of Public Staff witness Franklin and the Commission's records in these and other dockets relating to Baytree.

The Commission concludes that this finding is informational in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

The evidence supporting this finding of fact is found in the Application and the Commission's records in Docket Nos. W-938, Sub 0 and W-938, Sub 2.

The Commission concludes that this finding is informational, procedural, and jurisdictional in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact is found in Attachment G.1 of the Application, which includes the Agreement for Sale of Utility System, and Attachment G.3 of the Application, which includes the Assignment of Contract Rights document, whereby Central States assigned its rights under the Agreement for Sale of Utility System to Red Bird as the buyer; and the testimony and exhibits of Red Bird witness Cox.

The Commission concludes that this finding is informational in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact is found in the Application and Supplemental Filings; the direct testimony of Red Bird witness Cox; the direct testimony of Public Staff witness Franklin; and the rebuttal testimony and revised rebuttal testimony of Red Bird witness Cox.

In his direct testimony, Red Bird witness Cox testified regarding the deficiencies and need for improvements in the Baytree system identified by McGill Associates, P.A. (McGill Associates), Red Bird's North Carolina consulting engineers, in McGill Associates' Engineering Memorandum dated February 2021. Witness Cox further testified that in order to address operational and/or compliance issues in Baytree's wastewater system, McGill Associates recommended that the following initial improvements be performed:

For the treatment plant

- Demolish the Control Building
- Purchase and Install Hoist for Pump Station
- Pump Valve Vault Improvements
- Replace Hatches for Pump Station and Valve Vault
- Pump Interconnection
- Install Chain Line Security Fencing and Gate
- Install New Flow Monitoring
- Install New Pump Control Panels on Outdoor Rack with Cover
- Install New 20HP Dosing Pumps
- Install New Stainless Steel Piping

Cox Direct Testimony at 20-22.

According to witness Cox, McGill Associates' estimate of the cost of these improvements is \$155,800. *Id.* at 22. Witness Cox emphasized that this estimate is now two years old and is still preliminary. *Id.* Witness Cox further explained that the precise capital investments required for repairs and upgrades cannot be known until Red Bird has the chance to operate the Baytree system. *Id.*

Public Staff witness Franklin testified that it will be incumbent upon Red Bird to ensure that capital investments associated with the Baytree system are reasonable and prudent if Red Bird intends to seek their inclusion in rates in a future rate case proceeding. Franklin Direct Testimony at 13.

The Commission concludes that the scope and extent of capital improvements and repairs that are reasonable and prudent is, at this time, not adequately known or knowable by any party to this proceeding. Thus, the Commission concludes that the appropriate time and venue to determine the reasonableness and prudence of proposed and/or actual capital investments is the next general rate case involving the Baytree system.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence supporting this finding of fact is found in the Application; the direct and rebuttal testimony of Red Bird witness Cox; and the testimony of Public Staff witness Franklin.

According to Red Bird witness Cox and Public Staff witness Franklin, Red Bird proposes to adopt Baytree's existing rates and is not seeking a rate increase in connection with the request for approval of the transfer of the Baytree system. Cox Direct Testimony at 26; Cox Revised Rebuttal Testimony at 11, 17; Franklin Direct Testimony at 6. Based upon competent, substantial, and material evidence in the record, the Commission concludes that this finding is not contested by any party to this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9-10

The evidence supporting these findings of fact is contained in the Stipulation; the entire record in these dockets; the joint settlement testimony of Public Staff witnesses Meda and Franklin; and the settlement testimony of Red Bird witness Cox.

Red Bird and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Stipulating Parties.

Red Bird witness Cox explained that Red Bird made significant concessions in reaching an agreement on the Stipulation. Cox Settlement Testimony at 2. He testified that the Stipulation is a product of the arms-length negotiations of the parties that yielded a result that the Stipulating Parties could accept. *Id.* at 2-3. Public Staff witnesses Meda and Franklin testified that Red Bird's agreement not to seek an acquisition adjustment, and the limitations on the amount of due diligence and legal costs that Red Bird can recover will minimize the magnitude of future rate increases. Meda and Franklin Joint Settlement Testimony at 6. Witnesses Meda and Franklin further testified that the conditions attached to Red Bird's recovery of engineering due diligence costs will help ensure that these costs are related to system improvements that help to maintain or improve service quality and reliability. *Id.*

The Commission concludes that the Stipulation represents a negotiated settlement of all issues in this proceeding and that the provisions agreed to by the Stipulating Parties are reasonable and appropriate for the purpose of this proceeding. In making this determination, the Commission gives substantial weight to the testimony of Public Staff witnesses Meda and Franklin and Red Bird witness Cox and recognizes that the Stipulation is a product of arm's length negotiations, involving give and take negotiations, and notes that as part of the Stipulating Parties' agreement, Red Bird agrees not to seek recovery of any additional costs associated with the transfer, including due diligence, transactional, and regulatory costs, other than those listed in Paragraphs II.F. (i) and (ii) of the Stipulation.

Based on the record as a whole, the Commission concludes that the terms of the Stipulation are just and reasonable to both Red Bird and its future customers on the Baytree system.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting this finding of fact is found in Red Bird's Application and Supplemental Filings; the testimony of Red Bird witness Cox; the testimony of Public Staff witnesses Franklin and Hinton; the Stipulation; and the entire record in this proceeding.

In his direct testimony, Public Staff witness Franklin testified that Red Bird has the financial, technical, and managerial capabilities necessary to provide wastewater utility service to the Baytree wastewater system and recommended that the Commission approve the transfer of the Baytree system to Red Bird. Franklin Direct Testimony at 7. This finding is also supported by the testimony of Public Staff witness Hinton that Red Bird has the financial capacity to acquire, own, and operate the Baytree system. Hinton Direct Testimony at 3.

The Stipulation also reflects the Public Staff's agreement that Red Bird has the technical, managerial, and financial capacity to provide water utility service in the Baytree service area. The Commission has made similar findings regarding Red Bird in Docket Nos. W-1328, Sub 7; W-1040, Sub 10 and W-1328, Sub 4; W-992, Sub 8 and W-1328, Sub 9; W-1146, Sub 13 and W-1328, Sub 10; and W-1296, Sub 3 and W-1328, Sub 3.

Further, as established by the testimony of Red Bird witness Cox, affiliates of Central States have acquired and currently operate over 800 water and/or wastewater utility systems in ten other states and currently provide service to approximately 219,000 wastewater customers and over 145,000 water customers. Cox Direct Testimony at 4.

The Commission concludes that Red Bird has the technical, managerial, and financial capacity to provide adequate, safe, efficient, and reasonable sewer utility service on an ongoing basis to customers in the Baytree service area.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence supporting this finding of fact is found in the Stipulation; the entire record in these dockets; the direct testimony and settlement testimony of Red Bird witness Cox; the direct testimony of Public Staff witnesses Hinton, Meda, and Franklin; and the joint settlement testimony of Public Staff witnesses Meda and Franklin.

The Commission concludes that good cause exists to approve the Application. Consistent with N.C.G.S § 62-111(a), the Commission concludes that approval of the Application is justified by the public convenience and necessity and is in the public interest. This conclusion is fully supported by the direct testimony and settlement

testimony filed by Red Bird witness Cox, the direct testimony of Public Staff witnesses Hinton, Meda, and Franklin, the joint settlement testimony of Public Staff witnesses Meda and Franklin, and the Stipulation entered into by Red Bird and the Public Staff. Accordingly, the Commission concludes that Red Bird's Application should be approved, as modified under the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13

The evidence supporting this finding of fact is found in the Application and Supplemental Filings; the Stipulation; the entire record in these dockets; the settlement testimony of Red Bird witness Cox; and the joint settlement testimony of Public Staff witnesses Meda and Franklin.

The Commission concludes that the provisions of the Stipulation are just and reasonable to the Baytree system customers and all parties to this proceeding and serve the public interest. Therefore, the Commission concludes that the Stipulation should be approved in its entirety.

The Commission further concludes that (1) Red Bird shall post a \$35,000 bond for the Baytree service area prior to closing and shall provide the original bond documents to the Commission's Bond Administrator for acceptance and filing prior to closing on the transfer; (2) Red Bird shall provide written notification to the Commission within three business days of the date of closing that the sale of the Baytree utility system has been completed; (3) upon closing of the transfer, Red Bird shall be granted a CPCN to provide sewer utility service to the Baytree service area; (4) at closing, Red Bird shall adopt the tariffs and rates currently in effect for Baytree's wastewater customers; (5) Red Bird shall adopt the Baytree system's accounting records upon closing, provide the detailed accounting records so received to the Public Staff, and will not adjust or otherwise make changes to those records without Commission approval; and (6) Red Bird shall provide notice to customers that the franchise has been granted and of the approved rates

Consistent with the Stipulation, the Commission also concludes that the appropriate net book value of the assets Red Bird is acquiring from Baytree is \$10,653. This amount is based on plant additions through December 31, 2023, as provided by Red Bird, and includes depreciation and amortization calculated through December 31, 2023, as shown in Public Staff Settlement Exhibit 1. No further plant additions through December 31, 2023, shall be included in this or any future proceedings. Furthermore, the Commission concludes that up to \$24,574 for engineering due diligence costs and up to \$13,500 for legal due diligence costs should be approved for recovery by Red Bird as per the terms of the Stipulation, and that Red Bird has agreed not to pursue an acquisition adjustment or rate recovery for any additional costs related to its acquisition of the Baytree system.

Finally, the Commission reaffirms its conclusion in Docket Nos. W-1146, Sub 13 and W-1328, Sub 10, that it is reasonable for Red Bird and key CSWR leaders to meet with the Public Staff on an annual basis. During this meeting, Red Bird and CSWR shall

provide an update to the Public Staff detailing all changes to Red Bird's water and wastewater facilities since the last annual meeting. This meeting shall address not only the Baytree system, but all of Red Bird's current and future North Carolina water and wastewater systems so as to provide appropriate oversight while preventing unnecessary and duplicative efforts on the part of Red Bird and the Public Staff. This meeting shall also include discussions addressing the financial condition of Red Bird and CSWR.

IT IS, THEREFORE, ORDERED as follows:

1. That Baytree is authorized to transfer its wastewater system serving the Windemere Pointe Subdivision in Montgomery County, North Carolina to Red Bird;
2. That the Stipulation between the Public Staff and Red Bird is hereby approved in its entirety;
3. That Red Bird shall comply with all terms of the Stipulation filed in this docket;
4. That rate base for the Baytree system assets shall be \$10,653 as of December 31, 2023. Red Bird may request recovery of the following costs associated with the transfer of the Baytree system to Red Bird:
 - (i) Up to \$24,574 for engineering due diligence work listed in Cox Exhibit 4 in the next general rate case relating to the Baytree wastewater system, provided that the work results in reasonable and prudent capital investments to improve the wastewater system;
 - (ii) Up to \$13,500 for legal costs related to the acquisition of the Baytree system in the next general rate case relating to the Windemere Pointe Subdivision sewer system;

Any portion of the engineering due diligence amount associated with reasonable and prudent improvements and the legal costs described above should be included as utility plant in service in Red Bird's 's next general rate case filed after the improvements become used and useful in providing service. Red Bird shall not seek recovery of any additional costs associated with the transfer, including due diligence, transactional, and regulatory costs, other than those listed above;

5. That prior to closing, Red Bird shall post a \$35,000 bond and surety in a form acceptable to the Commission and in compliance with N.C.G.S. § 62-110.3 and Red Bird shall provide the original bond documents to the Commission's Bond Administrator for acceptance and filing prior to the closing of the transfer;

6. That Baytree's surety bond held by the Commission shall be released to Baytree upon receipt of written notification to the Commission that closing of the transfer of the Baytree system has been completed;

7. That Red Bird is granted a CPCN to provide wastewater utility service to the Baytree service area consisting of the Windemere Pointe Subdivision in Montgomery County, North Carolina, effective upon the closing of the sale of the Baytree sewer utility system assets to Red Bird. Appendix A, attached hereto, constitutes the CPCN;

8. That the CPCN granted to Baytree in Docket No. W-938, Sub 0 is canceled effective on the date Red Bird files with the Commission written notification that closing of the transfer of the wastewater utility system has been completed;

9. That the Schedule of Rates, attached hereto as Appendix B, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. This Schedule of Rates shall become effective upon the closing of the sale of the Baytree sewer utility system assets to Red Bird;

10. That Red Bird shall provide written notification to the Commission within three business days of the date of closing that the sale of the sewer utility system serving the Baytree service area has been completed;

11. That within 30 days from the closing of the sale of the Baytree sewer utility system, Red Bird shall file in these dockets the warranty deed showing Red Bird's ownership of the required easements and all interests in land it has obtained in connection with the operation and maintenance of the Baytree sewer utility system; and

12. That a copy of this Order and Appendix B shall be mailed with sufficient postage or hand delivered by Red Bird to the Baytree system customers within seven days after the closing of the sale of the sewer utility system serving the Windemere Pointe Subdivision has been completed, and that Red Bird shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 15 days after the mailing or hand delivery of the Order and Appendix B.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of February, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Tamika D. Conyers".

Tamika D. Conyers, Deputy Clerk

STATE OF NORTH CAROLINA

DOCKET NO. W-938, SUB 6
DOCKET NO. W-1328, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

RED BIRD UTILITY OPERATING COMPANY, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide sewer utility service

to

WINDEMERE POINTE SUBDIVISION

Montgomery County, North Carolina

subject to any orders, rules, regulations
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of February, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Tamika D. Conyers".

Tamika D. Conyers, Deputy Clerk

SCHEDULE OF RATES

for

RED BIRD UTILITY OPERATING COMPANY, LLCfor providing sewer utility

service to

WINDEMERE POINTE SUBDIVISION

Montgomery County, North Carolina

| | |
|--------------------------------------|------------|
| <u>Monthly Wastewater Flat Rate:</u> | \$ 34.69 |
| <u>Annual Availability Rate:</u> | \$ 139.90 |
| <u>Connection Charge:</u> | \$2,250.00 |
| <u>Reconnection Charge:</u> | \$46.64 |

If wastewater utility service is cut off by utility:

| | |
|---|---|
| <u>Bills Due:</u> | On billing date |
| <u>Bills Past Due:</u> | 15 days after billing date |
| <u>Billing Frequency:</u> | Shall be monthly for service in arrears |
| <u>Finance Charge for Late Payment:</u> | 1% per month will be applied the unpaid balance of all bills still past due 25 days after the billing date. |

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket Nos.W-938, Sub 6 and W-1328, Sub 8, on this the 19th day of February, 2024.

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers copies of the attached Order and Schedule of Rates issued by the North Carolina Utilities Commission in Docket Nos. W-938, Sub 6 and W-1328, Sub 8, and the Order and Schedule of Rates was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____ 2024.

By: _____

Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket Nos. W-938, Sub 6 and W-1328, Sub 8.

Witness my hand and notarial seal, this the _____ day of _____ 2024.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date