

**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)
Application by Red Bird Utility Operating)
Company, LLC, and Baytree Waterfront)
Properties, Inc. for Transfer of Public Utility)
Franchise and for Approval of Rates)

REBUTTAL TESTIMONY

OF

Caitlin O'Reilly

ON BEHALF OF

RED BIRD UTILITY OPERATING COMPANY, LLC

October 30, 2023

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

2 A. My name is Caitlin O'Reilly. My business address is 1630 Des Peres Road, Suite
3 140, St. Louis, Missouri, 63131.

4 **Q. WHERE ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

5 A. I am the Regulatory Accounting Manager at CSWR, LLC ("CSWR"), the affiliated
6 company that has operational/managerial oversight over the CSWR utility operating
7 companies, including Red Bird Utility Operating Company, LLC. ("Red Bird" or
8 "Company"). I have been employed at CSWR since May of 2021. At CSWR, my
9 responsibilities include overseeing and ensuring compliance with regulatory reporting
10 requirements and accounting standards within both the Company and its various utility
11 operating affiliates. I collaborate with cross-functional teams, including the finance, legal,
12 and regulatory departments, to ensure accurate and timely reporting to regulatory
13 authorities.

14 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
15 **EXPERIENCE.**

16 A. My education includes a Bachelor of Science in Accounting and a Bachelor of
17 Science in Accounting Information Systems from Maryville University in St. Louis, MO.
18 Prior to being employed by CSWR, I worked at Mastercard and Royal Canin in various
19 accounting roles with increasing levels of responsibility.

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

21 A. My testimony responds to the testimony filed by Public Staff witnesses Hemanth
22 Meda and Michael Franklin. Specifically, I will address Public Staff's calculations of rate
23 base, acquisition adjustment and associated amortization, and how the Company views the
24 underlying assumptions.

1 **Q. HOW DID PUBLIC STAFF CALCULATE RATE BASE?**

2 A. Ms. Meda's exhibits state that the starting point for her plant in service numbers
3 came from Baytree's net book value ("NBV") approved in the most recent rate case, which
4 concluded in April 2002. She states that the rate base from that case was \$0. Public Staff
5 then included additional plant of \$18,021 added since Baytree's last rate case, less
6 calculated accumulated depreciation of \$10,636 through December 31, 2023. The rate base
7 as calculated by Public Staff is \$7,385.

8 **Q. DOES RED BIRD AGREE WITH PUBLIC STAFF'S RATE BASE**
9 **CALCULATION?**

10 A. No. Ms. Meda's process takes the NBV from the last rate case, which Public Staff
11 states was \$0, adding additional plant in service of \$18,021, and calculating accumulated
12 depreciation of \$10,636, resulting in a rate base of \$7,385. The Company disagrees with
13 Public Staff's ultimate rate base amount of \$7,385. It appears Ms. Meda also disregarded
14 the cash working capital amount of \$897 mentioned in her testimony. As its starting point
15 for calculating rate base Red Bird used Baytree's 2020 annual report and began with the
16 \$205,613 plant balance shown in that report and added the additional \$18,021 plant
17 investment, giving a total of \$223,634. The Company then took the accumulated
18 depreciation from the 2020 annual report and calculated it through December 31, 2023,
19 including the \$18,201, making the total accumulated depreciation \$187,899. That produced
20 a rate base of \$35,735.

21 I disagree with the method of calculating rate based used by Ms. Meda for two
22 reasons. First, Public Staff accounts for other plant balances that Baytree showed in its
23 2020 annual report. Public Staff also removed \$25,000 from plant in service, as mentioned
24 in Ms. Meda's testimony on page 4, line 3, on the assumption Baytree included that

1 amount, which relates to a bond, in its plant in service total. Red Bird has confirmed with
2 Baytree that the plant in service amount of \$205,613 shown in the 2020 annual report does
3 **not** include any amount for a bond. So Public Staff's deduction is improper.

4 Second, Red Bird disagrees with Mr. Franklin's proposed adjustment to the useful lives
5 of the pump motor from 10 to 7 years, the control panel from 20 years to 10 years, and
6 the check valve and laterals from 50 years to 10 years and to his corresponding increases
7 in accumulated depreciation expense. The Commission has not approved those reductions
8 in useful life assumptions and Company does not believe it is appropriate in this case to
9 adjust accumulated depreciation for purposes of this acquisition case to produce an
10 artificially reduced rate base. Issues related to useful life and associated depreciation rates
11 should be addressed in a rate case. The table below compares Public Staff's rate base
12 calculations to Red Bird's as of December 31, 2023. For the reasons I previously stated,
13 if the Commission believes it must specify a rate base amount in this case that amount
14 should be \$35,735.

	Red Bird	Staff
Purchase Price	65,000	65,000
Plant in Service	223,634	18,021
Accum Depreciation	(187,899)	(10,636)
CIAC	-	-
Rate Base	35,735	7,385
Acquisition Adjustment	29,265	57,615
Acq Adj Accum Amort		(6,647)
Net Acq Adjustment	29,265	50,968

1 **Q. WHAT IS PUBLIC STAFF'S POSITION ON RED BIRD'S PROPOSED**
2 **ACQUISITION ADJUSTMENT AND ASSOCIATED ACCUMULATED**
3 **AMORTIZATION OF THAT ADJUSTMENT?**

4 A. Public Staff opposes any acquisition adjustment, however, Ms. Meda calculates an
5 acquisition adjustment and also projects the accumulated amortization of that adjustment
6 into the future. This seems inconsistent to calculate an acquisition adjustment and
7 associated amortization if Public Staff flatly opposes the adjustment. I further believe this
8 is inappropriate because, as stated in Mr. Cox's testimony, Red Bird believes the issue of
9 whether an acquisition adjustment is appropriate should be deferred to the first rate case
10 involving the Baytree system. If that approach is accepted, then amortization of an
11 acquisition adjustment should not be part of this transfer/ acquisition proceeding.

12 **Q. DOES THE COMPANY AGREE WITH MS. MEDA'S CALCUALTION OF**
13 **ACQUISITION ADJUSTMENT AND ASSOCIATED ACCUMULATED**
14 **AMORTIZATION OF THE ADJUSTMENT?**

15 A. Yes and no. The Public Staff derived its acquisition adjustment using the proper
16 methodology of taking the purchase price less rate base. Red Bird agrees with this
17 methodology. However, the Company disagrees with Public Staff's acquisition adjustment
18 amount of \$57,615. This differs from Red Bird's calculation of \$29,265, due to the
19 differences in parties' respective calculation of rate base amounts.

20 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?**

21 A. Yes, it does.