



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

May 3, 2023

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket Nos. W-992, Sub 8 and W-1328, Sub 9 - Proposed Transfer of the Crosby Public Utility Franchise, to Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water and for Approval of Rates

Dear Ms. Dunston:

Pursuant to the Order Excusing Witnesses, Accepting Testimony, Cancelling Expert Witness Hearing and Requiring Proposed Orders issued by the Commission in the above-referenced dockets on April 3, 2023, please find enclosed for filing on behalf of the Public Staff and Red Bird Water a Joint Proposed Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice and a proposed Notice to Customers.

The Public Staff collaborated with Red Bird Water to draft the proposed Notice to Customers. However, the Public Staff requested but was not provided with the Company's calculations for the projected average monthly bill amounts for Years 3 through 5 appearing on page 2 of the proposed notice. The Public Staff cannot, therefore, verify the accuracy of those amounts.

By copy of this letter, I am forwarding copies to all parties of record by electronic delivery.

Sincerely,

Electronically submitted  
/s/ Megan Jost  
Staff Attorney  
[megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)

**Attachments**

|   |  |  |                                      |   |
|---|--|--|--------------------------------------|---|
| <b>Executive Director</b><br>(919) 733-2435 | <b>Communications</b><br>(919) 733-5610    | <b>Economic Research</b><br>(919) 733-2267 | <b>Legal</b><br>(919) 733-6110       | <b>Transportation</b><br>(919) 733-7766 |
| <b>Accounting</b><br>(919) 733-4279         | <b>Consumer Services</b><br>(919) 733-9277 | <b>Electric</b><br>(919) 733-2267          | <b>Natural Gas</b><br>(919) 733-4326 | <b>Water</b><br>(919) 733-5610          |

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-992, SUB 8  
DOCKET NO. W-1328, SUB 9

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

|   |   |                        |
|---|---|------------------------|
| In the Matter of                                |   |                        |
| Application by Red Bird Utility Operating       | ) |                        |
| Company, LLC, 1650 Des Peres Road, Suite        | ) |                        |
| 303, St. Louis, Missouri 63131, and Crosby      | ) |                        |
| Utilities, Inc., 7536 NC 39 Hwy, Zebulon, North | ) | JOINT PROPOSED ORDER   |
| Carolina 27597, for Authority to Transfer the   | ) | APPROVING STIPULATION, |
| Baywood Forest Subdivision Water and            | ) | APPROVING BOND,        |
| Wastewater Utility Systems and the Cottonwood   | ) | APPROVING TRANSFER AND |
| Subdivision Wastewater Utility System and       | ) | RATES, AND REQUIRING   |
| Public Utility Franchise in Wake County, North  | ) | CUSTOMER NOTICE        |
| Carolina, and for Approval of Rates             | ) |                        |

BY THE COMMISSION: On October 22, 2020, Red Bird Utility Operating Company, LLC (Red Bird or Company), and Crosby Utilities, Inc. (Crosby), filed with the Commission an Application for Transfer of Public Utility Franchise and for Approval of Rates (Application) seeking authority to transfer the water and wastewater utility systems serving the Baywood Forest Subdivision and the wastewater utility system serving the Cottonwood Subdivision and the public utility franchise serving all of Crosby’s service areas in Wake County, North Carolina, from Crosby to Red Bird and for approval of rates. Red Bird filed with the Commission supplemental and additional materials in support of the Application on May 27, May 28, and October 8, 2021, June 14 and July 18, 2022, and February 2, 2023.

On September 22, 2022, 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 January 23, 2023, and an expert witness hearing on April 4, 2023. The Notice to Customers attached to the Scheduling Order as Appendix A stated that the public witness hearing was subject to cancellation if no significant customer protests were received by January 9, 2023.

On October 3, 2022, Red Bird filed a certificate of service stating that the Notice to Customers was mailed or hand delivered to all affected customers by the date specified in the Scheduling Order.

Due to lack of significant customer protest, on January 11, 2023, the Public Staff filed a Motion for Order Canceling Public Witness Hearing and Requiring Customer Notice and a proposed order.

On January 17, 2023, the Commission issued its Order Canceling Public Witness Hearing and Requiring Customer Notice.

On January 19, 2023, Red Bird filed a certificate of service stating that the Notice to Customers required by the January 17, 2023 Order was mailed or hand delivered by the date specified in the Order.

Subsequent to the filing of Red Bird's Application in this docket, the Public Staff engaged in substantial discovery of Red Bird regarding the matters addressed by the Company's Application and the supplemental and additional materials filed by Red Bird in support of the Application.

On February 2, 2023, Red Bird filed the direct testimony 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. The Cox testimony included two confidential exhibits: a spreadsheet reflecting Red Bird's computation of rate base in the utility assets to be acquired from Crosby and a schedule showing the due diligences expenses incurred by Red Bird as of the date the Cox direct testimony was filed.

On February 23, 2023, the Public Staff filed the testimony of D. Michael Franklin, Public Utilities Engineer with the Public Staff's Water, Sewer, and Telephone Division, and the testimony and exhibits of Lynn Feasel, Financial Manager of the Water, Sewer, and Telecommunications Sections with the Accounting Division.

On March 15, 2023, Red Bird filed the rebuttal testimony of Josiah Cox, which included three exhibits, and the rebuttal testimony of Brent Thies.

On March 30, 2023, the Public Staff and Red Bird filed a Joint Motion to Cancel Evidentiary Hearing, wherein the parties stated that they had reached a settlement resolving all the disputed issues in this matter.

On March 31, 2023, Red Bird and the Public Staff (collectively, the Stipulating Parties) filed a Settlement Agreement and Stipulation (Stipulation) setting forth their agreement on settlement.

On April 3, 2023, the Commission issued its Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing and Requiring Proposed

Orders. In that Order, the Commission found good cause to receive into evidence the witnesses' prefiled testimony, exhibits, and affidavits, and the Stipulation.

Based upon the foregoing, including the Application, the testimony, exhibits, and affidavits of the expert witnesses received into evidence, the Stipulation, prior dockets regarding Crosby, and the entire record in this proceeding, the Commission makes the following:

### **FINDINGS OF FACT**

1. Red Bird presently holds two 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 issuing a franchise to Red Bird for that system.

In addition to the two systems for which Red Bird has been granted franchises in North Carolina, Red Bird's indirect corporate parent, CSWR, has acquired and currently operates over 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 200,000 wastewater customers and over 130,000 water customers.

2. Crosby's service area is located near the Town of Knightdale, in Wake County. Crosby's water service area consists of the developed parcels covering 37.8 acres in the Baywood Forest Subdivision providing potable water for

approximately 210 customers. Crosby's wastewater service area includes the developed parcels in Baywood Forest Subdivision as well as the developed parcels in the Cottonwood Subdivision for a total wastewater collection service area of 54.8 acres. Crosby serves approximately 290 wastewater service customers.

3. Red Bird seeks Commission approval to acquire the Crosby water and wastewater utility systems. Crosby applied for a Certificate of Public Convenience and Necessity (CPCN) to serve the Baywood Forest and Cottonwood Subdivisions in 1991 in Docket No. W-992, Sub 0. The Commission subsequently issued a CPCN to Crosby.

4. Crosby operates its water system as North Carolina Department of Environmental Quality (NCDEQ), Division of Water Resources System No. NC0392218 and Crosby's wastewater system is operated under NCDEQ permits NC0065706 for the wastewater treatment plant (WWTP) and WQCSD0542 for the collection system.

5. A Red Bird affiliate, Central States Water Resources, Inc. (Central States), entered into an Agreement for Sale of Utility System with Crosby on September 18, 2019 (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 Purchase Agreement was a confidential attachment to the Application.

6. Upon acquisition of the Crosby systems, Red Bird plans to make capital improvements. At this point, Red Bird estimates that the cost of the

improvements to the Crosby systems will be approximately \$262,300, consisting of (i) approximately \$160,300 for work on the wastewater system and (ii) approximately \$102,000 for the work on the water production system.

7. Crosby’s presently approved monthly rates, which Red Bird proposes to adopt and are uncontested by the Public Staff, are as follows:

| <u>Monthly Metered Residential Water Service:</u>   | <u>Present and Proposed</u> |
|---|-----------------------------|
| Base Charge, zero usage   | \$9.60                      |
| Usage Charge, per 1,000 gallons   | \$1.92                      |
| <u>Monthly Flat Rate for Wastewater Service:</u>  | \$44.03                     |
| <u>Reconnection Charge:</u>   |                             |
| If water service is cut off by utility for good cause                                     | \$33.57                     |
| If water service is discontinued at customer’s request                                    | \$33.57                     |
| If wastewater service is cut off by utility for good cause by any method other than above | Actual cost                 |
| Returned Check Charge   | \$23.99                     |
| Finance Charge for Late Payment   | 1% per month                |

8. As supplemented, Red Bird has filed all required exhibits with its Application.

9. 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.

10. The Stipulation filed by the Stipulating Parties in these dockets resolved all contested issues related to the transfer of the Crosby systems to Red Bird, with the exception of the issue identified in f. below. The terms of the Stipulation are as follows:

- a. Red Bird agrees to post a bond in the amount of \$100,000 for the Crosby service areas on or before April 28, 2023.
- b. The transfer of the Crosby systems to Red Bird should be approved.
- c. Red Bird agrees not to pursue an acquisition adjustment related to the Crosby systems in this or any future proceeding.
- d. The Stipulating Parties agree that rate base for the Crosby systems should be \$188,801, plus up to \$10,000 for closing costs. The actual amount of the closing costs should be determined in Red Bird's next general rate case.
- e. The Stipulating Parties agree that Red Bird may request recovery of the remaining costs associated with the transfer of the Crosby systems to Red Bird up to \$80,000 for engineering due diligence work in its next general rate case, provided that the resulting work results in reasonable and prudent capital investments to improve the Crosby systems. Any portion of the \$80,000 associated with reasonable and



prudent improvements should be included as utility plant in service in the Company's next general rate case filed after the improvements become used and useful in providing service.

- f. The Stipulating Parties agree that there is an open issue regarding amortization of contribution in aid of construction (CIAC) balances used by Public Staff in calculating Crosby's rate base, which CIAC related to infrastructure contributed to Crosby in or around 1992. The Stipulating Parties anticipate that they will resolve this issue through consultations between accounting personnel, and they agree that in its first rate case Red Bird shall have the opportunity to investigate and determine the correct CIAC balance and to seek an adjustment to rate base that reflects the proper amortization or evaluation of the CIAC balance from 2008 to Red Bird's closing date on the Crosby systems.
- g. 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 d, e, and f above.

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

12. On April 28, 2023, Red Bird posted the bond amount of \$100,000 agreed to in the Stipulation and filed the appropriate bond documents. All filing requirements for a bond secured by a commercial surety have been met.

13. Red Bird has the technical, managerial, and financial capacity to own and operate the Crosby water and wastewater systems.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1**

This finding is based on the Commission's records in Docket No. W-1328, Sub 7 and in the Commission's Order Accepting and Approving Bond, Granting Franchise, Approving Rates, and Requiring Customer Notice issued in that docket. This finding is also based on the Commission's records in Docket Nos. W-1328, Sub 4, and W-1040, Sub 10, and the Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice as to the transfer of the Bear Den Acres Development system to Red Bird.

This finding is also based on the direct testimony of Red Bird witness Cox that CSWR's operating subsidiaries have acquired and operate over 800 water and/or wastewater utility systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Tennessee, Mississippi, North Carolina, and Arizona, Florida, South Carolina and, at this time, the systems addressed in Docket Nos. W-1328, Sub 7, W-1328, Sub 4, and W-1040, Sub 10. (Cox Direct Testimony, 3-4; Cox Rebuttal Testimony, 25, 31-32).

This finding is also based on the testimony of Public Staff witness Franklin that Red Bird "has the financial, technical, and managerial ability to own and

operate the Baywood Forest water and Cottonwood wastewater systems.” (Franklin Testimony, 9).

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2**

This finding is based on the Commission’s records in these dockets and the testimony of Red Bird witness Cox and Public Staff witness Franklin, and is uncontested.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3**

This finding is based on the Application in the present dockets and the Commission’s records in Docket No. W-992, Sub 0, wherein the Commission issued a CPCN to Crosby for its water and wastewater utility systems serving the Baywood Forest and Cottonwood Subdivisions, and is uncontested.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 4**

This finding is based on the testimony of Public Staff witness Franklin and the Commission’s records in these and other dockets relating to Crosby, and is uncontested.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5**

This finding is based on filings in these dockets, including the Agreement for Sale of Utility System with Crosby dated September 18, 2019, and the First Amendment to that Agreement, which is dated October 16, 2020, whereby Central States assigned its rights under the Agreement for Sale of Utility System to Red Bird as the buyer.

## **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6**

The evidence for this finding is found in the Application and supplemental supporting materials filed by Red Bird as well as the testimony of Red Bird witness Cox and Public Staff witness Franklin. Witness Cox testified regarding the deficiencies and needs in the Crosby systems identified by McGill Associates, Red Bird's North Carolina consulting engineers. Witness Cox testified that McGill's revised recommendations for the initial work on the Crosby systems was as follows:

- (a) For the water system:
  - Replace 10 HP pump, install monitoring at Well 2
  - Replace 15 HP pump, install monitoring at Well 3
  - Upgrade Well Controls for Automatic Alternation
  - Clean, repair and repaint 10,000 gallon tank
  
- (b) For the wastewater system:
  - Purchase and install 30 kW Portable Diesel Generator for Use at Lift Station 2
  - Purchase and install 40 kW Standby Generator at Lift Station 1
  - Replace Pump Guide Rails at Lift Station 1
  - Replace Valve Vault Drain at Lift Station 1
  - Install Hoist for Trash Basket Retrieval
  - Replace Aeration and Sludge Holding Tank Diffusers and Drop Pipes
  - Replace Electrical Equipment at Flow Equalization Tank
  - Partially Rehabilitate and Recoat Main Aeration Tank

(Cox Direct Testimony, 22-24).

## **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7**

Because Red Bird proposes to adopt Crosby's existing Commission-approved rates, this finding is based on the Commission's records in prior Crosby dockets and is uncontested. As reflected in the Application, the direct testimony of Red Bird witness Cox, and the testimony of Public Staff witness Franklin, Red Bird proposes to adopt Crosby's existing rates and is not seeking a rate increase in

connection with the request for approval of the transfer of the Crosby systems to Red Bird.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8**

This finding is procedural, is uncontested, and is based on the record in these dockets.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9**

The evidence for this finding of fact is contained in Attachment K of the Application, which includes the “Central States Water Resources Corporate Entity Organizational Chart” showing the corporate structure of Red Bird and its Affiliates. This finding of fact is based on the supplemental filings made by Red Bird in these dockets on June 14, 2022, of Certificates of Good Standing from the North Carolina Secretary of State as to Red Bird; as to its sole member, Red Bird Utility Holding Company, LLC; and as to that entity’s sole member, North Carolina Central States Water Resources, LLC.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 10 AND 11**

These findings are based on the Stipulation entered into by the Stipulating Parties and filed with the Commission on March 31, 2023, in these dockets, as well as the records in the instant dockets.

Red Bird and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Stipulating Parties in this proceeding, with the exception of the open issue regarding amortization of CIAC balances used by Public Staff in calculating Crosby’s rate base. The Stipulating Parties anticipate resolving that issue through consultations between accounting

personnel and agree that Red Bird shall have the opportunity in its first rate case to investigate and determine the correct CIAC balance and to seek an adjustment to rate base that reflects the proper amortization or evaluation of the CIAC balance from 2008 to Red Bird's closing date on the Crosby systems.

Based upon the foregoing and the entire record herein, the Commission finds that the Stipulation represents a negotiated settlement of all issues in this proceeding, with the exception of the CIAC issue noted above, and that the provisions agreed to by the Stipulating Parties are reasonable and appropriate for the purpose of this proceeding. In making this finding, the Commission gives substantial weight to the testimony of Public Staff witness Franklin and Red Bird witness Cox, and recognizes that the Stipulation is a product of arm's length negotiations, involving give and take. The Commission 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.D., E., and F. of the Stipulation.

The Commission finds that, based on the record as a whole, the terms of the Stipulation are just and reasonable to both Red Bird and its future customers on the Crosby systems. In addition, the Commission finds that the provisions of the Stipulation are just and reasonable to all parties to this proceeding and serve the public interest, and that it is appropriate to approve the Stipulation in its entirety.

**EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12**

This finding is based on the fact that, on April 28, 2023, Red Bird filed the bond in the amount of \$100,000 as agreed to in the Stipulation. All filing requirements of the bond posted by Red Bird have been met and this filing is uncontested.

**EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13**

The evidence supporting this finding of fact is found in Red Bird's Application, Red Bird's supplemental filings, the testimony of Red Bird witness Cox and Public Staff witness Franklin, and the entire record in this proceeding. These findings are informational, procedural, and jurisdictional in nature and are not contested by any party.

The Stipulation reflects the Public Staff's agreement that Red Bird has the technical, managerial, and financial capacity to provide water and wastewater utility service in the Crosby service area. Likewise, the Commission previously found in Docket No.W-1328, Sub 7 that Red Bird had the technical, managerial, and financial capacity to be granted a wastewater utility franchise authorizing it to serve the Ocean Terrace and Pine Knoll Townes I, II, and III townhome communities in Carteret County. Further, the Commission previously found in Dockets No. W-1328, Sub 4 and W-1040, Sub 10 that Red Bird had the technical, managerial, and financial capacity to be granted a water utility franchise authorizing it to serve the Bear Den Acres Development in McDowell County.

As established by the testimony of Red Bird witness Cox, Central States has acquired and currently operates through various operating subsidiaries over

800 water or wastewater utility systems in ten other states and currently provides service to approximately 200,000 wastewater customers and 130,000 water customers. There is adequate and sufficient evidence that Red Bird has the technical, managerial, and financial capacity to own and operate the Baywood Forest water and Cottonwood wastewater systems.

### **CONCLUSIONS**

Based on all of the evidence in the record, the provisions of the Stipulation are just and reasonable to the Crosby customers and to all parties to this proceeding and serve the public interest. Therefore, the Stipulation should be approved in its entirety.

The Commission therefore approves the Stipulation; concludes that Red Bird's adoption of Crosby's existing rates should be approved; that the \$100,000 bond posted by Red Bird for the Crosby service areas should be accepted and approved; that Red Bird should provide written notification to the Commission within 30 days from the date of this Order that closing of the sale of the Crosby utility systems has been completed; that upon receipt of such written notification Red Bird should be granted a CPCN to provide water and wastewater utility service to the Crosby service areas; and that Red Bird should provide notice to customers that the franchise has been granted and of the approved rates.

IT IS, THEREFORE, ORDERED as follows:

1. That Crosby is hereby authorized to transfer its water utility system serving the Baywood Forest Subdivision and its wastewater utility system serving the Baywood Forest and Cottonwood Subdivisions in Wake 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 the rate base for the Crosby systems shall be \$188,801, plus up to \$10,000 for closing costs. The actual amount of the closing costs should be determined in Red Bird's next general rate case relating to Baywood Forest and Cottonwood Subdivisions. Red Bird may request recovery of the remaining costs associated with the transfer of the Crosby systems to Red Bird up to \$80,000 for engineering due diligence work in its next general rate case relating to Baywood Forest and Cottonwood Subdivisions, provided that the resulting work results in reasonable and prudent capital investments to improve the Crosby systems. Any portion of the \$80,000 associated with reasonable and prudent improvements should be included as utility plant in service in the Company'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 Red Bird shall in its first general rate case relating to the Baywood Forest and Cottonwood Subdivisions have the opportunity to seek an adjustment to rate base to reflect the proper amortization of that CIAC balance from 2008 to Red Bird's closing date on the Crosby systems if the open issue

recognized in the Stipulation regarding amortization of CIAC balances related to infrastructure contributed to Crosby in or around 1992 used by Public Staff in calculating Crosby's rate base has not been resolved through consultations between the Stipulating Parties' accounting personnel;

6. That the \$100,000 bond and commercial surety from RLI Insurance Company is hereby accepted and approved for Red Bird, in compliance with N.C.G.S. § 62-110.3;

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

8. That Red Bird is granted a Certificate of Public Convenience and Necessity to provide water utility service to the Crosby service area consisting of the Baywood Forest Subdivision and wastewater utility service to the Crosby service areas consisting of Baywood Forest and Cottonwood Subdivisions in Wake County, North Carolina, effective upon the closing of the sale of the Crosby water and wastewater utility system assets to Red Bird. Appendix A, attached hereto, constitutes the Certificate of Public Convenience and Necessity;

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 for service rendered on and after the date of the closing of the sale of the Crosby water and wastewater utility system assets to Red Bird;

10. That Red Bird shall provide notification to the Commission within 30

days of the date of this Order that closing of the sale of the water and wastewater utility systems serving the Crosby service areas has been completed;

11. That the CPCN granted to Crosby in Docket No. W-992, Sub 0 is cancelled effective on the date Red Bird files with the Commission written notification that closing of the transfer of the water utility system has been completed;

12. That within 30 days of the closing of the sale of the Crosby water and wastewater utility systems, 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 Crosby water and wastewater utility systems; and

10. That a copy of this Order and Appendix B shall be mailed with sufficient postage or hand delivered by Red Bird to Crosby customers within seven days of the closing of the sale of the water and wastewater utility systems serving Baywood Forest and Cottonwood Subdivisions, 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 \_\_\_\_ day of \_\_\_\_\_, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

APPENDIX A

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-992, SUB 8  
DOCKET NO. W-1328, SUB 9

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

RED BIRD UTILITY OPERATING COMPANY, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide water and/or wastewater utility service

to

THE BAYWOOD FOREST AND COTTONWOOD SUBDIVISIONS

Wake 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 \_\_\_\_ day of \_\_\_\_\_, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

SCHEDULE OF RATES  
for  
RED BIRD UTILITY OPERATING COMPANY, LLC  
for providing water and wastewater utility service in  
BAYWOOD FOREST SUBDIVISION  
and for providing wastewater utility service in  
COTTONWOOD SUBDIVISION  
Wake County, North Carolina

Monthly Water Utility Service:

|                                 |         |
|---------------------------------|---------|
| Base charge, zero usage         | \$9.60  |
| Usage charge, per 1,000 gallons | \$ 1.92 |

Monthly Wastewater Utility Service:

|           |         |
|-----------|---------|
| Flat rate | \$44.03 |
|-----------|---------|

Reconnection Charge:

|   |                               |
|---|-------------------------------|
| If water service is cut off by utility for good cause                                     | \$33.57 <sup>1</sup>          |
| If water service is discontinued at customer’s request                                    | \$33.57 <sup>1</sup>          |
| If wastewater service is cut off by utility for good cause by any method other than above | Actual cost <sup>1/, 2/</sup> |

If payment for water and/or wastewater utility service is not received by the past due date, customers may, in addition to all past due and current charges, have to pay late payment finance charges, in order to avoid having water and/or wastewater utility service disconnected.

To resume water and/or wastewater utility service after discontinuance for good cause, customers must pay the reconnection charge(s) indicated above, plus any delinquent water and/or wastewater bill(s), including finance charges.

Reconnection Charge (cont'd):

<sup>1/</sup> Neglect or failure to pay amounts due or to otherwise comply with provisions of this tariff shall be deemed sufficient cause for discontinuance of service. Prior to disconnection, Red Bird Utility Operating Company, LLC (Red Bird), will diligently try to induce the customer to pay or otherwise comply with the tariff. After such effort, Red Bird will give the customer written notice of at least five days (excluding Sundays and holidays) prior to disconnection. Such notice will contain, at a minimum, a copy of this provision, and the procedures which Red Bird will perform to discontinue service.

In the event an emergency or dangerous condition is found to exist, or fraudulent use of the wastewater system is detected, wastewater utility service may be cut off without such notice. In such an event, notice as described above will be given as soon as possible.

<sup>2/</sup> If discontinuance of wastewater utility service becomes necessary, and water utility service is not provided by Red Bird, then Red Bird will install a valve or other device to cut off and/or block the wastewater line. Prior to installing the valve or device, Red Bird will provide a detailed good faith estimate of the actual cost of disconnection.

|  |  |
|--|--|
| <u>Returned Check Charge:</u>            | \$23.99  |
| <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 Charges for Late Payment:</u> | 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date. |
| <u>Security Deposit:</u>                 | Two-twelfths of estimated annual bill. <sup>3/</sup>   |

<sup>3/</sup> Pursuant to Commission Rule R12-4.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket Nos. W-992, Sub 8 and W-1328, Sub 9 on this the \_\_\_ day of \_\_\_\_\_, 2023.

CERTIFICATE OF SERVICE

I, \_\_\_\_\_, mailed with sufficient postage or hand delivered to all affected customers copies of the attached Order and Appendix B issued by the North Carolina Utilities Commission in Docket Nos. W-992, Sub 8 and W-1328, Sub 9, and the Order and Appendix B were mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_, 2023.

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 Order and Appendix B were mailed or hand delivered to all affected customers, as required by the Commission Order dated \_\_\_\_\_ in Docket Nos. W-992, Sub 8 and W-1328, Sub 9.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
Date

(SEAL) My Commission Expires:

\_\_\_\_\_

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**NOTICE TO CUSTOMERS**  
DOCKET NO. W-992, SUB 8  
DOCKET NO. W-1328, SUB 9

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

On October 22, 2020, Red Bird Utility Operating Company, LLC (Red Bird or Company), filed an Application for Transfer of Public Utility Franchise and for Approval of Rates (Application) filed with the North Carolina Utilities Commission (Commission) on October 22, 2020. In its Application, Red Bird seeks authority to transfer the Baywood Forest Subdivision (Baywood) water and wastewater systems and the Cottonwood Subdivision (Cottonwood) wastewater system and corresponding public utility franchise in Wake County, North Carolina, from Crosby Utilities, Inc. (Crosby), to Red Bird and approval of rates. Red Bird requested to be allowed to adopt Crosby's existing rates. Notice is hereby given that Red Bird and the Public Staff – North Carolina Utilities Commission (Public Staff) have entered into a Settlement Agreement and Stipulation (Stipulation) regarding Red Bird's Application.

Among other things, the Stipulation sets the amount of bond Red Bird must post with the Utilities Commission to acquire the systems and establishes a process for Red Bird to request recovery of certain engineering due diligence costs when it files a general rate case application with the Commission. The Stipulation also provides that, when Red Bird files a general rate case application with the Commission, it will not attempt to include in rate base the costs of purchasing the Baywood and Cottonwood systems in excess of Crosby's existing net investment and its due diligence costs that are unrelated to future improvements. The Stipulation establishes net investment in the utility assets being acquired from Crosby which would be eligible for recovery in rates by Red Bird through depreciation expense and an opportunity to earn a return, once approved by the Commission, on its post-closing investment.

As stated in its Application, upon acquisition of the Baywood and Cottonwood systems, Red Bird plans to make capital improvements, including replacing two deep well pumps and rehabilitating the 10,000-gallon pneumatic tank for the Baywood water system and installing a standby diesel generator and portable diesel generator at two separate lift stations for the wastewater system serving both subdivisions. The Public Staff believes the approximate annual revenue requirement based on Red Bird's estimated costs for these improvements and a portion of the due diligence costs the Company incurred associated with the improvements is \$43,663, or \$7.28 per customer per month for 25 years, subject to true-up. Red Bird believes that, due to the various factors that are uncertain, subject to change, and cannot be definitively determined until the time of the Company's potential future general rate case application, and due to its intent to seek Commission approval of consolidated uniform rates after it has acquired a number of



additional systems in the state, it cannot accurately project future revenue requirements or monthly rates for the Crosby systems at this time. Subject to those uncertainties, Red Bird’s current best estimate of future rates is set forth below.

**PROJECTED EFFECT ON RATES:**

The present rates for the Crosby systems were approved in Docket Nos. W-992, Sub 7, and M-100, Sub 138, and have been in effect since December 7, 2016. Upon acquisition of the systems, Red Bird proposes to charge the current Commission approved rates for Baywood and Cottonwood. The present and proposed rates are as follows:

|  |                             |
|--|-----------------------------|
| <u>Monthly Metered Residential Water Service:</u>    | <u>Present and Proposed</u> |
| Base Charge, zero usage                              | \$9.60                      |
| Usage Charge, per 1,000 gallons                      | \$1.92                      |
| <br><u>Monthly Flat Rate for Wastewater Service:</u> | <br>\$44.03                 |

Based on an average usage of approximately 3,000 gallons per month, the present and proposed monthly water utility bill is \$15.36, and the present and proposed monthly flat rate wastewater bill is \$44.03.

The table below shows the present and Red Bird’s projected average monthly bill amounts charged to each customer for water and wastewater utility service if the Stipulation is approved. As stated above, at some point after it has acquired the Crosby systems and other utility systems in the state, Red Bird plans to request a rate increase and uniform statewide rates. If the full amount of the projected rate increase and the request for uniform rates is approved by the Commission, the average monthly statewide bill amount could be less or more than the rates for Years 3 through 5 shown below.<sup>1</sup>

| <u>Timeframe</u>               | <u>Monthly Water Bill</u> | <u>Monthly Wastewater Bill</u> |
|--------------------------------|---------------------------|--------------------------------|
| Present <sup>2</sup>           | \$15.36                   | \$44.03                        |
| Year 1                         | \$15.36                   | \$44.03                        |
| Year 2                         | \$15.36                   | \$44.03                        |
| Years 3 through 5 <sup>1</sup> | \$70.25                   | \$91.86                        |

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<sup>1</sup> Any future change in rates proposed by Red Bird would require it to file a general rate case application pursuant to N.C. Gen. Stat. § 62-134 and approval by the Commission. Public Staff would represent the interest of the using and consuming public in such a proceeding. Future rates are subject to change and could be less or more than the projected \$70.25 per customer for water and \$91.86 per customer for wastewater.

<sup>2</sup> The timeframe of the present through Year 2 assumes an average monthly usage of 3,000 gallons per customer.

This the \_\_\_\_ day of \_\_\_\_\_, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk