



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

March 15, 2024

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

Re: Docket No. W-1328, Sub 11 – Application by Red Bird Utility Operating Company, LLC d/b/a Red Bird Water for a Certificate of Public Convenience and Necessity and for Approval of Rates for Pine Mountain Lakes

Dear Ms. Dunston,

On March 4, 2024, the Public Staff filed the Joint Settlement Testimony of Meredith L. Strickland, Shashi M. Bhatta, and John R. Hinton and Public Staff Settlement Exhibits 1 and 2. Public Staff Settlement Exhibit 1 was filed as confidential in its entirety. It has come to the Public Staff's attention that not all of the information contained in Public Staff Settlement Exhibit 1 is confidential. Therefore, please find attached for filing the public (redacted) version of Public Staff Settlement Exhibit 1.

By copy of this letter, I am forwarding a copy of the public version to all parties of record by electronic delivery. The confidential version was previously provided to Red Bird Utility Operating Company, LLC d/b/a Red Bird Water.

Sincerely,

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

cc: Parties of Record

Executive Director  
(919) 733-2435

Accounting  
(919) 733-4279

Consumer Services  
(919) 733-9277

Economic Research  
(919) 733-2267

Energy  
(919) 733-2267

Legal  
(919) 733-6110

Transportation  
(919) 733-7766

Water/Telephone  
(919) 733-5610

**RED BIRD UTILITY OPERATING COMPANY, LLC**

Docket No. W-1328 Sub 11

**CALCULATION OF PS RECOMMENDED  
REVENUE REQUIREMENT  
CURRENT OPERATION**

For The Test Year Ended December 31, 2023

Public Staff  
Settlement Exhibit 1  
Schedule 1

Line No.	Item	Water Amount (a)	Sewer Amount (b)
1	Plant in service	\$95,720 1/	\$75,323 9/
2	Accumulated depreciation	(7,331) 2/	(3,013) 10/
3	Cash working capital	3/	3/
4	Average tax accrual	(587) 4/	(646) 4/
5	Rate base (Sum L1 thru L4)		
6	Pre tax rate of return	8.462% 5/	8.462% 5/
7	Return on rate base (L5xL6)		
8	Return on operating deductions	6/	6/
9	Return PS recommended (Higher of L7 or L8)		
10	Total operating revenue deductions	61,096 7/	49,921 11/
11	Revenue requirement before gross up factor (L9 + L10)		
12	Gross up factor	99.85% 8/	99.85% 8/
13	Annual PS recommended revenue requirement (L11 / L12)		

1/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (a), Line 4.

2/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (f), Line 4.

3/ Total operating revenue deductions less taxes and depreciation divided by 8.

4/ Calculated as one-fifth of payroll taxes.

5/ Public Staff Strickland Exhibit 1, Schedule 2-4, Column (d), Line 6.

6/ Total operating deductions multiplied by overall rate of return then divided by 1 minus composite income tax rate.

7/ Confidential Public Staff Strickland Exhibit 1, Schedule 1-2, Column (a), Line 13.

8/ Public Staff Strickland Exhibit 1, Schedule 2-4, Column (c), Line 8.

9/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (a), Line 8.

10/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (f), Line 8.

11/ Confidential Public Staff Strickland Exhibit 1, Schedule 1-2, Column (b), Line 13.

**RED BIRD UTILITY OPERATING COMPANY, LLC**  
Docket No. W-1328 Sub 11  
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
DEPRECIATION AND DEPRECIATION EXPENSE**  
For The Test Year Ended December 31, 2023

Public Staff  
Settlement Exhibit 1  
Schedule 1-1

Line No.	Item	Plant in Service (a)	1/ Year Placed in Service (b)	Life in Years (c)	1/ Years in Service (d)	3/ Depreciation Expense (e)	4/ Accumulated Depreciation (f)	5/
1	Plant in Service	\$31,835	2022	10	1.5	\$3,184	\$4,775	
2	Due Diligence Fees-Water-Legal	\$37,764	2024	25	1.0	1,511	1,511	
3	Due Diligence Fees-Water-Engineering	26,121	2024	25	1.0	1,045	1,045	
4	Total plant in service water (Sum of L1 thru L3)	<u>\$95,720</u>				<u>\$5,739</u>	<u>\$7,331</u>	
5	Composite depreciation rate-water						<u>6.00%</u>	6/
6	Due Diligence Fees-Sewer-Legal	26,243	2024	25	1.0	1,050	1,050	
7	Due Diligence Fees-Sewer-Engineering	<u>49,080</u>	2024	25	1.0	<u>1,963</u>	<u>1,963</u>	
8	Total plant in service sewer (Sum of L6 thru L7)	<u>\$75,323</u>				<u>\$3,013</u>	<u>\$3,013</u>	

1/ Per Public Staff Witness Bhatta.

2/ Per examination of Company's supplemental application.

3/ Calculated based on year placed in service.

4/ Column (a) divided by Column (c), unless fully depreciated.

5/ Column (d) multiplied by Column (e), unless fully depreciated.

6/ Column (e), Line 4 divide by Column (a) Line 4.

**RED BIRD UTILITY OPERATING COMPANY, LLC**

Docket No. W-1328 Sub 11

**CALCULATION OF O&M EXPENSE**

For The Test Year Ended December 31, 2023

Public Staff  
Settlement Exhibit 1  
Schedule 1-2

Line No.	Item	Water Amount (a)	1/	Sewer Amount (b)	1/
	<u>Operating Revenue Deductions:</u>				
1	Contract operator	29,089	2/	31,915	2/
2	Admin and Office expense	█	3/	█	3/
3	Maintenance and repairs	1,855	2/	1,289	2/
4	Transportation	0	2/	0	2/
5	Electric Power for Pumping	14,257	2/	4,840	2/
6	Chemicals for Treatment	2,152	2/	1,496	2/
7	Testing Fees	232	2/	161	2/
8	Permit Fees	350	2/	860	2/
9	Other expenses	█	3/	█	3/
10	Payroll Taxes	2,934		3,228	
11	Franchise tax	█	3/	█	3/
12	Depreciation	5,739	4/	3,013	5/
13	Total Operating Deductions (Sum of L1 thru L12)	<u>\$61,096</u>		<u>\$49,921</u>	

1/ Per 10.19.23 supplemental application, attachment 1 page 4 of 13, unless otherwise footnoted.

2/ Per Public Staff Witness Bhatta.

3/ Per 10.19.23 supplemental application, attachment 3 page 1 of 2.

4/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (e), Line 8.

5/ Public Staff Strickland Exhibit 1, Schedule 1-1, Column (e), Line 11.

OFFICIAL COPY

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**RED BIRD UTILITY OPERATING COMPANY, LLC**  
Docket No. W-1328 Sub 11  
**CALCULATION OF COMPOSITE TAX RATE, RATE OF RETURN,  
AND GROSS UP FACTOR**  
For The Test Year Ended December 31, 2023

Public Staff  
Settlement Exhibit 1  
Schedule 2-4

Line No.	Item				
<b><u>Composite Tax Rate:</u></b>					
1	State income tax rate			2.500%	1/
2	Federal income tax rate			21.000%	1/
3	Composite tax rate $(1 - ((1 - 2.5\%) \times (1 - 21\%)))$			<u>22.975%</u>	
<b><u>Pre-Tax Rate of Return:</u></b>					
		Ratio	2/ Embedded Cost	2/ Weighted Cost	3/ Pre Tax Weighted Cost
		(a)	(b)	(c)	(d)
4	Debt	50.00%	4.20%	2.100%	2.100% 4/
5	Equity	50.00%	9.80%	4.900%	6.362% 5/
6	Totals (L4+L5)	<u>100.00%</u>		<u>7.000%</u>	<u>8.462%</u>
<b><u>Gross Up:</u></b>					
7	Regulatory fee rate			0.1475%	1/
8	Regulatory fee gross up factor $(1 - .1475\%)$			<u>99.8525%</u>	

1/ Statutory rates.

2/ Provided by Public Staff Witness Hinton.

3/ Column (a) multiplied by Column (b).

4/ Column (c), Line 4 amount.

5/ Column (c), Line 5 divided by (1 minus Line 3).

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States Mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 15th day March, 2024.

Electronically submitted  
/s/ Megan Jost  
Staff Attorney