

1 estimated depreciation rate does not agree with the Public Staff's  
2 recommended depreciation rate. Based on the Public Staff's  
3 calculation, the amounts of net plant in service should be [BEGIN  
4 CONFIDENTIAL] [REDACTED]  
5 [REDACTED] [END CONFIDENTIAL] with accumulated  
6 depreciation calculated through December 31, 2022, and the  
7 depreciation rates recommended by Public Staff witness D. Michael  
8 Franklin.

9 If Red Bird files a rate case in the future, rate base should also  
10 include CIAC, average tax accruals, cash working capital, and any  
11 acquisition adjustment approved by the Commission.

12 **Q. Please explain your calculations of the acquisition adjustment  
13 and due diligence expenses Red Bird seeks to recover.**

14 A. As discussed earlier, the Public Staff's calculation of the residual  
15 plant in service value is [BEGIN CONFIDENTIAL] [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED] [END CONFIDENTIAL] and the  
20 purchase price for the wastewater system is [BEGIN  
21 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. Therefore, the

1 requested acquisition adjustment calculated by the Public Staff is  
 2 \$115,418150,763 for the water system and \$101,160149,969 for the  
 3 wastewater system. The accumulated amortization of the acquisition  
 4 adjustment is \$4,9066,408 for the water system and \$5,9368,947 for  
 5 the wastewater system. A comparison of the Public Staff's and Red  
 6 Bird's acquisition adjustment calculations is shown in Feasel Table 1  
 7 below:

8 **Feasel Table 1 [BEGIN CONFIDENTIAL]**

	Red Bird		Public Staff	
	Water	Sewer	Water	Sewer
Purchase Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Plant in Service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition Adjustment, before accumulated amortization	\$124,071	\$114,528	\$115,418 <u>150,763</u>	\$101,160 <u>149,969</u>

9 **[END CONFIDENTIAL]**

10 The incurred due diligence expense is **[BEGIN CONFIDENTIAL]**

11 **[REDACTED]** **[END CONFIDENTIAL]**

12 for the wastewater system. The accumulated amortization of due

13 diligence is \$3,390 for the water system and \$4,321 for the

1 wastewater system, calculated based on the transaction  
2 commencing in 2023.

3 **Q. Have you calculated the estimated revenue requirements**  
4 **associated with the acquisition adjustment and due diligence**  
5 **expenses?**

6 A. Yes. If the requested acquisition adjustment as calculated by the  
7 Public Staff is included in rate base, the associated revenue  
8 requirement for the water system is ~~\$14,211~~18,563. The revenue  
9 requirement associated with the wastewater system is  
10 ~~\$13,956~~20,826.

11 If the full amount of incurred due diligence expenses is included in  
12 rate base, the associated revenue requirement is \$9,821 for the  
13 water system. The revenue requirement associated with the  
14 wastewater system is \$10,157.

15 **Q. Have you calculated the estimated revenue requirement**  
16 **associated with future improvements to the Crosby systems?**

17 A. Yes. I first note that Red Bird witness Cox states on page 23 of his  
18 prefiled direct testimony that, as a practical matter, it is difficult to  
19 accurately predict the extent of the capital investment that will be  
20 required. McGill Associates, the engineering firm Red Bird engaged  
21 to assess the Crosby systems, initially estimated the necessary

1 future capital investment at [BEGIN CONFIDENTIAL] [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED] [END CONFIDENTIAL] for the water  
9 and wastewater systems.

10 Based on estimated improvements to the water system in the amount  
11 of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL], the  
12 revenue requirement associated with the future improvements to the  
13 water system would be \$22,983. Based on estimated improvements  
14 to the wastewater system in the amount of [BEGIN CONFIDENTIAL]  
15 [REDACTED] [END CONFIDENTIAL], the revenue requirement  
16 associated with the wastewater system would be \$24,483.

17 **Q. How do the estimated revenue requirements and impacts on**  
18 **base rates of the acquisition adjustment, due diligence**  
19 **expenses, and future improvements impact the Public Staff's**  
20 **position regarding the proposed transfer of public utility**  
21 **franchise and approval of rates?**

1 A. Public Staff witness Franklin's prefiled testimony discusses the  
2 impact on water and wastewater base rates of the revenue  
3 requirements I calculated for the proposed acquisition adjustment  
4 and due diligence expenses and for future improvements. He also  
5 provides the Public Staff's recommendation regarding the proposed  
6 transfer considering the anticipated rate increases that would result  
7 from the revenue requirements I calculated.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes, it does.