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December 4, 2023

Ms. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, North Carolina

**Re: Application by Red Bird Utility Operating Company, LLC and Etowah Sewer Company, Inc. for Transfer of Public Utility Franchise and for Approval of Rates
Docket No. W-933, Sub 12
Docket No. W-1328, Sub 0**

Dear Ms. Dunston:

Enclosed please find a summary of the direct testimony of Josiah Cox and the rebuttal testimony summaries of Josiah Cox, Brent Thies, and James Beckemeier, filed on behalf of Red Bird Utility Operating Company, LLC in accordance with the Commission's request at the November 20, 2023 Evidentiary Hearing in this proceeding.

Please contact me if you or the Commission have any questions regarding this filing.

Best regards,

/s/ Mindy McGrath
Mindy McGrath

Enclosure

c: Parties of Record w/ Encl.

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Dec 04 2023

**Red Bird Utility Operating Company, LLC
Summary of Direct Testimony of Josiah Cox
Docket Nos. W-933, Sub 12; W-1328, Sub 0**

My name is Josiah Cox, and I am President of Red Bird Utility Operating Company, LLC (“Red Bird” or the “Company”). I am also the President of Central States Water Resources, Inc. and CSWR, LLC (“CSWR”), each a Red Bird affiliate.

My direct testimony supports the Commission’s approval of Red Bird’s proposed acquisition of the wastewater system owned by Etowah Sewer Company, Inc. (“Etowah”) and how transferring the Etowah system to Red Bird, a well-capitalized enterprise that is a professional utility, will be in the best interest of Etowah customers. I describe how Red Bird has the financial, technical, and managerial ability to acquire, own, and operate the Etowah system in a manner that fully complies with applicable health, safety, environmental protection, and regulatory laws and regulations, and to provide reliable, safe, and adequate service to customers. I also explain why the proposed acquisition will promote the public interest. My testimony details the Etowah system’s long history of non-compliance resulting in several formal notices of violation, individual violations, and the need for various compliance schedules. I discuss how Red Bird and CSWR are willing and able to invest capital necessary to bring the Etowah system up to current standards and into compliance with applicable regulatory and legal requirements. My testimony also describes the planned investments that Red Bird will make to the Etowah system upon approval of the acquisition, including a 24-hour customer service phone line, a maintenance management system utilizing real-time data monitoring, geographic information system survey mapping, and the operational and system improvements and upgrades identified in the initial engineering assessment. I also note that Red Bird proposes to adopt the tariffs, rules, and rates currently in effect for the Etowah system.

**Red Bird Utility Operating Company, LLC
Summary of Direct Testimony of Josiah Cox
Docket Nos. W-933, Sub 12; W-1328, Sub 0**

Finally, I present Red Bird’s position regarding an acquisition adjustment and recovery of due diligence expenses. I explain that it is our position that the recent amendment to N.C.G.S. § 62-111, which directs the Commission to determine whether the proposed acquisition “is in the public interest, will not adversely affect service to the public under any existing franchise, and the person acquiring said franchise . . . has the technical, managerial, and financial capabilities necessary to provide public utility service to the public,” limits the focus of the Commission’s inquiry in acquisition cases and signals that extraneous issues – such as approval of an acquisition adjustment or due diligence expenses – can and should be deferred to a future rate case.

This concludes the summary of my direct testimony.

Red Bird Utility Operating Company, LLC
Summary of Rebuttal Testimony of Josiah Cox
Docket Nos. W-933, Sub 12; W-1328, Sub 0

My name is Josiah Cox, and I am President of Red Bird Utility Operating Company, LLC (“Red Bird” or the “Company”). I am also the President of Central States Water Resources, Inc. and CSWR, LLC, each a Red Bird affiliate.

My rebuttal testimony responds to the Public Staff’s testimony regarding the state of the Etowah system, Red Bird’s acquisition adjustment and due diligence expenses, and the Public Staff’s rate projections. I describe why Red Bird considers the Etowah system to be “distressed” or non-viable under North Carolina’s Statewide Water and Wastewater Infrastructure Master Plan and indicia set forth by the Arizona Corporation Commission, which Red Bird has found instructive with its peer affiliates. My testimony details the reasons why the Etowah wastewater system is distressed or non-viable and how approval of Red Bird’s Application will serve the public interest.

My rebuttal testimony also clarifies the Company’s position on an acquisition adjustment and recovery of due diligence expenses. I explain why due diligence costs are a necessary component of an acquisition, and why these costs will not be final until after closing. I also discuss why Red Bird believes these issues should be deferred for full evaluation until Red Bird’s initial rate case proceeding, and how deferring these issues to a rate case proceeding is consistent with recently enacted changes to N.C.G.S. § 62-111.

Finally, I respond to the Public Staff’s projected rate impacts by reiterating how Red Bird’s Application will not impact customer rates after closing because Red Bird will adopt the rates currently in effect for Etowah customers and how Red Bird intends to seek consolidated, statewide rates for both water and wastewater services. This concludes my rebuttal testimony summary.

Red Bird Utility Operating Company, LLC
Summary of Rebuttal Testimony of Brent Thies
Docket Nos. W-933, Sub 12; W-1328, Sub 0

My name is Brent Thies, and I am Vice President and Corporate Controller at CSWR, LLC, testifying on behalf of Red Bird Utility Operating Company, LLC (“Red Bird” or the “Company”), a subsidiary of CSWR.

My testimony describes the differences in the Public Staff and Red Bird’s rate base calculations as it relates to Contributions in Aid of Construction (“CIAC”) and accumulated depreciation. I explain that the Public Staff’s calculations exclude some Utility Plant in Service (“UPIS”) values from additional CIAC and the corresponding depreciation from rate base, and I provide Red Bird’s supporting calculations.

In addition, I respond to the Public Staff’s estimated rate impacts. Public Staff witnesses Feasel and Franklin utilized assumptions for capital structure, rate of return, and amortization periods to arrive at the revenue and rate impact of certain items that are a part of Red Bird’s filing in this docket. My rebuttal testimony explains how since Red Bird is not currently in a rate case proceeding, there is no way to know whether the assumptions the Public Staff made to arrive at its estimated rate impacts are realistic or reasonable. As the Commission knows, capital structure, return on equity, and amortization periods are some of the most heavily contested issues in a rate case. While Public Staff’s witnesses properly characterize their work as estimations, my rebuttal testimony explains why it is not proper to consider their estimated revenue requirement impacts when (a) they are not relevant to an acquisition proceeding, and (b) they are based on hypothetical assumptions that require the development of a complete record in a future general rate case and are likely to be the subject of dispute in that case.

This concludes the summary of my rebuttal testimony.

Red Bird Utility Operating Company, LLC
Summary of Rebuttal Testimony of James Beckemeier
Docket Nos. W-933, Sub 12; W-1328, Sub 0

My name is James Beckemeier, and I am a Managing Member of Beckemeier LeMoine Law. I filed rebuttal testimony on behalf of Red Bird Utility Operating Company, LLC (“Red Bird” or the “Company”), a subsidiary of Central States Water Resources, Inc. and CSWR, LLC (“CSWR”). We oversee and facilitate utility system acquisitions by CSWR subsidiaries throughout the United States, including Red Bird’s acquisitions in North Carolina.

My rebuttal testimony details the scope and purpose of Red Bird’s due diligence efforts in this proceeding. I describe the types of due diligence conducted, which includes engineering reviews, appraisal of system assets, and various surveys and title and legal research needed to determine real property rights and evaluate any encumbrances.

Information gleaned from Red Bird’s due diligence efforts is not only used to complete the initial acquisition application, but also provides necessary details for the closing of an acquisition, system operation, and for the identification of post-closing maintenance and capital improvements. Based on my professional experience, the costs Red Bird has incurred for due diligence expenses relating to the Etowah Sewer Company, Inc. wastewater system are prudent and in line with due diligence costs associated with deals of this size, type, and complexity.

This concludes the summary of my rebuttal testimony.

CERTIFICATE OF SERVICE

DOCKET NO. W-933, SUB 12

DOCKET NO. W-1328, SUB 0

I hereby certify that a copy of Red Bird Utility Operating Company, LLC's direct and rebuttal testimony summaries were served electronically or by depositing a copy of the same in the United States Mail, first class postage prepaid, at the addresses contained in the official service lists in these proceedings.

This the 4th day of December 2023.

RED BIRD UTILITY OPERATING COMPANY, LLC

/s/ Mindy McGrath

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