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Admitted in: North Carolina

January 31, 2024

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 A&D Water Services, Inc. for Transfer of Public Utility Franchise and for Approval of Rates
Docket No. W-1049, Sub 25
Docket No. W-1328, Sub 2

Dear Ms. Dunston:

On behalf of Red Bird Utility Operating Company, LLC ("Red Bird") and pursuant to the Commission's Order issued January 23, 2024, enclosed is a proposed Notice to Customers. Red Bird consulted with the Public Staff, and the Public Staff agrees to the enclosed Notice.

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.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

NOTICE TO CUSTOMERS

DOCKET NO. W-1049, SUB 25
DOCKET NO. W-1328, SUB 2

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Notice is hereby given that Red Bird Utility Operating Company, LLC (Red Bird), 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131, and A&D Water Services, Inc. (A&D), P.O. Box 1407, Pisgah Forest, North Carolina, 28768, filed a joint Application with the North Carolina Utilities Commission (Commission) for Transfer of Public Utility Franchise and for Approval of Rates (Application) seeking authority to transfer the water and sewer utility systems and public utility franchise serving the Buffalo Meadows, Camelot, Cinnamon Woods, High Vista, Hunters Glen, Kirk Glen, Mountain Valley, Rolling Oaks Estates, Sherwood Forest, Skyview Park, and White Oak Village subdivisions, in Ashe, Henderson, Buncombe, Transylvania and Gaston Counties, from A&D to Red Bird, and approval of rates.

Upon acquisition, Red Bird plans to make approximately \$1,235,000 in capital improvements to the water and sewer systems across the A&D service area. According to Red Bird, these improvements, as well as others, are necessary to ensure proper operation of the A&D water and sewer systems and provide safe and reliable service to customers. Such investments in the A&D systems will eventually result in a rate increase, which will be subject to Commission review and approval in a future rate case.

When Red Bird files a general rate case application with the Commission in the future, Red Bird intends to include in rate base the costs associated with purchasing the A&D systems and its investments in the systems, which would allow Red Bird to recover in rates the reasonable depreciation expense and allow Red Bird the opportunity to earn a return approved by the Commission on Red Bird's post-closing investments. Depending on the number of utility systems it has acquired by the time it files a rate case encompassing the A&D systems, Red Bird may seek approval of uniform rates across all its North Carolina utility systems, including the Buffalo Meadows, Camelot, Cinnamon Woods, High Vista, Hunters Glen, Kirk Glen, Mountain Valley, Rolling Oaks Estates, Sherwood Forest, Skyview Park, and White Oak Village subdivisions.

EFFECT OF RATES:

Upon acquisition of the A&D systems, Red Bird proposes to continue to charge the current residential and commercial rates for monthly water and sewer utility services. The present and proposed rates are as follows:

Buffalo Meadows:

| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
|---|----------------|-----------------|
| Base Charge, zero usage | \$ 15.31 | \$ 15.31 |
| Usage Charge, per 1,000 gallons | \$ 4.46 | \$ 4.46 |
| <u>Monthly Metered Sewer Service Rates:</u> | | |
| Base Charge, zero usage | \$ 28.61 | \$ 28.61 |
| Usage Charge, per 1,000 gallons | \$ 8.24 | \$ 8.24 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 23.92 | \$ 23.92 |
| If water service discontinued at customer's request | \$ 23.92 | \$ 23.92 |
| If sewer service cut off by utility for good cause | Actual cost | Actual cost |

Based on these rates, Buffalo Meadows customers would continue to be billed a monthly base charge of \$15.31 and a usage charge of \$4.46 per 1,000 gallons for water utility service and a monthly base charge of \$28.61 and a usage charge of \$8.24 per 1,000 gallons for sewer utility service until such time as the Commission approves new rates.

Camelot:

| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
|---|----------------|-----------------|
| Base Charge, zero usage | \$ 38.04 | \$ 38.04 |
| Usage Charge, per 1,000 gallons | \$ 3.58 | \$ 3.58 |
| <u>Connection Charge:</u> | None | None |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 24.96 | \$ 24.96 |
| If water service discontinued at customer's request | \$ 24.96 | \$ 24.96 |

Based on these rates, Camelot customers would continue to be billed a base charge of \$38.04 and a usage charge of \$3.58 per 1,000 gallons for water utility service until such time as the Commission approves new rates.

Cinnamon Woods:

| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
|---|----------------|-----------------|
| Base Charge, zero usage | \$ 16.51 | \$ 16.51 |
| Usage Charge, per 1,000 gallons | \$ 4.15 | \$ 4.15 |
| <u>Connection Charge:</u> | \$1,000.00 | \$1,000.00 |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 24.96 | \$ 24.96 |
| If water service discontinued at customer's request | \$ 24.96 | \$ 24.96 |

Based on these rates, Cinnamon Woods customers would continue to be billed a monthly base charge of \$16.51 and a usage charge of \$4.15 per 1,000 gallons for water utility service until such time as the Commission approves new rates.

High Vista:

| <u>Monthly Flat-Rate Sewer Service:</u> | <u>Present</u> | <u>Proposed</u> |
|--|----------------|-----------------|
| <u>Residential Flat Rates:</u> | | |
| High Vista Falls | \$ 35.33 | \$ 35.33 |
| LaVista Village Condos | \$ 23.00 | \$ 23.00 |
| <u>Commercial Flat Rates:</u> | | |
| High Vista Country Club | \$212.00 | \$212.00 |
| Real Estate Sales Office | \$ 8.05 | \$ 8.05 |
| Guardhouse/Security Entrance | \$ 4.03 | \$ 4.03 |
| Future Development, per REU ¹ : | \$ 35.33 | \$ 35.33 |
| <u>Connection Charge:</u> | \$1,500.00 | \$1,500.00 |
| <u>Reconnection Charge:</u> | Actual cost | Actual cost |

Based on these rates, residential customers at High Vista Falls would continue to be billed a monthly flat rate of \$35.33 and residential customers at LaVista Village Condos would continue to be billed a monthly flat rate of \$23.00 for sewer utility service until such time as the Commission approves new rates. The High Vista Country Club would continue to be billed a monthly flat rate of \$212.00, the Real Estate Sales Office a monthly flat rate of \$8.05, and the Guardhouse/Security Entrance a monthly flat rate of \$4.03. Future

¹ REU = Residential Equivalent Unit = (North Carolina Department of Environmental Quality's Division of Water Quality's monthly design flow rate for customer, or metered water use) / Public Utilities Engineer's residential flow estimate in last rate case, 8,250 gallons/month).

commercial developments would be charged a flat monthly rate of \$35.33 per REU for sewer utility service until such time as the Commission approves new rates.

| <u>Hunters Glen:</u> | <u>Present</u> | <u>Proposed</u> |
|--|-----------------------|------------------------|
| <u>Monthly Residential Flat-Rate Sewer Service:</u> | \$ 48.96 | \$ 48.96 |
| <u>Monthly Commercial Metered Sewer Rates:</u> | | |
| Commercial Base Charge, zero usage | \$ 42.14 | \$ 42.14 |
| Usage Charge, per 1,000 gallons | \$ 7.02 | \$ 7.02 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |
| <u>Reconnection Charge:</u> | | |
| If sewer service cut off by utility for good cause | Actual cost | Actual cost |

Based on these rates, Hunters Glen residential customers would continue to be billed a monthly flat rate of \$48.96 for sewer utility service and commercial customers would continue to be billed a monthly base charge of \$42.14 and a usage charge of \$7.02 per 1,000 gallons for sewer utility service until such time as the Commission approves new rates.

Kirk Glen:

| | | |
|---|-----------------------|------------------------|
| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
| Base Charge, zero usage | \$ 36.46 | \$ 36.46 |
| Usage Charge, per 1,000 gallons | \$ 15.25 | \$ 15.25 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 23.99 | \$ 23.99 |
| If water service discontinued at customer's request | \$ 23.99 | \$ 23.99 |

Based on these rates, Kirk Glen customers would continue to be billed a monthly base charge of \$36.46 and a usage charge of \$15.25 per 1,000 gallons for water utility service until such time as the Commission approves new rates.

| <u>Mountain Valley:</u> | <u>Present</u> | <u>Proposed</u> |
|---|-----------------------|------------------------|
| <u>Monthly Residential Flat-Rate Sewer Service:</u> | \$ 41.45 | \$ 41.45 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |
| <u>Reconnection Charge:</u> | | |
| If sewer service cut off by utility for good cause | Actual cost | Actual cost |

Based on these rates, Mountain Valley residential customers would continue to be billed a monthly flat rate of \$41.45 for sewer utility service until such time as the Commission approves new rates.

Rolling Oaks Estates:

| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
|---|-----------------------|------------------------|
| Base Charge, zero usage | | |
| Residential, standard meter | \$ 28.49 | \$ 28.49 |
| Commercial user, 1.0" meter | \$ 71.22 | \$ 71.22 |
| Usage Charge, per 1,000 gallons | \$ 4.79 | \$ 4.79 |
| <u>Connection Charge:</u> | \$600.00 | \$600.00 |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 23.92 | \$ 23.92 |
| If water service discontinued at customer's request | \$ 23.92 | \$ 23.92 |

Based on these rates, Rolling Oaks residential customers would continue to be billed a monthly base charge of \$28.49 and a usage charge of \$4.79 per 1,000 gallons and commercial customers would continue to be billed a monthly base charge of \$71.22 and a usage charge of \$4.79 per 1,000 gallons for water utility service until such time as the Commission approves new rates.

Sherwood Forest:

| <u>Monthly Flat-Rate Sewer Service:</u> | <u>Present</u> | <u>Proposed</u> |
|--|-----------------------|------------------------|
| Residential (Single Family Dwelling, REUs) | \$ 35.02 | \$ 35.02 |
| Commercial Rates (Per REU) | \$ 35.02 | \$ 35.02 |
| Duplex Housing (2 units) | \$ 70.06 | \$ 70.06 |
| Condominiums (22 condos) | \$770.60 | \$770.60 |
| Restaurant (3.5 REUs) | \$122.60 | \$122.60 |
| Assisted living facility (9.6 REUs) | \$336.27 | \$336.27 |

| | | |
|-----------------------------|-------------|-------------|
| <u>Connection Charge:</u> | \$1,500.00 | \$1,500.00 |
| <u>Reconnection Charge:</u> | Actual cost | Actual cost |

Based on these rates, Sherwood Forest residential customers would continue to be billed a monthly flat rate of \$35.02 for sewer utility service until such time as the Commission approves new rates. Commercial customers would continue to be billed a monthly flat rate of \$35.02 per REU, Duplex housing would continue to be billed \$70.06, condominiums \$770.60, the restaurant \$122.60, and the assisted living facility \$336.27 for sewer utility service until such time as the Commission approves new rates.

Skyview Park:

| | | |
|---|----------------|-----------------|
| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
| Base Charge, zero usage | \$ 21.62 | \$ 21.62 |
| Usage Charge, per 1,000 gallons | \$ 5.54 | \$ 5.54 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |
| <u>Reconnection Charge:</u> | | |
| If water service cut off by utility for good cause | \$ 23.92 | \$ 23.92 |
| If water service discontinued at customer's request | \$ 23.92 | \$ 23.92 |

Based on these rates, Skyview customers would continue to be billed a monthly base charge of \$21.62 and a usage charge of \$5.54 per 1,000 gallons for water utility service until such time as the Commission approves new rates.

White Oak Village Mobile Home Park:

| | | |
|---|----------------|-----------------|
| <u>Monthly Metered Water Service Rates:</u> | <u>Present</u> | <u>Proposed</u> |
| Base Charge, zero usage | \$ 10.00 | \$ 10.00 |
| Usage Charge, per 1,000 gallons | \$ 3.48 | \$ 3.48 |
| <u>Monthly Metered Sewer Service Rates:</u> | | |
| Base Charge, zero usage | \$ 26.33 | \$ 26.33 |
| Usage Charge, per 1,000 gallons | \$ 2.21 | \$ 2.21 |
| <u>Connection Charge:</u> | Actual cost | Actual cost |

Reconnection Charge:

| | | |
|---|-------------|-------------|
| If water service cut off by utility for good cause | \$ 24.96 | \$ 24.96 |
| If water service discontinued at customer's request | \$ 24.96 | \$ 24.96 |
| If sewer service cut off by utility for good cause | Actual Cost | Actual Cost |

Based on these rates, White Oak customers would continue to be billed a monthly base charge of \$10.00 and a usage charge of \$3.48 per 1,000 gallons for water utility service and a monthly base charge of \$26.33 and a usage charge of \$2.21 per 1,000 gallons for sewer utility service until such time as the Commission approves new rates.

Future Rates

Red Bird plans to request from the Commission a rate increase and uniform statewide rates to become effective approximately 33 months post-acquisition. The extent of rate increases that could be requested by Red Bird approximately three years in the future cannot be predicted with certainty at this time because the needed capital improvements and repairs are subject to change. Due to the purchase costs and needed capital improvements and repairs, future rates are expected to be higher than the current rates. Any proposed rate increases will be subject to Commission approval.²

PROCEDURES FOR PUBLIC HEARINGS:

The Commission has scheduled the following hearings on the Application:

Public witness hearing at 7:00 p.m. on Thursday, February 29, 2024, in the Henderson County Courthouse, 200 North Grove Street, Suite 163, Hendersonville, North Carolina 28792. *This hearing may be cancelled if no significant protests are received through the submission of consumer statements on or before Monday, February 19, 2024.*

The public witness hearing on Thursday, February 29, 2024, will be solely for the purpose of receiving the testimony of customers in accordance with Commission Rule R1-21(g). The Commission reserves the right to limit testimony at the public witness hearing pursuant to Commission Rule R1-21(g)(5).

Expert witness hearing at 2:00 p.m. on Monday, April 1, 2024, and continuing as necessary until concluded. The hearing will be held in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, 27603. The hearing scheduled for Monday, April 1, 2024, shall be conducted solely for the purpose of receiving testimony of Red Bird, A&D, the Public Staff – North Carolina Utilities Commission (Public Staff), and any other parties of record.

² Any future change in rates proposed by Red Bird would require filing a general rate case application pursuant to N.C. Gen. Stat. § 62-134, notice to customers, a public hearing, and approval by the Commission.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Consumer statements to the Public Staff should include the customer's name, contact information, and any information that the consumer wishes to be considered by the Public Staff in its investigation of the matter, and such statements should be addressed to Mr. Christopher J. Ayers, Executive Director, Public Staff, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300. Consumer statements may also be faxed to (919) 715-6704.

Consumer statements may be submitted to the Commission via the web form at <https://www.ncuc.gov/contactus.html>. Consumer statements are not evidence unless those persons appear at a public witness hearing and testify concerning the information contained in their consumer statements.

The Attorney General is also authorized by statute to represent the consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Josh Stein, Attorney General, c/o Utilities Section, 9001 Mail Service Center, Raleigh, North Carolina 27699-9001. Written statements may also be e-mailed to utilityAGO@ncdoj.gov.

Persons desiring to intervene in this proceeding as formal parties of record should file a petition to intervene pursuant to Commission Rules R1-5 and R1-19, not later than Thursday, February 15, 2024. Such petitions should be filed with the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4300. The direct testimony and exhibits of expert witnesses to be presented by intervenors should be filed with the Commission on or before Wednesday, March 6, 2024.

Information regarding this proceeding can also be accessed from the Commission's website at www.ncuc.gov under Docket Numbers "W-1049 Sub 25" and "W-1328 Sub 2."

This the ____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers copies of the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket Nos. W-1049, Sub 25 and W-1328, Sub 2, and the Notice was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____ 2024.

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 Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket Nos W-1049, Sub 25 and W-1328, Sub 2.

Witness my hand and notarial seal, this the _____ day of _____ 2024.

Notary Public

Address

(SEAL) My Commission Expires:

Date