



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 9, 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 – Application by Red Bird Utility Operating Company, LLC for Authority to Transfer the Crosby Utilities, Inc. Water and Wastewater Systems and Public Utility Franchise in Wake County, North Carolina, and for Approval of Rates

Dear Ms. Dunston:

On March 8, 2023, the Public Staff requested that the public version of the testimony and exhibits of its witness Lynn Feasel filed in this docket on February 23, 2023, be removed from the docket as it contained confidential information. Enclosed herewith for filing is a fully redacted public version of Ms. Feasel's testimony and exhibits to replace the version removed from the docket.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

Electronically submitted
/s/Gina C. Holt
Manager, Legal Division, Water, Sewer,
Telephone, & Transportation Sections
gina.holt@psncuc.nc.gov

Electronically submitted
/s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

Attachment

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

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) TESTIMONY OF
Hwy, Zebulon, North Carolina 27597, for) LYNN FEASEL
Authority to Transfer the Baywood) PUBLIC STAFF –
Forest Subdivision Water and) NORTH CAROLINA
Wastewater Utility Systems and the) UTILITIES COMMISSION
Cottonwood Subdivision Wastewater)
Utility System and Public Utility)
Franchise in Wake County, North)
Carolina, and for Approval of Rates)

February 23, 2023

1 **Q. Please state your name, business address, and present**
2 **position.**

3 A. My name is Lynn Feasel. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the
5 Financial Manager of the Water, Sewer, and Telecommunications
6 Sections with the Accounting Division of the Public Staff – North
7 Carolina Utilities Commission (Public Staff).

8 **Q. How long have you been employed by the Public Staff?**

9 A. I have been employed by the Public Staff since November 6, 2016.

10 **Q. Briefly state your qualifications and experience.**

11 A. My qualifications and experience are included in Appendix A.

12 **Q. What is the nature of the application in this proceeding?**

13 A. On October 22, 2020, Crosby Utilities, Inc. (Crosby), and Red Bird
14 Utility Operating Company, LLC (Red Bird), filed an application with
15 the Commission for transfer of public utility franchise and for approval
16 of rates (Joint Application). On December 17, 2020, the Public Staff
17 filed a letter requiring Red Bird to file required additional information
18 to resolve deficiencies in the application. Red Bird filed supplemental
19 materials on May 27 and 28, and October 8, 2021; June 14, and July
20 18, 2022; and February 2, 2023. On February 2, 2023, Josiah Cox,

1 President of Red Bird and its affiliate, CSWR, LLC, filed direct
2 testimony and Exhibits 1 and 2 on behalf of Red Bird.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony in this proceeding is to present the
5 results of my investigation of the Joint Application, which involved a
6 review of the Joint Application, exhibits, supplemental filings, and
7 additional documentation provided by Red Bird in response to written data
8 requests. Specifically, I discuss my calculations of original cost rate
9 base for the Crosby systems, the amount of the acquisition
10 adjustment Red Bird seeks to include in rate base, and the estimated
11 revenue requirements associated with the acquisition adjustment,
12 due diligence expenses, and future improvements.

13 **Q. Would you briefly describe the presentation of your testimony
14 and exhibits?**

15 A. Yes. My testimony contains a discussion of each issue identified
16 through my investigation, and Public Staff Confidential Feasel
17 Exhibits 1 through 3 consist of schedules showing the calculation of
18 rate base, net operating income, return, and revenue requirement
19 based on certain assumptions described later in my testimony.
20 Schedules 1(a) and 1(b) represent the return calculated for water and
21 wastewater operations, respectively; Schedule 2 and its associated

1 sub schedules represent the rate base calculated for water and
2 wastewater operations; Schedule 3 and its associated sub schedules
3 represent the net operating income calculated for water and
4 wastewater operations. Revenue requirements for water and
5 wastewater are also contained in Schedule 3 and its associated sub
6 schedules.

7 **Q. Please explain the Public Staff's calculation of original cost rate**
8 **base.**

9 A. [BEGIN CONFIDENTIAL] [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] [END CONFIDENTIAL] The Public Staff calculates

13 rate base differently. First, Red Bird's amount only includes the

14 amount for plant in service and its calculation of accumulated

15 depreciation. It does not include contributions in aid of construction

16 (CIAC), cash working capital, or average tax accruals approved in

17 Docket No. W-992, Sub 6, Crosby's most recent rate case. These

18 items are included in the Public Staff's calculation. Second, Red Bird

19 only calculated accumulated depreciation through December 31,

20 2021. Accumulated depreciation should be updated at least through

21 December 31, 2022, as the Public Staff has done, to calculate the

22 most accurate level of residual net plant in service. Finally, Red Bird's

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 [END CONFIDENTIAL] with accumulated depreciation calculated
6 through December 31, 2022, and the depreciation rates
7 recommended by Public Staff witness D. Michael Franklin.

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

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

13 A. As discussed earlier, the Public Staff's calculation of the residual
14 plant in service value is [BEGIN CONFIDENTIAL] [REDACTED]
15 [REDACTED]
16 [REDACTED],
17 [REDACTED]
18 [REDACTED] [END CONFIDENTIAL] and the purchase price
19 for the wastewater system is [BEGIN CONFIDENTIAL] [REDACTED]
20 [END CONFIDENTIAL]. Therefore, the requested acquisition
21 adjustment calculated by the Public Staff is \$115,418 for the water

1 system and \$101,160 for the wastewater system. The accumulated
 2 amortization of the acquisition adjustment is \$4,906 for the water
 3 system and \$5,936 for the wastewater system. A comparison of the
 4 Public Staff's and Red Bird's acquisition adjustment calculations is
 5 shown in Feasel Table 1 below:

6 **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	\$101,160

7 **[END CONFIDENTIAL]**

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

9 **[REDACTED]** **[END CONFIDENTIAL]**

10 for the wastewater system. The accumulated amortization of due
 11 diligence is \$3,390 for the water system and \$4,321 for the
 12 wastewater system, calculated based on the transaction
 13 commencing in 2023.

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

4 A. Yes. If the requested acquisition adjustment as calculated by the
5 Public Staff is included in rate base, the associated revenue
6 requirement for the water system is \$14,211. The revenue
7 requirement associated with the wastewater system is \$13,956.

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

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

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

20 [REDACTED]
21 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] [END CONFIDENTIAL] for the water
6 and wastewater systems.

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

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

19 **A.** Public Staff witness Franklin's prefiled testimony discusses the
20 impact on water and wastewater base rates of the revenue
21 requirements I calculated for the proposed acquisition adjustment

1 and due diligence expenses and for future improvements. He also
2 provides the Public Staff's recommendation regarding the proposed
3 transfer considering the anticipated rate increases that would result
4 from the revenue requirements I calculated.

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

6 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

LYNN FEASEL

I am a graduate of Baldwin Wallace University with a Master of Business Administration degree in Accounting. I am a Certified Public Accountant licensed in the State of North Carolina. Prior to joining the Public Staff, I was employed by Franklin International in Columbus, Ohio until June 2013. Additionally, I worked for ABB Inc. from September 2013 until October 2016. I joined the Public Staff as a Staff Accountant in November 2016. Since joining the Public Staff, I have worked on rate cases involving water and sewer and natural gas companies, filed testimony and affidavits in various general rate cases, calculated quarterly earnings for Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc., calculated quarterly earnings for various natural gas companies, calculated refunds to consumers from AH4R and Progress Residential and reviewed franchise and contiguous filings for multiple water and sewer companies.

CONFIDENTIAL

Docket No. W-992, Sub 8

and

Docket No. W-1328, Sub 9

Public Staff Confidential Feasel Exhibit 1

CONFIDENTIAL

Docket No. W-992, Sub 8

and

Docket No. W-1328, Sub 9

Public Staff Confidential Feasel Exhibit 2

CONFIDENTIAL

Docket No. W-992, Sub 8

and

Docket No. W-1328, Sub 9

Public Staff Confidential Feasel Exhibit 3