



**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,

Attached for filing on behalf of the Public Staff and Red Bird Operating Company, LLC, d/b/a Red Bird Water (Red Bird), is the information requested by the Commission in its Order Requesting Additional Information issued on March 12, 2024, in the above-referenced docket. Attachment A contains narrative responses to the Commission's questions. Attachment B is a schedule provided in response to Question 3.b.

In its Order Requesting Additional Information, the Commission redacted the amounts for total plant in service for water and sewer, which appear in Public Staff Settlement Exhibit 1, Schedule 1-1, lines 4 and 8. Public Staff Settlement Exhibit 1 was filed confidentially on March 4, 2024. On March 15, 2024, the Public Staff filed a redacted version of Public Staff Settlement Exhibit 1, along with a letter stating that it had come to Public Staff's attention that not all of the information contained in Public Staff Settlement Exhibit 1 is confidential. The amounts for total plant in service for water and sewer are not redacted in the version of Public Staff Settlement Exhibit 1 filed on March 15, 2024. Therefore, those amounts are not redacted in Attachment A to this filing.

The attached responses are based upon the Settlement Agreement and Stipulation filed on March 4, 2024, in the above-referenced docket, and therefore these responses reflect a give-and-take settlement of contested issues and do not necessarily reflect any position asserted by Red Bird or the Public Staff (Stipulating

Executive Director  
(919) 733-2435

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Consumer Services  
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Economic Research  
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Energy  
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Legal  
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Transportation  
(919) 733-7766

Water/Telephone  
(919) 733-5610

Ms. A. Shonta Dunston, Chief Clerk

Page Two

March 15, 2024

Parties). Moreover, neither party waives the right to assert any position on any issue in any future docket before the Commission as a result of these responses, and the responses shall not be cited as precedent by any of the Stipulating Parties in any other proceeding or docket before this Commission or on appeal before the North Carolina Court of Appeals or North Carolina Supreme Court.

By copy of this letter, I am forwarding a copy of to all parties of record by electronic delivery.

Sincerely,

Electronically submitted

/s/Megan Jost

Staff Attorney

[megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)

cc: Parties of Record

OFFICIAL COPY

Mar 15 2024

1. In Subsection E of the Stipulation, it states that “[t]he Stipulating Parties agree that the following costs associated with the purchase of the Pine Mountain systems are acceptable *to be incorporated into present rates*.”

- a. Explain the use of the phrase “into present rates” in this sentence.

**Please see the response to Question 1.b.**

- b. Would it have been accurate to instead state “to be incorporated into rate base to support Red Bird’s proposed rates in this proceeding”?

**No. However, it is accurate to instead state “to be incorporated into rate base, which supports, or provides justification for, Red Bird’s proposed rates.”**

2. Are the Stipulating Parties agreeing in this proceeding to an amount of total plant in service and related depreciation rates/amortization rates to be used on a going forward basis by Red Bird (for example, in Red Bird’s first general rate case proceeding)?

**Yes.**

That is, in the Stipulation, are the Stipulating Parties establishing that the amounts shown on Public Staff Settlement Exhibit 1, Schedule 1-1, lines 4 and 8 of \$95,720 for total plant in service for water and \$75,323 for total plant in service for sewer will be the starting point for total plant in service in Red Bird’s first general rate case proceeding?

**Yes.**

Are the average lives shown in Column (c), the agreed upon lives for purposes of calculating depreciation/amortization expense in future proceedings? Explain.

**Yes. The service lives shown in Column (c) were agreed to by the Stipulating Parties and should be used on the Company’s books going forward.**

3. On page 6, Lines 10-13, the Confidential Joint Settlement Testimony of the Public Staff filed on March 4, 2024, states as follows: “The Public Staff agrees with the annual revenues calculated under the Company’s proposed rates in the updated application filed on February 16, 2024, which the Public Staff believes are reasonable and fair to customers.

Is the Public Staff referring to Red Bird’s Confidential Page 4 of its updated application, lines 4, 6, and 9?

	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$36,682.72	\$17,437.80
6. Nonresidential service (flat rate)	<u>\$ 2,400.00</u>	<u>\$ 5,844.48</u>
9. Total Revenues	\$39,082.72	\$23,282.28

**No. The Stipulating Parties are referring to the annual revenues calculated by the Public Staff using the proposed rates. The reference to the updated application was intended to identify the corrected proposed rates on page 1 of the updated application filed February 16, 2024.**

- a. What is the significance of including this statement in the Confidential Joint Testimony of the Public Staff? Explain.

**This statement demonstrates the Public Staff's agreement with the rates proposed by Red Bird. The Public Staff believes the proposed rates are reasonable and fair to customers because the Public Staff's calculated revenue requirement is higher than the annual revenues calculated based on proposed rates.**

- b. Would the Stipulating Parties file a schedule showing the calculation of the revenue amounts shown on Page 4 of the updated application setting forth the number of customers and specific rates used in the calculations?

**No, because the amounts shown on page 4 are not representative of annual revenues expected from end of period customers at proposed rates. However, Attachment B shows the annual revenues at the proposed rates calculated by the Public Staff.**

4. On Confidential Public Staff Settlement Exhibit 1, Schedule 1, the Public Staff calculates on Line 13, the annual Public Staff recommended revenue requirement of \$69,175 for water operations and \$56,525 for sewer operations. In this proceeding, Red Bird proposes to charge the rates currently being charged to customers by the Pine Mountain POA.

Does the calculation of the Public Staff's annual recommended revenue requirement shown on Schedule 1, which is based upon the rate base, operating expenses, tax rates, capital structure, debt cost, and rate of return on common equity presented in Confidential Public Staff Settlement Exhibit 1, support a recommendation for higher rates than those proposed by Red Bird in this proceeding? Explain.

**The calculation would justify higher rates than those proposed by Red Bird, contained in the Notice to Customers, and agreed upon by the Stipulating**

**Parties.**

5. Subsection E.(iii) states that the amortization for these costs [i.e., engineering due diligence costs and legal costs listed in Subsection E.(i) and (ii)] is 4%, with amortization beginning on January 1, 2024.

Explain the agreed upon use of the date January 1, 2024, to begin amortization of these costs rather than another date, such as the date the transfer closes.

**January 1, 2024, was used to begin amortization of engineering due diligence and legal costs because the Stipulation encompasses depreciation amortization through December 31, 2023. Therefore, the new depreciation amortization would begin January 1, 2024, as agreed to by the Stipulating Parties.**

**Annual Revenue at Proposed Rates**  
**Water Utility Service**

<u>Rate Description</u>	<u>Accounts</u>	<u>Base Charge</u>	<u>Base Charge</u> <u>Monthly</u>	<u>Base Charge</u> <u>Annual</u>
Residential	96	\$ 35.56	\$ 3,413.76	\$ 40,965.12
Non-Residential (hotel and restaurant)	2	\$ 100.00	\$ 200.00	\$ 2,400.00
	98		\$ 3,613.76	\$ 43,365.12

**Sewer Utility Service (\$27.72 per toilet)**

<u>Rate Description</u>	<u>Accounts</u>	<u>Toilets</u>	<u>total toilets</u>	<u>Base Charge</u>	<u>Base Charge</u> <u>Monthly</u>	<u>Base Charge</u> <u>Annual</u>
Residential (one toilet)	6	1	6	\$ 27.72	\$ 166.32	\$ 1,995.84
Residential (two toilets)	9	2	18	\$ 55.44	\$ 498.96	\$ 5,987.52
Residential (three toilets)	14	3	42	\$ 83.16	\$ 1,164.24	\$ 13,970.88
Non-Residential (motel, 100 toilets)	1	100		\$ 243.52	\$ 243.52	\$ 2,922.24
Non-Residential (restaurant, 5 toilets)	1	5		\$ 243.52	\$ 243.52	\$ 2,922.24
Gold Tee	1	4	4	\$ 110.88	\$ 110.88	\$ 1,330.56
Non-Residential (POA Maint. 2 toilets)	1	2	2	\$ 55.44	\$ 55.44	\$ 665.28
Non-Residential (POA shop bldg 4 toilets)	1	4	4	\$ 110.88	\$ 110.88	\$ 1,330.56
Non-Residential (POA gate house 1 toilet)	1	1	1	\$ 27.72	\$ 27.72	\$ 332.64
	35		77	\$ 958.28	\$ 2,621.48	\$ 31,457.76

Gold Tee is considered a future residenital customer with four toilets.

**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