

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1146, SUB 13
DOCKET NO. W-1328, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application by Red Bird Utility Operating)
Company, LLC, 1630 Des Peres Road,)
Suite 140, St. Louis, Missouri 63131, and)
Total Environmental Solutions, Inc., Post)
Office Box 14056, Baton Rouge, Louisiana)
70898, for Authority to Transfer the Lake)
Royale Subdivision Water and Wastewater)
Utility Systems and Public Utility Franchise)
in Franklin and Nash Counties, North Carolina,)
and for Approval of Rates)

REDACTED REBUTTAL TESTIMONY

OF

Caitlin O'Reilly

ON BEHALF OF

RED BIRD UTILITY OPERATING COMPANY, LLC

October 3, 2023

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Caitlin O'Reilly. My business address is 1630 Des Peres Road, Suite
3 140, St. Louis, Missouri, 63131.

4 **Q. WHERE ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

5 A. I am the Regulatory Accounting Manager at CSWR, LLC ("CSWR"), the affiliated
6 company that has operational/managerial oversight over the CSWR utility operating
7 companies, including Red Bird Utility Operating Company, LLC. ("Red Bird" or
8 "Company"). I have been employed at CSWR since May of 2021. At CSWR, my
9 responsibilities include overseeing and ensuring compliance with regulatory reporting
10 requirements and accounting standards within both the Company and its various utility
11 operating affiliates. I collaborate with cross-functional teams, including the finance, legal,
12 and regulatory departments, to ensure accurate and timely reporting to regulatory
13 authorities.

14 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
15 **EXPERIENCE.**

16 A. My education includes a Bachelor of Science in Accounting and a Bachelor of
17 Science in Accounting Information Systems from Maryville University in St. Louis, MO.
18 Prior to being employed by CSWR, I worked at Mastercard and Royal Canin in various
19 accounting roles with increasing levels of responsibility.

20 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

21 A. My testimony responds to the testimony filed by Public Staff witnesses Lynn Feasel
22 and Evan Houser. Specifically, I will address some particulars of Public Staff's testimony
23 regarding calculation of rate base, acquisition adjustment and associated amortization, and
24 how the Company views the assumptions underlying that testimony.

1 **Q. HOW DID PUBLIC STAFF CALCULATE RATE BASE?**

2 A. Ms. Feasel's exhibits state that the plant in service numbers used as a starting point
3 the net book value (NBV) for TESI's assets calculated by Public Staff and approved by the
4 Commission in TESI's most recent rate cases, which concluded, respectively, in 2001 and
5 in 2007.¹ Public Staff then included additional plant added since TESI's last rate case for
6 which supporting documentation was provided and deducted additional contributions in
7 aid of construction (CIAC) that TESI received in 2022. Ms. Feasel then calculated
8 depreciation through December 31, 2023. Following all those steps, the rate base calculated
9 by Public Staff is \$148,398 for water and \$18,908 for sewer.

10 **Q. DOES RED BIRD AGREE WITH PUBLIC STAFF'S RATE BASE**
11 **CALCULATION?**

12 A. While Red Bird agrees with the process Ms. Feasel used in taking NBV from the
13 last rate case and adding additional plant based on invoice support, the Company disagrees
14 in at least two ways with Public Staff's ultimate rate base calculation and the methodology
15 it used. First, the Company does not agree with the change in depreciation rates used by
16 Public Staff. Mr. Houser used depreciation rates in his rate base calculation that are
17 different than those used by TESI over the last few years. Mr. Houser does not provide any
18 analysis or basis for reducing the depreciable lives of assets other than "previous Public
19 Staff recommendations and commonly available information," stated on page 18, line 15-
20 16 of his testimony.

21 Red Bird also disagrees with the removal of some pumps, pump repairs, and lift stations in
22 the TESI systems from rate base. Mr. Houser states that he made these adjustments because
23 these items are apparently not in service at this time (Houser page 18 line 17-21), but he

¹ Dockets W-1146, Sub 1 and Sub 3

1 later recognizes on page 19, line 20 through page 20, line 2 that Red Bird is acquiring “[a]ll
 2 Seller’s water and sewer service facilities and their components parts permanently attached
 3 to the water and sewer system....” If this transfer is approved, Red Bird would still acquire
 4 all assets owned by the seller regardless of whether they are in service. If the assets were
 5 deemed to be not useful or not needed for system operations, it would be incumbent on
 6 Red Bird to record proper retirements after acquisition. See the below table for a
 7 comparison of Ms. Feasel’s and Mr. Houser’s calculations compared to Red Bird’s as of
 8 December 31, 2023:

<u>As of 12/31/23</u>	<u>Red Bird</u>	<u>Public Staff</u>
[BEGIN CONFIDENTIAL] ██████████	██████████	██████████
████████████████████	██████████	██████████
████████████████████	██████████	██████████
██████		██████████
Rate Base [END CONFIDENTIAL]	██████████	██████████
Acquisition Adjustment	96,376.41	140,057.00

9
 10 **Q. WHY HAS RED BIRD NOT INCLUDED CIAC IN ITS CALCULATION?**

11 A. TESI did not include CIAC in their financials provided to Red Bird. Mr. Houser
 12 states on page 19 line 14 that he “imputed \$21,900 in connection charges for 73 water
 13 service line installations which occurred in 2022 and are supported by invoices,” however,
 14 he provides no support or analysis for Red Bird to review to verify the accuracy of this
 15 number.

1 **Q. WHAT IS PUBLIC STAFF'S POSITION ON RED BIRD'S REQUESTED**
2 **ACQUISITION ADJUSTMENT AND ASSOCIATED ACCUMULATED**
3 **AMORTIZATION OF THAT ADJUSTMENT?**

4 A. Ms. Feasel calculates an acquisition adjustment and also projects the accumulated
5 amortization of her calculated acquisition adjustment into the future. I believe this is
6 inappropriate because, as Mr. Cox states in his rebuttal testimony, Red Bird believes the
7 issue of whether an acquisition adjustment is appropriate should be deferred to the first rate
8 case involving the TESI systems. If that approach is accepted, then estimates of
9 accumulated amortization of an acquisition adjustment should not part of this transfer /
10 acquisition proceeding.

11 **Q. DOES THE COMPANY AGREE WITH MS. FEASEL'S CALCULATION OF**
12 **AN ACQUISITION ADJUSTMENT AND ASSOCIATED ACCUMULATED**
13 **AMORTIZATION OF THAT ADJUSTMENT?**

14 A. Yes and no. The Public Staff derived its acquisition adjustment using proper
15 methodology by taking the purchase price less rate base. Red Bird agrees with this
16 methodology. However, as just stated Red Bird disagrees with Public Staff projecting the
17 future rate impact of the amortization of its calculated acquisition adjustment in this
18 proceeding. In addition, while I agree with Ms. Feasel's acquisition adjustment
19 methodology I continue to disagree with the actual amounts used as I believe the amounts
20 that should have been used are in the table above under the Red Bird column.

21 **Q. DO YOU AGREE WITH PUBLIC STAFF REGARDING THE DUE**
22 **DILIGENCE EXPENSES AND ACCUMULATED AMORTIZATION?**

23 A. Overall, I agree with how Public Staff treated the preliminary legal and engineering
24 expenditures, which have been identified as "due diligence." However, the Company

1 disagrees with the way Public Staff suggested handling the accumulated amortization
2 associated with these expenditures.

3 **Q. WHY DO YOU DISAGREE WITH HOW PUBLIC STAFF ACCOUNTED FOR**
4 **ACCUMULATED AMORTIZATION EXPENSE?**

5 A. Ms. Feasel suggests that accumulated amortization should commence in 2021. But
6 because Red Bird has not been authorized to acquire TESI's systems, it should not record
7 the amortization of these expenses until the systems are acquired and operating under Red
8 Bird's ownership. If the TESI systems are not acquired, the proper accounting treatment
9 for these expenditures would be to write off these items, not amortize them.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?**

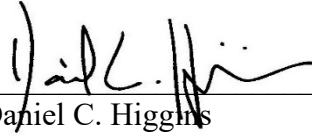
11 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing document, has been served on the Public Staff, by either depositing same in a depository of the United States Postal Service, first-class postage prepaid and mailed by the means specified below, or by electronic delivery.

This the 3rd day of October, 2023.

BURNS, DAY & PRESNELL, P.A.



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