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Admitted in: North Carolina

April 17, 2024

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

Re: Joint Application of Meadowlands Development, LLC and Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water for Transfer of Public Utility Franchise in Meadowlands Subdivision in Davidson County, North Carolina, and for Approval of Rates
Docket No. W-1259, Sub 5
Docket No. W-1328, Sub 6

Ms. Dunston:

Enclosed for filing on behalf of Red Bird Utility Operating Company, LLC and the Public Staff – North Carolina Utilities Commission in the above captioned dockets is a Joint Proposed Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer 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.

CERTIFICATE OF SERVICE**DOCKET NO. W-1259, SUB 5****DOCKET NO. W-1328, SUB 6**

I hereby certify that a copy of the Joint Proposed Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice was 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 17th day of April 2024.

RED BIRD UTILITY OPERATING COMPANY, LLC

/s/ Mindy McGrath

Mindy McGrath (NC Bar No. 35628)

Molly M. Jagannathan (NC Bar No. 36931)

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1259, SUB 5
DOCKET NO. W-1328, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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| <p>In the Matter of</p> <p>Joint Application of Meadowlands Development, LLC and Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water for Transfer of Public Utility Franchise in Meadowlands Subdivision in Davidson County, North Carolina, and for Approval of Rates</p> | <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> | <p>JOINT PROPOSED ORDER APPROVING STIPULATION, APPROVING BOND, APPROVING TRANSFER AND RATES, AND REQUIRING CUSTOMER NOTICE</p> |
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BY THE COMMISSION: On October 9, 2020, as amended on October 21, 2020, Red Bird Utility Operating Company, LLC d/b/a Red Bird Water (Red Bird) and Meadowlands Development, LLC (Meadowlands) filed with the North Carolina Utilities Commission (Commission) an Application for Transfer of Public Utility Franchise and for Approval of Rates (Application) seeking authority to transfer the wastewater utility system and public utility franchise serving the Meadowlands Subdivision in Davidson County, North Carolina (Meadowlands System) from Meadowlands to Red Bird and for approval of rates.

On January 5, 2021, the Public Staff – North Carolina Utilities Commission (Public Staff) filed a deficiency letter (First Deficiency Letter) outlining information that was needed to complete the Application.

On July 12 and August 2, 2021, and December 7, 2022, Red Bird filed supplemental materials to address the deficiencies identified in the First Deficiency Letter.

On June 15, 2023, Red Bird filed a letter indicating that it considered the Application to be complete.

On July 25, 2023, Public Staff filed a second deficiency letter (Second Deficiency Letter) outlining additional and updated information needed to complete the Application. In the Second Deficiency Letter, Public Staff recommended that the Commission determine the Application incomplete.

On July 28, 2023, the Commission issued its Order Finding Application Incomplete and Request for Additional Information directing Red Bird to file information sufficient to address the deficiencies noted in the Second Deficiency Letter (First Deficiency Order).

Pursuant to the Commission's First Deficiency Order, on August 7, 2023, Red Bird filed additional information to address the deficiencies noted in the Second Deficiency Letter.

On August 14, 2023, the Public Staff filed a third deficiency letter (Third Deficiency Letter) outlining remaining information needed to complete the Application. In the Third Deficiency Letter, Public Staff recommended that the Commission determine that the Application remains incomplete.

On August 17, 2023, Red Bird filed additional information to address the deficiencies noted in the Third Deficiency Letter.

On August 23, 2023, the Public Staff filed a fourth deficiency letter (Fourth Deficiency Letter) outlining remaining information needed to complete the Application. In the Fourth Deficiency Letter, the Public Staff recommended that the Commission determine that the Application remains incomplete.

On September 13, 2023, the Commission issued its Second Order Determining Application Incomplete directing Red Bird to file information sufficient to address the deficiencies noted in the Fourth Deficiency Letter (Second Deficiency Order).

On October 18, 2023, Kiran H. Mehta, Molly M. Jagannathan, and Holly R. Ingram of the firm of Troutman Pepper Hamilton Sanders LLP each filed a Notice of Appearance of Counsel for Red Bird.

On October 31, 2023, Red Bird filed a Motion of Counsel for Red Bird to Withdraw, which requested the withdrawal of Daniel C. Higgins and the firm of Burns, Day, and Presnell, P.A. as counsel of record for Red Bird, which the Commission granted on November 1, 2023.

On November 1, 2023, Mindy L. McGrath of the firm of Troutman Pepper Hamilton Sanders LLP filed a Notice of Appearance of Counsel for Red Bird.

Pursuant to the Commission's Second Deficiency Order, on December 15, 2023, Red Bird filed additional information to address the deficiencies noted in the Fourth Deficiency Letter.

On December 29, 2023, Public Staff filed a letter with the Commission indicating that these dockets now include all of the information required for a complete Application.

On January 2, 2024, the Commission issued its Order Finding Application Complete and Requiring the Public Staff to Provide Specific Application Data (January 2 Order).

On January 9, 2024, the Public Staff provided the information requested in the Commission's January 2 Order.

On January 22, 2024, the Commission issued its Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) which, among other things, scheduled a public witness hearing for February 26, 2024, and an expert witness hearing for April 8, 2024.

Pursuant to the Scheduling Order, on January 25, 2024, Red Bird filed its proposed Notice to Customers, which was agreed upon by Red Bird and the Public Staff.

On January 30, 2024, the Commission issued its Order Approving Notice to Customers (Notice Order). The Notice to Customers, attached to the Notice Order as Appendix A, stated that the public witness hearing was subject to cancellation if no significant protests were received by February 16, 2024.

As required by the Commission's Notice Order, on February 7, 2024, Red Bird filed its Certificate of Service for Customer Notice reflecting service of the Notice to Customers.

Subsequent to the filing of Red Bird's Application in these dockets, the Public Staff engaged in substantial discovery of Red Bird regarding the matters addressed in the Application and supplemental and additional materials filed with the Commission in support of the Application.

On February 8, 2024, Red Bird filed the Direct Testimony and Exhibits of Josiah Cox, President of Red Bird and CSWR, LLC (CSWR), a Missouri limited liability company formed to provide managerial, technical, and financial support to its utility operating affiliates, including Red Bird.

On February 19, 2024, the Public Staff filed a Motion for Order Cancelling Public Witness Hearing (February 19 Motion) requesting that the public witness hearing scheduled for February 26, 2024, be cancelled. In the February 19 Motion, which was supported by Red Bird, Public Staff stated that two consumer statements of position regarding the Application had been filed; however, Public Staff believed that neither the quantity nor content of the filed consumer statements of position constituted the "significant protests" necessary to avoid the cancellation provision set forth in the Notice to Customers. Public Staff further stated that the issues set forth in the consumer statements of position were well explained and could be considered on the merits by the Commission.

On February 20, 2024, the Commission granted Public Staff's February 19 Motion and issued an Order Canceling Public Witness Hearing.

On February 28, 2024, the Public Staff filed a Motion for Extension of Time to file Testimony (February 28 Motion) requesting a two-day extension of time, until March 1, 2024, to file its prefiled direct testimony. In support of its February 28 Motion, the Public Staff stated that the parties were engaged in settlement discussions to resolve certain issues in dispute in these dockets, and that the Public Staff believed that the additional time in which to file its prefiled direct testimony would allow the parties an opportunity to

resolve these issues. In its February 28 Motion, the Public Staff also requested that the time for Red Bird to file any rebuttal testimony be extended by the same two-day interval to March 21, 2024. On February 28, 2024, the Commission granted Public Staff's February 28 Motion and issued an Order Granting Extension of Time to File Testimony.

On March 1, 2024, the Public Staff and Red Bird (together, the Joint Movants) filed a Joint Motion for Leave to File Stipulation and Settlement Testimony in Lieu of Direct and Rebuttal Testimony (Joint Motion) requesting that Joint Movants be permitted to file a settlement agreement and settlement testimony in lieu of the Public Staff filing prefiled direct testimony and Red Bird filing rebuttal testimony. In support of the Joint Motion, the Joint Movants explained that they had reached a settlement in principle but required additional time, until March 12, 2024, to memorialize the terms in a stipulation and settlement agreement and to file supporting testimony and exhibits. On March 4, 2024, the Commission granted the Joint Motion and issued an Order Granting Motion for Extension of Time to File Settlement Agreement and Stipulation in Lieu of Testimony Nunc Pro Tunc.

On March 12, 2024, Red Bird filed Supplemental Attachment G to its application reflecting an amendment to the Purchase and Sale Agreement originally filed as Confidential Attachment G.

Also on March 12, 2024, Red Bird and the Public Staff (together, the Stipulating Parties) filed a Settlement Agreement and Stipulation (Stipulation) resolving all issues between the Stipulating Parties. In support of the Stipulation, Red Bird filed the Settlement Testimony of witness Cox and the Public Staff filed the Joint Settlement Testimony and Exhibit of witnesses Charles A. Akpom, Shashi M. Bhatta, and John R. Hinton.

On March 20, 2024, the Stipulating Parties filed a Joint Motion to Excuse Witnesses from Appearance at Hearing (March 20 Motion). The March 20 Motion requested that Red Bird witness Cox and Public Staff witnesses Akpom, Bhatta, and Hinton be excused from attending the expert witness hearing in this proceeding.

On March 22, 2024, the Commission issued its Order Excusing Witnesses, Accepting Testimony, Cancelling Expert Witness Hearing, and Requiring Proposed Orders (March 22 Order). In the March 22 Order, the Commission excused witnesses Cox, Akpom, Bhatta, and Hinton from appearing and testifying at the expert witness hearing and received into the record the prefiled testimony and exhibits of these witnesses, Red Bird's Application and supplemental materials filed in these dockets, and the Stipulation. The Commission also cancelled the expert witness hearing and required Red Bird and the Public Staff to file proposed orders, or a joint proposed order, on or before April 17, 2024.

DESCRIPTION OF THE STIPULATION

The Stipulation provides, in pertinent part, the following:

1. The transfer of the Meadowlands System to Red Bird should be approved.
2. Subject to Commission approval, at closing, Red Bird will adopt the proposed tariffs and rates currently in effect for Meadowlands' wastewater customers.
3. At closing, Red Bird will adopt Meadowlands' accounting records, provide the detailed accounting records received from Meadowlands to the Public Staff, and not adjust or make changes to those records without Commission approval.
4. The appropriate plant in service for the Meadowlands System is \$0. No plant additions through the date of the closing of the sale of the Meadowlands System to Red Bird will be included in this or any future proceedings.
5. Red Bird may request recovery of the following costs associated with the transfer of the Meadowlands System to Red Bird:
 - (i) \$84,078.06 for engineering due diligence work supported by invoices provided in response to Public Staff Data Request (PS DR) 6 and listed in Cox Direct Exhibit 5, in the next general rate case relating to the Meadowlands System, provided the work results in reasonable and prudent capital investments to improve the Meadowlands System; and
 - (ii) \$30,542.61 for legal (transactional and regulatory) costs related to the acquisition of the Meadowlands System, which is supported by invoices provided in response to PS DRs 6 and 8 and listed in Cox Direct Exhibit 5 in the next general rate case relating to the Meadowlands System.
6. Red Bird will not pursue rate recovery of any additional costs associated with the acquisition, including due diligence, transactional, and regulatory costs, other than those listed in Paragraphs 5(i) and (ii) and as further detailed in Public Staff Settlement Exhibit 1.
7. Red Bird agrees not to request an acquisition adjustment related to the Meadowlands System in this or any future proceeding.

8. Prior to closing and pursuant to future order by the Commission, Red Bird will post a bond in the amount of \$50,000 in a form acceptable to the Commission for the Meadowlands System.
9. Consistent with the Settlement Agreement and Stipulation in Docket No. W-1328, Sub 10, Red Bird and key leadership from CSWR will meet annually with the Public Staff and provide an update detailing all changes in Red Bird's facilities and operations since the last annual update and discuss the Company's financial condition.

Based upon the foregoing, including the Application, the testimony and exhibits of the witnesses, the Stipulation, prior dockets regarding Meadowlands, and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. Red Bird is a North Carolina limited liability company formed to acquire water and wastewater assets in this State and operate those assets as regulated public utilities. Red Bird is a wholly owned subsidiary of its sole member, Red Bird Utility Holding Company, LLC (RBUH), which is also a North Carolina limited liability company in good standing. RBUH is a wholly owned subsidiary of its sole member, North Carolina Central States Water Resources, LLC (NCCSWR), which is also a North Carolina limited liability company in good standing and a wholly owned subsidiary of CSWR.

2. Red Bird presently holds seven utility franchises in North Carolina. On December 8, 2021, in Docket No. W-1328, Sub 7, the Commission issued an Order Accepting and Approving Bond, Granting Franchise, Approving Rates, and Requiring Customer Notice (Utility Franchise Order I) granting Red Bird a wastewater utility franchise for the Ocean Terrace and Pine Knoll Townes I, II, and III townhome communities in Carteret County, North Carolina. On February 7, 2023, in Docket Nos. W-1328, Sub 4 and W-1040, Sub 10, the Commission issued its Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice (Utility Franchise Order II) approving the transfer of the Bear Den Acres Development water system and public utility franchise in McDowell County, North Carolina to Red Bird. On August 29, 2023, in Docket Nos. W-1328, Sub 9 and W-992, Sub 8, the Commission issued an Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice (Utility Franchise Order III) approving the transfer of the water and wastewater systems serving the Baywood Forest Subdivision, the wastewater system serving the Cottonwood Subdivision, and the public utility franchise serving all of Crosby Utilities, Inc.'s service areas in Wake County, North Carolina to Red Bird. On December 14, 2023, in Docket Nos. W-1146, Sub 13, and W-1328, Sub 10, the Commission issued a Recommended Order Approving Stipulation, Approving Transfer and Rates, Granting Franchise, Approving Bond, and Requiring Customer Notice (Utility Franchise Order IV) approving the transfer of the water and wastewater systems serving the Lake Royale subdivision in Franklin and Nash Counties, North Carolina, from Total

Environmental Solutions, Inc. to Red Bird.¹ On January 31, 2024, in Docket Nos. W-1296, Sub 3 and W-1328, Sub 3, the Commission issued an Order Approving Stipulation, Approving Transfer and Rates, Approving Bond, and Requiring Customer Notice (Utility Franchise Order V) approving the transfer of the water and wastewater systems and public utility franchise serving the Jefferson Landing Subdivision in Ashe County, North Carolina from JL Golf Management, LLC to Red Bird. On February 19, 2024, in Docket No. W-1328, Sub 13, the Commission issued an Order Approving Stipulation, Granting Franchise, Approving Bond, Approving Rates, and Requiring Customer Notice (Utility Franchise Order VI) granting Red Bird a certificate of public convenience and necessity (CPCN) to provide wastewater utility service to the Kingsbridge II Subdivision in Onslow County, North Carolina. Also on February 19, 2024, in Docket Nos. W-938, Sub 6 and W-1328, Sub 8, the Commission issued an Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice (Utility Franchise Order VII, collectively, with Utility Franchise Orders I, II, III, IV, V, and VI, the Utility Franchise Orders) approving the transfer of the wastewater system and public utility franchise serving the Windemere Pointe Subdivision in Montgomery County, North Carolina from Baytree Waterfront Properties, Inc. to Red Bird.

In addition to the systems for which Red Bird has been granted franchises in North Carolina, Red Bird's indirect corporate parent, CSWR, through separate state affiliates, has acquired and currently operates more than 800 water or wastewater utility systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Tennessee, Mississippi, Arizona, Florida, and South Carolina, and provides utility service to more than 241,000 wastewater customers and over 172,000 water customers.

3. The Meadowlands System provides sewer service to approximately 602 residential wastewater customers in the Meadowlands Subdivision in Davidson County, North Carolina (Meadowlands Service Area).

4. Meadowlands operates the Meadowlands System's wastewater collection system under National Pollutant Discharge Elimination System permit WQ0024206, issued by the North Carolina Department of Environmental Quality, Division of Water Resources (DWR), to collect wastewater and transfer it into the Winston-Salem/Forsyth County municipal treatment facility for treatment.

5. A Red Bird affiliate, Central States Water Resources, Inc. (Central States), entered into an Agreement for Sale of Utility System with Meadowlands dated July 31, 2020 (Purchase Agreement). According to the Purchase Agreement, the closing of the sale will occur after regulatory approval is obtained. Central States subsequently assigned the Purchase Agreement to Red Bird pursuant to an Assignment of Contract Rights dated October 1, 2020 (Assignment). The Purchase Agreement is a confidential attachment to the Application.

¹ The Utility Franchise Order IV became final and effective on January 2, 2024.

6. Red Bird seeks Commission approval to acquire the Meadowlands System and public utility franchise.

7. As supplemented, Red Bird has filed all required exhibits with its Application.

8. Upon acquisition, Red Bird plans to make capital improvements. Based on its consulting engineer's 2021 projections, Red Bird estimates that the cost of necessary improvements will be approximately \$33,000.

9. The approved monthly rates for the Meadowlands System, as set forth in the Commission's order issued on April 2, 2015, in Docket Nos. W-1259, Sub 4, and M-100, Sub 138, which Red Bird proposes to adopt pursuant to the Stipulation, are as follows:

Monthly Wastewater Utility Service:

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| Residential Flat Rate | \$45.31 |
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Reconnection Charge:

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| If sewer service cut off by utility for good cause | \$14.10 |
| If sewer service discontinued at customer request | \$14.10 |

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| <u>Returned Check Charge:</u> | \$23.50 |
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| <u>Bills Due:</u> | On billing date. |
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|------------------------|-----------------------------|
| <u>Bills Past Due:</u> | 15 days after billing date. |
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|---------------------------|--|
| <u>Billing Frequency:</u> | Shall be monthly for service in arrears. |
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| <u>Finance Charge for Late Payment:</u> | 1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date. |
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10. The Stipulation resolves all contested issues related to the transfer of the Meadowlands System to Red Bird. The Stipulation is the product of give-and-take in settlement negotiations between the Public Staff and Red Bird, is material evidence in this proceeding, and is entitled to be given appropriate weight in this case, along with other evidence from Red Bird and the Public Staff.

11. Red Bird has the technical, managerial, and financial capacity to own and operate the Meadowlands System.

12. Consistent with N.C.G.S. § 62-111(a), approval of the pending Application is justified by the public convenience and necessity and is in the public interest.

13. It is appropriate for the Commission to approve the Stipulation in its entirety.

14. A bond in the amount of \$50,000 for the Meadowlands System for wastewater service is just, reasonable, and appropriate.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

The evidence supporting these findings is contained in Red Bird's Application; the supplemental filings made by Red Bird in these dockets; the testimony and exhibits of Red Bird witness Cox; and the Commission's records in Docket Nos. W-1328, Subs 3, 4, 7, 9, 10, and 13; W-1040, Sub 10; W-992, Sub 8; W-1146, Sub 13; and W-1296, Sub 3, including the Commission's Utility Franchise Orders issued in each of these dockets.

Red Bird witness Cox provided testimony regarding Red Bird, Red Bird's relationship to CSWR, and the role CSWR would play in Red Bird's operation of the Meadowlands System. (Direct Testimony of Josiah Cox at 5). In his direct testimony, witness Cox explained that Red Bird was formed to acquire water and wastewater assets in North Carolina and to operate those assets as regulated public utilities. (*Id.* at 6). As of February 8, 2024, the date the testimony was filed, witness Cox testified that in addition to the five utility franchises that Red Bird currently holds in North Carolina, Red Bird also has transfer applications to acquire public utility franchises pending before the Commission in five other dockets and applications for CPCNs pending before the Commission in two other dockets. (*Id.* at 6-7). Witness Cox also testified that Red Bird is an affiliate of CSWR and that CSWR, through its utility operating subsidiaries, has acquired and is operating over 800 water and/or wastewater utility systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Tennessee, Mississippi, North Carolina, Arizona, Florida, and South Carolina. (*Id.* at 7-11).

Following the filing of Mr. Cox's direct testimony, on February 19, 2024, the Commission issued its Utility Franchise Order VI, granting Red Bird a CPCN to provide wastewater utility service to the Kingsbridge II Subdivision in Onslow County, North Carolina in Docket No. W-1328, Sub 13, and Utility Franchise Order VII, approving the transfer of the wastewater system and public utility franchise serving the Windemere Pointe Subdivision in Montgomery County, North Carolina from Baytree Waterfront Properties, Inc. to Red Bird in Docket Nos. W-938, Sub 6 and W-1328, Sub 8.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that these findings are informational, procedural, or jurisdictional in nature and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3-4

The evidence supporting these findings is contained in Red Bird's Application; the supplemental filings made by Red Bird in these dockets; and the testimony and exhibits of Red Bird witness Cox.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that these findings are informational in nature and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

The evidence supporting this finding is contained in Confidential Attachment G and Attachment G.1 of the Application, which includes the Purchase Agreement with Meadowlands dated July 31, 2020; the amended Application filed on October 21, 2020, which includes the Assignment; Supplemental Confidential Attachment G of the supplemental filing made by Red Bird in these dockets on March 12, 2024, which includes the Second Amendment to the Purchase Agreement dated February 28, 2024; and the testimony and exhibits of Red Bird witness Cox.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that this finding is informational in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding is contained in the Application and the testimony and exhibits of Red Bird witness Cox.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that this finding is informational in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding is contained in the supplemental filings and the testimony and exhibits of Red Bird witness Cox.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that this finding is procedural in nature and is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence for this finding is found in Confidential Attachment L and Attachment L.1 of the Application and the testimony and exhibits of Red Bird witness Cox.

In his direct testimony, witness Cox testified about the deficiencies and need for improvements in the Meadowlands System as identified by Kimley Horn, Red Bird's North Carolina consulting engineers. (Direct Testimony of Josiah Cox at 24-26). Witness Cox testified that in order to address the operational and/or compliance issues associated with the Meadowlands System, Kimley Horn recommended replacements and upgrades. (*Id.* at 25). Witness Cox testified that based on Kimley Horn's 2021 projections, the estimated cost of necessary improvements will be approximately \$33,000. (*Id.*). Witness Cox emphasized, however, that these estimates are preliminary. (*Id.* at 25-26). As such, witness Cox explained that the precise capital investments required for repairs and upgrades cannot be known until Red Bird begins operating the Meadowlands System. (*Id.* at 26).

The Commission notes Red Bird's assertion that the Meadowlands System requires maintenance and upgrades to ensure that it is able to continue providing safe and reliable service to the customers it serves. However, the Commission concludes, based upon competent, substantial, and material evidence in the record, that the scope and extent of capital improvements and repairs that are reasonable and prudent is, at this time, not adequately known or knowable by any party to this proceeding. Thus, the Commission concludes that the appropriate time and venue to determine the reasonableness and prudence of proposed and/or actual capital investments is the next general rate case involving these systems.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9-10

These findings are based on the Stipulation; the settlement testimony filed by Red Bird witness Cox; and the joint settlement testimony filed by Public Staff witnesses Akpom, Bhatta, and Hinton; and the entire record in this proceeding.

Red Bird and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Stipulating Parties in this proceeding.

Based upon the foregoing and the entire record herein, the Commission finds that the Stipulation represents a negotiated settlement of all issues in this proceeding and that the provisions agreed to by the Stipulating Parties are reasonable and appropriate for the purpose of this proceeding. In making these findings, the Commission gives substantial weight to the testimony of Public Staff witnesses Akpom, Bhatta, and Hinton and Red Bird witness Cox and recognizes that the Stipulation is a product of arm's length negotiations involving give and take between the Stipulating Parties. The Commission finds that based on the record as a whole, the terms of the Stipulation, including the rates Red Bird proposed to adopt pursuant to the Stipulation, are just and reasonable to both Red Bird

and its future customers on the Meadowlands System. In addition, the Commission finds that the provisions of the Stipulation serve the public interest and that it is appropriate to approve the Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting this finding of fact is found in Red Bird's Application and supplemental filings; the testimony and exhibits of Red Bird witness Cox; the Stipulation; the joint settlement testimony filed by Public Staff witnesses Akpom, Bhatta, and Hinton; and the entire record in this proceeding.

In his direct testimony, Red Bird witness Cox testified that Red Bird has the financial, technical, and managerial ability to acquire, own, and operate the Meadowlands System. (Direct Testimony of Josiah Cox at 9). Additionally, witness Cox testified that Red Bird is part of an affiliate group that has acquired and currently operates over 800 water and/or wastewater utility systems in other states and currently provides service to approximately 241,000 wastewater customers and over 172,000 water customers. (*Id.* at 10-11).

The Stipulation reflects the Public Staff's agreement that Red Bird has the technical, managerial, and financial capacity to provide wastewater utility service in the Meadowlands Service Area. In their joint settlement testimony, Public Staff witnesses Akpom, Bhatta, and Hinton agreed with Red Bird witness Cox that "Red Bird has the financial, technical and managerial capabilities necessary to provide wastewater utility service to customers in the Meadowlands [S]ervice [A]rea." (Joint Settlement Testimony of Akpom, Bhatta, and Hinton at 4). The Commission also notes that it has made similar findings regarding Red Bird in its Utility Franchise Orders in Docket Nos. W-1328, Subs 3, 4, 7, 9, 10, and 13; W-1040, Sub 10; W-992, Sub 8; W-1146, Sub 13; and W-1296, Sub 3.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that Red Bird has the technical, managerial, and financial capacity to provide adequate, safe, efficient, and reasonable sewer utility service on an ongoing basis to customers in the Meadowlands Service Area.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence supporting this finding of fact is found in the Application; Red Bird's supplemental filings; the testimony of Red Bird witness Cox, the joint settlement testimony of Public Staff witnesses Akpom, Bhatta, and Hinton; the Stipulation; and the entire record in this proceeding.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that good cause exists to approve the Application, as modified under the Stipulation. Consistent with N.C.G.S § 62-111(a), the Commission concludes

that approval of the Application is justified by the public convenience and necessity and is in the public interest. The decision is fully supported by the settlement testimony filed by Red Bird witness Cox, the joint settlement testimony filed by Public Staff witnesses Akpom, Bhatta, and Hinton, and the Stipulation entered into by Red Bird and the Public Staff. Accordingly, the Commission concludes that Red Bird's Application should be approved, as modified under the Stipulation, effective upon the close of the acquisition of the wastewater utility system assets by Red Bird from Meadowlands.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 13-14

The evidence supporting these findings of fact is found in the Application, the Stipulation, the entire record in these dockets, the settlement testimony of Red Bird witness Cox, and the joint settlement testimony of Public Staff witnesses Akpom, Bhatta, and Hinton.

Based on all of the evidence in the record, the Commission concludes that the provisions of the Stipulation are just and reasonable to customers of Meadowlands and to all parties to this proceeding and serve the public interest. Therefore, the Stipulation should be approved in its entirety.

The Commission therefore approves the Stipulation and further concludes that (1) Red Bird shall adopt the tariffs and rates agreed to in the Stipulation for the Meadowlands Service Area; (2) Red Bird shall post a \$50,000 bond for the Meadowlands Service Area prior to closing; (3) Red Bird shall provide written notice to the Commission within 30 days from the date of this Order that closing of the sale of the Meadowlands System has been completed along with the posting of the bond; (4) upon the closing of the transfer, Red Bird shall be granted a CPCN to provide wastewater utility service to the Meadowlands Service Area; (5) Red Bird shall adopt Meadowlands' accounting records upon closing, provide the detailed accounting records so received to the Public Staff, and not adjust or make changes to those records without Commission approval; and (6) Red Bird shall provide notice to customers that the franchise has been granted and of the approved rates.

Consistent with the Stipulation, the Commission also concludes that the appropriate plant in service for the Meadowlands System is \$0 and that no plant additions through the date of the closing of the sale of the Meadowlands System to Red Bird will be included in this or any future proceeding. The Commission also finds that the amounts for due diligence and other transaction costs should be approved for recovery by Red Bird as described in the Stipulation, and that Red Bird has agreed not to pursue rate recovery of any additional costs related to its acquisition of the Meadowlands System. The Commission further concludes that Red Bird may not request an acquisition adjustment related to the Meadowlands System in this or any future proceeding.

Finally, the Commission concludes that it is reasonable, beginning one year after the effective date of the Commission's order approving the stipulation filed in Docket Nos.

W-1146, Sub 13 and W-1328, Sub 10, and continuing annually thereafter, for Red Bird and key CSWR leaders to meet with the Public Staff. During this meeting, Red Bird and CSWR shall provide an update to the Public Staff detailing all changes to Red Bird's facilities and operations since the last annual meeting and update, as well as discuss the overall financial condition of both companies. Furthermore, the Commission concludes that this meeting should not be limited only to discussing the Meadowlands System, but that the discussion shall also address all of Red Bird's current and future North Carolina water and wastewater systems so as to provide appropriate oversight while preventing unnecessary and duplicative efforts on the part of Red Bird and the Public Staff.

IT IS, THEREFORE, ORDERED as follows:

1. That Meadowlands is hereby authorized to transfer the Meadowlands System serving the Meadowlands Subdivision in Davidson County, North Carolina to Red Bird;
2. That the Stipulation between the Public Staff and Red Bird is hereby approved in its entirety;
3. That Red Bird shall comply with all terms of the Stipulation filed in these dockets;
4. That the appropriate plant in service for the Meadowlands System is \$0 and that no plant additions through the date of the closing of the sale of the Meadowlands System to Red Bird will be included in this or any future proceeding;
5. That Red Bird may request recovery of the following costs associated with the transfer of the Meadowlands System to Red Bird: (i) \$84,078.06 for engineering due diligence work supported by invoices provided in response to PS DR 6 and listed in Cox Direct Exhibit 5, in the next general rate case relating to the Meadowlands System, provided the work results in reasonable and prudent capital investments to improve the Meadowlands System; and (ii) \$30,542.61 for legal (transactional and regulatory) costs related to the acquisition of the Meadowlands System, which is supported by invoices provided in response to PS DRs 6 and 8 and listed in Cox Direct Exhibit 5 in the next general rate case relating to the Meadowlands System;
6. That Red Bird shall not seek recovery of any additional costs associated with the transfer, including due diligence, transactional, and regulatory costs, other than those listed herein;
7. That Red Bird agrees not to request an acquisition adjustment related to the Meadowlands System in this or any future proceeding;
8. That, prior to closing, Red Bird shall post a \$50,000 bond in a form acceptable to the Commission and in compliance with N.C.G.S. § 62-110.3 and that Red

Bird shall file a copy of the same within 30 days from the date of this Order;

9. That the Meadowlands System's surety bond held by the Commission shall be released to Meadowlands upon receipt of written notification to the Commission that closing of the transfer of the Meadowlands System has been completed;

10. That Red Bird is granted a CPCN to provide wastewater utility service to the Meadowlands Service Area consisting of the Meadowlands Subdivision in Davidson County, North Carolina, effective upon the closing of the transfer of the Meadowlands System assets to Red Bird;

11. That Appendix A, attached hereto, constitutes the CPCN;

12. That all ratemaking determinations included in the Stipulation and set forth in this Order regarding ratemaking issues are hereby determined as stipulated and as set forth above;

13. That the Schedule of Rates, attached hereto as Appendix B, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. This Schedule of Rates shall become effective for service rendered on and after the date of the closing of the sale of the Meadowlands System assets to Red Bird;

14. That Red Bird shall provide notification to the Commission within 30 days of the date of this Order that closing of the sale of the Meadowlands System has been completed;

15. That within 30 days of the closing of the sale of the Meadowlands System, Red Bird shall file in these dockets the warranty deed showing Red Bird's ownership of the required easements and all interests in land it has obtained in connection with the operation and maintenance of the Meadowlands System; and

16. That a copy of this Order and Appendix B shall be mailed with sufficient postage or hand delivered by Red Bird to Meadowlands' customers within seven days of the closing of the sale of the wastewater utility system serving the Meadowlands Subdivision and that Red Bird shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 15 days after the mailing or hand delivery of the Order and Appendix B.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1328, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

RED BIRD UTILITY OPERATING COMPANY, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide sewer utility service

to

THE MEADOWLANDS SUBDIVISION

Davidson County, North Carolina

subject to any orders, rules, regulations,
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the __ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

APPENDIX B

SCHEDULE OF RATES

for

RED BIRD UTILITY OPERATING COMPANY, LLC

to provide sewer utility service

to

THE MEADOWLANDS SUBDIVISION

Davidson County, North Carolina

Monthly Wastewater Service:

| | |
|------------------------|----------|
| Residential Flat Rate: | \$ 45.31 |
|------------------------|----------|

Reconnection Charge:

| | |
|--|----------|
| If sewer service cut off by utility for good cause | \$ 14.10 |
| If sewer service discontinued at customer request | \$ 14.10 |

| | |
|-------------------------------|----------|
| <u>Returned Check Charge:</u> | \$ 23.50 |
|-------------------------------|----------|

| | |
|--|---|
| <u>Bills Due:</u> | On billing date |
| <u>Bills Past Due:</u> | 15 days after billing date |
| <u>Billing Frequency:</u> | Shall be monthly for service in arrears |
| <u>Late Finance Charge for Late Payment:</u> | 1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date |

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission
in Docket No. W-1328, Sub 6, on this the ____ day of _____, 2024.