



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

December 7, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket Nos. W-938, Sub 6 and W-1328, Sub 8 – Joint Application by Red Bird Utility Operating Company, LLC, 1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131, and Baytree Waterfront Properties, Inc., 4 Stanley Drive, Thomasville, North Carolina 27360, for Authority to Transfer the Windemere Point Subdivision Wastewater Utility System and Public Utility Franchise in Montgomery County, North Carolina, and for Approval of Rates

Dear Ms. Dunston,

Attached for filing on behalf of the Public Staff in the above-referenced dockets is the public version of the joint settlement testimony and exhibits of Hemanth Meda and D. Michael Franklin.

By copy of this letter, I am forwarding a copy of the redacted version to all parties of record by electronic delivery. Exhibit 1 contains confidential information on Schedule 2 and Schedule 2-1.

The confidential version will be provided to those parties that have entered into a confidentiality agreement.

Sincerely,

Electronically submitted
/s/ James Bernier, Jr.
Staff Attorney
james.bernier@psncuc.nc.gov

cc: Parties of Record

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

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 7th day December, 2023.

Electronically submitted
/s/ James Bernier, Jr.
Staff Attorney

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**DOCKET NO. W-938, SUB 6****DOCKET NO. W-1328, SUB 8**

In the Matter of)	
Joint Application by Red Bird Utility)	JOINT SETTLEMENT
Operating Company, LLC, 1650 Des)	TESTIMONY OF
Peres Road, Suite 303, St. Louis,)	HEMANTH MEDA AND
Missouri 63131, and Baytree Waterfront)	D. MICHAEL FRANKLIN
Properties, Inc., 4 Stanley Drive,)	PUBLIC STAFF –
Thomasville, North Carolina 27360, for)	NORTH CAROLINA
Authority to Transfer the Windemere)	UTILITIES COMMISSION
Point Subdivision Wastewater Utility)	
System and Public Utility Franchise in)	
Montgomery County, North Carolina,)	
and for Approval of Rates)	

December 7, 2023

1 **Q. Mr. Meda, please state your name, business address, and**
2 **present position.**

3 A. My name is Hemanth Meda. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility
5 Regulatory Analyst with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. Are you the same Hemanth Meda who filed direct testimony on**
8 **behalf of the Public Staff in this proceeding on October 23,**
9 **2023?**

10 A. Yes.

11 **Q. Are your qualifications and duties the same as stated in your**
12 **direct testimony?**

13 A. Yes.

14 **Q. Mr. Franklin, please state your name, business address, and**
15 **present position.**

16 A. My name is D. Michael Franklin. My business address is 430 North
17 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities
18 Engineer with the Water, Sewer, and Telephone Division of the
19 Public Staff.

1 **Q. Are you the same D. Michael Franklin who filed direct testimony**
2 **on behalf of the Public Staff in this proceeding on October 23,**
3 **2023?**

4 A. Yes.

5 **Q. Are your qualifications and duties the same as stated in your**
6 **direct testimony?**

7 A. Yes.

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

9 A. The purpose of our testimony is to provide support for the Settlement
10 Agreement and Stipulation (Stipulation) filed on December 6, 2023,
11 entered into between Red Bird Utility Operating Company, LLC (Red
12 Bird) and the Public Staff (together, the Stipulating Parties) regarding
13 the transfer of the Baytree wastewater utility system and public utility
14 franchise in Montgomery County, North Carolina, requested jointly
15 by Baytree Waterfront Properties, Inc. (Baytree), in Docket No. W-
16 938, Sub 6 and by Red Bird in Docket W-1328, Sub 8 (Joint
17 Application).

18 **Q. Briefly describe the Stipulation.**

19 A. The Stipulation sets forth the agreement between the Stipulating
20 Parties on all items, including the Stipulating Parties' agreement that
21 the transfer of the Baytree wastewater system to Red Bird should be

1 approved and that Red Bird will adopt the tariffs and rates currently
2 in effect for the customers of the acquired system.

3 The Stipulation provides that Red Bird will not pursue an acquisition
4 adjustment related to the Baytree wastewater system in the present
5 or any future proceedings and that plant additions are limited to
6 \$10,653 based on plant additions since the Docket No. W-938, Sub
7 3 rate case through December 31, 2023. The amount is based on
8 plant additions through December 31, 2023, as provided by the
9 Company, and includes depreciation calculated through December
10 31, 2023, as shown on Public Staff Settlement Exhibit 1. No further
11 plant additions through December 31, 2023 will be included in this or
12 any future proceedings.

13 Regarding costs associated with the transfer, the Stipulation
14 provides that, in its next general rate case, Red Bird may request
15 recovery of costs for engineering due diligence work performed by
16 McGill Associates, P.A. and listed in Red Bird witness Cox Direct
17 Exhibit 4 up to \$24,574, provided that the work results in reasonable
18 and prudent capital investments to improve the wastewater system.

19 The Stipulation also provides that Red Bird may request recovery of
20 up to \$13,500 for legal costs related to the acquisition in its next
21 general rate case. Red Bird agrees not to pursue rate recovery of
22 any remaining costs associated with the transfer, including due

1 diligence, transactional, and regulatory costs, other than those listed
2 above and as further detailed in Public Staff Settlement Exhibit 2.
3 The amounts of \$24,574 and \$13,500 for engineering due diligence
4 and legal costs, respectively, were determined based on Cox Direct
5 Exhibit 4 and invoices provided in response to Public Staff Data
6 Request 7. Public Staff Settlement Exhibit 2 provides a breakdown
7 of these costs, including by invoice.

8 Pursuant to the Stipulation, Red Bird agrees to adopt at closing
9 Baytree's accounting records, provide the detailed accounting
10 records received from Baytree to the Public Staff, and refrain from
11 adjusting or making changes to those records without Commission
12 approval.

13 If the Stipulation is approved by the Commission, beginning one year
14 after the effective date of the order approving the Stipulation, and
15 continuing annually, Red Bird and key leadership from CSWR, LLC,
16 will meet with the Public Staff and provide an update detailing all
17 changes in Red Bird's facilities and operations since the last annual
18 update and discuss the Company's financial condition.

19 Finally, pursuant to the Stipulation, Red Bird agrees to post a
20 \$35,000 bond for the Baytree wastewater system.

- 1 **Q. What benefits does the Stipulation provide for ratepayers?**
- 2 A. Red Bird's agreement not to seek an acquisition adjustment, and the
- 3 limitations on the amount of due diligence and legal costs Red Bird
- 4 can recover will minimize the magnitude of future rate increases. In
- 5 addition, the conditions attached to Red Bird's recovery of
- 6 engineering due diligence costs will help ensure that those costs are
- 7 related to wastewater system improvements that help to maintain or
- 8 improve service quality and reliability. Annual meetings between Red
- 9 Bird and the Public Staff will keep the Public Staff apprised of
- 10 changes to the systems and Red Bird's financial condition and
- 11 maintain open dialogue between the parties.
- 12 Based on the foregoing, we recommend that the Commission
- 13 approve the Stipulation.
- 14 **Q. Does this conclude your testimony?**
- 15 A. Yes, it does.

Baytree Waterfront Properties, Inc.Docket No. W-1328, Sub 8
ORIGINAL COST RATE BASEPublic Staff
Settlement Exhibit I
Schedule 1**Baytree - Wasterwater Operations**

<u>Line No.</u>	<u>Item</u>	<u>Per Company (a)</u>	<u>Public Staff Adjustments [1] (b)</u>	<u>After Public Staff Adjustments [2] (c)</u>
1.	Plant in service	\$53,062	(\$35,041)	\$18,021
2.	Accumulated depreciation	(5,899)	(1,469)	(7,368)
3.	Contributions in aid of construction, net of amortization	<u>0</u>	<u>0</u>	<u>0</u>
4.	Net plant in service	<u>47,163</u>	<u>(36,510)</u>	<u>10,653</u>
5.	Original cost rate base	<u><u>\$47,163</u></u>	<u><u>(\$36,510)</u></u>	<u><u>\$10,653</u></u>

[1] Column (c) minus Column (a)

[2] Settlement Exhibit I, Schedule 1-1

Baytree Waterfront Properties, Inc.

Docket No. W-1328, Sub 8

CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION,
AND DEPRECIATION EXPENSEPublic Staff
Settlement Exhibit I
Schedule 1-1**Baytree - Wasterwater Operations**

Line No.	Item	Plant In Service Per Public Staff	CIAC	Depreciable Plant In Service	Year Placed In Service	Life	Years in Service	Annual Depreciation	Accumulated Depreciation
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Plant additions after rate case, W-938, Sub 3									
1.	Replace Check Valve/2 Laterals/10 Protective caps	\$1,400 [1]	\$0	\$1,400	2020	50	3.5	\$28	\$98
2.	Replace piping from septic to pump tank	575 [1]	0	575	2018	20	5.5	29	158
3.	Pump Motor Replacement	3,663 [1]	0	3,663	2017	10	6.5	366	2,381
4.	Float Support Brackets	761 [1]	0	761	2010	20	13.5	38	514
5.	Pump Motor	7,122 [1]	0	7,122	2019	10	4.5	712	3,205
6.	Control Panel	4,500 [1]	0	4,500	2019	20	4.5	225	1,013
7.	Total Plant in Service (Sum line 1 thru line 6)	\$18,021	\$0	\$18,021				\$1,398	\$7,368

[1] Plant additions after rate case, W-938, Sub 3.

[2] Column (a) plus Column (b).

[3] Per examination of Company's Financial records.

[4] Provided by the Company

[5] Based on year placed in service using half year convention.

[6] Column (c) divided by Column (e), unless fully depreciated.

[7] Column (f) x Column (g), unless fully depreciated.

CONFIDENTIAL

DOCKET NO. W-1328, SUB 8

DOCKET NO. W-938, SUB 6

EXHIBIT 1- SCHEDULE 2.0

CONFIDENTIAL

DOCKET NO. W-1328, SUB 8

DOCKET NO. W-938, SUB 6

EXHIBIT 1- SCHEDULE 2.1

Docket Nos. W-938, Sub 6 and W-1328, Sub 8
Public Staff Settlement Exhibit 2
Page 1 of 3

Baytree Due Diligence Settlement Exhibit

COX DIRECT EXHIBIT 4						PUBLIC STAFF	
Vendor	Inv #	Date	Amount	PSI Acct	Service Area	Legal DD	Engr DD
The Beckemeier Law Firm LC	75-008	12/31/2021	\$396.00	183.002	NC-Baytree	\$396.00	
The Beckemeier Law Firm LC	75-009	12/31/2021	\$36.00	183.002	NC-Baytree	\$36.00	
The Beckemeier Law Firm LC	75-010	12/31/2021	\$2,152.00	183.002	NC-Baytree	\$2,152.00	
The Beckemeier Law Firm LC	75-011	12/31/2021	\$235.00	183.002	NC-Baytree	\$235.00	
Black, Slaughter & Black, PA	221657	12/31/2021	\$2,097.80	183.002	NC-Baytree		
McGill Associates, P.A.	19.00346-8664	12/31/2021	\$204.00	183.002	NC-Baytree		\$204.00
The Beckemeier Law Firm LC	75-012	12/31/2021	\$1,091.50	183.002	NC-Baytree	\$1,091.50	
The Beckemeier Law Firm LC	75-013	12/31/2021	\$802.00	183.002	NC-Baytree	\$802.00	
The Beckemeier Law Firm LC	75-014	12/31/2021	\$141.00	183.002	NC-Baytree	\$141.00	
The Beckemeier Law Firm LC	75-015	12/31/2021	\$141.00	183.002	NC-Baytree	\$141.00	
Burns, Day & Presnell, P.A.	69832	12/31/2021	\$1,303.39	183.002	NC-Baytree		
The Beckemeier Law Firm LC	75-016	12/31/2021	\$110.00	183.002	NC-Baytree	\$110.00	
The Beckemeier Law Firm LC	75-017	12/31/2021	\$261.50	183.002	NC-Baytree	\$261.50	
Burns, Day & Presnell, P.A.	70066	12/31/2021	\$277.67	183.002	NC-Baytree		
The Beckemeier Law Firm LC	75-018	12/31/2021	\$88.00	183.002	NC-Baytree	\$88.00	
The Beckemeier Law Firm LC	75-018	12/31/2021	\$88.00	183.002	NC-Baytree		
The Beckemeier Law Firm LC	75-018	12/31/2021	-\$88.00	183.002	NC-Baytree		
The Beckemeier Law Firm LC	75-019	12/31/2021	\$467.50	183.002	NC-Baytree	\$467.50	
Beckemeier LeMoine Law	75-020	12/31/2021	\$102.00	183.002	NC-Baytree	\$102.00	
Beckemeier LeMoine Law	75-021	12/31/2021	\$102.00	183.002	NC-Baytree	\$102.00	
Beckemeier LeMoine Law	75-022	12/31/2021	\$28.00	183.002	NC-Baytree		
McGill Associates, P.A.	21.00313-12017	12/31/2021	\$7,640.00	183.002	NC-Baytree		\$7,640.00
Burns, Day & Presnell, P.A.	71248	12/31/2021	\$744.17	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-024	12/31/2021	\$127.50	183.002	NC-Baytree	\$127.50	
Burns, Day & Presnell, P.A.	71093	12/31/2021	\$433.84	183.002	NC-Baytree		
McGill Associates, P.A.	21.00313-12317	12/31/2021	\$3,820.00	183.002	NC-Baytree		\$3,820.00
Beckemeier LeMoine Law	75-026	12/31/2021	\$86.00	183.002	NC-Baytree	\$86.00	

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Baytree Due Diligence Settlement Exhibit

COX DIRECT EXHIBIT 4						PUBLIC STAFF	
Vendor	Inv #	Date	Amount	PSI Acct	Service Area	Legal DD	Engr DD
Burns, Day & Presnell, P.A.	71446	12/31/2021	\$708.33	183.002	NC-Baytree		
Burns, Day & Presnell, P.A.	71493	12/31/2021	\$1,111.60	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-027	12/31/2021	\$306.00	183.002	NC-Baytree	\$306.00	
Burns, Day & Presnell, P.A.	71493-CM	12/31/2021	-\$1,111.60	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-029	12/31/2021	\$255.00	183.002	NC-Baytree	\$255.00	
21 Design Group Inc.	4614	12/31/2021	\$243.75	183.001	NC-Baytree		
21 Design Group Inc.	4818	12/31/2021	\$28.75	183.001	NC-Baytree		
McGill Associates, P.A.	19.00346-8114	12/31/2021	\$311.00	183.001	NC-Baytree		\$311.00
21 Design Group Inc.	5237	12/31/2021	\$115.00	183.001	NC-Baytree		
21 Design Group Inc.	5418	12/31/2021	\$651.25	183.001	NC-Baytree		
McGill Associates, P.A.	19.00346-8890	12/31/2021	\$4,303.69	183.001	NC-Baytree		\$4,303.69
McGill Associates, P.A.	19.00346-9133	12/31/2021	\$433.59	183.001	NC-Baytree		\$433.59
21 Design Group Inc.	6010	12/31/2021	\$12,458.75	183.001	NC-Baytree		
McGill Associates, P.A.	19.00346-9592	12/31/2021	\$132.00	183.001	NC-Baytree		\$132.00
21 Design Group Inc.	6705	12/31/2021	\$364.97	183.001	NC-Baytree		
21 Design Group Inc.	6851	12/31/2021	\$56.25	183.001	NC-Baytree		
21 Design Group Inc.	7383	12/31/2021	\$28.75	183.001	NC-Baytree		
21 Design Group Inc.	7715	12/31/2021	\$120.00	183.001	NC-Baytree		
McGill Associates, P.A.	19.00346-10894	12/31/2021	\$90.00	183.001	NC-Baytree		\$90.00
21 Design Group Inc.	821	12/31/2021	\$28.75	183.001	NC-Baytree		
McGill Associates, P.A.	21.00313-11144	12/31/2021	\$2,865.00	183.001	NC-Baytree		\$2,865.00
McGill Associates, P.A.	21.00313-11433	12/31/2021	\$2,865.00	183.001	NC-Baytree		\$2,865.00
21 Design Group Inc.	10201	12/31/2021	\$57.50	183.001	NC-Baytree		
McGill Associates, P.A.	21.00313-12879	12/31/2021	\$1,910.00	183.001	NC-Baytree		\$1,910.00
Beckemeier LeMoine Law	75-035	2/1/2022	\$151.00	183.002	NC-Baytree	\$151.00	
21 Design Group Inc.	13255	4/1/2022	\$170.00	183.001	NC-Baytree		
Law Firm Carolinas	248667	4/30/2022	\$412.50	183.002	NC-Baytree		

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Public Staff Settlement Exhibit 2
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Baytree Due Diligence Settlement Exhibit

COX DIRECT EXHIBIT 4						PUBLIC STAFF	
Vendor	Inv #	Date	Amount	PSI Acct	Service Area	Legal DD	Engr DD
Beckemeier LeMoine Law	75-037	5/1/2022	\$2,456.00	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-038	6/1/2022	\$2,832.60	183.002	NC-Baytree		
Law Firm Carolinas	249559	6/3/2022	\$137.50	183.002	NC-Baytree		
21 Design Group Inc.	14091	6/8/2022	\$122.50	183.001	NC-Baytree		
Beckemeier LeMoine Law	75-039	6/8/2022	\$2,198.00	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-040	6/30/2022	\$2,167.60	183.002	NC-Baytree		
21 Design Group Inc.	13665	7/1/2022	\$212.50	183.001	NC-Baytree		
21 Design Group Inc.	14541	7/11/2022	\$180.00	183.001	NC-Baytree		
21 Design Group Inc.	15010	8/2/2022	\$360.00	183.001	NC-Baytree		
Beckemeier LeMoine Law	75-041	8/8/2022	\$1,371.00	183.002	NC-Baytree	\$1,371.00	
Law Firm Carolinas	252408	8/17/2022	\$150.00	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-042	8/31/2022	\$2,832.00	183.002	NC-Baytree	\$2,832.00	
21 Design Group Inc.	15494	9/12/2022	\$125.00	183.001	NC-Baytree		
Beckemeier LeMoine Law	75-043	10/3/2022	\$400.80	183.002	NC-Baytree	\$164.00	
Beckemeier LeMoine Law	75-044	11/9/2022	\$115.00	183.002	NC-Baytree	\$115.00	
Burns, Day & Presnell, P.A.	73823	12/31/2022	\$510.00	183.002	NC-Baytree		
Burns, Day & Presnell, P.A.	73393	1/1/2023	\$42.50	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-047	2/1/2023	\$256.50	183.002	NC-Baytree	\$256.50	
Beckemeier LeMoine Law	75-050	4/3/2023	\$796.00	183.002	NC-Baytree	\$796.00	
Beckemeier LeMoine Law	75-051	4/30/2023	\$796.50	183.002	NC-Baytree	\$796.50	
Burns, Day & Presnell, P.A.	74474	4/30/2023	\$155.00	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-052	6/1/2023	\$118.00	183.002	NC-Baytree	\$118.00	
Burns, Day & Presnell, P.A.	74868	7/20/2023	\$85.00	183.002	NC-Baytree		
Beckemeier LeMoine Law	75-054	7/31/2023	\$424.00	183.002	NC-Baytree		
Total			\$70,798.70			\$13,500.00	\$24,574.28