

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, 1650 Des Peres Road,)	RED BIRD'S VERIFIED
Suite 303, St. Louis, Missouri 63131, and)	REPORT REGARDING
Total Environmental Solutions, Inc., Post)	ISSUES RAISED AT
Office Box 14056, Baton Rouge, Louisiana)	PUBLIC HEARING
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)	

Pursuant to the Order Scheduling Hearings issued in these dockets on July 11, 2023, Red Bird Utility Operating Company, LLC (“Red Bird”) provides this Verified Report addressing customer service and service quality complaints, as well as actions planned by Red Bird to remedy customer concerns expressed during the public witness hearing held on September 25, 2023.

Rates/Billing

Many of the customers who testified during the hearing expressed concern about future rate increases associated with Red Bird’s proposed acquisition of the water and sewer systems of Total Environmental Solutions, Inc.’s (“TESI”) serving the Lake Royale community. As stated in the Transfer Application, Red Bird proposes to adopt TESI’s currently approved rates for the purposes of this acquisition. This is also stated in the Notice to Customers but appears to have either been missed or misunderstood by customers.

Upon acquiring the Lake Royale systems Red Bird plans to implement improvements to both the Lake Royale systems and the service provided to customers. The Notice to Customers (“Notice”) informed customers that Red Bird anticipates filing a rate case after it has owned and operated this system for a period of time and made investments and improvements to address service quality issues. It is anticipated that a rate increase will be necessary and appropriate at that time. As indicated in the Notice, Red Bird also anticipates seeking Commission approval of uniform rates for all systems which it acquires.

As stated in the Notice, and as noted by Public Staff counsel during the hearings, at the time Red Bird actually proposes a rate increase customers will have the opportunity to be heard, the Public Staff will participate, and the Commission will review the reasonableness and prudence of all investments made to improve to both water/wastewater quality and service to customers during the Company’s first rate case, and it will determine the extent of the rate increase approved for Red Bird. The improvements outlined in the Notice are anticipated, but until Red Bird actually owns and operates the system it will not be able to identify and assess the nature and extent of any system issues that need to be addressed. As a result, there is currently no way to reliably determine the extent of this future rate increase due to the number of factors that will inevitably affect said increase.

Finally, the Company is aware of various concerns regarding the accuracy of customer water meters and ensuring that customers are billed correctly for their usage. Red Bird takes various measures to ensure that meters are being read correctly up to taking pictures at each meter reading so that back-office staff can check and confirm reads when unusual usage occurs. Additionally, the Company understands the long-term need for meter

replacement and has the financial and technical resources needed to perform that replacement when necessary.

Communications

Red Bird is aware of the customer concerns regarding communications and transparency and is dedicated to providing effective communication and transparency. Red Bird utilizes various means to notify customers of Boil Water Advisories immediately upon any incidents occurring that warrant such notice. At this time, the Company is able to send emails, post signage in the neighborhood, and post on Red Bird's website/social media accounts to notify customers. Additionally, the Company has recently piloted texting customer notifications and plans to incorporate texting into its notification processes. Red Bird has been serving as contract operator for TESI since August 1, 2023, and since then the Company has utilized the most recent information provided by TESI in providing these notices to date. Red Bird is aware that it may have received outdated information and will work to gather the correct customer data prior to future communications.

As Red Bird's affiliates have done elsewhere, Red Bird plans to send a communication to the customers approximately one month prior to the closing of the acquisition or within 10 days after closing. That communication introduces the acquiring utility operating company to the customers and explains various aspects of operations such as billing, how to contact customer service, how to handle emergencies, etc.

Should the Commission approve the transfer application in these dockets, customers will have various established means by which they can receive communications from and communicate with Red Bird. Red Bird customers may contact Red Bird by calling the customer service toll-free phone number, the emergency toll-free number, or sending an email to customer service. The emergency toll free number and the website

/email are available 24/7. This information is provided on the website and is included in all written materials sent to customers. Personnel are available during regular business hours (M-F 8:00 - 5:00) to address customer concerns. The main office is open M-F from 7:00 am to 5:00 pm to respond to customer concerns forwarded by operations or customer service personnel. Additionally, main office customer service personnel are available to be contacted after hours for emergency calls should a situation be escalated.

Operations

Red Bird heard the customer concerns regarding the future operation of this system and the implications of a national company providing service to a local system. CSWR and Red Bird are dedicated to identifying and employing qualified low-cost firms to operate facilities that its operating company subsidiaries acquire. A multi-step process has been developed to ensure that the Operation Firm delivering the best value of service is selected. The cost savings yielded from this process and approach are a product of Red Bird's ability to bid multiple systems in a single bid package, which enables the operating company to choose from the lowest cost qualified bidders.

The first step in this process is to identify potential Operation Firms in the vicinity of the acquisition. CSWR utilizes several avenues to identify potential Operation Firms. These include, but is not limited to, web searches, contacting local Rural Water Associations, word of mouth, and local contacts in the area. The goal is to contact as many potential Operating Firms as possible to make sure that we identify a firm that provides adequate services to assist CSWR's operating subsidiaries in delivering safe and reliable water resources and/or sewer service to the communities we serve.

After identifying potential firms, CSWR sends a Request for Qualifications ("RFQ") packet to all identified firms (a copy of the RFQ was filed with the Commission).

After a firm is deemed qualified to serve as a CSWR contractor, CSWR will begin to send Requests for Proposals (“RFPs”) for projects that are within its service area and are within their operational capabilities. After multiple systems have been acquired, these RFPs contain multiple service areas/projects in order to best achieve economies of scale and yield cost-savings to our utility ratepayers. As new firms are identified and become qualified, the operating company receives more bids and has a better chance of finding the best value firm to provide service.

After acquisitions are approved, CSWR will divide up projects due for closing on a regional basis. This is done in an attempt to lower operational costs and make the projects more manageable for the CSWR operating subsidiary and the selected Operations Firm. Another benefit to the regional approach is that it gives the opportunity for local operations firms to compete with nationwide firms. After the RFPs have been returned, CSWR’s Environmental, Health & Safety Team review all Proposals to find the best value for the operating company. The value is determined by a combination of cost and services proposed to be provided by the Operations Firm. After the best value proposal is determined, CSWR and the selected firm will negotiate to ensure that all parties agree on how to best serve the community.

In North Carolina, CSWR sent out RFQ packets to 11 different entities and has approved three of the responding entities as qualified contractors (identified below):

- Inframark Water & Infrastructure Services
- Woodard & Curran
- Midwest Water Operations (ClearWater Solutions)

At this time, the Company plans to award one of these three Operation Firms a contract to serve the customers of the Lake Royale systems. Red Bird has contracted with

TESI to temporarily serve as a contract operator of the Lake Royale systems while awaiting the Commission's decision on this transfer application. Red Bird simultaneously contracted with ClearWater Solutions to provide the local operations for those systems. TESI has sold its operations in all other states and advised CSWR that it is unable to continue operating the Lake Royale systems and asked Red Bird to do so on a temporary contract operator basis until such time as a decision is made in this case.

Technical resources and operational expertise that would be available under Red Bird's ownership have already greatly improved the quality of utility service provided to customers of CSWR operating affiliates in Missouri, Arkansas, Louisiana, Kentucky, Texas, Tennessee, Florida, Mississippi, and Arizona. CSWR has staff engineers and other trained and qualified personnel with experience in the design and operation of water and wastewater systems, and CSWR supplements those resources with qualified and licensed local Operations Firms who are responsible for day-to-day plant operations. Access to these and other resources available through its affiliation with CSWR would allow Red Bird customers to achieve economies not generally available to similarly sized water and wastewater utilities. The affiliated group's business model makes this expertise and experience available to affiliates and is able to do so economically by virtue of CSWR's centralized management structure.

CSWR also has developed and implemented operating processes and technologies that improve service to customers. If authorized to make the acquisition proposed in these dockets, Red Bird plans to implement operational changes specifically designed to improve and enhance customer service. Customers would have access to a 24-hour phone line to report any utility service issues. Information received from those calls would then be

transferred into CSWR's computerized maintenance management system and converted into work orders, which creates a historical record of all reported service issues. The work order also ensures contracted customer service personnel can quickly commence work required to deal with issues affecting service efficiently and expeditiously.

Water Quality Issues

Red Bird heard the complaints of several customers regarding the quality and reliability of the water provided by TESI. Red Bird has no knowledge of what specific efforts have been made in the past to address water quality issues but CSWR's operating subsidiaries have experience in addressing this kind of issue in other systems that have been acquired across 11 different states. While the water for Lake Royale is supplied through an interconnection with Franklin County, it is Red Bird's understanding that the water tank is in poor condition and has been allowed to deteriorate for many years. The corrosion, rust, sediment accumulation, deteriorated components, and structural failures are all possible issues that have caused or contributed to the water quality issues reported by customers. Red Bird plans to work with Franklin County to identify its capacity to meet state storage requirements and either rehabilitate, replace, or remove the tank which the Company believes will clear up various quality issues experienced by customers. Additionally, Red Bird's aforementioned operations firm will have the technical expertise to ensure regular flushing of the system to allow for improved water quality. Any instances where customers find odor or discoloration issues can and should be reported to our customer service representatives to allow our operators to conduct targeted flushing, which will improve said issues. While there are various leaks that the Company is aware of and is actively working to repair, the mains are constructed of PVC which indicate that the quality/condition of the distribution system is overall good. Additionally, based on the

status of Franklin County's capacity, the Company may install a booster pump station which can be designed and configured to prevent over-pressurization of a water system to avoid leaks, damage to equipment, or even pipe bursts. Finally, the Company has heard the customers concerns regarding future road repairs associated with repairs to the system and Red Bird is willing and able to both repair the roads post-improvements and work with customers to ensure that this is done to their liking.

Sewer Quality Issues

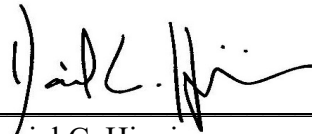
Red Bird also heard from several customers regarding the quality and reliability of sewer service provided. Again, while Red Bird has no knowledge of what specific efforts have been made in the past to address sewer issues, CSWR's operating subsidiaries have experience in addressing this kind of issue in other systems that have been acquired across 11 different states. Due to the compliance history of this wastewater facility and the issues voiced by customers, Red Bird understands the severity of the issues at this site and has been working with various third-party engineers to come up with a plan to address these issues upon closing on this system. These fixes include the rehabilitation of aeration chambers, settling tanks, digesters and the associated piping/diffusers, replacing of the sand media in tertiary filters, replacing and rerouting plant piping, replacing blowers, and installing a backup generator. Red Bird is committed to providing safe and reliable service and plans to make the necessary repairs to bring the Lake Royale wastewater treatment system into compliance.

Red Bird appreciates the opportunity to address customer concerns voiced at the public hearings and will strive to achieve high levels of communication and transparency if it is allowed to acquire the Lake Royale system.

WHEREFORE, Red Bird respectfully requests that the Commission accept this report and, after hearing from the Public Staff, issue an order approving the transfer of the TESI systems serving the Lake Royale development to Red Bird, approving rates, and requiring Red Bird to notify its customers of the transfer.

Respectfully submitted, this the 9th day of October, 2023.

BURNS, DAY & PRESNELL, PA



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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing document has been served on counsel of record for all parties in this docket, if any, and 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 9th day of October, 2023.

BURNS, DAY & PRESNELL, P.A.

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STATE OF MISSOURI

COUNTY / CITY OF ST. LOUIS

VERIFICATION

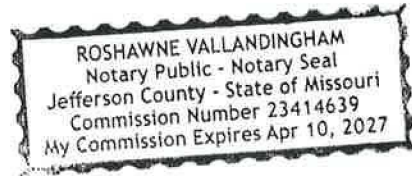
Aaron Silas, being first duly sworn, deposes and says that he/she is Director, Reg Ops of CSWR, LLC, the ultimate corporate parent of Red Bird Utility Operating Company, LLC, that he/she has read the foregoing Report and that the matters set forth therein are true of his/her own knowledge, except as to those matters and things therein alleged upon information and belief, which he believes to be true.

This the 9th day of October, 2023.

Aaron Silas

Sworn to and subscribed before me,
this the 9th day of October, 2023.

Roshawne Vallandingham
Notary Public



My Commission expires: April 10, 2027