

**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,)
Suite 303, 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)

**NON-CONFIDENTIAL DIRECT TESTIMONY OF JOSIAH COX
ON BEHALF OF RED BIRD UTILITY OPERATING COMPANY, LLC**

INTRODUCTION

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

2 A. My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140, St.
3 Louis, Missouri, 63131.

4 **Q. WHAT IS YOUR POSITION WITH RED BIRD UTILITY OPERATING**
5 **COMPANY, LLC (“RED BIRD” OR “COMPANY”)?**

6 A. I am President of Red Bird Utility Operating Company, LLC. I also am President of
7 Central States Water Resources, Inc. (“Central States”) and CSWR, LLC, (“CSWR”), each
8 a Red Bird affiliate. Later in my testimony I describe CSWR's relationship to Red Bird and
9 discuss the role CSWR would play in Red Bird's future operations if the Commission
10 approves the Joint Application for transfer of the water and wastewater systems owned by

1 Total Environmental Solutions, Inc. ("TESI") to Red Bird. Later in my testimony I also
2 describe Central States' involvement in the proposed acquisition transaction.

3 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
4 **EXPERIENCE.**

5 A. I received a Bachelor of Science with a major in Environmental Science from the
6 University of Kansas. Professionally, I worked at the Kansas state biological survey, where
7 I performed a wildlife habitat study. I then worked at a civil engineering firm where I was
8 involved in various facets of the land development process, including permitting,
9 entitlement, civil design, project management, and construction management. I focused
10 mainly on the water and wastewater side of the civil engineering business and participated
11 in every part of that business from waste-load allocation studies (now known as the anti-
12 degradation processes), design, permitting, project management, and construction
13 management. I also ran the firm's environmental consulting division and was the second
14 private consultant to submit a water quality impact study in the State of Missouri in 2003.
15 I subsequently joined the engineering firm's executive leadership team and helped run all
16 the firm's operations.

17 Beginning in 2005, I raised money from a group of investors and formed a full-
18 service civil engineering, environmental consulting, general contracting, and construction
19 management firm. I served as the Chief Operating Officer, and finally Chief Executive
20 Officer. I obtained extensive experience with rural communities in every facet of the water
21 and wastewater compliance process, including environmental assessment, permitting,
22 design, construction, operation and community administration of the actual water and
23 wastewater (sewerage) systems. That engineering firm performed stream sampling and
24 built waste-load allocation models to determine receiving water-body protective permit-

1 able effluent pollutant loads. We did full engineering design of multiple whole community
2 wastewater and water infrastructure systems including wells, water distribution, water
3 treatment, water storage, wastewater conveyance, and wastewater treatment plants, and
4 then took those designs through federal and state administered permitting processes in
5 Missouri. That engineering firm also administered the construction of these water and
6 wastewater systems from green field site selection all the way through system startup and
7 final engineering sign-off.

8 During this time, I began the Master of Business Administration (“MBA”) program
9 at Washington University in St. Louis, from which I graduated in 2007. In addition, starting
10 in 2008, I took over the operation of an existing rural sewer district, and I still operate a
11 system managing the functioning, testing, and maintenance of that system. I also act as the
12 administrator for this municipal system where I oversee all the billing, emergency
13 response, accounts payable/accounts receivable, collections, budgeting, customer service,
14 and public town meetings required to service the community.

15 In late 2010, after working on several small, failing water and wastewater systems,
16 I created a business plan to acquire and recapitalize failing systems as investor-owned
17 regulated water and wastewater utility companies. In early 2011, I went to the capital
18 markets to raise money to implement my plan. Over a period of approximately three years,
19 I met with over 52 infrastructure investment groups trying to raise the necessary financing.
20 By February 2014, I achieved my goal, and I used the debt and equity capital I was able to
21 raise to start CSWR.

22 In 2018, I was able to attract an additional large institutional private equity investor,
23 which allowed me to expand the scope of my business plan. This new investor is allowing

1 CSWR to form companies for the purpose of acquiring water and wastewater systems in
2 additional states.

3 Since its formation, CSWR has acquired, and currently is operating through various
4 affiliates, more than 800 water or wastewater systems in Missouri, Kentucky, Louisiana,
5 Texas, Tennessee, Mississippi, Arizona, Florida, South Carolina, and Arkansas, and, up to
6 this point, two in North Carolina. In Missouri, those systems are regulated by the Missouri
7 Public Service Commission; in Kentucky they are regulated by the Kentucky Public
8 Service Commission; in Tennessee they are regulated by the Tennessee Public Utility
9 Commission; in Louisiana they are regulated by the Louisiana Public Service Commission;
10 in Texas they are regulated by the Public Utility Commission of Texas; in Mississippi they
11 are regulated by the Mississippi Public Service Commission; in Arizona they are regulated
12 by the Arizona Corporation Commission; in Florida they are regulated by the Florida
13 Public Utilities Commission; in South Carolina they are regulated by the South Carolina
14 Public Service Commission; and in Arkansas, the systems are outside the Arkansas Public
15 Service Commission's jurisdiction due to the fact each system falls below annual revenue
16 thresholds that trigger regulation in that state.

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

18 A. The purpose of my testimony is to support the Joint Application for Transfer of Public
19 Utility Franchise and for Approval of Rates filed in these dockets ("Joint Application"),
20 which seeks Commission authority for Red Bird to acquire all North Carolina utility assets
21 currently used by TESI and to provide water and wastewater utility services to customers
22 in the Lake Royale subdivision located in Franklin and Nash Counties. My testimony
23 describes the proposed transaction and explains why both Red Bird and TESI believe

1 authorizing consummation of the transaction is in the public interest. I also describe Red
2 Bird's relationship to CSWR, the role CSWR would play in Red Bird's operation of the
3 systems at issue in this case, and the benefits Red Bird's relationship with CSWR would
4 bring to customers served by the TESI systems.

5 My testimony also addresses rate base in the utility assets to be acquired and
6 supports approval of an acquisition adjustment for a portion of the acquisition premium
7 Red Bird will pay for TESI's utility assets, based on the condition of the TESI systems,
8 their compliance issues and history.

BACKGROUND INFORMATION REGARDING
RED BIRD AND ITS AFFILIATES

9 **Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT RED**
10 **BIRD AND CSWR.**

11 A. Red Bird is a North Carolina limited liability company formed to acquire water and
12 wastewater assets in this state and to operate those assets as a regulated public utility. In
13 Docket No. W-1328, Sub 7, the Commission authorized Red Bird to acquire and operate
14 the four wastewater systems previously owned by the Homeowners Associations,
15 respectively, of Ocean Terrace, Pine Knoll Townes I, II and II, all of which are located in
16 Pine Knoll Shores, North Carolina. In February 2023, the Commission also authorized Red
17 Bird to acquire facilities previously owned by Bear Den Acres Development in Spruce
18 Pine, North Carolina. Most recently, the Commission approved Red Bird's acquisition of
19 the utility assets and franchise of Crosby Utilities, Inc. in Wake County, North Carolina.
20 In addition to the Joint Application in this docket, Red Bird currently has Applications for
21 Transfer of Public Utility Franchise and for Approval of Rates pending before the
22 Commission in nine other dockets, as well as two pending applications for Certificates of

1 Public Convenience and Necessity. As is the case with the TESI systems, many of the
2 systems which Red Bird seeks to acquire in North Carolina are either distressed or troubled
3 systems, or they require the infusion of capital investment that the current owners are either
4 unable or unwilling to provide. If the Commission grants the Joint Application in this
5 docket, Red Bird will acquire, own, and operate the wastewater and water system currently
6 owned by TESI.

7 Red Bird is an affiliate of CSWR, a Missouri limited liability company formed to
8 provide managerial, technical, and financial support to its utility operating affiliates. A
9 corporate organization chart illustrating that relationship was filed with the Commission
10 on August 2, 2022,, in support of the Joint Application.

11 To date, CSWR-affiliated utility operating companies have acquired and are
12 operating water and/or wastewater systems in Missouri, Kentucky, Louisiana, Texas,
13 Tennessee, Mississippi, Arizona, Florida, South Carolina, and Arkansas, as well as the
14 Ocean Terrace/Pine Knoll Townes and Bear Den systems in North Carolina. In addition to
15 Red Bird's other applications pending before the Commission, CSWR affiliates have
16 applications pending in Mississippi, Florida, Louisiana, Tennessee, Arizona, Missouri,
17 South Carolina, Mississippi, California, and Texas seeking authority to acquire more such
18 systems.

19 **Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE**
20 **ACQUISITION AND OPERATION OF SMALL AND TROUBLED, DISTRESSED**
21 **OR UNDERCAPITALIZED WATER AND WASTEWATER SYSTEMS?**

22 A. CSWR's business plan is to pursue the purchase and recapitalization of small water and
23 wastewater systems and to operate those systems as investor-owned regulated utilities.
24 Many of the systems CSWR hopes to acquire are not currently regulated. Of those that are

1 regulated, many, if not most, are out of compliance with utility commission rules and/or
2 with federal and/or state pollution, environmental and/or safety laws and regulations.
3 Indeed, many systems we acquire do not even have the federal or state permits required to
4 lawfully operate. We also have found that many regulated systems we acquire have not
5 increased their rates for a decade or more and, as a result, lack the financial resources
6 necessary to cover normal operating costs and/or to maintain and replace assets used to
7 provide service or bring their operations into compliance with rapidly changing
8 environmental and water quality regulations. Some systems we acquire are in receivership
9 and, therefore, lack the ability to raise capital necessary to improve their systems. Owners
10 of other systems are unable or unwilling to provide capital necessary to maintain their
11 systems. CSWR's business plan has been and continues to be making investments in and
12 taking the risks necessary to bring small water and wastewater systems into compliance
13 with current statutes, rules, and regulations. Through its affiliates, CSWR has been able to
14 acquire distressed, troubled or undercapitalized systems, invest capital necessary to
15 upgrade or repair physical facilities, and operate those systems in a way that satisfies
16 customers, regulators, and investors alike.

17 CSWR's business plan and the expertise its personnel provide to affiliates have
18 convinced regulators in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi,
19 Florida, South Carolina, and Arizona to allow those affiliates to acquire and operate
20 numerous small water and wastewater systems in those states. In more than 100 separate
21 orders – several involving the acquisition of multiple discrete systems – regulators in each
22 of those states have determined our affiliate group has the technical, managerial, and
23 financial qualifications necessary to acquire, own, and operate water and/or wastewater

1 systems. This Commission made the same determination when it authorized Red Bird to
2 acquire and serve several small systems in this state, and we are hopeful we will be
3 authorized to acquire additional systems here in the future. If the Commission authorizes
4 Red Bird to acquire the TESI water and wastewater systems, it will become part of the
5 portfolio of systems the Company seeks to build in North Carolina. We hope the
6 Commission will give Red Bird the same opportunity it did in the Ocean Terrace/Pine
7 Knoll Townes, Bear Den, and Crosby Utilities dockets so we can continue our efforts to
8 replicate in North Carolina the record of success our affiliate group has achieved elsewhere.

9 **Q. PLEASE DESCRIBE RED BIRD AFFILIATES' EXPERIENCE WITH WATER**
10 **AND WASTEWATER SYSTEMS.**

11 A. Red Bird is part of an affiliate group that currently owns and operates wastewater
12 systems serving approximately 219,000 customers and drinking water systems serving
13 approximately 145,000 customers in Missouri, Arkansas, Kentucky, Louisiana, Texas,
14 Tennessee, Mississippi, Florida, South Carolina, North Carolina, and Arizona. By virtue
15 of that affiliation Red Bird has the financial, technical, and managerial ability to acquire,
16 own, and operate the TESI water and wastewater systems in a manner that fully complies
17 with applicable health, safety, environmental protection, and regulatory laws and
18 regulations, and to provide reliable, safe, and adequate service to customers.

19 On the wastewater side of the business, the CSWR affiliate group has purchased
20 wastewater treatment plants with associated pressure systems and sewer pumping stations,
21 gravity force mains, and gravity conveyance lines. With the approval of state wastewater
22 regulatory authorities, since March 2015 CSWR-affiliated companies have designed,
23 permitted, and completed construction of numerous sanitary sewer system improvements.
24 These improvements include wastewater line repairs to eliminate infiltration and inflow,

1 building numerous sewer main extensions, building and/or repairing hundreds of lift
2 stations, the closure of a number of existing regulatory impaired wastewater systems,
3 building new or refurbishing over 150 activated sludge plants, constructing dozens of
4 moving bed bio-reactor plants, converting multiple failing wastewater systems into sludge
5 storage/flow equalization and treatment basins, converting failed mechanical systems to I-
6 Fast systems, and constructing various other wastewater treatment supporting
7 improvements.

8 On the water side of the business, since March 2015 the CSWR affiliate group has
9 designed, permitted, and completed construction – with the approval of state regulatory
10 authorities – upgrades and improvements to numerous drinking water systems. Those
11 upgrades and improvements include construction of a large number of ground water
12 storage tanks and drinking water pressurization pump assemblies, drilling water wells,
13 erecting or rehabilitating well houses, closing failed wells, blasting/coating water storage
14 tanks, replacing meter pits with new meters, replacing or repairing numerous water
15 distribution lines, installing numerous isolation valve systems, installing a large number of
16 flush hydrants, repairing hundreds of leaking lines, and constructing or rehabilitating
17 various other improvements to existing drinking water systems.

18 The CSWR-affiliated group of companies is likely the most qualified utility in the
19 United States to service TESI's North Carolina customers based on the number of systems
20 we own, the number of systems we have purchased and brought into (and kept in)
21 environmental compliance, and our personnel having the most relevant experience running
22 small water and wastewater utilities. Our affiliate group currently owns and operates more
23 than 800 water and wastewater plants within our eleven-state operational footprint. On a

1 daily basis we deliver, on average, more than 14.6 million gallons of water to our more
2 than 58,000 water connections and treat almost 20 million gallons of wastewater from our
3 more than 58,000 water connections. In Louisiana, alone, our affiliate has removed 59
4 systems from Agreements on Consent with the Louisiana Department of Environmental
5 Quality – the fastest timeframe ever for a large group of systems – and we are 100%
6 compliant with environmental compliance agreements entered into with state regulators.
7 These agreements are necessary because of the extremely distressed nature of many
8 systems our group acquires, and our record of compliance with and removal from these
9 agreements is testament to our ability to own and operate such systems in a manner that
10 complies with applicable laws and provides safe and reliable service to customers.

11 **Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE**
12 **SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?**

13 A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar
14 services for water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana,
15 Texas, Tennessee, Mississippi, Florida, South Carolina, and Arizona as well as for the
16 Ocean Terrace/Pine Knoll Townes and Bear Den systems in North Carolina. I already
17 described my background and experience in the water and wastewater utility industry. The
18 other key members of CSWR's senior team who are involved in Red Bird's operations are
19 equally well-qualified to meet the demands and needs of Red Bird and its customers and
20 of this Commission and other regulators charged with overseeing Red Bird's operations.
21 The members of CSWR's senior team were identified in Attachment D to the Joint
22 Application. Because some of those individuals and their respective responsibilities have
23 changed since the Joint Application was filed in June 2021, I have provided an update to
24 that attachment as **Cox Direct Exhibit 1**.

1 CSWR will provide Red Bird the same level of experience and expertise CSWR
2 currently provides to its affiliated systems located both within and outside North Carolina.
3 The types and quality of services CSWR provides Red Bird are not usually available to
4 small systems such as the TESI systems involved here. CSWR's business model was
5 developed to provide support, expertise, and experience to affiliates and to do so while
6 achieving economies of scale attributable to CSWR's centralized management structure.
7 Not only would CSWR and Red Bird provide current TESI customers with expertise not
8 generally available to small water and sewer systems, but it can realize economies of scale
9 that would not be possible if Red Bird had to acquire or provide such expertise and support
10 on a company or system-specific basis.

11 **Q. PLEASE DESCRIBE THE ECONOMIES OF SCALE YOU JUST MENTIONED**
12 **AND HOW THOSE WOULD BENEFIT TESI'S CUSTOMERS.**

13 A. CSWR's size and its consolidation of many small systems under one financing and
14 managerial entity will result in cost efficiencies in the operation of TESI's water and
15 wastewater systems, particularly in the areas of:

- 16 • Commission and environmental regulatory reporting;
- 17 • Managerial and operational oversight;
- 18 • Utility asset planning;
- 19 • Engineering planning;
- 20 • Ongoing utility maintenance;
- 21 • Utility record keeping;
- 22 • Customer service responsiveness; and

- 1 • Access to capital necessary to repair and upgrade the TESI systems as necessary to
2 ensure compliance with all health and environmental requirements and ensure
3 service to customers remains safe and reliable.

4 CSWR/Red Bird believes that TESI's customers would benefit from economies of scale
5 and other advantages available through CSWR. While these economies would not
6 necessarily reflect cost savings compared to TESI's current operations expenses, the
7 advantages of this acquisition are reflected in CSWR's resources pertaining to customer
8 service, an advanced computerized maintenance management system, and personnel with
9 years of experience across over 800 plants in eleven states, making CSWR the largest
10 operator of small water and sewer systems in the United States. After owning and operating
11 the TESI systems for an initial period, Red Bird will be able to accurately assess needs and
12 costs to more accurately identify the actual operating needs and characteristics of those
13 systems, and address those needs.

14 **Q. HAVE THE CSWR AFFILIATED COMPANIES TAKEN STEPS TO IMPROVE**
15 **SERVICES AT THE SYSTEMS THEY NOW OPERATE?**

16 A. Yes. In addition to the capital improvements made on systems our affiliate group has
17 acquired, we have built from scratch and implemented customer service systems that meet
18 or exceed regulatory commission rules and provide numerous benefits to customers.

19 If the Joint Application is approved, Red Bird would implement operational
20 changes to improve and enhance service to TESI's current customers. For example, those
21 customers would have access to a 24-hour phone line to report any utility service issues.
22 Those calls initially would be answered by emergency service personnel who are required
23 to respond to emergency service calls within prescribed time limits. Those calls would then
24 be transferred into the computerized maintenance management system and converted into

1 work orders, which create a historical record of all reported service issues. The work order
2 also will ensure contracted customer service personnel can commence work required to
3 deal quickly and efficiently with any customer service issues. In addition, Red Bird would
4 ensure customers have access to customer service representatives during normal business
5 hours to discuss any customer concerns and would establish a utility-specific webpage and
6 dedicated email address to keep customers informed about their utility service. These types
7 of customer service and operational resources generally are typically not available to
8 customers served by small utilities like TESI.

9 Information available on Red Bird’s website, which is updated regularly, would
10 include dissemination of state-mandated information, up-to-date website bulletins about
11 service issues, and procedures for service initiation or discontinuance. Mirroring relevant
12 utility homepage information, Red Bird would provide a dedicated social media page to
13 offer another avenue of communication with customers about utility matters. The social
14 media account is manned by customer service representatives that can answer customer
15 questions. These resources also would provide customers with bulletins on current service
16 status and educational information relevant to their utility service. Finally, Red Bird’s
17 platforms offer online bill paying options to customers, including e-checks, debit card, and
18 credit cards.

19 Because of the resources I just described, Red Bird believes the overall quality of
20 customer service will improve if Red Bird is authorized to acquire TESI’s utility assets.

21 **Q. WHAT OTHER OPERATIONAL BENEFITS WOULD RED BIRD BRING TO**
22 **THE TESI SYSTEMS AND CUSTOMERS?**

23 A. CSWR uses the Computerized Maintenance Management System (“CMMS”) program
24 called Utility Cloud to facilitate field work, inspections, maintenance schedules, and

1 reporting for all facilities. This allows CSWR to manage data, work, and compliance across
2 plant and distributed field assets. We have implemented Utility Cloud in other jurisdictions
3 to assist in avoiding compliance and equipment failures with real-time data monitoring
4 across people, machines, and sensors throughout all our service areas.

5 The main benefit Utility Cloud offers is that the system is a highly configurable,
6 easy-to-use asset management tool that helps all parties distribute work, report on
7 maintenance, and streamline compliance reports. With the system being highly
8 configurable, Red Bird can build out systems efficiently and begin tracking maintenance
9 and improvements on day one of ownership. Most operators of this system require only a
10 short training session to be able to navigate, create and assign work, and complete Work
11 Orders. The ability to get Red Bird's contract operators trained on this system so quickly
12 speaks volumes as to how easy the system is to operate.

13 Features of Utility Cloud that CSWR would implement, and that have been
14 beneficial to the operations of its utility affiliates and have streamlined time-consuming
15 processes, include:

- 16 • Automating the completion and submission of compliance reports using the exact
17 field data crews collect;
- 18 • Using custom accounts, security roles, and user rights to maintain the separation
19 between projects and managing multiple contractors while storing all CSWR's data
20 in one database;
- 21 • Managing and tracking maintenance history on all assets to assist in identifying
22 potential capital improvement projects;
- 23 • Creating custom alerts to trigger as issues arise;

- 1 • Leveraging digital standard operating procedures, manuals, and layouts helping to
- 2 standardize complex work and meet regulatory and OSHA requirements;
- 3 • Creating powerful workflows and reports for our compliance objectives;
- 4 • Integrating with the survey database to create a useable asset for field work
- 5 tracking; and
- 6 • Using real-time data and leveraging analytical tools to trend plant performance.

7 Utility Cloud is critical to the operation and maintenance of our utility facilities.
8 The ability to create custom workflows gives us the ability to collect asset and task-specific
9 data quickly and efficiently. Using this system allows CSWR’s utility affiliates to quickly
10 implement new processes that apply to all our sites across the country with the click of a
11 button. This is the type of configuration scalability that CSWR requires, and Utility Cloud
12 delivers on behalf of our utility affiliates and their customers.

13 **Q. WHAT EVIDENCE CAN YOU PROVIDE TO SUPPORT YOUR CLAIMS**
14 **ABOUT THE ABILITY OF RED BIRD’S AFFILIATES TO PROVIDE THESE**
15 **SERVICES OUTSIDE NORTH CAROLINA?**

16 A. In Missouri, where CSWR-affiliated companies have operated since 2014, the Missouri
17 Public Service Commission and the Missouri Department of Natural Resources (“MDNR”)
18 have recognized the solid track records of CSWR and its affiliates for acquiring,
19 rehabilitating, maintaining, and operating troubled water and wastewater systems in that
20 state. In its Order approving one of our acquisitions, the Missouri Commission noted
21 CSWR’s Missouri affiliate’s “sound track record in rehabilitating similarly situated [i.e.
22 troubled] systems” and its “ability to acquire, maintain, and operate the systems . . . to

1 ensure safe and adequate service.”¹ And in a letter from MDNR in June 2023, Red Bird’s
2 Missouri affiliate was praised for its

3 willingness to acquire systems with long-standing compliance issues [that]
4 has proven to be beneficial to human health and the environment by
5 bringing many of these systems into compliance with environmental laws.
6 The Department looks forward to continuing to work with [the Missouri
7 affiliate] as it continues to acquire wastewater and public water systems in
8 Missouri, in furtherance of the Department’s initiative to encourage
9 regionalization and consolidation of the many private systems in Missouri
10 that are struggling to achieve compliance with laws for the protection of
11 public health and the environment.

12 A copy of the MDNR’s letter is attached to this testimony as **Cox Direct Exhibit 2**.

13 Similar sentiments were expressed by the Mississippi State Department of Health
14 in a March 14, 2023, letter to Mississippi Public Service Commissioner Brent Bailey. In
15 that letter, the Department of Health stated:

16 As you may be aware, Great River Utility Company [Red Bird’s Mississippi
17 affiliate] has recently acquired several drinking water systems across the
18 state. Great River Utility has worked closely with the [Bureau of Public
19 Water Supply’s] compliance and field staff to maintain compliance with the
20 various rules and regulations of the Safe Drinking Water Act. A viable entity
21 such as Great River Utility desiring to help problematic drinking water
22 systems by investing in them for improved services to citizens is very
23 appreciated and supported by the Bureau.

24 A copy of that letter is attached to my testimony as **Cox Direct Exhibit 3**.

25 As further evidence of our affiliates’ capabilities, regulators in Missouri, Texas,
26 Mississippi, Arizona, Louisiana, and California have asked CSWR and its utility affiliates
27 to assume emergency operational responsibilities for distressed water and wastewater
28 systems in those states. For example, in Texas CSWR-Texas acts as an emergency
29 manager trusted by the Texas Commission to take over some of the state’s most troubled

¹ *Order Approving Stipulation and Agreement and Granting Certificates of Convenience and Necessity*, Missouri Public Service Commission File No. WM-2018-0116 (February 4, 2019), at p. 6.

1 utilities. In Louisiana CSWR was named as the first emergency manager for a water system
2 by the Louisiana Department of Health, in addition to taking more than a hundred systems
3 over pursuant to a Louisiana Department of Environmental Quality agreed order addressing
4 ongoing serious environmental compliance issues. In Arkansas and Kentucky CSWR has
5 been specifically requested to take over several distressed utilities by those states’
6 respective environmental regulators. In December 2021, the Arizona Corporation
7 Commission authorized a CSWR affiliate to acquire distressed utilities and approved
8 incentives (including the opportunity to recover all or a significant portion of the difference
9 between purchase price and net book value of acquired assets) for those acquisitions.

10 **Q. DO RED BIRD AND CSWR HAVE THE FINANCIAL CAPACITY TO**
11 **ACQUIRE, OWN, AND OPERATE THE TESI SYSTEMS?**

12 A. Yes, Red Bird and CSWR have the financial capacity to finance, own, and operate the
13 systems we propose to acquire from TESI. The affiliate group of which Red Bird is a
14 member has been able to secure an ongoing commitment from a Wall Street private equity
15 firm to provide capital necessary to purchase small, oftentimes distressed, water and
16 wastewater systems and then make investments necessary to bring those systems into
17 compliance with applicable health, safety, and environmental protection laws and
18 regulations. This investment commitment also includes providing working capital
19 necessary to operate the acquired systems until applications for compensatory rates can be
20 prepared and prosecuted. To date, CSWR, through its affiliates, has invested more than
21 \$416 million to purchase, upgrade, and operate water and wastewater systems. Although
22 those investments have been exclusively in the form of equity, at the appropriate time Red
23 Bird plans to pursue debt financing from non-affiliated commercial sources that would

1 allow the Company to balance its capital structure. Ultimately, Red Bird’s objective is a
2 capital structure consisting of 50%-60% equity and 40%-50% debt.

3 **Q. IF THE AUTHORIZATION REQUESTED IN THE JOINT APPLICATION IS**
4 **GRANTED, WOULD RED BIRD HIRE CURRENT EMPLOYEES TO PROVIDE**
5 **SERVICE IN THE AREAS SERVED BY TESI?**

6 A. No, Red Bird does not plan to hire any current employees TESI may have to perform
7 any services after closing.

8 **Q. AFTER CLOSING, HOW DOES RED BIRD PROPOSE TO PROVIDE**
9 **SERVICE TO CUSTOMERS OF THOSE SYSTEMS?**

10 A. If the Joint Application is approved, Red Bird intends to hire a local, non-affiliated
11 third-party Operations and Maintenance (“O&M”) firm that has knowledgeable and
12 experienced personnel, carries required state licenses, and has the insurance coverage
13 necessary to manage daily operations of the TESI systems. These contracts are
14 competitively bid to ensure that the O&M services Red Bird requires are obtained at a
15 reasonable price. This is what Red Bird has done for the Ocean Terrace/Pine Knoll Townes
16 and Bear Den systems. It also is the approach that Red Bird’s affiliated utility operating
17 companies have successfully employed in every other state where CSWR affiliates operate
18 water and/or wastewater systems.

19 In addition to its service obligations during normal business hours, the O&M firm
20 would be required to have a 24-hour emergency service line to deal with customers
21 experiencing service disruptions. However, notice of all service disruption calls would be
22 forwarded to me, as CSWR’s manager and the executive ultimately responsible for service
23 in the areas served by each of CSWR’s utility affiliates. CSWR uses the Utility Cloud
24 centralized computerized maintenance management system to monitor the performance of
25 our drinking water and wastewater systems, which also allows us to track ongoing

1 maintenance and testing work performed by the O&M contractors we employ at each of
2 our facilities. In addition, CSWR uses geographic information system (“GIS”) survey
3 information to accurately map all infrastructure assets, which allows the company to
4 specifically target ongoing infrastructure re-investment as part of the overall managerial
5 and technical support CSWR provides each of its utility operating affiliates.

6 Red Bird also would use a non-affiliated third-party customer service firm to handle
7 service-related billing questions. Customer service representatives employed by that third-
8 party firm would be available during normal business hours, would take messages twenty-
9 four hours a day, and all customer correspondence would be recorded and logged to
10 consumers' accounts to ensure the highest level of service. This arrangement currently is
11 in place for all CSWR-affiliated utilities, including Red Bird’s current operations in North
12 Carolina.

13 While day-to-day operational and customer service functions would be provided by
14 non-employee contractors, all management, financial reporting, underground utility safety
15 and location services, Commission regulatory reporting, environmental regulatory
16 reporting and management, operations oversight, utility asset planning, engineering
17 planning, ongoing utility maintenance planning, utility record keeping, billing, and final
18 customer dispute management would be performed by personnel at CSWR's St. Louis
19 office, with a proportional share of the cost for those services passed down to Red Bird.
20 CSWR personnel would also monitor the activities of the non-employee contractors to
21 make sure the systems are being operated and maintained properly and customers’ needs
22 are being met. As I previously mentioned, the resumes of senior CSWR personnel who, in

1 addition to me, would be responsible for providing services and/or oversight to Red Bird's
2 operation, are attached to my testimony as **Cox Direct Exhibit 1**.

DESCRIPTION OF THE PROPOSED TRANSACTION

3 **Q. PLEASE DESCRIBE THE SYSTEMS RED BIRD PROPOSES TO ACQUIRE**
4 **FROM TESI.**

5 A. Red Bird proposes to acquire the water and wastewater systems owned by TESI that
6 serve the Lake Royale subdivision in Franklin and Nash Counties. The TESI systems
7 currently serve approximately 2,276 water customers and 2 commercial sewer customers.

8 Terms of the proposed asset purchase are governed by the *Agreement for the Sale*
9 *of Utility System* ("Agreement"), between TESI and Central States. A copy of that
10 Agreement was filed as Confidential Attachment F to the Joint Application. Central States
11 entered into the Agreement with TESI on February 4, 2021.

12 No closing date for the transaction has been set, but the Agreement identifies
13 various conditions precedent, including obtaining all required regulatory approvals, which
14 must be satisfied before the transaction can close. Section 18 of the Agreement also
15 authorizes Central States to assign all its rights to the acquired assets to an affiliated entity.
16 In accordance with that provision, Central States assigned its rights under the Agreement
17 to Red Bird. A copy of the document assigning Central States' contract with TESI to Red
18 Bird was filed as Attachment F2 to the Joint Application.

19 **Q. PLEASE DESCRIBE THE CONTRACT TO PURCHASE TESI'S UTILITY**
20 **ASSETS.**

21 A. Central States contracted to purchase all utility assets of TESI for **[BEGIN**
22 **CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. As noted earlier, Central States
23 later assigned that contract to Red Bird.

1 **Q. PLEASE DESCRIBE THE TESI SYSTEMS?**

2 A. As is our normal practice, following execution of the asset purchase agreement and as
3 part of our due diligence efforts we engage a third-party engineering firm to perform a
4 preliminary survey and analysis of the water and/or wastewater system we propose to
5 acquire. Red Bird engaged McGill Associates, an engineering firm headquartered in
6 Asheville, North Carolina, to inspect and assess the TESI systems.

7 McGill's Report, which was prepared in 2021, reflects that TESI's water service
8 area consists of the developed parcels in the Lake Royale subdivision. The water system
9 consists of one 200,000-gallon elevated water storage tank, 1,951 5/8-inch water meters and
10 a network of 70 miles of 2 to 10-inch PVC water mains, flushing hydrants, and valves
11 (according to the Local Water Supply Plan). The tank is filled through an interconnection
12 with Franklin County, via a booster pump station owned and operated by Franklin County

13 McGill's Report also reflects that TESI's sewer service area includes the developed
14 parcels in the Lake Royal Subdivision. The wastewater collection service area includes a
15 "comfort station" and the clubhouse, which each feed into separate lift stations in the
16 neighborhood. The wastewater system consists of these two lift stations with 3-inch, 4-inch
17 and 6-inch PVC force mains. The wastewater treatment facility is an 80,000 gpd plant with
18 aerators, clarifiers, chlorination and de-chlorination, return sludge, and sand drying beds.

19 **Q. ARE THERE FACTS RELATED TO THE TRANSACTION AT ISSUE IN**
20 **THIS CASE THE COMMISSION SHOULD KNOW AND CONSIDER IN**
21 **DETERMINING WHETHER RED BIRD'S ACQUISITION OF TESI'S NORTH**
22 **CAROLINA ASSETS IS IN THE PUBLIC INTEREST?**

23 A. Yes, there are. The Company's proposal to acquire TESI's North Carolina assets is
24 part of a larger transaction that also involved TESI's water and wastewater systems in
25 South Carolina and Louisiana. In terms of size, the Louisiana acquisition is by far the

1 largest with more than 18,000 total connections (water and wastewater) in Louisiana versus
2 approximately 2,280 in North Carolina and approximately 1,200 in South Carolina.

3 On April 6, 2022, the Louisiana Public Service Commission approved the
4 application of CSWR-SC's Louisiana affiliate – Magnolia Water Utility Operating
5 Company, LLC (“Magnolia”) – to acquire TESI's water and wastewater assets in that state.
6 Before it could close that transaction Magnolia was required to assume obligations imposed
7 on TESI by a federal court consent decree in effect since 2009. After extensive negotiations
8 among Magnolia, the United States Environmental Protection Agency (“EPA”), the United
9 States Justice Department, and the Louisiana Department of Environmental Quality
10 (“LDEQ”), the parties agreed to terms of a modified consent decree, which was noticed for
11 public comment in the Federal Register and in Louisiana. Magnolia was able to satisfy all
12 those entities and its acquisition of TESI's Louisiana assets closed in November 2022.

13 **Q. CAN YOU PROVIDE THE COMMISSION SOME BACKGROUND**
14 **INFORMATION REGARDING THE REASONS TESI'S LOUISIANA**
15 **OPERATIONS WERE SUBJECT TO A FEDERAL CONSENT DECREE?**

16 A. As stated in documents filed in the EPA's federal court case against TESI, the
17 original consent decree compelled TESI to implement the *Comprehensive Diagnostic*
18 *Evaluation Plan and Schedule for Sewage Treatment Plants Subject to the Consent Decree*
19 *with respect to TESI* (CDE Plan), which was originally entered in 2000. In its 2000 order,
20 the court found “[s]wift action is required to address the ongoing failure of the STPs
21 [sewage treatment plants] to comply with the applicable LPDES permits . . . The purpose
22 of this Order is to require the Parties to take action to address the ongoing failure of the
23 STPs to consistently comply with LPDES permits . . .”

1 In summary, because for years preceding the court’s initial order TESI’s Louisiana
2 affiliate failed to comply with permit limitations and other environmental regulations
3 applicable to its wastewater treatment facilities, the EPA and the LDEQ were forced to
4 take legal action to compel compliance.

5 **Q. WHAT IS THE SIGNIFICANCE OF ALL THE FACTS YOU JUST**
6 **RELATED REGARDING THE ACQUISITION OF TESI’S NORTH CAROLINA**
7 **ASSETS?**

8 A. By agreeing to sell all its water and wastewater assets in the three states where it
9 operated, TESI has clearly signaled it no longer wants to provide those utility services. The
10 consent decree and related court orders in Louisiana clearly show that for more than 20
11 years TESI has amassed a record of environmental non-compliance. EPA records also
12 show TESI not being able and/or willing to invest the capital necessary to bring its utilities
13 into compliance. But the lack of capital investment is only one part of the current TESI
14 company picture. In Louisiana, TESI was also unable for years to maintain the EPA’s
15 mandated minimum number of licensed wastewater operators. In addition to being unable
16 to attract and maintain federally mandated staffing levels, TESI has also been unable to
17 keep up to date with reporting requirements mandated by the federal consent decree,
18 including missing mandated report submission dates, report milestones, and report
19 specifics.

20 Because regulators in both Louisiana and South Carolina already have approved
21 the sale of TESI’s water and sewer assets in those states and those transactions already
22 have closed, TESI no longer has the ability to attract and retain managerial and operational
23 employees necessary to operate, on a stand-alone basis, water and wastewater systems in
24 North Carolina serving approximately 2,300 customers. And even if TESI could hire or

1 retain such talent, could it also raise capital necessary to repair, improve, and upgrade its
2 facilities to ensure they provide safe and reliable service and comply with applicable law
3 when they were unable to do that for decades for a much larger, and therefore more
4 economically attractive, group of almost 18,000 connections in Louisiana? The obvious
5 answer is “no,” so approving the transaction at issue in this case is the only way the
6 Commission can ensure that customers currently served by TESI in North Carolina will in
7 the future safe receive and reliable service that complies with all environmental and health
8 regulations.

9 In contrast to TESI, Red Bird has ready access to capital and is willing and able to
10 make investments required to repair, upgrade, improve, and maintain the water and
11 wastewater infrastructure necessary to provide customers the safe and reliable service they
12 expect and deserve.

13 **Q. WHAT IS THE RATE BASE IN THE UTILITY ASSETS TO BE ACQUIRED**
14 **FROM TESI?**

15 A. Based on our audit team’s review of TESI’s supporting documentation as well as the
16 Company’s understanding of Public Staff’s valuation, we believe the rate base value of
17 assets to be acquired from TESI is \$271,502.

18 **Q. WHAT REMEDIAL WORK ON THE TESI SYSTEMS DID MCGILL**
19 **RECOMMEND?**

20 A. McGill’s Report identified deficiencies and needs in the TESI systems. For example,
21 McGill’s 2021 inspection revealed that TESI’s lift stations do not meet the state minimum
22 design criteria outlined in 15A NCAC 02T .0305, which requires that sewer pump stations
23 with greater than 600 gallons per day of flow be equipped with duplex pumps.

1 Additionally, McGill determined that the water tank is in poor condition and various
2 abnormalities were identified.

3 In order to address operational and/or compliance issues in TESI's water and
4 wastewater treatment systems, McGill's recommendation for work to be done initially on
5 these systems was as follows:

- 6 (a) For the water system:
7 Rehabilitation of the elevated tank for continued use as part of the distribution
8 system (short term)
9 Removal of elevated tank from service (long term)
10 If Franklin County has capacity, installation of booster pumps to maintain
11 pressure
12 If Franklin does not have capacity, construction of a ground storage tank
13 that meets state storage requirements
- 14 (b) For the wastewater system:
15 For Lift Station No. 1
16 Replace existing simplex pump with duplex pumps
17 Provide connection for portable power source
18 Provide telemetry system for remote monitoring
19 Rehabilitate wet well
20 Exercise Air Release Valves and replace as needed
- 21 For Lift Station No. 9
22 Demolish and replace existing wetwell, pump, piping, and valves
23 Demolish existing holding tank and reroute sewer lines to new wetwell as
24 needed
- 25 For the treatment plant
26 Rehabilitate two aeration chambers. Replace piping and diffusers to aeration
27 chambers.
28 Rehabilitate two settling tanks.
29 Rehabilitate digester and replace piping and diffusers.
30 Replace sand media in tertiary filters.
31 Replace and reroute plant piping to remove from service chambers not being
32 rehabilitated.
33 Replace both blowers with 100 CFM blowers and motors.
34 Provide new permanent backup generator with automatic transfer switch.

1 **Q. AFTER CLOSING, WHAT INVESTMENTS DOES RED BIRD PLAN TO**
2 **MAKE TO ADDRESS ISSUES IN THE TESI SYSTEMS?**

3 A. Based on McGill’s survey, in order to address problems and compliance issues with
4 these systems Red Bird currently estimates capital investment of at least \$692,900 will be
5 required. This total consists of: (i) approximately \$457,900 for the work on the wastewater
6 system listed in my prior answer; and (ii) approximately \$235,000 for the work on the
7 water production system listed in my prior answer. McGill’s reports and the associated
8 estimates of capital requirements were Confidential Attachment H to the Joint Application.

9 As stated in McGill’s engineering report, its survey of the TESI systems was based
10 on data provided by the seller, information available from public records, and information
11 gathered during a field survey of visible, above-ground assets. McGill’s field survey did
12 not include detailed investigation of system components, any system testing procedures, or
13 an inspection or assessment of pipelines, valves, or other below-ground facilities. For those
14 reasons the survey and capital estimates are preliminary.

15 Regarding the information just discussed, I want to emphasize – and the
16 Commission should keep clearly in mind – all capital estimates prepared thus far are still
17 preliminary. If our affiliate group’s ownership and operation of more than 800 water and
18 wastewater systems in ten other states has taught us anything, it’s that we can never be sure
19 exactly what capital investment will be required for repairs and upgrades until we have a
20 chance to operate the systems we acquire. Only then can we truly determine the nature and
21 full extent of the problems those systems face and the most cost-effective ways to address
22 and remedy those problems. I’m certain we will find that true for TESI as well. Whatever
23 problems ultimately are determined to exist and require remediation – problems that
24 equally confront the current owner selling the TESI system as well as Red Bird or any other

1 party seeking to acquire the TESI systems – Red Bird will fix those problems in the most
2 cost-effective way possible. Our track record outside North Carolina is clear – CSWR does
3 not invest capital it’s not required to invest, and it doesn’t “gold plate” the systems it owns
4 and operates. We invest the capital needed to provide safe, reliable, and environmentally
5 compliant water and wastewater service. That’s the same attitude and track record we will
6 bring to the TESI systems as well.

7 **Q. WHAT IS THE COMPLIANCE HISTORY OF THE TESI SYSTEMS?**

8 A. McGill’s report noted that the TESI “WWTP has received a number of Notices of
9 Violation (“NOVs”) for either failure to meet effluent limits or failure to monitor effluent
10 parameters at the frequency specified in the NPDES permit.” Per McGill’s Report, four
11 NOVs were issued to TESI by NCDEQ between February 8, 2017, and October 19, 2019.
12 Additionally, according to the EPA’s ECHO database, the system is currently out of
13 compliance and has been out of compliance for the last 12 quarters. The system has had 13
14 informal and 5 formal enforcement actions against it in the last five years. The ECHO
15 database also indicates that the facility exceeded its BOD limits in Q3 2021 and Q1 2023.

16 **Q. DOES RED BIRD REQUEST APPROVAL OF AN ACQUISITION**
17 **ADJUSTMENT IN CONNECTION WITH ITS PROPOSED ACQUISITION OF**
18 **THE TESI SYSTEMS?**

19 A. Yes. Under the Agreement with TESI, CSWR agreed to pay [BEGIN
20 CONFIDENTIAL] 307,363

21 [REDACTED]

22 [REDACTED] [END CONFIDENTIAL] Given the

23 historic and apparently continuing compliance issues with the TESI systems and the
24 benefits accruing to the TESI customers from Red Bird’s anticipated estimated investment

1 of at least \$692,900 in the TESI systems, we believe that it is in the best interest of the
2 TESI customers that the Commission approve the transfer of these systems to Red Bird
3 and approve an acquisition adjustment for a reasonable portion of the amount of the
4 purchase price above net book value of the acquired assets.

5 **Q. WHAT IS YOUR UNDERSTANDING OF THE STANDARD FOR APPROVAL**
6 **OF AN ACQUISITION ADJUSTMENT RELATING TO THE TESI SYSTEMS?**

7 A. I understand from our counsel that the standard set by the Commission in *In the Matter*
8 *of Utilities, Inc.*, Order Approving Transfer And Denying Acquisition Adjustment, Docket
9 W-1000, Sub 5 (January 6, 2000) (“UI Order”), is that approval of an acquisition
10 adjustment case requires the party seeking rate base treatment for an acquisition adjustment
11 to establish that the agreed upon purchase price is prudent and that the benefits of including
12 the acquisition adjustment in rate base outweigh any resulting burden to ratepayers.

13 I further understand that the Order in that docket recognized that “a wide range of factors
14 have been considered relevant in attempting to resolve this question, including the
15 prudence of the purchase price paid by the acquiring utility; the extent to which the size of
16 the acquisition adjustment resulted from an arm’s length transaction; the extent to which
17 the selling utility is financially or operationally ‘troubled;’ the extent to which the purchase
18 will facilitate system improvements; the size of the acquisition adjustment; the impact of
19 including the acquisition adjustment in rate base on the rates paid by customers of the
20 acquired and acquiring utilities; the desirability of transferring small systems to
21 professional operators; and a wide range of other factors, none of which have been deemed
22 universally dispositive.” (UI Order p. 27).

23 Distilled to its essence, I understand that this Commission’s standard is that to
24 secure rate base treatment of an acquisition adjustment the purchasing utility must establish

1 “that the price to be paid for the acquired utility is prudent and that both the existing
2 customers of the acquiring utility and the customers of the acquired utility would be better
3 off [or at least no worse off] with the proposed transfer, including rate base treatment of
4 any acquisition adjustment, than would otherwise be the case. (UI Order p. 27).

5 **Q. DOES THE ACQUISITION ADJUSTMENT YOU PROPOSE HERE SATISFY**
6 **THAT STANDARD?**

7 A. Yes. The price to be paid for the TESI systems was negotiated at arm’s length
8 between totally unrelated parties. TESI would not sell its systems to us for any less. The
9 purchase price we agreed to pay is prudent.

10 We also do not seek an acquisition adjustment for the entire purchase price, but
11 rather only for a reasonable portion of the amount of the purchase price that exceeds TESI’s
12 rate base in the assets to be acquired – which is an acquisition premium in the amount of
13 **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**.

14 TESI’s customers will be better off if this transaction closes with approval of an
15 acquisition adjustment, because Red Bird is able to invest the capital necessary to address
16 the near term and long term needs in the TESI systems. Those customers will also get the
17 benefit of ownership and operation of these systems by an adequately capitalized and
18 professionally run utility.

19 **Q. IF THE COMMISSION APPROVES THE JOINT APPLICATION, IS RED**
20 **BIRD WILLING AND ABLE TO MAKE ANY IMPROVEMENTS NECESSARY**
21 **TO BRING TESI’S SYSTEMS UP TO STANDARD AND INTO COMPLIANCE**
22 **WITH APPLICABLE REGULATIONS?**

23 A. Yes. If the Commission grants Red Bird the approval sought in the Joint Application,
24 Red Bird and CSWR are willing and able to invest capital necessary to bring the TESI
25 systems up to standard and into compliance with applicable regulatory and legal

1 requirements. As I described previously, the affiliate group of which Red Bird and CSWR
2 are part has access to the capital necessary to address needs and deficiencies in the TESI
3 systems and to operate those systems in a manner that is in the public interest and complies
4 with applicable statutes, rules, and regulations.

5 **Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT FOR**
6 **THE TESI SYSTEMS THAT ARE THE SUBJECT OF THIS DOCKET?**

7 A. Initially, Red Bird proposes to adopt the tariffs, rules, and rates currently in effect for
8 the TESI systems. However, if the rates for those systems prove to be inadequate to cover
9 reasonable and prudent operating costs and provide the opportunity to earn a fair rate of
10 return on our investment in the systems - as will likely be the case given that TESI's last
11 petition for a tariff revision for pass through of rates was filed in 2010, and given that
12 additional capital investment will be needed to address system needs – then Red Bird will
13 petition the Commission to increase rates. Red Bird may also seek authority to eventually
14 consolidate rates of the systems that are the subject of these dockets with those of other
15 water and wastewater systems it hopes to acquire and operate in North Carolina.

16 **Q. WHAT IS YOUR UNDERSTANDING REGARDING DETERMINATIONS**
17 **THE COMMISSION TYPICALLY MAKES IN A TRANSFER DOCKET LIKE**
18 **THIS, BEYOND THE ISSUE OF WHETHER RED BIRD HAS THE FINANCIAL,**
19 **TECHNICAL, AND MANAGERIAL ABILITY NECESSARY TO BE ALLOWED**
20 **TO ACQUIRE, OWN AND OPERATE THE TESI SYSTEMS?**

21 A. I was surprised to learn that the practice here, when the purchasing utility will adopt
22 the purchased utility's rates, terms and conditions for service, as Red Bird will do with the
23 TESI systems, is that the Commission typically goes beyond the threshold issue of
24 competence and establishes rate base in the acquired assets, as well as the purchaser's due
25 diligence costs associated with the acquisition. Based on our experience in other
26 jurisdictions, and since the approval of this proposed transfer is not a rate making

1 proceeding, I would have expected those issues to be deferred to the Company’s initial
2 post-acquisition rate case. That type of deferral is, in effect, what the Commission did
3 when it deferred issues as to Red Bird’s interim operating costs in the Ocean Terrace / Pine
4 Knoll Townes docket and would seem to be an appropriate approach in a transfer
5 proceeding such as this one.

6 I also note the law applicable to water and wastewater acquisitions has changed
7 since the Commission decided the Ocean Terrace / Pine Knoll Townes and Bear Den cases.
8 Changes to N.C.G.S. § 62-111 enacted by the General Assembly during the last legislative
9 session now provide that the Commission “shall issue an order approving an application”
10 to acquire water and wastewater system assets if the proposed acquisition “is in the public
11 interest, will not adversely affect service to the public under any existing franchise, and the
12 person acquiring said franchise . . . has the technical, managerial, and financial capabilities
13 necessary to provide public utility service to the public.” By limiting the focus of the
14 Commission’s inquiry in acquisition cases I believe the General Assembly has signaled
15 that extraneous issues – such as whether an acquisition adjustment should be approved –
16 should be deferred to rate and other post-acquisition proceedings.

17 **Q. WHAT COSTS HAS RED BIRD INCURRED IN CONDUCTING ITS DUE**
18 **DILIGENCE INQUIRY AND INVESTIGATION RELATING TO THE TESI**
19 **SYSTEMS?**

20 A. We won’t know the total due diligence and transactional costs associated with this (or
21 any other) acquisition until the purchase actually closes. Our experience is that smaller
22 systems often require more due diligence work than larger, better managed systems,
23 because the document management, record keeping, and regulatory compliance tendencies
24 associated with smaller systems tends to be poor and often incomplete, requiring additional

1 efforts to attempt to accurately determine what exists in the ground and in areas that
2 sometimes have not been maintained for decades.

3 The due diligence activities undertaken by Red Bird in connection with the
4 acquisition of the TESI systems included surveying work, legal title work, preliminary civil
5 engineering work, environmental compliance site surveys, and accounting due diligence.
6 As shown on **Cox Direct Exhibit 4**, as of the date of my testimony Red Bird has incurred
7 costs totaling \$187,601 for due diligence, transactional and regulatory work related to
8 acquisition of the TESI systems.

9 **Q. WHAT IS THE ROLE OF DUE DILIGENCE INVESTIGATIONS IN**
10 **CONNECTION WITH EVALUATION OF POTENTIAL ACQUISITIONS?**

11 A. Due diligence efforts provide preliminary insight to a potential purchaser as to the
12 condition of a utility system and the problems and issues that must be addressed. As noted
13 above, the full scope and scale of those problems cannot be truly known until we have
14 acquired and begun to operate a system. Due diligence is not a process that is limited to
15 utility acquisitions. Any business considering a significant acquisition routinely conducts
16 due diligence to determine the condition of the assets it proposes to acquire, to confirm that
17 clear title to those assets can be acquired, and to estimate the nature and extent of required
18 future capital investments.

19 The Commission should encourage due diligence in reviewing possible utility
20 acquisitions with the knowledge that not every system that is reviewed will be acquired.
21 This is especially the case with regard to troubled and distressed systems, where investment
22 is required in order to address problems and bring systems into compliance. Without due
23 diligence it would be impossible for Red Bird to acquire systems with a reasonable
24 understanding of what will be required to operate the system in a manner that ensures

1 customers receive safe and reliable utility service provision. Without the basic knowledge
2 our due diligence activities provide about systems we acquire, achieving the objective I
3 just mentioned would be extremely difficult if not impossible. CSWR prudently
4 investigates acquisition opportunities that present themselves and this analysis necessarily
5 involves the expenditure of time by properly trained employees and the use of consulting
6 engineers, lawyers, accountants, and other experts. There are some potential acquisitions
7 which, after proper due diligence, are shown to be not in the best interests of CSWR or its
8 operating subsidiary's ratepayers. Nonetheless, these are legitimate business expenses and
9 this type "opportunity cost" should be shared with ratepayers, just as the benefits of
10 completed acquisitions are shared. These efforts are necessary in order to make prudent
11 acquisition decisions and are a reasonable and necessary part of this process. They also
12 provide information useful in determining whether an acquisition application should be
13 approved. For these and other reasons, Red Bird believes it is reasonable and appropriate
14 that the Company's due diligence costs associated with investigating the TESI systems and
15 transactional costs incurred to this point, as shown in **Cox Direct Exhibit 4**, be included
16 in rate base, subject to being recovered in the Company's first general rate case.

17 **Q. THE PROCEDURAL ORDER ISSUED IN THIS CASE ESTIMATED A**
18 **MONTHLY RATE IMPACT OF \$3.48 FOR WATER AND \$3,339.00 FOR SEWER**
19 **PER CUSTOMER THAT WAS ATTRIBUTABLE TO THE PURCHASE PRICE**
20 **RED BIRD WOULD PAY FOR THE TESI ASSETS, THE DUE DILIGENCE**
21 **COSTS IT WOULD INCUR, AND THE CAPITAL IMPROVEMENTS IT**
22 **BELIEVES WOULD BE REQUIRED AFTER CLOSING. WHAT ARE YOUR**
23 **THOUGHTS REGARDING THAT ESTIMATE?**

24 A. Let me begin by saying I do not believe it is possible at this time to accurately estimate
25 the future impact on rates of any cost that might be incurred to consummate Red Bird's
26 proposed acquisition of the TESI systems. For one thing, the final amounts of the costs

1 referenced in the procedural order won't be known until sometime after the transaction is
2 complete. For another thing, the estimate assumes future rates for the customers served by
3 the TESI systems will be set on a stand-alone basis. In its initial North Carolina rate cases,
4 Red Bird intends to propose consolidated, statewide rates, which means the costs of
5 acquiring the TESI assets would be mixed with similar costs for all other systems Red Bird
6 acquires in North Carolina. Spreading costs over a significantly larger customer base –
7 TESI has only 2,276 water customers and two sewer customers – can significantly reduce
8 the per customer impact of acquisition-related costs. Because no one can currently know
9 the amount of transaction-related costs relating to acquisition of the TESI systems, how
10 those costs would be treated for ratemaking purposes, or what rate design would be
11 approved to recover such costs, no reliable estimate of future rates for TESI customers is
12 possible.

13 The estimated rate also is overstated because it assumes all post-closing capital
14 improvements are solely attributable to and specific to Red Bird's acquisition of the TESI
15 systems. In fact, most if not all capital improvements we have identified thus far will be
16 required to ensure the TESI systems are brought into compliance with applicable health
17 and environmental regulations and capable of providing safe and reliable service to
18 customers. Therefore, no matter who owns the system – TESI, Red Bird, or some other
19 third-party purchaser – capital necessary to upgrade and improve facilities must be invested
20 to address such issues and that investment will impact future rates. Point being that the
21 issues in the TESI systems will have to be addressed, either by Red Bird or someone else, if
22 those systems are to be brought into compliance.

1 Regarding the final cost element included in the rate impact estimate – due
2 diligence costs associated with the transaction – I think the Commission would be making
3 a mistake if it concludes that reasonable due diligence, transactional, and regulatory costs
4 can't be recovered because they likely would cause an increase in future service rates. I say
5 this for several reasons. First, as explained earlier in my testimony, due diligence and other
6 transaction-related costs are part of every acquisition transaction and are not unique to this
7 case. As mentioned previously, due diligence is required to provide Red Bird basic
8 information about a system it proposes to acquire so that when we acquire a system we are
9 able to operate it in a manner that ensures we are able to provide service to our customers.
10 Second, establishing a regulatory policy that such costs are unrecoverable in rates would
11 create a significant disincentive for future acquisitions in North Carolina, including those
12 of troubled and distressed water and/or wastewater systems whose acquisition by
13 competent and adequately capitalized companies like Red Bird clearly is in the public
14 interest. Finally, as for regulatory costs, those are unavoidable because Commission review
15 and approval of public utility acquisitions is required by law. As further evidence of how
16 “mainstream” due diligence and regulatory costs are to transactions such as the one
17 currently under consideration, I note the Uniform System of Accounts for small water and
18 wastewater companies, which was created by NARUC, expressly provides for the
19 capitalization of those costs. I therefore would not expect the Commission to deny Red
20 Bird the right to seek recovery of those costs in a future rate case.

21 There is an additional and overarching consideration that I believe precludes the
22 Commission from speculating regarding future rates in determining whether to approve
23 this proposed acquisition. I previously mentioned recent changes to N.C.G.S. § 62-111 that

1 limit the issues the Commission must consider in transfer cases such as this one. In addition
2 to factors I previously mentioned, the statute instructs the Commission to consider an
3 acquisition in the context of the “adoption of existing or proposed rates.” That means the
4 Commission’s decision in this case should not be based on speculation regarding future
5 rates. Instead, in determining whether a proposed transaction is in “the public interest” the
6 Commission should focus exclusively on rates that would be charged immediately after the
7 acquisition is closed. In this case, those rates would be TESI’s existing Commission -
8 approved rates.

9 **Q. ARE RED BIRD AND CSWR FAMILIAR WITH THE COMMISSION'S**
10 **RULES AND REGULATIONS GOVERNING WATER AND SEWER UTILITIES**
11 **AND DO THOSE COMPANIES PLEDGE TO OPERATE THE SYSTEM AT ISSUE**
12 **IN THIS DOCKET IN A MANNER THAT COMPLIES WITH THOSE RULES**
13 **AND REGULATIONS?**

14 A. Yes, CSWR and Red Bird are familiar with the Commission's rules and regulations and
15 pledge to operate the TESI systems in a manner that complies with all Commission
16 requirements and all applicable state statutes and regulations.

17 **Q. HOW DOES RED BIRD PROPOSE TO SATISFY THE FINANCIAL**
18 **SECURITY REQUIREMENTS IMPOSED BY COMMISSION RULE R7-37?**

19 A. To provide the financial security required by the Commission’s rules, Red Bird will
20 post its own bond, to be secured by a corporate surety bond in a form that complies with
21 Commission Rule R7-37.

22 **Q. DO YOU BELIEVE THE PROPOSED TRANSACTION IS IN THE PUBLIC**
23 **INTEREST?**

24 A. Yes. I believe Red Bird’s proposed acquisition of the water and wastewater systems
25 currently owned and operated by TESI will be consistent with and would promote the
26 public interest. Transfer of these systems to a well-capitalized enterprise that is a

1 professional utility, will be in the best interest of the TESI customers. Red Bird and CSWR
2 are fully qualified, in all respects, to own and operate those systems and to otherwise
3 provide safe and adequate service.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

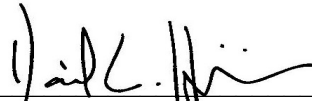
5 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the redacted public version of the foregoing document, has been served on all 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 30th day of August 2023.

BURNS, DAY & PRESNELL, P.A.



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Cox Direct Exhibit 1

Docket Nos.: W-1328, Sub 10 and W-1146, Sub 13

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Aug 30 2023

Josiah Cox – President

Mr. Cox is President of Red Bird Utility Operating Company, LLC, Red Bird Utility Holding Company, LLC, and also of, Central States Water Resources, LLC, (“CSWR”). Both companies are part of an affiliated group that provides water and/or wastewater utility services to more than 300 customers in 11 states.

Mr. Cox received a Bachelor of Science degree with a major in Environmental Science from the University of Kansas where he was also a student-athlete. Professionally he has worked at the Kansas state biological survey, where he performed a wildlife habitat study. He then worked at a civil engineering firm where he was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. He focused mainly on the water and wastewater side of the civil engineering business and participated in every aspect of that business from waste-load allocation studies (now known as the anti-degradation processes), to design, permitting, project management, and construction management. He also ran the firm's environmental consulting division and was the second private consultant to submit a Water Quality Impact Assessment in the state of Missouri in 2003. He later joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, he formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. He gained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. They did full engineering design of multiple whole community water and wastewater infrastructure systems including wells, water distribution, water treatment, water storage, wastewater conveyance, and wastewater treatment plants and delivered these designs through federal and state administered permitting processes in Missouri. The engineering firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign-off. During this time, Mr. Cox also began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which he earned his advanced degree and graduated in 2007.

Additionally beginning in 2008, Mr. Cox took over the operations of an existing rural sewer district and to date he still operates a system, managing the functioning, testing, and maintenance of this system. He also acts as the administrator for this municipal system, performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community.

In late 2010, after working on several small, distressed water and wastewater systems, Mr. Cox created a business plan to acquire and recapitalize failing systems as investor-owned, regulated water and wastewater utility companies. In early 2011, he went to the capital markets to raise money to implement his plan, and over a period of approximately three years met with more than fifty- two infrastructure investment groups in an attempt to raise necessary financing. In February 2014, he was able to raise sufficient debt and equity capital to start CSWR. In 2018, he attracted an additional large institutional private equity investor, which allowed CSWR to expand the scope of its business plan. Since its formation, CSWR has acquired, and is currently operating more than 800 water and/or wastewater systems in Arizona, Arkansas, Florida, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, South Carolina, Tennessee, and Texas.

Marty Moore – Chief Financial Officer

Marty Moore is the Chief Financial Officer of CSWR, LLC, and has held this position since April 2020. As CFO, Mr. Moore provides leadership, direction, and oversight of the finance and accounting teams, managing the process for financial forecasting, budgeting, and reporting in addition to overseeing the human resources and risk management functions.

After receiving a Bachelor of Business Administration in Accounting from Abilene Christian University, Mr. Moore gained a wide range of financial management experience. Moore's extensive senior-level finance and operational expertise includes serving as CFO of international automation equipment manufacturer Baldwin Technology Co., a company he helped Barry-Wehmiller/Forsyth Capital take private in 2012. Prior to that, Mr. Moore held senior leadership positions with Summit Marketing, Consolidated Terminals, Barnhill's Buffet Inc., and Global Materials Services. He began his career at Arthur Andersen. Moore most recently led finance and corporate services as CFO of Gardner Capital, a national affordable housing and renewable energy developer, investor, and tax credit syndicator. He has an extensive background in mergers and acquisitions and works alongside Mr. Cox in accelerating the company's already rapid growth trajectory.

Todd Thomas – Vice President

Todd Thomas holds the office of Senior Vice President of CSWR. Mr. Thomas received his Bachelor of Science in Civil Engineering from The Missouri University of Science and Technology, and a Master of Business Administration from Washington University in St. Louis.

Before joining CSWR, Mr. Thomas was President of Brotcke Well and Pump, Vice President of Operations and Business Development of the Midwest for American Water Contract Operations, and General Manager of Midwest Operations for Environmental Management Corporation. Mr. Thomas currently serves on the Technical Advisory Team for the Public Water Supply District 2 of St. Charles County, MO.

Mr. Thomas's past positions in related industries has provided him with extensive experience in water and sewer utilities. He has in depth, firsthand knowledge about the amount of damage resulting from the lack of maintenance on a well system, and he understands how much money and effort are required to restore a well system after neglect.

In his position as Senior Vice President at CSWR, Mr. Thomas's primary responsibilities include utility operations along with the acquisition, development, and rate stabilization of CSWR- affiliated utilities. Those duties include operations, maintenance, capital planning, and regulatory compliance for all affiliate-owned facilities. He is responsible for the management of all operations and maintenance service providers, and engineering firms.

Mike Duncan –Vice President

Mike Duncan is the Vice President of CSWR and was promoted to that position in October 2020. As Vice President, he has played an integral role in researching, preparing, filing, and processing acquisition applications in Missouri, Kentucky, Tennessee, Louisiana, Texas, North Carolina, and Mississippi. He also has taken a leading role in preparing and filing rate cases in Missouri, Kentucky, and Louisiana.

After receiving his Bachelor of Arts degree from Washington University in St. Louis, the first eleven years of his career were spent as an administrator and later director at a non-profit organization in St. Louis, Missouri. As Executive Director, Mr. Duncan oversaw accounting, finance, human resources, IT, and communications for the organization. During his employment he earned his Master of Business Administration from the Olin School of Business at Washington University. Prior to joining CSWR, he spent two years as Director of Operations with NAPA Auto Tire & Parts, a partner-owned chain of auto parts stores, overseeing projects related to distribution, logistics, IT, and general management.

Jake Freeman – Director of Engineering

Jake Freeman is the Director of Engineering of CSWR and has held this position since January 2019. As Director of Engineering, he oversees the engineering, surveying, and facility construction upgrades for all newly acquired CSWR water and wastewater utilities including those in Arizona, Arkansas, Florida, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, South Carolina, Tennessee, and Texas. He also oversees ongoing capital upgrade projects on all CSWR affiliated and operated facilities.

After receiving a Bachelor of Science degree in Mechanical Engineering from the University of Missouri – Columbia, Mr. Freeman spent the first two years of his career working for Corrigan Mechanical, a design-build mechanical contractor in St. Louis, where he designed, estimated, and managed plumbing, HVAC and process piping construction projects in Missouri and southern Illinois. He then spent eleven years performing similar tasks for Brotcke Well & Pump, a well and pump service contractor servicing water wells and water treatment equipment throughout Missouri, Illinois, Kentucky, and Kansas. Prior to his employment with CSWR, he held the position of Vice President of Brotcke Well & Pump and Principal for their engineering services and managed their newly opened office in Kansas City.

Jo Anna McMahon - Vice President of Government Affairs

Jo Anna McMahon is the Vice President of Government Affairs for CSWR. Ms. McMahon holds several top water and wastewater certifications throughout the country. She received her Bachelor of Business Administration degree from the University of Arkansas at Little Rock, and will be graduating in May 2023 with a Master of Business Administration degree at from Washington University in St. Louis, Missouri.

Before joining CSWR, Ms. McMahon worked for both public and private utilities, respectively serving a both municipality and military installations. Ms. McMahon has extensive experience as both an Operations Coordinator and as a Specification Specialist.

In her previous position as Director for Environmental Health and Safety at CSWR, her responsibilities included managing daily operations of wastewater and water treatment facilities of various sizes ranging from 3,600 gallons per day (gpd) to 64,000,000 gpd. Throughout that time, Ms. McMahon led teams of operators in creating and executing infrastructure improvement plans, managing and developing employees, and providing a standard of excellence in customer service while keeping facilities and operations within regulatory compliance throughout Louisiana, Kansas, and Arkansas.

Ms. McMahon's previous employment equipped her with invaluable experience in water and sewer utilities. She has a wide range of firsthand experience in managing water and wastewater treatment facilities safely and in a financially and operationally sound manner.

Chelsie Carter - Director of Customer Experience

Chelsie Carter is the Director of Customer Experience at CSWR. Ms. Carter joined CSWR in 2021 as Customer Experience Manager and was promoted to Director level within seven months, leading an overhaul of the CSWR's customer service functions during a period of dramatic growth.

Ms. Carter first earned a Bachelor of Science degree followed by her Master of Business Administration from Lindenwood University. She has a strong background in training and management as well as extensive experience with utility providers. Prior to joining CSWR, she led the Accounts Receivable division at the St. Louis Metropolitan Sewer District, where she also served as the point of contact for dozens of major accounts. Areas of oversight included billing \$34M per month in customer invoices, customer service for 430k customers, processing an average of \$1M in payment remittance per day and collecting more than \$92M in delinquent accounts. Ms. Carter also spent 16 years with American Water, starting as the supervisor for the Customer Call Center and working her way up to Business Services Specialist. In this role she was the point of contact for the Public Service Commission on customer-related issues and resolutions. She has provided direction and support for several rate cases, acquisitions, and software implementations.

Since joining CSWR, Ms. Carter continues to oversee the entire customer life cycle, focusing on improving the customer experience in the areas of self-service, software systems and processes.



MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

Michael L. Parson
Governor

Dru Buntin
Director

June 22, 2023

OFFICIAL COPY VIA EMAIL

Josiah Cox
Confluence Rivers Utility Operating Company, Inc.
1650 Des Peres Road, Suite 303
Des Peres, MO 63131

RE: Confluence Rivers Utility Operating Company

Dear Josiah Cox:

The Missouri Department of Natural Resources regulates approximately 5,000 domestic wastewater treatment systems and approximately 2,700 public water systems in the State that are subject to the Missouri Clean Water Law and the Missouri Safe Drinking Water Law, respectively. The Department's primary goal as the regulatory authority in administering these state laws is to ensure environmental protection and human health and safety against pollution and health risks that may be caused by failing or improperly operating wastewater treatment systems and public water systems. The Department promotes compliance through compliance assistance, education, and, when necessary, enforcement actions. When systems end up in enforcement, it is often a result of limited resources and available solutions, which can sometimes draw cases out over a period of years.

When systems are unable to resolve their technical, managerial, or financial problems, one reliable solution is selling the system to a higher-performing utility operating company. In Missouri, Confluence Rivers Utility Operating Company, Inc. (CRUOC) is one of the few utility operating companies who is willing to acquire some of the most difficult failing systems. CRUOC has consistently taken swift actions after taking control of these systems to bring them into compliance by employing qualified operators, effectively administering and managing the systems, and investing in repairs and upgrades.

CRUOC's willingness to acquire systems with long-standing compliance issues has proven to be beneficial to human health and the environment by bringing many of these systems into compliance with environmental laws. The Department looks forward to continuing to work with CRUOC as it continues to acquire wastewater and public water systems in Missouri, in furtherance of the Department's initiative to encourage regionalization and consolidation of the many private systems in Missouri that are struggling to achieve compliance with laws for the protection of public health and the environment.



If you have any questions regarding this correspondence, you may contact Joe Clayton at Department of Natural Resources, Water Protection Program, Compliance and Enforcement Section, P.O. Box 176, Jefferson City, MO 65102-0176; by phone at 573-522-1120; or by email at cwenf@dnr.mo.gov. Thank you for your cooperation in this matter.

Sincerely,

WATER PROTECTION PROGRAM



Joe Clayton
Compliance and Enforcement Section Chief

JC/ehh

c: Lance Dorsey, Chief, PDWB, Compliance and Enforcement



MISSISSIPPI STATE DEPARTMENT OF HEALTH

March 14, 2023

Commissioner Brent Bailey
MPSC-Central District
Woolfolk Building
501 North West Street
Suite 201A
Jackson, MS 39201

Dear Commissioner Bailey:

The Mississippi State Department of Health's mission is to protect and advance the health, well-being, and safety of everyone in Mississippi. As you are aware, the Bureau of Public Water Supply (Bureau) exists within the Office of Environmental Health to carry out the Department's mission for the safety of the state's drinking water supplies through the implementation and oversight of the federal and state Safe Drinking Water Acts. The Bureau believes, much like the Mississippi Public Service Commission, that citizens of the state should have access to reliable, affordable, and safe drinking water from the state's utilities.

We recognize the PSC's goals in many ways mirror those of the Bureau. We acknowledge the recent coordinated efforts our agencies have taken to improve the service and water quality of a few of the more troubled water systems in the state. We anticipate future opportunities of continued collaboration to assist customers in need with their water systems.

The Bureau sees many emerging opportunities where our agencies could encourage utilities to merge and consolidate management, services and/or physical connection. Through our continued cooperation and funding the Legislature is considering, we hope our partnership can expedite consolidation and regionalization opportunities. These situations would give opportunities for citizens without safe drinking water the ability to get it or may allow citizens with safe drinking water to obtain higher quality drinking water. These consolidation efforts could include utilities/private investors buying poorly performing utilities.

As you may be aware, Great River Utility Company has recently acquired several drinking water systems across the state. Great River Utility has worked closely with the Bureau's compliance and field staff to maintain compliance with the various rules and regulations of the Safe Drinking Water Act. A viable entity such as Great River Utility desiring to help problematic drinking water systems by investing in them for improved services to citizens is very appreciated and supported by the Bureau.

We believe the Bureau's coordination with the PSC to identify problematic drinking water systems and to identify long-term solutions, such as those offered by entities like Great River, is very beneficial to our shared goals and objectives.

The Bureau appreciates Great River Utilities' commitment to improved regulatory compliance, and the Bureau remains committed to our partnership with PSC to find sensible and feasible solutions to shared problems. If we may be of additional service to the PSC, please do not hesitate to contact us.

Sincerely,



William F. Moody, P.E., BCEE
Director, Bureau of Public Water Supply

Vendor	Inv #	Date	Amount	PSI Acct	Service Area	Type	Service Type2	Budget Code
21 Design Group Inc.	7723	12/31/2021	9,330.00	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	17758	1/10/2023	1,434.30	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	8957	12/31/2021	258.75	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	17308	1/1/2023	207.90	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	11158	12/31/2021	187.50	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	8219	12/31/2021	57.50	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-037	5/1/2022	3,065.60	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-054	7/31/2023	2,214.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-035	2/1/2022	1,966.40	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-023	12/31/2021	1,541.50	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-020	12/31/2021	1,020.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-041	8/8/2022	929.60	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-036	3/1/2022	881.60	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-039	6/8/2022	790.40	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-038	6/1/2022	668.80	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-022	12/31/2021	515.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-024	12/31/2021	479.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-043	10/3/2022	456.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-034	12/31/2021	304.50	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-049	4/1/2023	288.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-053	6/30/2023	256.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-040	6/30/2022	212.80	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-021	12/31/2021	115.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-025	12/31/2021	115.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-042	8/31/2022	91.20	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-051	4/30/2023	64.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Beckemeier LeMoine Law	75-044	11/9/2022	60.80	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Law Firm Carolinas	236167	12/31/2021	7,312.06	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Law Firm Carolinas	234715	12/31/2021	331.25	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Law Firm Carolinas	245500	2/1/2022	206.25	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
Law Firm Carolinas	260903 NC	3/16/2023	150.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
McGill Associates, P.A.	19.00346-11733	12/31/2021	5,580.50	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
McGill Associates, P.A.	19.00346-11137	12/31/2021	2,606.03	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
McGill Associates, P.A.	19.00346-10894	12/31/2021	2,255.25	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
McGill Associates, P.A.	19.00346-11425	12/31/2021	2,018.50	183.001	NC-Lake Royale	W&S	Water	Lake Royale - Water
The Beckemeier Law Firm LC	75-018	12/31/2021	324.00	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
The Beckemeier Law Firm LC	75-019	12/31/2021	265.50	183.002	NC-Lake Royale	W&S	Water	Lake Royale - Water
21 Design Group Inc.	16078	10/19/2022	69,859.31	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	12883	3/1/2022	35,427.00	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	15619	9/13/2022	9,236.35	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	14631	7/11/2022	8,867.25	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	16697	11/17/2022	4,437.23	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	13269	4/1/2022	3,540.00	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	18120	2/9/2023	3,101.75	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	12351	2/1/2022	2,188.75	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	11930	12/31/2021	900.00	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	12754	3/1/2022	802.50	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	15021	8/2/2022	530.00	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	18608	3/8/2023	90.96	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater
21 Design Group Inc.	19243	4/5/2023	60.00	183.001	NC-Lake Royale	Sewer	Wastewater	Lake Royale - Wastewater

187,601.59

**Cox Direct Exhibit 4
Docket Nos.: W-1328, Sub 10 and W-1146, Sub 13**