

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1328, SUB 11

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Red Bird Utility Operating	)
Company, LLC d/b/a Red Bird Water, for a	)
Certificate of Public Convenience and	)
Necessity to Provide Water and Wastewater	)
Utility Service to the Pine Mountain Lakes	)
Subdivision in Burke County, North Carolina,	)
and for Approval of Rates	)
	ORDER REQUIRING ADDITIONAL INFORMATION

BY THE PRESIDING COMMISSIONER: On September 30, 2021, Red Bird Utility Operating Company, LLC d/b/a Red Bird Water (Red Bird) filed with the Commission an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates (Application) seeking to provide water and sewer utility service to Pine Mountain Lakes subdivision in Burke County, North Carolina.

On January 16, 2024, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) which, among other things, scheduled the Public Staff to file its prefiled direct testimony on or before Monday, February 26, 2024, and for Red Bird to file its rebuttal testimony on or before Monday, March 11, 2024.

On February 23, 2024, the Public Staff filed a Motion for Extension of Time to file Testimony (Motion) requesting an extension of time to file its prefiled direct testimony to Wednesday, February 28, 2024, and in connection with its Motion, also requested that the time for Red Bird to file any rebuttal testimony be extended by the same two-day interval to Wednesday, March 13, 2024. The Commission granted the Motion on February 26, 2024.

On February 28, 2024, the Public Staff and Red Bird (Joint Movants) filed a Joint Motion for Leave to File Stipulations and Settlement Testimony in Lieu of Direct and Rebuttal Testimony (Joint Motion) providing that they have reached an agreement in principle to settle the issues in dispute but require additional time to March 4, 2024, to memorialize the terms in a stipulation and settlement agreement and to file supporting testimony and exhibits. The Commission granted the Joint Motion on February 29, 2024.

On March 4, 2024, the Joint Movants filed a Settlement Agreement and Stipulation with supporting testimony and exhibits from Red Bird witness Josiah Cox, and Public Staff witnesses Meredith L. Strickland, Shashi M. Bhatta, and John R. Hinton.

On March 7, 2024, Red Bird and the Public Staff filed a Joint Motion to Excuse Witnesses from Appearance at Hearing (Motion to Excuse Witnesses) based on the Settlement Agreement and Stipulation which Joint Movants state resolves all contested issues in this matter.

Based on a review of the Settlement Agreement and Stipulation, as well as the settlement testimony and exhibits provided by the Joint Movants, the Presiding Commissioner finds good cause to direct the Joint Parties to file written responses to the clarifying questions attached hereto as Attachment A on or before Friday, March 15, 2024, prior to issuing a decision on the Motion to Excuse Witnesses.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 13th day of March, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, reading "A. Shonta Dunston". The signature is written in a cursive, flowing style.

A. Shonta Dunston, Chief Clerk

**Redacted Questions on Stipulation  
(Docket No. W-1328, Sub 11)**

1. In Subsection E of the Stipulation, it states that “[t]he Stipulating Parties agree that the following costs associated with the purchase of the Pine Mountain systems are acceptable *to be incorporated into present rates*.”
  - a. Explain the use of the phrase “into present rates” in this sentence.
  - b. Would it have been accurate to instead state “to be incorporated into rate base to support Red Bird’s proposed rates in this proceeding”?
2. Are the Stipulating Parties agreeing in this proceeding to an amount of total plant in service and related depreciation rates/amortization rates to be used on a going forward basis by Red Bird (for example, in Red Bird’s first general rate case proceeding)?

That is, in the Stipulation, are the Stipulating Parties establishing that the amounts shown on Public Staff Confidential Settlement Exhibit 1, Schedule 1-1, lines 4 and 8 of **[BEGIN CONFIDENTIAL]** \$**[REDACTED]** **[END CONFIDENTIAL]** for total plant in service for water and **[BEGIN CONFIDENTIAL]** \$**[REDACTED]** **[END CONFIDENTIAL]** for total plant in service for sewer will be the starting point for total plant in service in Red Bird’s first general rate case proceeding?

Are the average lives shown in Column (c), the agreed upon lives for purposes of calculating depreciation/amortization expense in future proceedings? Explain.

3. On page 6, Lines 10-13, the Joint Settlement Testimony of the Public Staff filed on March 4, 2024, states as follows: “The Public Staff agrees with the annual revenues calculated under the Company’s proposed rates in the updated application filed on February 16, 2024, which the Public Staff believes are reasonable and fair to customers.”

Is the Public Staff referring to Red Bird’s Application Page 4 of its updated application, lines 4, 6, and 9?

	<u><b>Water</b></u>	<u><b>Sewer</b></u>
4. Residential service (flat rate)	\$36,682.72	\$17,437.80
6. Nonresidential service (flat rate)	<u>\$ 2,400.00</u>	<u>\$ 5,844.48</u>
9. Total Revenues	\$39,082.72	\$23,282.28

- a. What is the significance of including this statement in the Joint Testimony of the Public Staff? Explain.

- b. Would the Stipulating Parties file a schedule showing the calculation of the revenue amounts shown on Page 4 of the updated application setting forth the number of customers and specific rates used in the calculations?
4. On page 6 of the Public Staff's Joint Settlement Testimony, the Public Staff states that it agrees to the revenue requirement of \$69,175 for water operations and \$56,525 for sewer operations. In this proceeding, Red Bird proposes to charge the rates currently being charged to customers by the Pine Mountain POA.

Does the calculation of the Public Staff's annual recommended revenue requirement shown on Schedule 1, which is based upon the rate base, operating expenses, tax rates, capital structure, debt cost, and rate of return on common equity presented in Confidential Public Staff Settlement Exhibit 1, support a recommendation for higher rates than those proposed by Red Bird in this proceeding? Explain.

5. Subsection E.(iii) states that the amortization for these costs [i.e., engineering due diligence costs and legal costs listed in Subsection E.(i) and (ii)] is 4%, with amortization beginning on January 1, 2024.

Explain the agreed upon use of the date January 1, 2024, to begin amortization of these costs rather than another date, such as the date the transfer closes.