

1 Cottonwood wastewater system and that both systems are being operated  
2 in a satisfactory manner.

3 Furthermore, inclusion in rate base of the Company's requested acquisition  
4 adjustment to recover the entire difference between the purchase price and  
5 the residual net plant in service, as properly calculated by the Public Staff,  
6 would equate to a \$7,375.64 per month increase in residential water base  
7 rates and a \$5,984.04 increase in monthly residential wastewater base  
8 rates.<sup>2</sup>

9 Approval of the proposed acquisition adjustment is not in the public interest  
10 because the benefits to customers resulting from the allowance of rate base  
11 treatment of an acquisition adjustment in this case would not offset the  
12 resulting burden or harm to customers associated therewith.

13 **Q. Briefly describe Red Bird's plans for capital improvements.**


14 A. Within one to five years after completing the purchase of the Baywood  
15 Forest water system, Red Bird intends to refurbish the original 10,000-  
16 gallon hydropneumatic tank at Well No. 2 and connect the tank to the water  
17 system for additional storage and upgrade the controls at Well No. 2 to  
18 provide automatic alternation with Well No. 3. In future years, Red Bird  
19 plans to replace the pumps at Well Nos. 1 and 2.

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<sup>2</sup> Rate impact is determined by dividing the respective revenue requirement included in the prefiled testimony of Public Staff witness Lynn Feasel by the number of customers (210 for water and 290 for wastewater) by the number of months in a year.

1           \$110,000 bond be posted for the Cottonwood wastewater system, for a total  
2           bond amount of \$200,000.

3   **Q.    What is your recommendation regarding the requested transfer of the**  
4   **public utility franchise?**

5   A.    While the Public Staff has found that Red Bird has the financial, technical,  
6           and managerial ability to own and operate the Baywood Forest water and  
7           Cottonwood wastewater systems, the Public Staff's support of the  
8           requested transfer is contingent on the amount included in rate base not  
9           exceeding the plant in-service amount of **[BEGIN CONFIDENTIAL]**  
10         **[END CONFIDENTIAL]** plus \$10,000 in due diligence  
11        expenses. The Public Staff does not consider the Crosby utility systems to  
12        be troubled and believes that, if the total purchase price minus the residual  
13        plant in service amount and due diligence expenses ~~in excess of the~~  
14        ~~\$10,000 recommended by the Public Staff~~ are approved and included in  
15        rate base, the result would be an \$11,279.54 per month increase in  
16        residential water base rates and an \$8,906.93 increase in monthly  
17        residential wastewater base rates. The Public Staff does not believe that  
18        such an increase in customer rates would be in the best interest of the  
19        Baywood Forest water system and Cottonwood wastewater system  
20        customers.

21   **Q.    Does this conclude your testimony?**

22   A.    Yes, it does.