



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

December 17, 2020

Mr. Daniel C. Higgins, Esq.
Burns, Day & Presnell, P. A.
2626 Glenwood Avenue, Suite 560
Raleigh, North Carolina 27608

Re: Proposed Transfer of Crosby Utilities, Inc. to Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water, Docket Nos.: W-992, Sub 8 and W-1328, Sub 9

Dear Mr. Higgins:

The Public Staff has carefully reviewed your transfer application for the Crosby Utilities, Inc. (Crosby) water and wastewater utility systems.

The Public Staff found the following material deficiencies in the application¹ that must be addressed for the application to be complete. They are as follows:

1. Application page 5, Original Cost of Utility System – Red Bird Water (Red Bird) must provide the most recent information through year 2020 for total plant cost, breakdown of total plant cost as shown from line 1 through line 13, accumulated depreciation, CIAC, amortization of CIAC, original cost of net investment and actual cost of all additions to systems since original construction for both water and wastewater plant.
2. Application page 7 – Red Bird provided Attachment L, labeled as Confidential. This required information is not Confidential and should be publicly filed. Additionally, the information is required by year for five years and ten years.

¹ Similar, if not identical deficiencies have been found in the other Red Bird applications currently pending before the Commission and will be outlined in separate letters in those proceedings.

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
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Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

3. Application pages 10 and 11. Both pages of the five-year Application Addendum must be completed for Crosby. Additionally, this information is not Confidential and should be publicly filed.
4. Application page 8 – Exhibit 4 was not provided. Red Bird is required to provide all of the specific properties that the seller owns and are necessary to operate both the water and wastewater utility systems.
5. The Agreement of Sale of Utility System must be filed with the Chief Clerk, and only confidential portions such as purchase price should be redacted.
6. The Application is missing appraisals or similar documentation supporting the purchase price agreed to in the Agreement for Sale of Utility System dated September 18, 2019, and provided in Confidential Attachment G.
7. Although referenced in the Agreement for Sale of Utility System (Confidential Attachment G), Exhibits A, B, C, and D are either not complete (Exhibit A) or not included (Exhibits B, C, and D) in the agreement. If not provided in an exhibit, the Agreement for Sale of Utility System must include the service area description, description of land and improvements, easements, leases, and personal property and equipment included in the sale.
8. Application page 4, Revenues and Expenses refers to Attachment C. The most recent revenues and expenses are required. Data from 2016 should be replaced with data for 2020.
9. Application page 2, line 6(b) – The Application references Attachment H for identifying address where the bill can be paid in person, but Attachment H does not identify such a location.
10. Application page 2, line 9 shows \$15,593 customer deposit was held by seller as of 2016, but on the next line it shows N/A for both water and sewer. Please correct the response to reflect customer deposits held by the seller as of 2020, if applicable.
11. Application page 3 – Attachment D does not address lines 9, 10, 11, 12, 14, 17, 20, 21, 22, 23, 24, 25, and 26.

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12. Attachment F – From the total revenue amount, the information provided in Confidential Attachment F is the five-year projected income statement for CSWR consolidated. Red Bird is required to provide the budget, capital, and operating revenue and expenses for Red Bird Water’s NC utility operation, the purchaser, only. The budget should include, but not be limited to, the starting year, ending year, components of rate base such as plant cost, CIAC, revenues and expense, cash flow, etc.
13. Application page 6, Line 1 – Attachments G and L do not provide the capital structure balance information for the purchaser. Red Bird is required to provide the most recent information for the capital structure balances for the purchaser prior to the purchase of the new water and/or sewer systems.
14. Application page 5, line 27 – Attachment M was not filed with the application.
15. Crosby has not filed annual reports with the North Carolina Utilities Commission for periods ending December 31, 2017, December 31, 2018, and December 31, 2019. Provide these three annual reports and the 2020 annual report when it becomes available.

Please provide and file with the Chief Clerk the required information described above as soon as reasonably possible, so the Public Staff can continue to process your Application.

If you have any questions, please do not hesitate to contact me at (919) 733-6110 or Mike Franklin at (919) 715-2666.

Sincerely yours,

Electronically submitted
/s/ William E. H. Creech
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cc: Dianna Downey – Public Staff-Legal
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Aaron Silas – Red Bird
Russ Mitten – Red Bird