



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 23, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket Nos. W-1146, Sub 13 and W-1328, Sub 10 – Application by Red Bird Utility Operating Company, LLC, 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

Dear Ms. Dunston,

Attached for filing on behalf of the Public Staff in the above-referenced dockets is the joint settlement testimony and exhibits of Lynn Feasel and Evan M. Houser.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

cc: Parties of Record

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

CERTIFICATE OF SERVICE

I certify that a copy of this Public Staff settlement testimony and exhibits has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States Mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 23rd day October, 2023.

Electronically submitted
/s/ Megan Jost
Staff Attorney

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1146, SUB 13

DOCKET NO. W-1328, SUB 10

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)
14059, 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)

**JOINT SETTLEMENT
TESTIMONY OF
LYNN FEASEL AND
EVAN M. HOUSER
PUBLIC STAFF –
NORTH CAROLINA
UTILITIES COMMISSION**

October 23, 2023

OFFICIAL COPY

Oct 23 2023

1 **Q. Ms. Feasel, please state your name, business address, and**
2 **present position.**

3 A. My name is Lynn Feasel. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am the Public Utility
5 Regulatory Analyst Supervisor of the Water, Sewer, and
6 Telecommunications Sections with the Accounting Division of the
7 Public Staff – North Carolina Utilities Commission (Public Staff).

8 **Q. Are you the same Lynn Feasel who filed direct testimony on**
9 **behalf of the Public Staff in this proceeding on September 19,**
10 **2023?**

11 A. Yes.

12 **Q. Are your qualifications and duties the same as stated in your**
13 **direct testimony?**

14 A. Yes.

15 **Q. Mr. Houser, please state your name, business address, and**
16 **present position.**

17 A. My name is Evan M. Houser. My business address is 430 North
18 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities
19 Engineer with the Water, Sewer, and Telephone Division of the
20 Public Staff.

1 **Q. Are you the same Evan M. Houser who filed direct testimony on**
2 **behalf of the Public Staff in this proceeding on September 19,**
3 **2023, and corrected testimony on September 26, 2023?**

4 A. Yes.

5 **Q. Are your qualifications and duties the same as stated in your**
6 **direct testimony?**

7 A. Yes.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of our testimony is to provide support for the Settlement
10 Agreement and Stipulation (Stipulation) filed on October 23, 2023,
11 entered into between Red Bird Utility Operating Company, LLC (Red
12 Bird) and the Public Staff (together, the Stipulating Parties) regarding
13 the transfer of the Lake Royale Subdivision water and wastewater
14 utility systems and public utility franchise in Franklin and Nash
15 Counties, North Carolina, requested jointly by Total Environmental
16 Solutions, Inc. (TESI), in Docket No. W-1146, Sub 13 and Red Bird
17 in Docket No. W-1328, Sub 10 (Joint Application).

18 **Q. Briefly describe the Stipulation.**

19 A. The Stipulation sets forth agreement between the Stipulating Parties,
20 including the Stipulating Parties' agreement that the transfer of the
21 Lake Royale systems to Red Bird should be approved and that Red

1 Bird will adopt the tariffs and rates currently in effect for the
2 customers of the acquired systems.

3 The Stipulation further provides that Red Bird agrees not to pursue
4 an acquisition adjustment related to the Lake Royale systems in the
5 present proceeding or a future proceeding, and that the Stipulating
6 Parties agree the net book value of the assets Red Bird is acquiring
7 from Total Environmental Solutions, Inc. (TESI) is \$186,541. This
8 amount is calculated based on plant additions through December 31,
9 2022, and includes depreciation and amortization calculated through
10 December 31, 2023. Public Staff Settlement Exhibit 1 shows the
11 calculation of the net book value. Pursuant to the Stipulation, the
12 Stipulating Parties reserve the right to seek a determination by the
13 Commission of whether all of the utility assets acquired by Red Bird
14 were used and useful during the applicable test period in Red Bird's
15 initial rate case. Any assets determined by the Commission not to
16 have been used and useful during the applicable test period will be
17 removed from rate base.

18 Regarding costs associated with the transfer, the Stipulation
19 provides that, in its next general rate case, Red Bird may request
20 recovery of costs for engineering due diligence work listed in Red
21 Bird witness Cox Direct Exhibit 4 up to \$40,801.23 related to the
22 water system and up to \$22,450.50 related to the wastewater

1 system, provided the work results in reasonable and prudent capital
2 investments to improve the water and wastewater systems. The
3 Stipulation also provides that Red Bird may request recovery of up
4 to \$10,000 for legal costs related to the acquisition in its next general
5 rate case. Red Bird agrees not to pursue rate recovery of any
6 remaining costs associated with the transfer, including due diligence,
7 transactional, and regulatory costs, other than those listed above.
8 The amounts of \$40,801.23 and \$22,450.50 for water and
9 wastewater engineering due diligence, respectively, were
10 determined based on Cox Direct Exhibit 4, invoices provided in
11 response to Public Staff Data Request 14, and additional information
12 provided by Red Bird during settlement discussions. The water
13 system-related engineering due diligence amount reflects all
14 engineering due diligence costs related to the water system, while
15 the wastewater system-related engineering due diligence amount
16 reflects the cost of surveying the wastewater system. Public Staff
17 Settlement Exhibit 2 provides a breakdown of these costs, including
18 by invoice.

19 The Stipulation provides that Red Bird agrees the correct gross
20 amount of contributions in aid of construction (CIAC) to be recorded
21 by Red Bird at closing is \$21,900. By amortizing the CIAC over 15
22 years, the net CIAC balance is \$19,710 as of December 31, 2023.

1 Pursuant to the Stipulation, Red Bird agrees to adopt at closing
2 TESI's accounting records, provide the detailed accounting records
3 received from TESI to the Public Staff, and refrain from adjusting or
4 making changes to those records without Commission approval.

5 If the Stipulation is approved by the Commission, beginning one year
6 after the effective date of the order approving the Stipulation, and
7 continuing annually, Red Bird and key leadership from CSWR, LLC,
8 will meet with the Public Staff and provide an update detailing all
9 changes in Red Bird's facilities and operations since the last annual
10 update and discuss the Company's financial condition.

11 Red Bird agrees to apply for funding from the North Carolina
12 Department of Environmental Quality, Division of Water
13 Infrastructure in the funding cycle preceding planned water system
14 investment of more than \$100,000 until the earlier of the conclusion
15 of Red Bird's first rate case or a Commission order modifying this
16 requirement.

17 Finally, pursuant to the Stipulation, Red Bird agrees to post a
18 \$100,000 bond for the Lake Royale service areas.

19 **Q. What benefits does the Stipulation provide for ratepayers?**

20 A. Red Bird's agreement pursuant to the Stipulation not to seek an
21 acquisition adjustment and the limitations on the amount of due

1 diligence and legal costs Red Bird can recover will minimize the
2 magnitude of future rate increases. In addition, the conditions
3 attached to Red Bird's recovery of engineering due diligence costs
4 will help ensure that those costs are related to system improvements
5 that help to maintain or improve service quality and reliability. The
6 agreed-upon amount of imputed CIAC reduces rate base and will
7 thereby minimize the magnitude of future rate increases. Annual
8 meetings between Red Bird and the Public Staff will keep the Public
9 Staff apprised of changes to the systems and Red Bird's financial
10 condition and maintain open dialogue between the parties. Finally,
11 Red Bird's agreement to seek North Carolina Department of
12 Environmental Quality, Division of Water Infrastructure funding prior
13 to planned water system capital investments could result in
14 additional cost savings to customers.

15 Based on the foregoing, we recommend that the Commission
16 approve the Stipulation.

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

18 **A.** Yes, it does.

Total Environmental Solutions, Inc.
Docket No. W-1146, Sub 13
ORIGINAL COST RATE BASE

Public Staff Settlement Exhibit 1
Schedule 2

Combined Water and Sewer Operation

Line No.	Item	Per	W-1146 Sub 13	W-1146 Sub 13	[1]
		W-1146 Sub 1 and Sub 3 (a)	Public Staff Adjustments (b)	After Public Staff Adjustments (c)	
1.	Plant in service	\$381,972	\$239,066	\$621,038	
2.	Accumulated depreciation	(44,714)	(370,073)	(414,787)	
3.	Contributions in aid of construction, net of amortization	<u>(20,101)</u>	<u>391</u>	<u>(19,710)</u>	
4.	Net plant in service	317,157	(130,616)	186,541	
5.	Unamortized rate case costs, net pf taxes	42,817	(42,817)	0	
6.	Unamortized acquisition costs, net pf taxes	58,527	(58,527)	0	
7.	Cash working capital	35,939	(35,939)	0	
8.	Average tax accruals	<u>(4,905)</u>	<u>4,905</u>	<u>0</u>	
9.	Original cost rate base	<u><u>\$449,535</u></u>	<u><u>(\$262,994)</u></u>	<u><u>\$186,541</u></u>	

[1] Public Staff Settlement Exhibit 1, Schedule 2 (a) plus Schedule 2 (b)

Total Environmental Solutions, Inc.
Docket No. W-1146, Sub 13
ORIGINAL COST RATE BASE

Public Staff Settlement Exhibit 1
Schedule 2(a)

Water Operation

Line No.	Item	Per W-1146 Sub 1 (a)	W-1146 Sub 13 Public Staff Adjustments [1] (b)	W-1146 Sub 13 After Public Staff Adjustments (c)
1.	Plant in service	\$289,329	\$186,412	\$475,741 [2]
2.	Accumulated depreciation	(30,203)	(277,430)	(307,633) [2]
3.	Contributions in aid of construction, net of amortization	<u>(20,101)</u>	<u>391</u>	<u>(19,710)</u>
4.	Net plant in service (Sum line	239,025	(90,627)	148,398
5.	Unamortized rate case costs, net pf taxes	42,817	(42,817)	0
6.	Unamortized acquisition costs, net pf taxes	58,527	(58,527)	0
7.	Cash working capital	27,856	(27,856)	0
		<u>(4,895)</u>	<u>4,895</u>	<u>0</u>
8.	Average tax accruals	<u>\$363,330</u>	<u>(\$214,932)</u>	<u>\$148,398</u>
9.	Original cost rate base			

[1] Column (c) minus Column (a)

[2] Public Staff Settlement Exhibit 1, Schedule 2-1

Total Environmental Solutions, Inc.
Docket No. W-1146, Sub 13
ORIGINAL COST RATE BASE

Public Staff Settlement Exhibit 1
Scheduled 2(b)

Sewer Operation

Line No.	Item	Per W-1146 Sub 3 (a)	W-1146 Sub 13 Public Staff Adjustments [1] (b)	W-1146 Sub 13 After Public Staff Adjustments [2] (c)
1.	Plant in service	\$92,643	\$52,654	\$145,297 [2]
2.	Accumulated depreciation	(14,511)	(92,643)	(107,154) [2]
3.	Contributions in aid of construction, net of amortization	<u>0</u>	<u>0</u>	<u>0</u>
4.	Net plant in service	78,132	(39,988)	38,144
5.	Cash working capital	8,083	(8,083)	0
6.	Average tax accruals	<u>(10)</u>	<u>10</u>	<u>0</u>
7.	Original cost rate base	<u>\$86,205</u>	<u>(\$48,061)</u>	<u>\$38,144</u>

- [1] Column (c) minus Column (a)
[2] Public Staff Settlement Exhibit 1, Schedule 2-1

Total Environmental Solutions, Inc.
Docket No. W-1146, Sub 13
CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION,
AND DEPRECIATION EXPENSE

Public Staff Settlement Exhibit 1
Schedule 2-1

Line No.	Item	Plant In Service Per	Depreciable			Life	Years in Service	[2]	Annual	[3]	Accumulated	[4]
		Public Staff	CIAC	In Service	In Service				Depreciation		Depreciation	
		(a)	(b)	(c)	(d)	(e)	(f)		(g)		(h)	
<u>Per Sub 1 rate case Proceeding-Water:</u>												
1.	Miscellaneous materials and supplies	\$1,072 [1]		\$1,072	1994	[1]	25	[1]	29.5	0	1,072	water
2.	Engineering costs	4,883 [1]		\$4,883	1994	[1]	25	[1]	29.5	0	4,883	water
3.	Travel and meals	1,120 [1]		\$1,120	1994	[1]	25	[1]	29.5	0	1,120	water
4.	22 Taps	6,560 [1]		\$6,560	1993	[1]	25	[1]	30.5	0	6,560	water
5.	50 Taps	14,909 [1]		\$14,909	1994	[1]	25	[1]	29.5	0	14,909	water
6.	65 Taps	19,382 [1]		\$19,382	1995	[1]	25	[1]	28.5	0	19,382	water
7.	7 Blowoffs	1,883 [1]		\$1,883	1995	[1]	25	[1]	28.5	0	1,883	water
8.	Meters	36,100 [1]		\$36,100	1999	[1]	15	[1]	24.5	0	36,100	water
9.	Meters	115,420 [1]		\$115,420	2000	[1]	15	[1]	23.5	0	115,420	water
10.	Vehicle	2,500 [1]		\$2,500	2000	[1]	3	[1]	23.5	0	2,500	water
11.	Meters	85,500 [1]		\$85,500	2001	[1]	15	[1]	22.5	0	85,500	water
<u>Per Sub 3 CPCN Proceeding-Sewer:</u>												
12.	pumping equipment-lift station	\$33,384 [1]		\$33,384	2001	[1]	20	[1]	22.5	0	33,384	sewer
13.	pumping equipment-lift station	\$1,337 [1]		\$1,337	2004	[1]	20	[1]	19.5	67	1,304	sewer
14.	treatment and disposal equipment	\$4,423 [1]		\$4,423	2003	[1]	20	[1]	20.5	0	4,423	sewer
15.	treatment and disposal equipment	\$646 [1]		\$646	2004	[1]	6	[1]	19.5	0	646	sewer
16.	tools shop and garage equipment	\$390 [1]		\$390	2001	[1]	10	[1]	22.5	0	390	sewer
17.	laboratory equipment	1,805 [1]		\$1,805	2002	[1]	6	[1]	21.5	0	1,805	sewer
18.	laboratory equipment	821 [1]		\$821	2004	[1]	6	[1]	19.5	0	821	sewer
19.	power operated equipment	1,844 [1]		\$1,844	2001	[1]	5	[1]	22.5	0	1,844	sewer
20.	purchase price	28,031 [1]		\$28,031	2000	[1]	25	[1]	23.5	1,121	26,349	sewer
21.	franchise cost	19,962 [1]		\$19,962	2005	[1]	25	[1]	18.5	798	14,772	sewer
22.	total plant additions since W 1146 Sub 1-water	186,412 [5]		\$186,412	various				various	12,427	18,304 [5]	water
23.	total plant additions since W 1146 Sub 3-sewer	52,654 [5]		\$52,654	various				various	4,301	21,416 [5]	sewer
24.	total CIAC additions since W 1146 Sub 1-water		(21,900)	(21,900)	2022	[5]	15		1.5	(1,460)	(2,190)	
25.	Total Plant in Service (Sum line 1 thru line 24)	\$621,038	(\$21,900)	\$599,138						\$17,254	\$412,597	

[1] Based on last general rate case, Docket No. W-1146, Sub 1 and W-1146, Sub 3

[2] Based on year placed in service using half year convention

[3] Column (c) divided by Column (e), unless fully depreciated

[4] Column (f) x Column (g), unless fully depreciated

[5] Per examination of the Company's financial records

Vendor	Inv #	Date	Amount	PSI Acct	Service Area	Type	Service	Water Eng DD	Sewer Eng DD
21 Design Group Inc.	7723	12/31/2021	\$9,330.00	183.001	NC-Lake	W&S	Water	\$9,330.00	
21 Design Group Inc.	17758	1/10/2023	\$1,434.30	183.001	NC-Lake	W&S	Water	\$1,434.30	
21 Design Group Inc.	8957	12/31/2021	\$258.75	183.001	NC-Lake	W&S	Water	\$201.25	\$57.50
21 Design Group Inc.	17308	1/1/2023	\$207.90	183.001	NC-Lake	W&S	Water	\$207.90	
21 Design Group Inc.	11158	12/31/2021	\$187.50	183.001	NC-Lake	W&S	Water	\$187.50	
21 Design Group Inc.	8219	12/31/2021	\$57.50	183.001	NC-Lake	W&S	Water	\$57.50	
Beckemeier LeMoine Law	75-037	5/1/2022	\$3,065.60	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-054	7/31/2023	\$2,214.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-035	2/1/2022	\$1,966.40	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-023	12/31/2021	\$1,541.50	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-020	12/31/2021	\$1,020.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-041	8/8/2022	\$929.60	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-036	3/1/2022	\$881.60	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-039	6/8/2022	\$790.40	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-038	6/1/2022	\$668.80	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-022	12/31/2021	\$515.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-024	12/31/2021	\$479.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-043	10/3/2022	\$456.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-034	12/31/2021	\$304.50	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-049	4/1/2023	\$288.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-053	6/30/2023	\$256.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-040	6/30/2022	\$212.80	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-021	12/31/2021	\$115.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-025	12/31/2021	\$115.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-042	8/31/2022	\$91.20	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-051	4/30/2023	\$64.00	183.002	NC-Lake	W&S	Water		
Beckemeier LeMoine Law	75-044	11/9/2022	\$60.80	183.002	NC-Lake	W&S	Water		
Law Firm Carolinas	236167	12/31/2021	\$7,312.06	183.002	NC-Lake	W&S	Water		
Law Firm Carolinas	234715	12/31/2021	\$331.25	183.002	NC-Lake	W&S	Water		
Law Firm Carolinas	245500	2/1/2022	\$206.25	183.002	NC-Lake	W&S	Water		
Law Firm Carolinas	260903 NC	3/16/2023	\$150.00	183.002	NC-Lake	W&S	Water		
McGill Associates, P.A.	19.00346-11733	12/31/2021	\$5,580.50	183.001	NC-Lake	W&S	Water	\$5,580.50	
McGill Associates, P.A.	19.00346-11137	12/31/2021	\$2,606.03	183.001	NC-Lake	W&S	Water	\$2,606.03	
McGill Associates, P.A.	19.00346-10894	12/31/2021	\$2,255.25	183.001	NC-Lake	W&S	Water	\$2,255.25	
McGill Associates, P.A.	19.00346-11425	12/31/2021	\$2,018.50	183.001	NC-Lake	W&S	Water	\$2,018.50	
The Beckemeier Law Firm LC	75-018	12/31/2021	\$324.00	183.002	NC-Lake	W&S	Water		
The Beckemeier Law Firm LC	75-019	12/31/2021	\$265.50	183.002	NC-Lake	W&S	Water		
21 Design Group Inc.	16078	10/19/2022	\$69,859.31	183.001	NC-Lake	Sewer	Wastewater		
21 Design Group Inc.	12883	3/1/2022	\$35,427.00	183.001	NC-Lake	Sewer	Wastewater	\$14,411.25	\$14,411.25
21 Design Group Inc.	15619	9/13/2022	\$9,236.35	183.001	NC-Lake	Sewer	Wastewater		
21 Design Group Inc.	14631	7/11/2022	\$8,867.25	183.001	NC-Lake	Sewer	Wastewater		\$5,470.50
21 Design Group Inc.	16697	11/17/2022	\$4,437.23	183.001	NC-Lake	Sewer	Wastewater		
21 Design Group Inc.	13269	4/1/2022	\$3,540.00	183.001	NC-Lake	Sewer	Wastewater	\$1,695.00	\$1,695.00
21 Design Group Inc.	18120	2/9/2023	\$3,101.75	183.001	NC-Lake	Sewer	Wastewater		
21 Design Group Inc.	12351	2/1/2022	\$2,188.75	183.001	NC-Lake	Sewer	Wastewater	\$150.00	\$150.00
21 Design Group Inc.	11930	12/31/2021	\$900.00	183.001	NC-Lake	Sewer	Wastewater	\$30.00	\$30.00
21 Design Group Inc.	12754	3/1/2022	\$802.50	183.001	NC-Lake	Sewer	Wastewater	\$386.25	\$386.25
21 Design Group Inc.	15021	8/2/2022	\$530.00	183.001	NC-Lake	Sewer	Wastewater	\$250.00	\$250.00
21 Design Group Inc.	18608	3/8/2023	\$90.96	183.001	NC-Lake	Sewer	Wastewater		
21 Design Group Inc.	19243	4/5/2023	\$60.00	183.001	NC-Lake	Sewer	Wastewater		
Total			\$187,601.59					\$40,801.23	\$22,450.50