



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

December 31, 2020

VIA ELECTRONIC MAIL

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

Re: Docket Nos.: W-1040, Sub 10, and W-1328, Sub 4 - Proposed Transfer of Bear Den Acres Development, Inc., to Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water and for Approval of Rates

Dear Mr. Higgins:

The Public Staff has reviewed the application filed in the above-referenced docket on December 4, 2020, by Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water (Red Bird or the Company). Based on its review, the Public Staff has identified the following material deficiencies that must be addressed in order for the application to be complete:

1. Application page 1, lists incorrect reconnection charges on lines 17 and 18. Reconnection charges from the most recent applicable rate case, W-1040, Sub 8, for which the final order was issued on December 6, 2016, should be used.
2. Application page 1, line 19, lists a reconnection charge for sewer utility services although the transfer is for a water utility system only. This charge should be deleted in a revised filing.
3. Application page 1, line 22, lists the incorrect date present rates became effective. The present rates became effective January 1, 2017, the date () specified in the Commission's December 6, 2016 Order Approving Tariff Revision and Requiring Customer Notice in Docket Nos. W-1040, Sub 8, and M-100, Sub 138.

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Legal
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Transportation
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Water/Telephone
(919) 733-5610

4. Page 2, line 6(b), of the application requires the applicant to provide the address where the bill can be paid in person. The Company's application states, "See Attachment H" in response to this requirement. Attachment H does not provide an address where bills can be paid in person as required by the application.

5. Page 3 of the application requires the applicant to provide information regarding the service area, including:

- a) "Pressure tank capacity (gals.)" (line 9);
- b) "Number of water meters in use" (line 16);
- c) "Number of service taps in use (list number of each size), water and sewer", specifically "list number of each size" (line 17);
- d) "Number of customers that can be served by pumping capacity" (line 20);
- e) "Number of customers that can be served by storage tank capacity" (line 21);
- f) "Name [of the] nearest water utility system" (line 23);
- g) "Distance to the nearest water utility system" (line 24);
- h) "Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)" (line 25); and
- i) "Has the system been offered for sale to the customers, county, or municipality? (yes or no). If not, why not?" (line 26).

The Company's application states, "See attachment D" in response to this requirement. Attachment D to the Company's application does not provide the service area information required by items 1-9 listed above.

6. Page 4 of the application requires the applicant to provide information regarding revenues and expenses for a 12-month period. The Company's application states, "See attachment C" in response to this requirement. The 12-

month period that applies to this section of the application is identified as the 12 months ended December 31, 2018, while attachment C states December 31, 2017. The most recent revenues and expenses are required and should include data from 2020.

7. Page 5 of the application requires the applicant to provide information regarding the original cost of utility system for a 12-month period. The Company's application states, "See attachment C" in response to this requirement. The page bearing the heading "Water and Sewer Combined Balance Sheet, Assets and Other Debts" does not indicate a date. Furthermore, there is no breakdown of the categories of utility plant in service listed in line items 2-13 on page 5 of the application. The most recent information through year 2020 for total plant cost, breakdown of total plant cost as shown on lines 2-13, accumulated depreciation, CIAC, amortization of CIAC, original cost of net investment and actual cost of all additions to systems since original construction for the water utility system is required. Additionally, the Company must provide the most recent information required by lines 19-21.

8. Page 5, line 26, of the application states, "If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used: Water" and line 27 states, "If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used." This information was not provided.

9. Page 6, line 1(b), of the application requires the applicant to provide capital structure balances for the applicant prior to the purchase of the new water utility system, including a breakdown of the amount and percent of total capital. The Company's application states, "See Attachments G & L." Attachments G and L to the Company's application do not provide the required capital structure balance information for the Company.

10. Page 6, line 3, of the application requires the applicant to identify improvements or additions to be made in the first year and provide information regarding how they will be financed. Page 7, lines 1 and 2, of the application requires the Company to identify improvements or additions and replacements required in the next five years and ten years and provide information on how they will be financed. The Company states on its application, "See Attachment L" in response to these requirements. The Public Staff has identified the following issues with Attachment L to the Company's application:

- a) Attachment L is designated by the Company as confidential. The information contained in Attachment L is not confidential and should be publicly filed.
- b) The Company must provide the information required by page 7 of the application for five years and ten years.
- c) Attachment L does not indicate how the improvements or additions and replacements listed on the attachment will be financed as required by pages 6 and 7 of the application.

11. Page 7, line 3, of the application requires the applicant to fill out the Addendum to Application for Transfer of Public Utility Franchise and for Approval of Rates attached to the application or, in the alternative, to provide three specified items. The third item is the most recent fiscal year budgets, capital and operating, and the actual amounts for that year for the utility's and/or parent company's North Carolina utility operations. In response to this item, the Company stated in its application, "N/A; No North Carolina Utility Operations." Because the Company is unable to provide all of the information required as an alternative to completing the addendum, the Company should complete the Addendum on page 10 and page 11 to Application for Certificate of Public Convenience and Necessity and for Approval of Rates for the system that is the subject of the application. This information should be filed publicly.

12. The application includes a list of exhibits that must be attached to the application. Red Bird is required to provide a "copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission." In response, Red Bird's application states, "See attachment G." Confidential Attachment G is the Agreement for Sale of Utility System, which addresses (2), however, exhibits that support the ownership of property to address (1) were not provided.

13. Confidential Attachment G is the Agreement for Sale of Utility System and references Exhibits A, B, C, and D, which appear at the end of the purchase agreement. Exhibit B states, "The legal description(s) of the Land, Improvements thereon, Easements, Rights of Way shall be determined by survey and title commitments, which shall be inserted prior to the Closing." The information purported to be provided by Exhibits A through D to the purchase and sale agreement must be provided in order for the application to be complete. If not

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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. Furthermore, the Purchase and Sale Agreement must be filed with the Chief Clerk of the Utilities Commission with only confidential portions such as purchase price redacted.

14. The Application is missing appraisals or similar documentation supporting the purchase price agreed to in the Purchase and Sale Agreement dated October 23, 2019, and provided in Confidential Attachment G.

The Public Staff considers the Company's application incomplete as filed for the reasons set forth above.

In order that the Public Staff may complete its review of the Company's application and make a recommendation to the Commission, please file with the Commission and provide to the Public Staff the information described in items 1 through 13 above.

If you have any questions, please do not hesitate to contact me at (919) 733-0978 or the email address below. Company personnel are welcome to contact Mike Franklin at (919) 715-2666 or mike.franklin@psncuc.nc.gov with questions related to the application.

Sincerely yours,

Electronically submitted

/s/ Megan Jost

Staff Attorney

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