

Mindy L. McGrath
Partner
D: 704.916.1522
mindy.mcgrath@troutman.com
Admitted in: North Carolina

February 8, 2024

Ms. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, North Carolina

**Re: Application by Red Bird Utility Operating Company, LLC for Transfer of Public Utility Franchise in Meadowlands Subdivision in Davidson County, North Carolina and for Approval of Rates
Docket No. W-1259, Sub 5
Docket No. W-1328, Sub 6**

Dear Ms. Dunston:

Enclosed on behalf of Red Bird Utility Operating Company, LLC, please find the Non-Confidential Direct Testimony of Josiah Cox, including Cox Direct Exhibits 1 – 5.

Please contact me if you or the Commission have any questions regarding this filing.

Best regards,

/s/ Mindy McGrath
Mindy McGrath

Enclosure

c: Parties of Record w/ Encl.

CERTIFICATE OF SERVICE**DOCKET NO. W-1259, SUB 5****DOCKET NO. W-1328, SUB 6**

I hereby certify that a copy of the Non-Confidential Direct Testimony of Josiah Cox on behalf of Red Bird Utility Operating Company, LLC was served electronically or by depositing a copy of the same in the United States Mail, first class postage prepaid, at the addresses contained in the official service list in this proceeding.

This the 8th day of February 2024.

RED BIRD UTILITY OPERATING COMPANY, LLC

/s/ Mindy McGrath

Mindy L. McGrath (NC Bar No. 35628)

Molly M. Jagannathan (NC Bar No. 36931)

MLM Telephone: (704) 916-1522

MMJ Telephone: (704) 998-4074

Troutman Pepper Hamilton Sanders LLP

301 College Street

34th Floor

Charlotte, NC 28202

mindy.mcgrath@troutman.com

molly.jagannathan@troutman.com

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1259, SUB 5
DOCKET NO. W-1328, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Application by Meadowlands Development,)
LLC and Red Bird Utility Operating Company,)
LLC, d/b/a Red Bird Water for Transfer of)
Public Utility Franchise in Meadowlands)
Subdivision in Davidson County, North)
Carolina, and for Approval of Rates)
)

**NON-CONFIDENTIAL DIRECT TESTIMONY OF JOSIAH COX
ON BEHALF OF RED BIRD UTILITY OPERATING COMPANY, LLC**

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140,
3 St. Louis, Missouri, 63131.

4 **Q. WHAT IS YOUR POSITION WITH RED BIRD UTILITY OPERATING**
5 **COMPANY, LLC D/B/A RED BIRD WATER?**

6 A. I am President of Red Bird Utility Operating Company, LLC (“Red Bird” or the
7 “Company”). I am also the President of Central States Water Resources, Inc.
8 (“Central States”) and CSWR, LLC (“CSWR”), each a Red Bird affiliate. Later in
9 my testimony I describe CSWR’s relationship to Red Bird and discuss the role
10 CSWR would play in Red Bird’s future operations if the Commission approves Red
11 Bird’s application for a transfer of assets and approval of rates for the wastewater
12 utility system serving the Meadowlands subdivision in Davidson County. The

1 system at issue in this case currently is owned and operated by Meadowlands
2 Development, LLC (“Meadowlands”). I also describe Central States’ involvement
3 in the proposed acquisition transaction.

4 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
5 **EXPERIENCE.**

6 A. I received a Bachelor of Science with a major in Environmental Science from the
7 University of Kansas. I began my career working at the Kansas Biological Survey
8 & Center for Ecological Research, where I performed a wildlife habitat study. I
9 then worked at a civil engineering firm where I was involved in various facets of
10 the land development process, including permitting, entitlement, civil design,
11 project management, and construction management. I focused mainly on the water
12 and wastewater side of the civil engineering business and participated in every part
13 of that business from waste-load allocation studies (now known as “anti-
14 degradation processes”), design, permitting, project management, and construction
15 management. I also ran the firm’s environmental consulting division and was the
16 second private consultant to submit a water quality impact study in the State of
17 Missouri in 2003. I subsequently joined the engineering firm’s executive leadership
18 team and helped run all the firm’s operations.

19 Beginning in 2005, I raised money from a group of investors and formed a
20 full-service civil engineering, environmental consulting, general contracting, and
21 construction management firm. I served as the Chief Operating Officer, and
22 eventually, the Chief Executive Officer. I obtained extensive experience with rural
23 communities in every facet of the water and wastewater compliance process,

1 including environmental assessment, permitting, design, construction, operation
2 and community administration of the actual water and wastewater (sewage)
3 systems. That engineering firm performed stream sampling and built waste-load
4 allocation models. In addition, we did full engineering design of multiple whole
5 community wastewater and water infrastructure systems including wells, water
6 distribution, water treatment, water storage, wastewater conveyance, and
7 wastewater treatment plants, and then took those designs through the federal and
8 state administered permitting processes in Missouri. The firm also administered the
9 construction of these water and wastewater systems from greenfield site selection
10 all the way through system startup and final engineering sign-off.

11 During this time, I began a Master of Business Administration program at
12 Washington University in St. Louis, from which I graduated in 2007. Starting in
13 2008 until 2020, I oversaw the operations of a rural sewer district where I managed
14 the functioning, testing, and maintenance of that system. I also acted as the
15 administrator for this municipal system and was responsible for all the billing,
16 emergency response, accounts payable/accounts receivable, collections, budgeting,
17 customer service, and public town meetings required to serve the community.

18 In late 2010, after working on several small, failing water and wastewater
19 systems, I created a business plan to acquire and recapitalize failing systems as
20 investor-owned regulated water and wastewater utility companies. In early 2011, I
21 went to the capital markets to raise money to implement my plan, and over a period
22 of approximately three years, I met with over 52 infrastructure investment groups

1 to raise the necessary financing. By February 2014, I achieved my goal, and I used
2 the debt and equity capital I was able to raise to start CSWR.

3 In 2018, I attracted an additional large institutional private equity investor,
4 which allowed me to expand the scope of my business plan. This new investor is
5 allowing CSWR to form companies for the purpose of acquiring water and
6 wastewater systems in additional states. Since its formation, CSWR has acquired,
7 and currently is operating through various affiliates, more than 800 water and
8 wastewater systems in Missouri, Kentucky, Louisiana, Texas, Tennessee,
9 Mississippi, Arizona, Florida, South Carolina, and Arkansas. In North Carolina,
10 CSWR is currently operating four systems, and recently received approval to
11 operate a fifth.

12 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my testimony is to support the application for the transfer of
15 Meadowlands' wastewater assets that was filed (and later supplemented) in these
16 dockets on October 9, 2020 (the "Application").¹ The Application seeks
17 Commission authority for Red Bird to acquire all utility assets currently used by
18 Meadowlands and to provide wastewater utility service to customers in the
19 Meadowlands' service area located in Davidson County, and for approval of rates
20 for that system. My testimony describes the proposed transaction and explains why
21 both Red Bird and Meadowlands believe Commission approval of the transaction

¹ Red Bird filed its initial Application on October 9, 2020, and supplemental attachments on October 21, 2020, July 12, 2021, August 2, 2021, December 7, 2022, August 7, 2023, August 17, 2023, and December 15, 2023. The Commission issued its *Order Finding Application Complete and Requiring the Public Staff to Provide Specific Application Data* in these dockets on January 2, 2024.

1 is in the public interest. I also describe Red Bird's relationship to CSWR, the role
2 CSWR would play in Red Bird's operation of the system at issue in this proceeding,
3 and the benefits Red Bird's relationship with CSWR would bring to customers
4 served by the Meadowlands system.

5 While Red Bird's position is that issues like the calculation of rate base in the
6 assets to be acquired, whether a buyer is entitled to an acquisition adjustment, and
7 whether a buyer is entitled to recover due diligence, transactional, and regulatory
8 costs associated with the acquisition should be deferred to the first rate case
9 following an acquisition, my testimony addresses these items in the event the
10 Commission determines it should consider any of these issues in this proceeding.

11 **Q. ARE YOU FILING ANY EXHIBITS WITH YOUR TESTIMONY?**

12 A. Yes. My testimony is accompanied by the following five exhibits:

13 **Cox Direct Exhibit 1:** An organizational chart of Red Bird and its affiliates.

14 **Cox Direct Exhibit 2:** Current list of CSWR's senior leadership team, including
15 a brief biography of each member.

16 **Cox Direct Exhibit 3:** Correspondence dated June 22, 2023, from the Missouri
17 Department of Natural Resources to Josiah Cox.

18 **Cox Direct Exhibit 4:** Correspondence dated February 27, 2023, from the
19 Mississippi Department of Environmental Quality to Mississippi Public Service
20 Commissioner Brent Bailey.

21 **Cox Direct Exhibit 5:** List of due diligence, transactional and regulatory activities
22 and costs.

1 Q. WERE THOSE EXHIBITS PREPARED BY YOU OR UNDER YOUR
2 DIRECTION AND SUPERVISION?

3 A. Yes, my exhibits were prepared by me or under my direction and supervision.

4 II. BACKGROUND INFORMATION REGARDING
5 RED BIRD AND ITS AFFILIATES

6 Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT
7 RED BIRD AND CSWR.

8 A. Red Bird is a North Carolina limited liability company formed to acquire water and
9 wastewater assets in North Carolina and to operate those assets as a regulated public
10 utility. In December 2021, the Commission authorized Red Bird to acquire and
11 operate four wastewater systems previously owned by the Homeowners
12 Associations of Ocean Terrace and Pine Knoll Townes I, II and III (Ocean
13 Terrace/Pine Knoll Townes”), all of which are located in Pine Knoll Shores, North
14 Carolina.² In February 2023, the Commission authorized Red Bird to acquire
15 facilities previously owned by Bear Den Acres Development (“Bear Den”) in
16 Spruce Pine, North Carolina.³ More recently, the Commission approved Red Bird’s
17 acquisition of the utility assets and franchise of Crosby Utilities, Inc. (“Crosby”) in
18 Wake County,⁴ the water and wastewater utility assets of Total Environmental
19 Solutions, Inc. (“TESI”), located in Franklin and Nash Counties,⁵ and most

² See *Order Accepting and Approving Bond, Granting Franchise, and Requiring Customer Notice*, Docket No. W-1328, Sub 7 (December 8, 2021).

³ *Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice*, Docket Nos. W-1328, Sub 4; W-1040, Sub 10 (February 7, 2023).

⁴ *Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice*, Docket Nos. W-1328, Sub 9; W-992, Sub 8 (August 29, 2023).

⁵ *Recommended Order Approving Stipulation, Approving Transfer and Rates, Granting Franchise, Approving Bond, and Requiring Customer Notice*, Docket Nos. W-1328, Sub 10; W-1146, Sub 13 (December

1 recently, the water and wastewater utility assets serving the Jefferson Landing (“JL
2 Golf”) Subdivision in Ashe County, North Carolina.⁶ In addition to the Application
3 pending in these dockets, Red Bird currently has transfer applications to acquire
4 public utility franchises pending before this Commission in five other dockets, as
5 well as two pending applications for a Certificate of Public Convenience and
6 Necessity.⁷ As is the case with the Meadowlands system, many of the systems that
7 Red Bird seeks to acquire in North Carolina are either distressed or troubled
8 systems, or they require the infusion of capital investment that the current owners
9 are either unable or unwilling to provide. If the Commission grants this Application,
10 Red Bird will acquire, own, and operate the wastewater system currently owned by
11 Meadowlands.

12 Red Bird is an affiliate of CSWR, a Missouri limited liability company
13 formed to provide managerial, technical, and financial support to its utility
14 operating affiliates. A corporate organization chart illustrating that relationship is
15 attached to my testimony as **Cox Direct Exhibit 1**. To date, CSWR-affiliated utility
16 operating companies have acquired and are operating water and/or wastewater
17 systems in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi, Arizona,
18 Florida, South Carolina, and Arkansas, as well as the previously identified systems
19 in North Carolina. In addition to the applications pending before this Commission,
20 CSWR affiliates have applications pending in Mississippi, Florida, Louisiana,

14, 2023); *Order Allowing Recommended Order to Become Effective and Final*, Docket Nos. W-1328, Sub 10; W-1146, Sub 13 (December 22, 2023).

⁶ *Order Approving Stipulation, Approving Bond, Approving Transfer and Rates, and Requiring Customer Notice*, Docket Nos. W-1328, Sub 3; W-1296, Sub 3 (January 31, 2024) (JL Golf).

⁷ *See* Docket Nos. W-1328, Sub 0; W-1328, Sub 2; W-1328, Sub 8; W-1328, Sub 11; W-1328, Sub 12; W-1328, Sub 13; W-1328, Sub 14.

1 Tennessee, Arizona, Missouri, South Carolina, and Texas seeking authority to
2 acquire more such systems.

3 **Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE**
4 **ACQUISITION AND OPERATION OF SMALL AND TROUBLED,**
5 **DISTRESSED OR UNDERCAPITALIZED WATER AND WASTEWATER**
6 **SYSTEMS?**

7 A. CSWR's business plan is to pursue the purchase and recapitalization of small water
8 and wastewater systems and to operate those systems as investor-owned regulated
9 utilities. Many of the systems CSWR hopes to acquire are not currently regulated.
10 Of those that are regulated, many, if not most, are out of compliance with utility
11 commission rules and/or with federal and/or state pollution, environmental and/or
12 safety laws and regulations. Indeed, many systems we acquire do not even have the
13 federal or state permits required to lawfully operate. We also have found that many
14 regulated systems we acquire have not increased their rates for a decade or more
15 and, as a result, lack the financial resources necessary to cover normal operating
16 costs and/or to maintain and replace assets used to provide service or bring their
17 operations into compliance with rapidly changing environmental and water quality
18 regulations.

19 Further, some systems we acquire are in receivership and, therefore, lack
20 the ability to raise the capital necessary to improve their systems, and the current
21 owners of other systems are unable or unwilling to provide the capital necessary to
22 maintain their systems. CSWR's business plan has been and continues to be making
23 investments in and taking the risks necessary to bring small water and wastewater

1 systems into compliance with current statutes, rules, and regulations. Through its
2 affiliates, CSWR has been able to acquire distressed, troubled and/or
3 undercapitalized systems, invest capital necessary to upgrade or repair physical
4 facilities, and operate those systems in a way that satisfies customers, regulators,
5 and investors alike.

6 CSWR's business plan and the expertise its personnel provide to affiliates
7 have convinced regulators in Missouri, Kentucky, Louisiana, Texas, Tennessee,
8 Mississippi, Florida, South Carolina, and Arizona to allow those affiliates to
9 acquire and operate numerous small water and wastewater systems in those states.
10 In more than 100 separate orders – several involving the acquisition of multiple
11 discrete systems – regulators in each of those states have determined our affiliate
12 group has the technical, managerial, and financial qualifications necessary to
13 acquire, own, and operate water and/or wastewater systems. This Commission
14 made the same determination when it authorized Red Bird to acquire and serve
15 several small systems in this state, and we are hopeful the Commission will
16 continue to authorize Red Bird to acquire additional systems in North Carolina. If
17 the Commission authorizes Red Bird to acquire the Meadowlands wastewater
18 system, it will become part of the portfolio of systems the Company seeks to build
19 in North Carolina. We hope the Commission will give Red Bird the same
20 opportunity it did in the Ocean Terrace/Pine Knoll Townes, Bear Den, Crosby
21 Utilities, TESI, and JL Golf dockets, so we can continue our efforts to replicate in
22 North Carolina the record of success our affiliate group has achieved elsewhere.

1 **Q. PLEASE DESCRIBE RED BIRD'S AFFILIATES' EXPERIENCE WITH**
2 **WATER AND WASTEWATER SYSTEMS.**

3 A. Red Bird is part of an affiliate group that currently owns and operates wastewater
4 systems serving approximately 241,000 customers and drinking water systems
5 serving approximately 172,000 customers in Arizona, Arkansas, Florida,
6 Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas, North Carolina, and
7 South Carolina. By virtue of that affiliation, Red Bird has the financial, technical,
8 and managerial ability to acquire, own, and operate the Meadowlands wastewater
9 system in a manner that fully complies with applicable health, safety,
10 environmental protection, and regulatory laws and regulations, and to provide
11 reliable, safe, and adequate service to customers.

12 On the wastewater side of the business, the CSWR affiliate group has
13 purchased wastewater treatment plants with associated pressure systems and sewer
14 pumping stations, gravity force mains, and gravity conveyance lines. Since March
15 2015, with the approval of state wastewater regulatory authorities, CSWR-affiliated
16 companies have designed, permitted, and completed construction of numerous
17 sanitary sewer system improvements. These improvements include wastewater line
18 repairs to eliminate infiltration and inflow, building numerous sewer main
19 extensions, building and/or repairing hundreds of lift stations, the closure of a
20 number of existing regulatory impaired wastewater systems, building new or
21 refurbishing over 150 activated sludge plants, constructing dozens of moving bed
22 bio-reactor plants, converting multiple failing wastewater systems into sludge
23 storage/flow equalization and treatment basins, converting failed mechanical

1 systems to I-Fast systems, and constructing various other wastewater treatment
2 supporting improvements.

3 The CSWR-affiliated group of companies is likely the most qualified utility
4 in the United States to serve Meadowlands' customers based on the number of
5 systems we own, the number of systems we have purchased and brought into (and
6 kept in) environmental compliance, and our personnel having the most relevant
7 experience running small water and wastewater utilities. Our affiliate group
8 currently owns and operates more than 800 water and wastewater plants within our
9 eleven-state operational footprint. On a daily basis, we deliver, on average, more
10 than 22.8 million gallons of water to our more than 65,000 water connections and
11 treat almost 32.3 million gallons of wastewater from more than 90,000 wastewater
12 connections. In Louisiana alone, our affiliate has removed 59 systems from
13 Agreements on Consent with the Louisiana Department of Environmental Quality
14 – the fastest timeframe ever for a large group of systems – and we are 100%
15 compliant with environmental compliance agreements entered into with state
16 regulators. These agreements are necessary because of the extremely distressed
17 nature of many systems our group acquires, and our record of compliance with and
18 removal from these agreements is a testament to our ability to own and operate such
19 systems in a manner that complies with applicable laws and regulations, and our
20 ability to provide safe and reliable service to customers.

1 **Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE**
2 **SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?**

3 A. Yes, it does. First, I already described my background and experience in the water
4 and wastewater utility industry, and the other key members of CSWR's senior team
5 who are involved in Red Bird's operations are equally qualified to meet the
6 demands and needs of Red Bird and its customers, and of this Commission and
7 other regulators charged with overseeing Red Bird's operations. The members of
8 CSWR's senior team are identified in Attachment B to the Application, but because
9 some of that information no longer is accurate, I have included an updated list of
10 our senior team members as **Cox Direct Exhibit 2**. Second, CSWR's qualifications
11 are evidenced by the fact that CSWR already is providing similar services for water
12 and wastewater systems in Arizona, Arkansas, Florida, Kentucky, Louisiana,
13 Mississippi, Missouri, South Carolina, Tennessee, and Texas, as well as for the
14 Ocean Terrace/Pine Knoll Townes, Bear Den, Crosby, TESI, and soon, the JL Golf,
15 systems in North Carolina.

16 CSWR provides Red Bird the same level of experience and expertise CSWR
17 currently provides to its affiliated systems located outside North Carolina. The
18 types and quality of services CSWR provides Red Bird are not usually available to
19 small systems like the Meadowlands system involved here. CSWR's business
20 model was developed to provide support, expertise, and experience to affiliates and
21 to do so while achieving economies of scale attributable to CSWR's centralized
22 management structure. Not only would CSWR and Red Bird provide current
23 Meadowlands customers with expertise not generally available to small wastewater

1 systems, but it can realize economies of scale that would not be possible if Red Bird
2 had to acquire or provide such expertise and support on a company or system-
3 specific basis.

4 **Q. PLEASE DESCRIBE THE ECONOMIES OF SCALE YOU JUST**
5 **MENTIONED AND HOW THOSE WOULD BENEFIT MEADOWLANDS'**
6 **CUSTOMERS.**

7 A. CSWR's size and its consolidation of many small systems under one financing and
8 managerial entity will result in cost efficiencies in the operation of the
9 Meadowlands wastewater system, particularly in the areas of:

- 10 • Commission and environmental regulatory reporting;
- 11 • Managerial and operational oversight;
- 12 • Utility asset planning;
- 13 • Engineering planning;
- 14 • Ongoing utility maintenance;
- 15 • Utility record keeping;
- 16 • Customer service responsiveness; and
- 17 • Access to capital required to repair and upgrade the Meadowlands system
18 as necessary to ensure compliance with all health and environmental
19 requirements and ensure service to customers remains safe and reliable.

20 CSWR and Red Bird believe that Meadowlands' customers would benefit
21 from economies of scale and other advantages available through CSWR. While
22 these economies would not necessarily result in cost savings compared to
23 Meadowlands' current operations expenses, the advantages of this acquisition are

1 reflected in CSWR's resources pertaining to customer service, an advanced
2 computerized maintenance management system, and personnel with years of
3 experience across over 800 plants in eleven states, making CSWR the largest
4 operator of small water and sewer systems in the United States. After owning and
5 operating the Meadowlands system for an initial period, Red Bird will be able to
6 accurately identify the actual operating needs and characteristics of the system, and
7 then more accurately determine what repairs and upgrades are needed.

8 **Q. HAVE THE CSWR-AFFILIATED COMPANIES TAKEN STEPS TO**
9 **IMPROVE SERVICE AT THE SYSTEMS THEY NOW OPERATE?**

10 A. Yes. In addition to the capital improvements made on systems our affiliate group
11 has acquired, we have built from scratch and implemented customer service
12 systems that meet or exceed regulatory commission rules and provide numerous
13 benefits to customers.

14 If the Commission approves the Meadowlands Application, Red Bird will
15 implement operational changes to improve and enhance service to Meadowlands'
16 current customers. For example, customers would have access to a 24-hour phone
17 line to report any utility service issues. Those calls initially would be answered by
18 emergency service personnel who are required to respond to emergency service
19 calls within prescribed time limits. Calls would then be transferred into the
20 computerized maintenance management system and converted into work orders,
21 which create a historical record of all reported service issues. Work orders also
22 ensure contracted customer service personnel can quickly and efficiently
23 commence work required to address any customer service issues.

1 In addition, Red Bird would ensure customers have access to customer
2 service representatives during normal business hours to discuss any customer
3 concerns and would establish a utility-specific webpage and dedicated email
4 address to keep customers informed about their utility service. These types of
5 customer service and operational resources generally are not available to customers
6 served by small utilities like Meadowlands.

7 Information available on Red Bird's website, which is updated regularly,
8 includes dissemination of state-mandated information, up-to-date website bulletins
9 about service issues, and procedures for service initiation or discontinuance.
10 Mirroring relevant utility homepage information, Red Bird provides a dedicated
11 social media page to offer another avenue of communication with customers about
12 utility matters. The social media account is manned by customer service
13 representatives that can answer customer questions. These resources also would
14 provide customers with bulletins on current service status and educational
15 information relevant to their utility service. Finally, Red Bird's platforms offer
16 online bill paying options to customers, including e-checks, debit card, and credit
17 cards.

18 Because of the resources I just described, Red Bird believes the overall
19 quality of customer service will improve if Red Bird is authorized to acquire
20 Meadowlands' utility assets.

1 **Q. WHAT OTHER OPERATIONAL BENEFITS WOULD RED BIRD BRING**
2 **TO THE MEADOWLANDS SYSTEM AND CUSTOMERS?**

3 A. CSWR currently uses the Computerized Maintenance Management System
4 program called Utility Cloud to facilitate field work, inspections, maintenance
5 schedules, and reporting for all facilities. This allows CSWR to manage data, work,
6 and compliance across plant and distributed field assets. We have implemented
7 Utility Cloud in other jurisdictions to assist in avoiding compliance and equipment
8 failures with real-time data monitoring across people, machines, and sensors
9 throughout all our service areas.

10 The main benefit Utility Cloud offers is that the system is a highly
11 configurable, easy-to-use asset management tool that helps all parties distribute
12 work, report on maintenance, and streamline compliance reports. With the system
13 being highly configurable, Red Bird can build out systems efficiently and begin
14 tracking maintenance and improvements on day one of ownership. Most operators
15 of this system require only a short training session to be able to navigate, create and
16 assign work, and complete work orders. The ability to quickly train Red Bird's
17 contract operators on this system speaks volumes as to how easy the system is to
18 operate.

19 Features of Utility Cloud that CSWR would implement, and that have been
20 beneficial to the operations of its utility affiliates and have streamlined time-
21 consuming processes, include:

- 22 • Automating the completion and submission of compliance reports;

- 1 • Using custom accounts, security roles, and user rights to maintain the
2 separation between projects and managing multiple contractors while
3 storing CSWR’s data in a centralized database;
- 4 • Managing and tracking maintenance history on all assets to assist in
5 identifying potential capital improvement projects;
- 6 • Creating custom alerts as issues arise;
- 7 • Leveraging digital standard operating procedures, manuals, and layouts
8 helping to standardize complex work and meet regulatory and OSHA
9 requirements;
- 10 • Creating workflows and reports for our compliance objectives;
- 11 • Integrating with the survey database to create a useable asset for field
12 work tracking; and
- 13 • Using real-time data and leveraging analytical tools to trend plant
14 performance.

15 Utility Cloud is critical to the operation and maintenance of CSWR’s utility
16 facilities. It allows CSWR to quickly and efficiently collect asset and task-specific
17 data, enabling the Company to create custom workflows and implement new
18 processes that apply to all our sites across the country with the click of a button.
19 This is the type of scalability that CSWR requires, and it is provided Utility Cloud
20 delivers on behalf of our utility affiliates and their customers.

1 **Q. WHAT EVIDENCE CAN YOU PROVIDE TO SUPPORT YOUR CLAIMS**
2 **ABOUT THE ABILITY OF RED BIRD’S AFFILIATES TO PROVIDE**
3 **THESE SERVICES OUTSIDE NORTH CAROLINA?**

4 A. In Missouri, where CSWR-affiliated companies have operated since 2014, the
5 Missouri Public Service Commission and the Missouri Department of Natural
6 Resources (“MDNR”) have recognized the solid track record of CSWR and its
7 affiliates for acquiring, rehabilitating, maintaining, and operating troubled water
8 and wastewater systems. In its Order approving one of our acquisitions, the
9 Missouri Commission noted CSWR’s Missouri affiliate’s “sound track record in
10 rehabilitating similarly situated [i.e. troubled] systems” and its “ability to acquire,
11 maintain, and operate the systems . . . to ensure safe and adequate service.”⁸ And
12 in a letter from the MDNR in June 2023, Red Bird’s Missouri affiliate was praised
13 for its

14 willingness to acquire systems with long-standing compliance
15 issues [that] has proven to be beneficial to human health and the
16 environment by bringing many of these systems into compliance
17 with environmental laws. The Department looks forward to
18 continuing to work with [the Missouri affiliate] as it continues to
19 acquire wastewater and public water systems in Missouri, in
20 furtherance of the Department’s initiative to encourage
21 regionalization and consolidation of the many private systems in
22 Missouri that are struggling to achieve compliance with laws for the
23 protection of public health and the environment.

24 A copy of the MDNR’s letter is attached to my testimony as **Cox Direct Exhibit**

25 **3.**

⁸ *Order Approving Stipulation and Agreement and Granting Certificates of Convenience and Necessity*,
Missouri Public Service Commission File No. WM-2018-0116 (February 4, 2019), at p. 6.

1 Similar sentiments were expressed by the Mississippi State Department of
2 Health in a March 14, 2023, letter to Mississippi Public Service Commissioner
3 Brent Bailey. In that letter, the Department of Health stated:

4 As you may be aware, Great River Utility Company [Red Bird's
5 Mississippi affiliate] has recently acquired several drinking water
6 systems across the state. Great River Utility has worked closely with
7 the [Bureau of Public Water Supply's] compliance and field staff to
8 maintain compliance with the various rules and regulations of the
9 Safe Drinking Water Act. A viable entity such as Great River Utility
10 desiring to help problematic drinking water systems by investing in
11 them for improved services to citizens is very appreciated and
12 supported by the Bureau.

13 A copy of this correspondence is attached to my testimony as **Cox Direct**
14 **Exhibit 4.**

15 As further evidence of our affiliates' capabilities, regulators in Missouri,
16 Texas, Mississippi, Arizona, and Louisiana have asked CSWR and its utility
17 affiliates to assume emergency operational responsibilities for distressed water and
18 wastewater systems in those states. For example, in Texas CSWR-Texas acts as an
19 emergency manager trusted by the Texas Commission to take over some of the
20 state's most troubled utilities. In Louisiana, CSWR was named as the first
21 emergency manager for a water system by the Louisiana Department of Health, in
22 addition to taking over more than a hundred systems pursuant to a Louisiana
23 Department of Environmental Quality agreed Order addressing serious, ongoing
24 environmental compliance issues. In Arkansas and Kentucky, environmental
25 regulators requested that CSWR take over several distressed utilities. And in
26 December 2021, the Arizona Corporation Commission authorized a CSWR affiliate
27 to acquire distressed utilities and approved incentives (including the opportunity to

1 recover all or a significant portion of the difference between purchase price and net
2 book value of acquired assets) for those acquisitions.

3 **Q. DO RED BIRD AND CSWR HAVE THE FINANCIAL CAPACITY TO**
4 **ACQUIRE, OWN, AND OPERATE THE MEADOWLANDS SYSTEM?**

5 A. Yes, Red Bird and CSWR have the financial capacity to finance, own, and operate
6 the system we propose to acquire from Meadowlands. The affiliate group of which
7 Red Bird is a member has been able to secure an ongoing commitment from a Wall
8 Street private equity firm to provide capital necessary to purchase small, oftentimes
9 distressed, water and wastewater systems and then make investments necessary to
10 bring those systems into compliance with applicable health, safety, and
11 environmental protection laws and regulations. This investment commitment also
12 includes providing working capital necessary to operate the acquired systems until
13 applications for compensatory rates can be prepared and prosecuted. To date,
14 CSWR, through its affiliates, has invested more than \$536 million to purchase,
15 upgrade, and operate water and wastewater systems. Although those investments
16 have been exclusively in the form of equity, at the appropriate time Red Bird plans
17 to pursue debt financing from non-affiliated commercial sources that would allow
18 the Company to balance its capital structure. Ultimately, Red Bird's objective is to
19 achieve a capital structure consisting of 50%-60% equity and 40%-50% debt.

1 **Q. IF THE AUTHORIZATION REQUESTED IN THE APPLICATION IS**
2 **GRANTED, WOULD RED BIRD HIRE CURRENT MEADOWLANDS**
3 **EMPLOYEES TO PROVIDE SERVICE IN THE AREAS SERVED BY**
4 **MEADOWLANDS?**

5 A. No. Red Bird does not plan to hire any current Meadowlands employees to perform
6 any services after closing.

7 **Q. AFTER CLOSING, HOW DOES RED BIRD PROPOSE TO PROVIDE**
8 **SERVICE TO CUSTOMERS OF THE MEADOWLANDS SYSTEM?**

9 A. If the Commission approves the Application, Red Bird intends to hire a local, non-
10 affiliated third-party Operations and Maintenance (“O&M”) firm that has
11 knowledgeable and experienced personnel, carries required state licenses, and has
12 the insurance coverage necessary to manage daily operations of the Meadowlands
13 system. These contracts are competitively bid to ensure that the O&M services Red
14 Bird requires are obtained at a reasonable price. This is the process Red Bird
15 utilized for the Ocean Terrace/Pine Knoll Townes, Bear Den, Crosby Utilities, and
16 TESI systems. It also is the approach that Red Bird’s affiliated utility operating
17 companies have successfully employed in every other state where CSWR affiliates
18 operate water and/or wastewater systems.

19 In addition to its service obligations during normal business hours, the
20 O&M firm would be required to have a 24-hour emergency service line, which I
21 previously discussed, to deal with customers experiencing service disruptions.
22 However, notice of all service disruption calls would be forwarded to me, as
23 CSWR’s manager and the executive ultimately responsible for service in the areas

1 served by each of CSWR's utility affiliates. Further, and as previously described,
2 CSWR uses the Utility Cloud centralized computerized maintenance management
3 system to monitor the performance of our drinking water and wastewater systems,
4 which also allows us to track ongoing maintenance and testing work performed by
5 the O&M contractors we employ at each of our facilities. In addition, CSWR uses
6 geographic information system survey information to accurately map all
7 infrastructure assets, which allows the Company to specifically target ongoing
8 infrastructure re-investment as part of the overall managerial and technical support
9 CSWR provides each of its utility operating affiliates.

10 Red Bird also uses a non-affiliated third-party customer service firm to
11 handle service-related billing questions. Customer service representatives
12 employed by that third-party firm would be available during normal business hours,
13 would take messages twenty-four hours a day, and all customer correspondence
14 would be recorded and logged to consumers' accounts to ensure the highest level
15 of service. This arrangement currently is in place for all CSWR-affiliated utilities,
16 including Red Bird's current operations in North Carolina.

17 While day-to-day operational and customer service functions would be
18 provided by non-employee contractors, all management, financial reporting,
19 underground utility safety and location services, Commission regulatory reporting,
20 environmental regulatory reporting and management, operations oversight, utility
21 asset planning, engineering planning, ongoing utility maintenance planning, utility
22 record keeping, billing, and final customer dispute management would be
23 performed by personnel at CSWR's St. Louis office, with a proportional share of

1 the cost for those services passed down to Red Bird. CSWR personnel also would
2 monitor the activities of the non-employee contractors to make sure the
3 Meadowlands system is being operated and maintained properly and customers'
4 needs are being met.

5 **III. DESCRIPTION OF THE PROPOSED TRANSACTION**

6 **Q. PLEASE DESCRIBE THE SYSTEM RED BIRD PROPOSES TO ACQUIRE**
7 **FROM MEADOWLANDS.**

8 A. Red Bird proposes to acquire the wastewater system owned by Meadowlands that
9 serves approximately 558 residential wastewater customers in Davidson County.

10 Terms of the proposed asset purchase are governed by the *Purchase and*
11 *Sale Agreement* ("Agreement") between Meadowlands and Central States. A copy
12 of that Agreement was filed as Confidential Attachment G to the Application.
13 Central States entered into the Agreement with Meadowlands on July 31, 2020.

14 No closing date for the transaction has been set, but the Agreement
15 identifies various conditions precedent, including obtaining all required regulatory
16 approvals, which must be satisfied before the transaction can close. Section 18 of
17 the Agreement also authorizes Central States to assign all its rights to the acquired
18 assets to an affiliated entity. In accordance with that provision, Central States
19 assigned its rights under the Agreement to Red Bird on October 1, 2020.

20 **Q. WHAT IS THE PURCHASE PRICE ASSOCIATED WITH THE**
21 **CONTEMPLATED TRANSACTION?**

22 A. Central States contracted to purchase all utility assets of Meadowlands for **[BEGIN**
23 **CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL].**

1 **Q. HAS RED BIRD UNDERTAKEN A PRELIMINARY SURVEY AND**
2 **ANALYSIS OF THE MEADOWLANDS SYSTEM?**

3 A. Yes. As is our normal practice, following execution of an asset purchase agreement
4 and as part of our due diligence efforts, we engage a third-party engineering firm
5 to perform a preliminary survey and analysis of the water and wastewater systems
6 we propose to acquire. In this instance, Red Bird engaged engineers with water
7 infrastructure experience at Kimley Horn, a national consulting firm headquartered
8 in Raleigh, North Carolina, to inspect and assess the Meadowlands system.

9 Kimley Horn surveyed and assessed the Meadowlands system, and its initial
10 Report was prepared in July 2021. That Report was filed as Confidential
11 Attachment L to the Application. Meadowlands' wastewater system serves
12 approximately 558 residential sewer customers in the Meadowlands Subdivision in
13 Davidson County. A map showing the location of the sewer system assets Red Bird
14 proposes to acquire is also included as part of Confidential Attachment L to the
15 Application. The sewer system consists of three lift stations with accompanying
16 force mains and gravity sewer lines. Effluent from the system discharges into the
17 Winston-Salem/Forsyth County municipal treatment facility for treatment.

18 **Q. WHAT IS THE RATE BASE IN THE UTILITY ASSETS TO BE**
19 **ACQUIRED FROM MEADOWLANDS?**

20 A. Based on our audit team's review of documentation provided by Meadowlands'
21 current owners, we believe the current net book value for the Meadowlands system
22 to be [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] as of
23 December 31, 2023.

1 **Q. WHAT REMEDIAL WORK ON THE MEADOWLANDS SYSTEM DID**
2 **KIMLEY HORN RECOMMEND?**

3 A. Kimley Horn preliminarily assessed the Meadowlands wastewater system to
4 require improvements and upgrades totaling approximately \$33,000. Kimley
5 Horn's specific findings and recommendations are detailed in Confidential
6 Attachment L to the Application.

7 **Q. AFTER CLOSING, WHAT INVESTMENTS DOES RED BIRD PLAN TO**
8 **MAKE TO ADDRESS ISSUES CONFRONTING THE MEADOWLANDS**
9 **SYSTEM?**

10 A. After closing, Red Bird intends to make investments in replacements and upgrades
11 necessary to ensure the wastewater system it is acquiring complies with all
12 applicable health, safety, and environmental regulations and can provide customers
13 safe and reliable wastewater service at reasonable rates. I previously described
14 Kimley Horn's preliminary estimate of the cost of the work and capital necessary
15 to address problems and compliance concerns with the Meadowlands wastewater
16 system. However, Kimley Horn's assessment was based on data provided by the
17 seller, information available from public records, and information gathered during
18 a field survey of visible, above-ground assets. The assessment did not include any
19 detailed investigation of system components, any system testing procedures, or an
20 inspection or assessment of pipelines, valves, or other below-ground facilities. For
21 those reasons, the survey and capital estimates are preliminary.

22 I want to emphasize that Kimley Horn's findings and recommendations are
23 preliminary and capital investment required to meet each system's actual needs may

1 be greater or less Kimley Horn’s estimates. If our affiliate group’s ownership and
2 operation of more than 800 water and wastewater systems in ten other states has
3 taught us anything, it’s that we can never precisely know what capital investment
4 will be required for repairs and upgrades until we have a chance to operate the
5 systems we acquire. Only after having some experience with operating the acquired
6 facilities can we truly determine the nature and full extent of the problems those
7 systems face, and the most cost-effective ways to address and remedy those
8 problems. I am certain we will find that true for the Meadowlands system as well.
9 Whatever problems ultimately are determined to exist and require remediation –
10 problems that equally confront the current owner selling the Meadowlands system,
11 or any other party seeking to acquire the Meadowlands system – Red Bird will fix
12 those problems in the most cost-effective way possible. Our track record outside
13 North Carolina is clear: CSWR does not invest capital unnecessarily and it does not
14 “gold plate” the systems it owns and operates. We invest the capital needed to
15 provide safe, reliable, and environmentally compliant water and wastewater
16 service. This is the same attitude and track record we will bring to the Meadowlands
17 system as well.

18 **Q. WHAT IS THE COMPLIANCE HISTORY OF THE MEADOWLANDS**
19 **SYSTEM?**

20 A. Because the Meadowlands system is a collection-only system that sends its effluent
21 for treatment elsewhere, there are no regulatory requirements that apply to this
22 system, and therefore, there is no compliance history.

1 **Q. IF THE COMMISSION DETERMINES IT IS NECESSARY TO DECIDE**
2 **WHETHER AN ACQUISITION ADJUSTMENT IS WARRANTED IN THIS**
3 **PROCEEDING, DOES RED BIRD SEEK APPROVAL OF AN**
4 **ACQUISITION ADJUSTMENT IN CONNECTION WITH ITS PROPOSED**
5 **ACQUISITION OF THE MEADOWLANDS SYSTEM?**

6 A. Yes. Under the Agreement with Meadowlands, CSWR agreed to pay [BEGIN
7 CONFIDENTIAL] ██████████ [END CONFIDENTIAL] for the Meadowlands
8 system and utility assets. However, as reflected in its 2022 Annual Report,
9 Meadowlands reports a net book value of zero for those assets. Because Red Bird's
10 purchase price exceeds the previously mentioned net book value of the
11 Meadowlands system and assuming the Commission accepts that valuation for
12 purposes of determining rate base, Red Bird seeks an acquisition adjustment of
13 [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL] to recover all
14 or a portion of the difference. Regardless, it is our position that both the valuation
15 determination and the acquisition adjustment are issues that should be deferred to
16 Red Bird's initial rate case that includes the Meadowlands system.

17 **Q. IF THE COMMISSION APPROVES THE APPLICATION, IS RED BIRD**
18 **WILLING AND ABLE TO MAKE ANY IMPROVEMENTS NECESSARY**
19 **TO BRING THE MEADOWLANDS SYSTEM INTO COMPLIANCE WITH**
20 **APPLICABLE REGULATIONS?**

21 A. Yes. If the Commission approves the Application, Red Bird and CSWR are willing
22 and able to invest the capital necessary to bring the Meadowlands system into
23 compliance with applicable regulatory and legal requirements. As I described

1 previously, the affiliate group of which Red Bird and CSWR are a part of has access
2 to the capital necessary to operate the Meadowlands system in a manner that is in
3 the public interest and complies with applicable statutes, rules, and regulations.

4 **Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT**
5 **FOR THE MEADOWLANDS SYSTEM?**

6 A. Initially, Red Bird proposes to adopt the tariffs, rules, and rates currently in effect
7 for the Meadowlands system. The current monthly flat residential service rate is
8 \$45.31. However, if the rates for the system prove to be inadequate to cover
9 reasonable and prudent operating costs and provide the opportunity to earn a fair
10 rate of return on our investment, Red Bird will petition the Commission to increase
11 rates. Red Bird may also seek authority to eventually consolidate rates of the
12 systems that are the subject of these dockets with those of other water and
13 wastewater systems it hopes to acquire.

14 **Q. BEYOND THE ISSUE OF WHETHER RED BIRD HAS THE FINANCIAL,**
15 **TECHNICAL, AND MANAGERIAL ABILITY NECESSARY TO BE**
16 **ALLOWED TO ACQUIRE, OWN AND OPERATE THE MEADOWLANDS**
17 **SYSTEM, WHAT ADDITIONAL DETERMINATIONS HAS THE**
18 **COMMISSION TYPICALLY MADE IN A TRANSFER PROCEEDING**
19 **LIKE THIS?**

20 A. Prior to amending N.C.G.S. § 62-111 discussed below, the Commission historically
21 has gone beyond the threshold issue of competence and established rate base in the
22 acquired assets, as well as the purchaser's due diligence costs associated with the
23 acquisition. Based on our experience in other jurisdictions, and since the approval

1 of this Application is not a rate-making proceeding, I would expect those issues to
2 be deferred to the Company’s initial post-acquisition rate case. That is effectively
3 what the Commission did when it deferred issues related to Red Bird’s interim
4 operating costs in the Ocean Terrace/Pine Knoll Townes docket and it would seem
5 to be an appropriate approach in this proceeding.

6 I also note that the law applicable to water and wastewater acquisitions
7 recently changed since the Commission issued orders in the Ocean Terrace/Pine
8 Knoll Townes, Bear Den, and Crosby dockets. Changes to N.C.G.S. § 62-111
9 enacted by the General Assembly and signed into law in June of 2023 provide that
10 the Commission “shall issue an order approving an application” to acquire water
11 and wastewater system assets if the proposed acquisition “is in the public interest,
12 will not adversely affect service to the public under any existing franchise, and the
13 person acquiring said franchise . . . has the technical, managerial, and financial
14 capabilities necessary to provide public utility service to the public.” By limiting
15 the focus of the Commission’s inquiry in acquisition cases I believe the General
16 Assembly has signaled that extraneous issues – such as rate base, whether an
17 acquisition adjustment should be approved, and recovery of due diligence costs –
18 should be deferred to a rate case or other post-acquisition proceedings.

19 **Q. WHAT COSTS HAS RED BIRD INCURRED IN CONDUCTING ITS DUE**
20 **DILIGENCE INQUIRY AND INVESTIGATION RELATING TO THE**
21 **MEADOWLANDS SYSTEM?**

22 A. We will not know the total due diligence and transactional costs associated with
23 this (or any other) acquisition until the transaction closes. Our experience is that

1 smaller systems often require more due diligence work than larger, better managed
2 systems because the document management, record keeping, and regulatory
3 compliance tendencies associated with smaller systems tends to be poor and often
4 incomplete, requiring additional efforts to attempt to accurately determine what
5 exists in the ground and in areas that sometimes have not been maintained for
6 decades.

7 The due diligence activities undertaken by Red Bird in connection with the
8 acquisition of the Meadowlands system included surveying work, legal title work,
9 preliminary civil engineering work, environmental compliance site surveys, and
10 accounting due diligence. As shown on **Cox Direct Exhibit 5**, as of the date of my
11 testimony Red Bird has incurred costs totaling \$139,504.24 for due diligence,
12 transactional and regulatory work related to the acquisition of the Meadowlands
13 system.

14 **Q. WHAT IS THE ROLE OF DUE DILIGENCE INVESTIGATIONS IN**
15 **CONNECTION WITH EVALUATING POTENTIAL ACQUISITIONS?**

16 A. Due diligence efforts provide preliminary insight to a potential purchaser as to the
17 condition of a utility system and the problems and issues that must be addressed.
18 As noted above, the full scope and scale of those problems cannot be truly known
19 until we have acquired and begun to operate a system. Due diligence is not a process
20 that is limited to utility acquisitions. Any business considering a significant
21 acquisition routinely conducts due diligence activities to determine the condition of
22 the assets it proposes to acquire to confirm that clear title to those assets can be

1 acquired, and to estimate the nature and extent of required future capital
2 investments.

3 The Commission should encourage entities to undertake due diligence
4 activities when reviewing possible utility acquisitions and understand that not every
5 system that is reviewed will be acquired. This is especially the case with regard to
6 troubled and distressed systems, where investment is required to address problems
7 and bring systems into compliance. Without undertaking due diligence efforts, it
8 would be impossible for Red Bird to acquire systems with a reasonable
9 understanding of what will be required to operate the systems in a manner that
10 ensures customers receive safe and reliable utility service. Without the basic
11 knowledge our due diligence activities provide about systems we acquire,
12 achieving the objectives I just mentioned would be extremely difficult if not
13 impossible.

14 CSWR prudently investigates acquisition opportunities that present
15 themselves and this analysis necessarily involves the expenditure of time by
16 properly trained employees and the use of consulting engineers, lawyers,
17 accountants, and other experts. There are some potential acquisitions which, after
18 proper due diligence, are shown to be not in the best interests of CSWR or its
19 operating subsidiaries' customers. Nonetheless, these are legitimate business
20 expenses and this type "opportunity cost" should be shared with customers, just as
21 the benefits of completed acquisitions are shared. These efforts are necessary in
22 order to make prudent acquisition decisions and are a reasonable and necessary part
23 of this process. Due diligence efforts also provide information useful in determining

1 whether an acquisition application should be approved. For these and other reasons,
2 Red Bird believes it is reasonable and appropriate that the Company’s due diligence
3 costs associated with investigating the Meadowlands system and transactional costs
4 incurred to this point, as shown in **Cox Direct Exhibit 5**, be included in rate base,
5 subject to being recovered in the Company’s first general rate case.

6 Establishing a regulatory policy that such costs are unrecoverable in rates
7 would create a significant disincentive for future acquisitions in North Carolina,
8 including those of troubled and distressed water and/or wastewater systems whose
9 acquisition by competent and adequately capitalized companies like Red Bird
10 clearly is in the public interest. Finally, as for regulatory costs, those are
11 unavoidable because Commission review and approval of public utility acquisitions
12 is required by law. As further evidence of how “mainstream” due diligence and
13 regulatory costs are to transactions such as the one currently under consideration, I
14 note the Uniform System of Accounts for small water and wastewater companies,
15 which was created by the National Association of Regulatory Utility
16 Commissioners, expressly provides for the capitalization of those costs.

1 **Q. ARE RED BIRD AND CSWR FAMILIAR WITH THE COMMISSION'S**
2 **RULES AND REGULATIONS GOVERNING SEWER UTILITIES AND DO**
3 **THOSE COMPANIES PLEDGE TO OPERATE THE SYSTEM AT ISSUE**
4 **IN THESE DOCKETS IN A MANNER THAT COMPLIES WITH THOSE**
5 **RULES AND REGULATIONS?**

6 A. Yes, CSWR and Red Bird are familiar with the Commission's rules and regulations
7 and pledge to operate the Meadowlands system in a manner that complies with all
8 Commission rules and all applicable state statutes and regulations.

9 **Q. HOW DOES RED BIRD PROPOSE TO SATISFY THE FINANCIAL**
10 **SECURITY REQUIREMENTS IMPOSED BY COMMISSION RULE R7-**
11 **37?**

12 A. To provide the financial security required by the Commission's rules, Red Bird will
13 post its own bond, to be secured by a corporate surety bond in a form that complies
14 with Commission Rule R7-37.

15 **IV. CONCLUSION**

16 **Q. DO YOU BELIEVE THE PROPOSED TRANSACTION IS IN THE PUBLIC**
17 **INTEREST?**

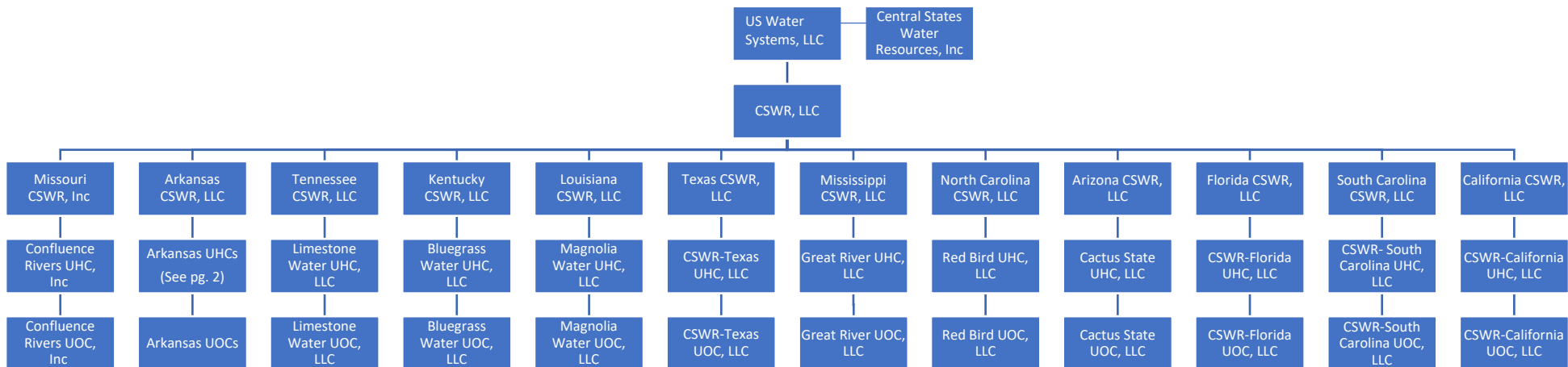
18 A. Yes. I believe Red Bird's proposed acquisition of the wastewater system currently
19 owned and operated by Meadowlands will be consistent with and would promote
20 the public interest. For the reasons I previously articulated, approving the
21 acquisition of this system to a well-capitalized enterprise that is a professional
22 utility, will be in the best interest of Meadowlands' customers. Red Bird and CSWR

1 are fully qualified, in all respects, to own and operate that system and to otherwise
2 provide safe and adequate service.

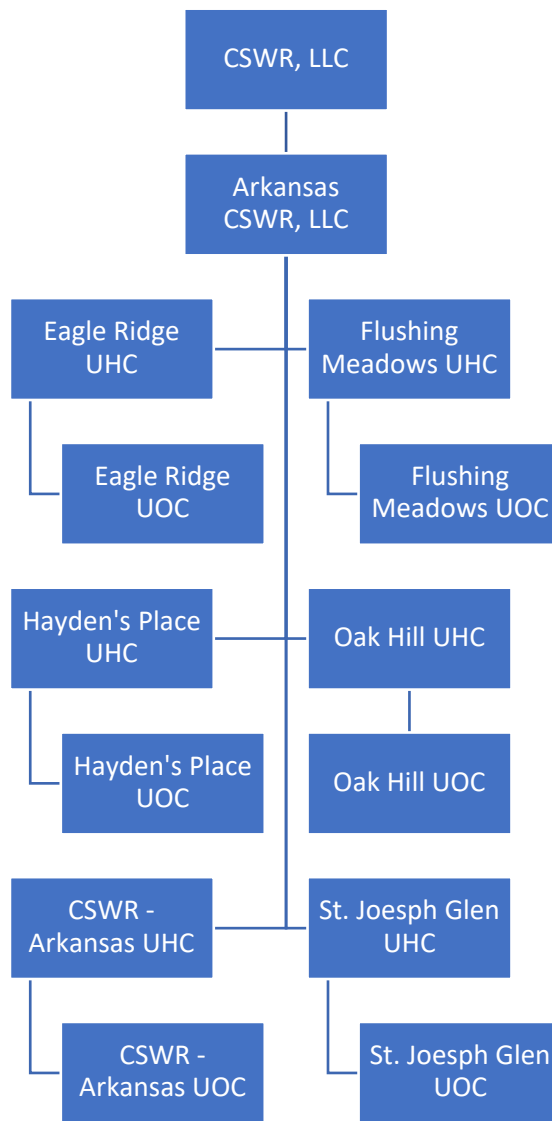
3 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

4 A. Yes.

Central States Water Resources Corporate Entity Organizational Chart



Arkansas CSWR Organizational Chart Detail



Josiah Cox – President

Mr. Cox is President of Red Bird Utility Operating Company, LLC, Red Bird Utility Holding Company, LLC, and also of, CSWR, LLC, (“CSWR”) and Central States Water Resources, Inc. All those companies are part of an affiliated group that provides water and/or wastewater utility services to approximately 150,000 customers in 11 states.

Mr. Cox received a Bachelor of Science degree with a major in Environmental Science from the University of Kansas where he was also a student-athlete. Professionally he has worked at the Kansas state biological survey, where he performed a wildlife habitat study. He then worked at a civil engineering firm where he was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. He focused mainly on the water and wastewater side of the civil engineering business and participated in every aspect of that business from waste-load allocation studies (now known as the anti-degradation processes), to design, permitting, project management, and construction management. He also ran the firm's environmental consulting division and was the second private consultant to submit a Water Quality Impact Assessment in the state of Missouri in 2003. He later joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, he formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. He gained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste- load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. They did full engineering design of multiple whole community water and wastewater infrastructure systems including wells, water distribution, water treatment, water storage, wastewater conveyance, and wastewater treatment plants and delivered these designs through federal and state administered permitting processes in Missouri. The engineering firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign-off. During this time, Mr. Cox also began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which he earned his advanced degree and graduated in 2007.

Additionally, beginning in 2008, Mr. Cox took over the operations of a rural sewer district where he managed the functioning, testing, and maintenance of this system. In that capacity, he also acted as the administrator for the system, performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community. He no longer has any responsibilities for that system.

In late 2010, after working on several small, distressed water and wastewater systems, Mr. Cox created a business plan to acquire and recapitalize failing systems as investor-owned, regulated water and wastewater utility companies. In early 2011, he went to the capital markets to raise money to implement his plan, and over a period of approximately three years met with more than fifty- two infrastructure investment groups in an attempt to raise necessary financing. In February 2014, he was able to raise sufficient debt and equity capital to start CSWR. In 2018, he attracted an additional large institutional private equity investor, which allowed CSWR to expand

the scope of its business plan. Since its formation, CSWR has acquired, and is currently operating more than 800 water and/or wastewater systems in Arizona, Arkansas, Florida, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, South Carolina, Tennessee, and Texas.

Marty Moore – Chief Financial Officer

Marty Moore is the Chief Financial Officer of CSWR, LLC, and has held this position since April 2020. As CFO, Mr. Moore provides leadership, direction, and oversight of the finance and accounting teams, managing the process for financial forecasting, budgeting, and reporting in addition to overseeing the human resources and risk management functions.

After receiving a Bachelor of Business Administration in Accounting from Abilene Christian University, Mr. Moore gained a wide range of financial management experience. Moore's extensive senior-level finance and operational expertise includes serving as CFO of international automation equipment manufacturer Baldwin Technology Co., a company he helped Barry- Wehmiller/Forsyth Capital take private in 2012. Prior to that, Mr. Moore held senior leadership positions with Summit Marketing, Consolidated Terminals, Barnhill's Buffet Inc., and Global Materials Services. He began his career at Arthur Andersen. Moore most recently led finance and corporate services as CFO of Gardner Capital, a national affordable housing and renewable energy developer, investor, and tax credit syndicator. He has an extensive background in mergers and acquisitions and works alongside Mr. Cox in accelerating the company's already rapid growth trajectory.

Todd Thomas – Senior Vice President

Todd Thomas holds the office of Senior Vice President of CSWR. Mr. Thomas received his Bachelor of Science in Civil Engineering from The Missouri University of Science and Technology, and a Master of Business Administration from Washington University in St. Louis.

Before joining CSWR, Mr. Thomas was President of Brotcke Well and Pump, Vice President of Operations and Business Development of the Midwest for American Water Contract Operations, and General Manager of Midwest Operations for Environmental Management Corporation. Mr. Thomas currently serves on the Technical Advisory Team for the Public Water Supply District 2 of St. Charles County, MO.

Mr. Thomas's past positions in related industries has provided him with extensive experience in water and sewer utilities. He has in depth, firsthand knowledge about the amount of damage resulting from the lack of maintenance on a well system, and he understands how much money and effort are required to restore a well system after neglect.

In his position as Senior Vice President at CSWR, Mr. Thomas's primary responsibilities include utility operations along with the acquisition, development, and rate stabilization of CSWR-affiliated utilities. Those duties include operations, maintenance, capital planning, and regulatory compliance for all affiliate-owned facilities. He is responsible for the management of all operations and maintenance service providers, and engineering firms.

Mike Duncan – Vice President

Mike Duncan is the Vice President of CSWR and was promoted to that position in October 2020. As Vice President, he has played an integral role in researching, preparing, filing, and processing acquisition applications in Missouri, Kentucky, Tennessee, Louisiana, Texas, North Carolina, and Mississippi. He also has taken a leading role in preparing and filing rate cases in Missouri, Kentucky, and Louisiana.

After receiving his Bachelor of Arts degree from Washington University in St. Louis, the first eleven years of his career were spent as an administrator and later director at a non-profit organization in St. Louis, Missouri. As Executive Director, Mr. Duncan oversaw accounting, finance, human resources, IT, and communications for the organization. During his employment he earned his Master of Business Administration from the Olin School of Business at Washington University. Prior to joining CSWR, he spent two years as Director of Operations with NAPA Auto Tire & Parts, a partner-owned chain of auto parts stores, overseeing projects related to distribution, logistics, IT, and general management.

Jake Freeman – Director of Engineering

Jake Freeman is the Director of Engineering of CSWR and has held this position since January 2019. As Director of Engineering, he oversees the engineering, surveying, and facility construction upgrades for all newly acquired CSWR water and wastewater utilities including those in Arizona, Arkansas, Florida, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, South Carolina, Tennessee, and Texas. He also oversees ongoing capital upgrade projects on all CSWR affiliated and operated facilities.

After receiving a Bachelor of Science degree in Mechanical Engineering from the University of Missouri – Columbia, Mr. Freeman spent the first two years of his career working for Corrigan Mechanical, a design-build mechanical contractor in St. Louis, where he designed, estimated, and managed plumbing, HVAC and process piping construction projects in Missouri and southern Illinois. He then spent eleven years performing similar tasks for Brotcke Well & Pump, a well and pump service contractor servicing water wells and water treatment equipment throughout Missouri, Illinois, Kentucky, and Kansas. Prior to his employment with CSWR, he held the position of Vice President of Brotcke Well & Pump and Principal for their engineering services and managed their newly opened office in Kansas City.

Jo Anna McMahon - Vice President of Government Affairs

Jo Anna McMahon is the Vice President of Government Affairs for CSWR. Ms. McMahon holds several top water and wastewater certifications throughout the country. She received her Bachelor of Business Administration degree from the University of Arkansas at Little Rock, and will be graduating in May 2023 with a Master of Business Administration degree from Washington University in St. Louis, Missouri.

Before joining CSWR, Ms. McMahon worked for both public and private utilities, respectively serving a both municipality and military installations. Ms. McMahon has extensive experience as both an Operations Coordinator and as a Specification Specialist.

In her previous position as Director for Environmental Health and Safety at CSWR, her responsibilities included managing daily operations of wastewater and water treatment facilities of various sizes ranging from 3,600 gallons per day (gpd) to 64,000,000 gpd. Throughout that time, Ms. McMahon led teams of operators in creating and executing infrastructure improvement plans, managing and developing employees, and providing a standard of excellence in customer service while keeping facilities and operations within regulatory compliance.

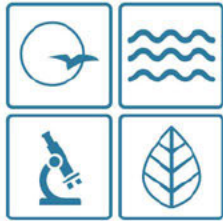
Ms. McMahon's previous employment equipped her with invaluable experience in water and sewer utilities. She has a wide range of firsthand experience in managing water and wastewater treatment facilities safely and in a financially and operationally sound manner.

Chelsie Carter - Director of Customer Experience

Chelsie Carter is the Director of Customer Experience at CSWR. Ms. Carter joined CSWR in 2021 as Customer Experience Manager and was promoted to Director level within seven months, leading an overhaul of the CSWR's customer service functions during a period of dramatic growth.

Ms. Carter first earned a Bachelor of Science degree followed by her Master of Business Administration from Lindenwood University. She has a strong background in training and management as well as extensive experience with utility providers. Prior to joining CSWR, she led the Accounts Receivable division at the St. Louis Metropolitan Sewer District, where she also served as the point of contact for dozens of major accounts. Areas of oversight included billing \$34M per month in customer invoices, customer service for 430k customers, processing an average of \$1M in payment remittance per day and collecting more than \$92M in delinquent accounts. Ms. Carter also spent 16 years with American Water, starting as the supervisor for the Customer Call Center and working her way up to Business Services Specialist. In this role she was the point of contact for the Public Service Commission on customer-related issues and resolutions. She has provided direction and support for several rate cases, acquisitions, and software implementations.

Since joining CSWR, Ms. Carter continues to oversee the entire customer life cycle, focusing on improving the customer experience in the areas of self-service, software systems and processes.



MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

Michael L. Parson
Governor

Dru Buntin
Director

June 22, 2023

OFFICIAL COPY VIA EMAIL

Josiah Cox
Confluence Rivers Utility Operating Company, Inc.
1650 Des Peres Road, Suite 303
Des Peres, MO 63131

RE: Confluence Rivers Utility Operating Company

Dear Josiah Cox:

The Missouri Department of Natural Resources regulates approximately 5,000 domestic wastewater treatment systems and approximately 2,700 public water systems in the State that are subject to the Missouri Clean Water Law and the Missouri Safe Drinking Water Law, respectively. The Department's primary goal as the regulatory authority in administering these state laws is to ensure environmental protection and human health and safety against pollution and health risks that may be caused by failing or improperly operating wastewater treatment systems and public water systems. The Department promotes compliance through compliance assistance, education, and, when necessary, enforcement actions. When systems end up in enforcement, it is often a result of limited resources and available solutions, which can sometimes draw cases out over a period of years.

When systems are unable to resolve their technical, managerial, or financial problems, one reliable solution is selling the system to a higher-performing utility operating company. In Missouri, Confluence Rivers Utility Operating Company, Inc. (CRUOC) is one of the few utility operating companies who is willing to acquire some of the most difficult failing systems. CRUOC has consistently taken swift actions after taking control of these systems to bring them into compliance by employing qualified operators, effectively administering and managing the systems, and investing in repairs and upgrades.

CRUOC's willingness to acquire systems with long-standing compliance issues has proven to be beneficial to human health and the environment by bringing many of these systems into compliance with environmental laws. The Department looks forward to continuing to work with CRUOC as it continues to acquire wastewater and public water systems in Missouri, in furtherance of the Department's initiative to encourage regionalization and consolidation of the many private systems in Missouri that are struggling to achieve compliance with laws for the protection of public health and the environment.



If you have any questions regarding this correspondence, you may contact Joe Clayton at Department of Natural Resources, Water Protection Program, Compliance and Enforcement Section, P.O. Box 176, Jefferson City, MO 65102-0176; by phone at 573-522-1120; or by email at cwenf@dnr.mo.gov. Thank you for your cooperation in this matter.

Sincerely,

WATER PROTECTION PROGRAM



Joe Clayton
Compliance and Enforcement Section Chief

JC/ehh

c: Lance Dorsey, Chief, PDWB, Compliance and Enforcement



STATE OF MISSISSIPPI
TATE REEVES
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHRIS WELLS, EXECUTIVE DIRECTOR

February 27, 2023

Commissioner Brent Bailey
MPSC-Central District
Woolfolk Building
501 North West Street
Suite 201A
Jackson, MS 39201 P.O. Box

Dear Commissioner Bailey:

The Mississippi Department of Environmental Quality (MDEQ) shares a common desire with you and other members of the Mississippi Public Service Commission (PSC) to provide our citizens with reliable, affordable, and safe utilities statewide. While our role as the State's environmental regulatory agency may differ slightly from the role of the PSC, we appreciate the partnership we have with your organization in accomplishing these shared goals.

As you are aware, our two organizations have worked closely together through the years specifically on wastewater utilities as MDEQ has environmental regulatory oversight for most of these operations. Furthermore, our organizations continue to see a limited number of wastewater utilities around the state dissolve and/or systems abandoned where citizens serviced by those utilities are left with failing, non-compliant systems. Recently, MDEQ and PSC has worked even more closely to find solutions to known problematic systems that were creating imminent environmental impacts and/or potential health impacts to citizens in the vicinity of these failing systems.

A specific example of our successful partnership has been working with Great River Utility in their recent acquisition of several failing/abandoned wastewater utilities across the state. Great River Utility has worked closely with MDEQ technical staff and made binding commitments to bring these systems back into compliance. A viable entity seeking out troubled utilities/wastewater systems and returning reliable, compliant services to citizens is a welcomed concept by MDEQ. We believe our partnership with the PSC to identify problematic systems and finding long term solutions, as in the case of Great River, reflects very clearly shared goals and objectives.

We appreciate Great River Utilities' commitment to regulatory compliance, and MDEQ remains committed to our partnership with PSC to find sensible solutions to shared problems. If we may be of additional service to the PSC, please do not hesitate to contact us.

Sincerely,

Chris Sanders

Chris Sanders, P.E., BCEE
Director, Office of Pollution Control

OFFICIAL COPY

Feb 08 2024

Vendor	Inv #	Amount	Acquisition
21 Design Group Inc.	11558	177.50	Meadowlands
21 Design Group Inc.	12010	2,470.42	Meadowlands
Beckemeier LeMoine Law	75-034	45.00	Meadowlands
The Beckemeier Law Firm LC	75-009	480.00	Meadowlands
The Beckemeier Law Firm LC	75-010	585.00	Meadowlands
The Beckemeier Law Firm LC	75-012	706.00	Meadowlands
The Beckemeier Law Firm LC	75-013	2,275.00	Meadowlands
The Beckemeier Law Firm LC	75-014	1,547.50	Meadowlands
Burns, Day & Presnell, P.A.	69832	1,303.40	Meadowlands
The Beckemeier Law Firm LC	75-016	97.00	Meadowlands
Black, Slaughter & Black, PA	228780	125.00	Meadowlands
The Beckemeier Law Firm LC	75-017	250.00	Meadowlands
The Beckemeier Law Firm LC	75-018	605.00	Meadowlands
The Beckemeier Law Firm LC	75-018	605.00	Meadowlands
The Beckemeier Law Firm LC	75-018	(605.00)	Meadowlands
The Beckemeier Law Firm LC	75-019	1,495.50	Meadowlands
Black, Slaughter & Black, PA	231005	937.50	Meadowlands
Beckemeier LeMoine Law	75-020	448.00	Meadowlands
Burns, Day & Presnell, P.A.	70465	637.50	Meadowlands
Beckemeier LeMoine Law	75-021	115.00	Meadowlands
Beckemeier LeMoine Law	75-022	1,002.00	Meadowlands
Law Firm Carolinas	234715	206.25	Meadowlands
Beckemeier LeMoine Law	75-023	56.00	Meadowlands
Law Firm Carolinas	231005-2	2,219.20	Meadowlands
Law Firm Carolinas	236167	164.06	Meadowlands
Burns, Day & Presnell, P.A.	71248	744.17	Meadowlands
Beckemeier LeMoine Law	75-024	115.00	Meadowlands
Beckemeier LeMoine Law	75-025	56.00	Meadowlands
Beckemeier LeMoine Law	75-026	145.00	Meadowlands
Burns, Day & Presnell, P.A.	71446	708.33	Meadowlands
Beckemeier LeMoine Law	75-027	336.00	Meadowlands
Beckemeier LeMoine Law	75-028	1,305.00	Meadowlands
Law Firm Carolinas	242045	137.50	Meadowlands
Beckemeier LeMoine Law	75-029	56.00	Meadowlands
21 Design Group Inc.	6018	2,317.50	Meadowlands
21 Design Group Inc.	6298	2,056.25	Meadowlands
Kimley-Horn and Associates, Inc.	64570010-0920	500.00	Meadowlands
21 Design Group Inc.	6859	356.25	Meadowlands
21 Design Group Inc.	7389	1,491.25	Meadowlands
21 Design Group Inc.	7718	633.75	Meadowlands
21 Design Group Inc.	8212	172.50	Meadowlands
Kimley-Horn and Associates, Inc.	064570010-0421	6,835.56	Meadowlands
21 Design Group Inc.	8606	608.75	Meadowlands
21 Design Group Inc.	9058	11,025.00	Meadowlands
21 Design Group Inc.	9307	67.50	Meadowlands
21 Design Group Inc.	9730	28.75	Meadowlands

Vendor	Inv #	Amount	Acquisition
21 Design Group Inc.	10206	180.00	Meadowlands
21 Design Group Inc.	10679	57.50	Meadowlands
21 Design Group Inc.	11149	321.25	Meadowlands
Beckemeier LeMoine Law	75-035	168.00	Meadowlands
21 Design Group Inc.	12749	301.25	Meadowlands
Beckemeier LeMoine Law	75-036	1,915.20	Meadowlands
21 Design Group Inc.	13263	150.00	Meadowlands
Beckemeier LeMoine Law	75-037	979.20	Meadowlands
Beckemeier LeMoine Law	75-038	516.80	Meadowlands
21 Design Group Inc.	14094	30.00	Meadowlands
Beckemeier LeMoine Law	75-039	2,340.80	Meadowlands
Beckemeier LeMoine Law	75-040	334.40	Meadowlands
21 Design Group Inc.	14548	150.00	Meadowlands
21 Design Group Inc.	15016	630.00	Meadowlands
Beckemeier LeMoine Law	75-041	1,702.40	Meadowlands
Law Firm Carolinas	252408	450.00	Meadowlands
Burns, Day & Presnell, P.A.	73826	743.75	Meadowlands
Beckemeier LeMoine Law	75-046	60.80	Meadowlands
21 Design Group Inc.	18601	510.00	Meadowlands
21 Design Group Inc.	19235	120.00	Meadowlands
21 Design Group Inc.	19653	180.00	Meadowlands
Beckemeier LeMoine Law	75-049	467.50	Meadowlands
21 Design Group Inc.	20338	60.00	Meadowlands
Burns, Day & Presnell, P.A.	74872	85.00	Meadowlands
Beckemeier LeMoine Law	75-054	608.00	Meadowlands
21 Design Group Inc.	20701	63,675.00	Meadowlands
Burns, Day & Presnell, P.A.	74992	85.00	Meadowlands
Beckemeier LeMoine Law	75-055	1,365.00	Meadowlands
21 Design Group Inc.	21072	5,320.00	Meadowlands
Burns, Day & Presnell, P.A.	75102	701.25	Meadowlands
21 Design Group Inc.	21452	311.25	Meadowlands
Windley E. Henry	PS2023-13	1,968.75	Meadowlands
Burns, Day & Presnell, P.A.	75378	106.25	Meadowlands
Beckemeier LeMoine Law	75-056	1,178.50	Meadowlands
Beckemeier LeMoine Law	75-058	1,152.00	Meadowlands
21 Design Group Inc.	21841	1,064.50	Meadowlands
Law Firm Carolinas	269739NC	727.00	Meadowlands
Law Firm Carolinas	271861NC	162.50	Meadowlands
Beckemeier LeMoine Law	75-059	544.00	Meadowlands
Windley E. Henry	PS2023-22	437.50	Meadowlands

139,504.24