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October 9, 2023

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

RE: Report by Total Environmental Solutions Inc., addressing customer testimony at the September 25, 2023 Public Hearing, Docket No. W-1146, Sub 13 and W-1328, Sub 10

Dear Ms. Dunston:

Please accept for filing this report by Total Environmental Solutions Inc. ("TESI"), Post Office Box 14056, Baton Rouge, Louisiana 70898 addressing customer testimony at the September 25, 2023 hearing in above captioned dockets. And decretal paragraph 3. of the Commission's Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice the Commission required that TESI and Redbird are required to file separate, verified reports addressing all customer service and service quality complaints expressed during the customer hearing held on Monday, September 25, 2023 , within 14 days of the conclusion of the customer hearing. In response thereto attached herewith is the report submitted by TESI and the verification of Wayne Owens.

Thank you for your attention to this matter.

Respectfully submitted,
/s/ Edward S. Finley, Jr.
Edward S. Finley, Jr.
Counsel for Total Environmental
Solutions, Inc.

cc. Parties of Record

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Docket No. W-1146, Sub 13
Docket No. W-1328, Sub 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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)
14056, 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)

RESPONSE TO CUSTOMER TESTIMONY

Total Environmental Solutions, Inc. (TESI) response to complaints of customers presented at Public Hearing held on September 25, 2023 dated October 9, 2023

TESI's management appreciates the input from customers and understands the frustration and concern expressed by those attending the meeting. While we empathize and understand the frustration and accept some of the complaints as reasonable and valid, we feel some are not.

In addressing the complaints, I would like to provide some background information. TESI acquired the Lake Royale utility in December 2000 along with several other utilities located in six states.

TESI owns and operates water and wastewater systems serving Lake Royale. TESI filed a rate case in or around 2003. This was the only rate case filed by TESI since beginning of operations in 2000. There have been pass-through rate increases due to increases from Franklin County Utilities which provides purchased water for Lake Royale. The last pass-through rate increase was in 2017.

In 2021 TESI's Board of Directors decided to sell all the utilities owned by TESI. North and South Carolina Purchase Agreements were signed on February 04, 2021. The largest utility owned was in Louisiana and the Purchase Agreement for the sale of Louisiana was signed June 28, 2021. The Louisiana sale was finalized on November 30, 2022, and the South Carolina sale was concluded on February 2, 2023.

Several TESI sewer systems in Louisiana were subject to a Federal Consent Decree requiring significant capital investment in those systems. TESI would have required an increase in credit limit to meet the significant capital in those systems. To obtain increased borrowing capacity it would be necessary for SLECA, TESI's parent company, to endorse the loans to fund the capital expenditures. This was not a viable option. TESI's parent company sustained catastrophic losses from Hurricane IDA in September 2021. SLECA is an electric distribution cooperative that suffered \$145,000,000 of damage to infrastructure destruction, plus the total loss of its administrative facilities. The recovery cost continues to escalate.

The two other utilities located in North Carolina and South Carolina did not generate profitability to justify continued ownership as they would be the only remaining systems owned by TESI after the sale of the Louisiana Utility.

Lake Royale is the last Utility owned by TESI.

The costs of maintaining the sewer and wastewater systems and implementing the requirements of the Federal Consent Decree for those Louisiana sewer systems still subject to the decree made continued ownership and operation of those systems exceedingly difficult for TESI. The catastrophic losses suffered because of Hurricane IDA made the need to sell the two Carolina operations even more critical. The only remaining system is North Carolina. North Carolina is too remote from Baton Rouge, Louisiana to manage. Maintaining management and administrative staff for this one remaining system is cost prohibitive.

Soon after the North Carolina Purchase Agreement was signed issues surfaced in North Carolina that made operation of the Lake Royale system even less desirable as an ongoing operation. The root cause of the issues started during the Covid epidemic. The cost of operations started increasing around the same time as the demand for new construction. Supply chain issues and cost of meters and related fittings needed to install taps negatively impacted earnings and cash flow. The increased demand also increased the workload of the staff. In addition, finding contractors to install taps was challenging. The contractor's cost

of installing a tap, depending on which side of the road the tap was to be installed, ranged from \$850 to \$1,850. In addition, the pipe, fittings, saddles, brass fittings add an additional estimated cost of an estimated \$500. For each tap the company receives \$300. The cost of installing taps relates to the lack of completion of the infrastructure at the time Lake Royale was developed, which was prior to TESI acquiring the Lake Royale utility. In the initial development of Lake Royale, the main water lines were installed, but the lateral lines were not. This is the reason road bores are required, and roads are sometimes damaged in the process of installing taps. Additional contractors were sought but the cost of installing a tap was twice as much as the existing contractor was charging. The lack of available contractors is likely due to the building boom the area was and continues to experience.

The length of time passed since selling Louisiana and South Carolina utilities, and having to operate the North Carolina operation has been financially detrimental to TESI and has required using the proceeds from the sale of unrelated assets to support the North Carolina operation.

The North Carolina 2022 operating loss was \$166,000, excluding Lake Royale's share of administrative cost of \$160,000, bringing the total loss in 2022 to \$326,000. TESI's operational losses in Lake Royale as of August 31, 2023, are \$290,459, excluding the cost of maintaining an administrative staff. The cost of maintaining the Louisiana administrative staff and facility as of August 31st is \$534,637.

In addition to the operational cost, TESI has invested sizable capital installing taps due to the demand for new construction. TESI has invested approximately \$300K in capital infrastructure in the last two years. In 2022 there were 160 taps installed and as of September 30, 2023, there have been 92 taps installed.

I hope this information helps to dispel the idea that TESI has accrued profits from the Lake Royale operation. TESI has spent proceeds from the sale of unrelated assets to support the Lake Royale operation. TESI has absorbed this cost and will not recover all these costs through the sale of North Carolina, the one remaining system owned by TESI.

Regardless of whether TESI continued to operate the Lake Royale utility, or it is sold, the increased cost of operations will have to be passed on to the property owners. Just as one of the POA Directors commented in the open forum, the cost increases the POA incurs are passed on to property owners in the form of dues.

One of the most significant operational costs for Lake Royale is purchasing water. The decision to change from well water to purchasing water from Franklin County was made prior to TESI acquiring ownership. As Franklin County increases rates these additional costs are in general passed on to the property owners. All businesses have experienced increased costs in recent years, and if they are to survive costs must be passed on to the consumer.

Summary of Complaints voiced at Public Hearing - 9/25/2023.

Grace Noonan 154 - Black Cloud

Complaint – Road Repairs STATES that roads that are being repaired haven't been repaired for years.

Roads that have been repaired but then we had to repair them again because the repairs were not repaired properly. Also, referred to invoicing TESI \$16,000 for repairs that they had to make.

She stated last week they experienced several water leaks, and it resulted in a BWA which lasted from 9/19 through 9/22. The POA reported the leaks, and no one followed up to provide the status.

She stated they learned about it on social media. She reached out to VP of operations, and he told her it was specific streets while Customer Support was telling the BWA was for the entire community. Created confusion, mistrust, and many email and phone calls.

She questioned the safety of water.

She wants to make sure property owners aren't paying Red Bird for money they paid for TESI.

Steve Regaglia Vice President of the Board of Directors – 110 Moccasin

States Lake Royale water is poor, and the consumption is dangerous. Real estate companies as well as people have moved out due to water conditions and people have refused to buy because of the water conditions.

Concerned about rate increases.

States the age of the piping and the clamps are not put on properly causes the water leaks.

Missy Adkins – Secretary of POA

Sates most months there is a letter in bill stating Boil Advisory. The water isn't safe to drink.

In 2006she received a second bill and another letter from TESI saying the same thing about the Boil Advisory. She stated she called TESI and was told by a very rude person. She then called the Public Utility Commission and that also fell on deaf ears.

She feels TESI should have been held accountable for not acting on the water issues and should not have allowed TESI to raise the water rates.

She stated Red Bird bought TESI sight unseen.

Elaine Sammon – 88 Black Cloud

August 22, 2023, received a month's late contaminations notice from TESI in the mail submitted as an exhibit. Covered period from April 1 until May 13th. Stated they were exposed to disinfection by-products. Stated it took another month and half for TESI to become aware of their failure to test (from May 14 until June 29th). Stated it took another two months to get the notice to customers (From June 29th to August 27 when it came in the mail.)

Submitted a document of 10 pages of trials and tribulations homeowners went through during 12 hours of water outage on April 30th, 2022.

Richard Wainwright - 945 Sagamore

Complains the water clogs the strainers on all his faucets and has black gunk going through the hot water heater, stains his toilets.

Has not seen a water quality report in years.

Sates Water is unsafe for consumption.

Concerned about future rate increases.

Complains about line breaks due to water pressure - Suggest a degreaser to stop blowing water lines.

Entered 5 photographs in exhibit.

Yvette Williams -228 Sacred Fire

Stated she has been a resident for 15 months and has never received a Boil Advisory.

Concerned over lack of communication.

Examination shows low white blood cell count.

Larry Nida – 1004 Sagamore

Stated appears no funds are spent on maintenance of infrastructure or water tower.

Water leaks are routine and not repaired for long periods of time.

Road repairs are poor at best.

Questions about where funds are accrued and will they be transferred to Red Bird.

Richard Dyer – 533 Sagamore (Treasurer of Lake Royale Board)

Part time resident since 2009 Full time in 2015.

Purchased whole house filtration system trying to address these water quality issues.

Addressed water line breaks, sewage treatment, water pressure fluctuations, inoperable fire hydrants, and cost increases.

Stated 517 Sagamore reported to TESI numerous times and the Utility Commission at least once and the break was not addressed for at basically a year from sometime in 2020 to most of 2021.

Sated there is a leak at 512 Sagamore and at 667 Sagamore. The leak at 667 Sagamore was under repair, but the road was not.

He stated Tar River was polluted on multiple occasions by sewerage discharged into river side of the spillway. He doesn't believe TESI was ever held accountable for the discharge into the river.

Water pressure fluctuations?

Inoperable fire hydrants – concerned over loss of life and property in an emergency. Cost increase. Concerned about POA having to pass on cost increases to property owners.

Lorraine Ryan – 100 Inca Drive

Complaint about water leak on the 19th. Was not aware of the water leak until she arrived home after a meeting that lasted until 11:20 that evening. Stated TESI does not notify customers when there is a water break. As a result, she had red clay in faucets and water heater.

She states all of this is a result of TESI's break and not letting her know. Complaints about low water pressure has worsened since the new homes have been built.

Cheryl Van Graafeiland – 549 Sagamore

Sates the lines have never been flushed. The fire hydrants have never been used at all, even to flush the lines.

She referenced back in the 70's they had well water and there were many different pumps that pumped the well water around the community.

Holt Dale - 20-year resident

Complaint – Road repair – stated residents paid for the roads.

Boil Advisory states section and she doesn't know what section she lives in.

Stated her water bill from Red Bird was up 2,000 gallons. questioned is the meter was read or not.

Clifford Revoir

Water quality concerns

Concern over safety attitude. Feels TESI has a poor attitude for safety. Example of a 24- inch manhole cover 6 inches from his driveway that is deformed and has brought it to TESI's attention, and it has not been replaced.

Concerned over future rate increases.

Mike Caloway - 1417 Sagamore

Concerned if Red Bird will have enough staffing to provide good service on a consistent basis. And accurate reads on meters.

Entered exhibit of three-page document of meter reads and bills.

John Bell – 122 Black Cloud Drive (not a TESI customer)

Member of Board of Directors for Lake Royale

The water lines are 50 years old, and he stated that the additional water pressure is causing issues on the lines.

He complained about the sludge build up and cost of replacing water heaters, loads of laundry ruined due to red mud and sediment in the water.

He stated the change from well water to purchased water came with added water pressure took place about 23 years ago.

Dylan Bunch – 106 Prairie Dog Drive

He stated over the last 20 years they get a letter about twice a year stating how terrible the water is or a test they ran three months ago.

Stated there has been a leak at the golf shop for the last two years.

He stated the sewage treatment plant that is on the site has been leaking raw sewage into where a lot of our neighbors' fish.

Phillip Ackler – 943 Sagamore Drive

Request Commission to put stipulations, if necessary, on Red Bird so that they will pick up the pace, step up to the plate, do a better job than TESI has done for us as a community and as a consumer.

Items voiced as Major Concerns by those Who Spoke at 9/25/2023 Hearing:

- **Delays in leak repairs**
- **Damage to roads and delays in road repairs**
- **Water quality**
- **Wastewater discharge**
- **Water pressure**
- **Decline in property values.**
- **Fire hydrants**
- **Infrastructure**
- **Lake Royale purchased by Red Bird sight unseen.**
- **Boil water advisories**

Water Leaks

We acknowledge there have been leaks that have been present and the repairs have not been timely.

The problem the company has experienced in addressing the leaks has been due to insufficient staffing and lack of available qualified contractors over the last two years.

Finding qualified interested employees has been an issue. TESI has employed three full-time employees in Lake Royale, but over the previous three years the workload has increased primarily due to the increase in building activity experienced in Lake Royale. Hiring outside contractors has also been an issue due to the increased activity in surrounding areas as well as in Lake Royale.

On June 28, 2023, two employees resigned from TESI, leaving only one full time employee. Unable to find additional employees we reached out to CSWR/Red Bird. They agreed to take over the Lake Royale operation effective August 1st.

TESI utilized a single contractor to assist with leak repairs and tap installation. Our contractor had many other obligations so had limited time available to devote to TESI projects.

Several individuals suggested the number of leaks are due to inadequate maintenance. There can be many causes for line breaks or leaks. Most of the Lake Royale main water lines and laterals are PVC pipes, which have a longevity of 50-100 years, so they do not necessarily require replacement or routine maintenance. Infrastructure improvements needed at Lake Royale relate to the water tower or wastewater lift station pumps, not water lines. One of our contractors used to repair leaks advised Lake Royale is not the only system to have seen an excessive number of leaks this year. He has been called for leak repairs to multiple other systems more this year than ever before.

Since Red Bird took over, an additional full-time employee was added to the staff, and two additional contractors were brought in for repair leaks. The last report received indicated all previously identified leaks have been repaired. If customers are aware of any current leaks, please contact Red Bird Customer Support at 855-565-5273.

Road Repairs

The response to the complaint regarding road repairs is the same as for water leak repairs.

TESI has faced increasing demand for road repairs in recent years due to increased development and leak repairs. Customers would like repairs made immediately, but proper repairs require time to allow fill materials to settle before replacing the road surface or the area will sink and cause future potholes. Weather can further delay completion of repairs when it is too cold or rainy. TESI has been using the same contractor the POA has used for many years to ensure repairs are completed in an acceptable manner.

An additional factor impacting road repairs is the number of taps that have been installed over the previous three years. There have been more road repairs required due to the lack of infrastructure in the development stage of Lake Royale. The lateral water lines not being installed required road bores under roads, which sometimes damage the roads.

Recently road repairs were made by TESI, but the same issue exists in locating contractors to repair roads. TESI has paid \$32,900 in 2023 for road repairs.

Red Bird is currently working on road repairs. If customers are aware of road sites in need of repair due to recent leak repairs or road bores, contact Red Bird Customer Support at 855-565-5273.

Water Quality

The POA made the decision to convert from well water to purchased water sometime around 1999-2000. Purchased water for Lake Royale is provided by Franklin County Utilities. Prior to 2019, there were intermittent issues with high levels of disinfecting byproducts in Lake Royale water, which can cause health problems with consistent exposure over decades. This issue has not recurred in the past five years since a change in management at Franklin County. TESI worked with management at Franklin County to lower disinfecting byproducts entering the Lake Royale system.

Today, the quality of water in Lake Royale is the same as it is for all Franklin County residents. Lake Royale potable water is safe to consume as well as for bathing and washing. Water quality reports are made available annually each June for the prior calendar year referred to as Consumer Confidence Reports (CCR). The most current reports are maintained online and on the TESI website (tesi-usa.com). Customers may choose to use bottled water during water outages or boil water advisories, but it is not otherwise required.

Following outages or leaks near your residence, customers are advised to run outdoor taps or indoor cold water taps until water is clear to avoid getting sediment in household lines and water heaters. A few customers may experience black gel or specks on faucets. This occurs most often in older homes with iron or galvanized service lines or household pipes/fixtures. This is a result of the source water which contains iron and manganese interacting with individual household service lines or plumbing. Older pipes/fixtures are the cause of the problem. Iron and manganese are not present in high enough levels to cause health concerns.

Wastewater Discharge

TESI has NEVER discharged raw or untreated wastewater into the Tar River from our wastewater plant. All wastewater plants discharge treated wastewater which will contain some contaminants which are quickly diluted by the waterway and pose no health risks to wildlife or the public if contaminants do not exceed permitted levels.

In 2019, a prior POA General Manager, through ignorance, posted a sign indicating TESI was contaminating the river with raw wastewater and restricted swimming and fishing in the river. We made lab results available to her with interpretation so she would understand our discharge meets permit requirements. We then asked her to remove the sign. She refused. She contacted the North Carolina Department of Environmental Quality (NCDEQ) who came and inspected the wastewater plant and took samples from the river. Results showed the river was safe, but the POA General Manager still refused to accept the results or remove the sign. This sadly resulted in much unnecessary anxiety among residents which continues to this day, but miscommunication was the responsibility of the POA.

As a result of the action taken by the former POA manager, our current permit requires additional sampling of the river upstream and downstream of our plant to ensure the river is safe around our wastewater plant. This costs TESI thousands of dollars a year in lab fees and significant staff time each month for additional sampling which continues to demonstrate there is no significant health risk to wildlife or the public.

Low Water Pressure.

Low or fluctuating water pressure within the system are challenging issues. Raising pressure in some areas could lower pressure in others. Those living at higher elevations may experience more pressure problems than those in lower areas. Recent regulations require new homes to have water pressure regulators. Customers may experience reduced pressure during periods of peak demand (early morning and early evening). TESI has no easy means of resolving these concerns, which are a result of system design. Red Bird has had consulting engineers review the system and may have recommendations to address pressure concerns.

Decline in Property Values.

Residents and individuals who live in the area will be much more able to assess the impact on property values than ones who lives in Louisiana.

Prior to 2021 taps were infrequent. Beginning in late 2021 and continuing through 2023 there has been an explosion in demand for new taps due to the new construction that has taken place in Lake Royale. This demand has placed a financial burden on the utility and a tremendous increase in workload on the Lake Royale staff. I have addressed the financial impact this has had on the utility, but I bring this up because the demand for lots and the new construction appears to indicate a probable increase in property values.

There are other factors that impact property values including inflation and increased interest rates as well as demand.

Fire Hydrants

The “fire hydrants” at Lake Royale are flushers used to flush the pipes, not hydrants. The Lake Royale water system was not designed to provide fire suppression services. Emergency fire services need to be provided by your closest fire station.

Infrastructure

From comments made there is concern that the infrastructure age is a problem and improvement is needed. The infrastructure was put in place long before TESI acquired ownership, and there has been maintenance and repairs as needed. The maintenance supervisor has over 30 years’ experience and most of it is with the Lake Royale system. If major replacements and upgrades are needed to the infrastructure, these are capital expenditures that will be passed on to the users of the utility.

Lake Royale purchased by Red Bird sight unseen.

CSWR can respond best to this. However, extensive information was provided by TESI’s Engineer and Compliance Department. Red Bird had full access to all records related to the Lake Royale utilities. In addition, onsite visits were made by Red Bird consultants and engineers who generated reports with

recommendations for CSWR following their inspections. Red Bird made sizable investments in appraisals and analysis of the Lake Royale systems.

Boil Water Advisories

TESI has faced challenges communicating outage and boil advisory information to the Lake Royale community. Ms. Sammon stated in her testimony that TESI takes weeks or months to issue Boil Advisory notices that are issued with bills. This is inaccurate. Advisory notices are issued at the time of the outage or line break, never in the form of a bill insert. Notices with bills are informative or are Violation Notices required by the State. TESI addresses violations when they occur, but the State notifies the utility a month or two later if notices are required. TESI sends Violation Notices with bills as a cost saving measure. Something else to keep in mind is that Boil Advisories are precautionary. When an outage or pressure drops below minimum levels, there is a risk of bacteria entering the system, but there is no proof of any health risk at the time. Boil Advisories are a reasonable precaution to protect the health of the public.

Our most successful efforts to communicate these advisories occurred working in partnership with the POA staff to send email blasts & place notices on their electronic sign at the entrance as well as on the TESI website. We know customers want to know how long it will take to restore service and lift advisories. Keep in mind Operations cannot always predict how long it will take for repairs, to flush and pressure up the system, or to restore adequate disinfectant levels before drawing samples to clear the advisory. Operations depend heavily on customers reporting obvious line breaks, loss of water or significant drop in water pressure. TESI strongly encourages Red Bird to work with the POA to find the best means of communicating with the Lake Royale community.

Conclusion

In conclusion, TESI is not in the position to own, maintain and operate the Lake Royale utilities. TESI wishes to exit the water and wastewater business. We have addressed service needs to the best of our ability but do not have sufficient resources to provide service as timely or effectively as customers desire. We understand customers are concerned about future rate increases. However, updates to infrastructure and improved service cannot be provided without cost. Thank you for allowing us to serve the Lake Royale community for the past 23 years.

Respectfully submitted this 9th day of October, 2023

STATE OF LOUISIANA
EAST BATON ROUGE PARISH

VERIFICATION

(NOTE: THIS VERIFICATION SHALL BE COMPLETED BY EITHER THE OWNER OF THE COMPANY, THE CHIEF EXECUTIVE OFFICER, A SENIOR LEVEL FINANCIAL OFFICER, OR THE RESPONSIBLE ACCOUNTING OFFICER.)

I, Phillip Wayne Owens, state and attest that this Verification is filed on behalf of Total Environmental Solutions, Incorporated as required by the North Carolina Utilities Commission; that I have reviewed the attached Total Environmental Solutions, Inc response to complaints voiced at Public Hearing on September 25, 2023 Docket No. W-1146, Sub 13 and W-1328, Sub 10, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information provided therein and in any exhibits, documents, and statements thereto attached; and that, to the best of my knowledge, information, and belief, all of the information contained therein is accurate and true, and no material information or fact has been knowingly omitted or misstated therein.

Phillip Wayne Owens

Signature of Person Making Verification

Phillip Wayne Owens

Chief Executive Officer

Job Title

10.07.2023

Date

Subscribed and sworn before me this the 7th day of October, 2023.

Sarah Lynn Perdue Jones

Signature of Notary Public

Sarah Lynn Perdue Jones
Name of Notary Public – Typed or Printed

My Commission Expires: Lifetime Commission



This original verification must be affixed to the original petition, and a copy of this verification must be affixed to each of the copies that are also submitted to the Commission.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Report on Public Hearing Testimony was duly served upon parties of record either by depositing same in a depository of the United States Postal Service, first class postage prepaid, or by electronic delivery.

This the 9th day of October, 2023.

Edward S. Finley, Jr.,
/s/ Edward S. Finley, Jr.
Edward S. Finley, Jr., PLLC 2024
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COUNSEL TOTAL
ENVIRONMENTAL SOLUTIONS,
INC.