

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1034, SUB 8

DOCKET NO. W-1034, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1034, SUB 8)	
)	
In the Matter of)	
Application by Water Resources, Inc., for)	
Authority to Increase Rates for Water Utility)	
Service in Rocky River Plantation Subdivision in)	
Cabarrus County and River Walk Subdivision in)	
Mecklenburg County, North Carolina)	
)	
DOCKET NO. W-1034, SUB 10)	WATER RESOURCES, INC.'S
)	REPORT ON REGULATORY
In the Matter of)	COMPLIANCE ISSUES
Lenny DeVitto, 8529 Indian Summer Trail,)	
Harrisburg, North Carolina 28075,)	
)	
Complainant)	
)	
v.)	
)	
Water Resources, Inc.,)	
)	
Respondent)	

NOW COMES Water Resources, Inc. (“Water Resources” or “the Company”), by and through the undersigned counsel and files this Report on Regulatory Compliance Issues. The Company submits this report on a voluntary basis, without directive or requirement from the Commission to keep the Commission apprised of the Company’s efforts related to various regulatory compliance issues facing the Company. Water Resources respectfully shows unto the Commission the following, constituting its Report on Regulatory Compliance Issues:

Report on Water Resources' Efforts to Restore the Rocky River Plantation Subdivision service area to compliance with certain environmental regulations.

1. As background, the Rocky River Plantation Subdivision service area (“Rocky River”), is a “residential community water system using well water as its source of supply and designed to serve 50 or more connections” and as such is required to provide at least two wells or, in lieu thereof a second another approved water supply source accepted by the North Carolina Department of Environmental Quality (“NC DEQ”).¹ The Company continues to work to return Rocky River to compliance with this regulatory requirement, violation of which was precipitated by the discovery radium in excess of applicable standards in one of the two wells previously active in providing drinking water to customers in Rocky River (“Well #1”), and the Company’s taking Well #1 out of service to protect the health and safety of its customers, on the recommendation of staff at NC DEQ. Water Resources was aware at the time that Well #1 was taken out of service that doing so would trigger a violation of 15A N.C.A.C. 18C .0402(g)(5) and has sought to resolve that violation since that action was taken. Throughout, the Company has been cooperative and transparent with NC DEQ and its attorneys at the North Carolina Department of Justice (“NC DOJ”). Water Resources, in cooperation with NC DEQ, sought and the court issued a consent judgment in the General Court of Justice, Superior Court Division (Cabarrus County), on July 15, 2021 (“Consent Judgment”). Water Resources continues to make progress to return Rocky River to compliance with 15A N.C.A.C. 18C .0402(g)(5), which progress is monitored by NC DEQ through weekly reports and by the Superior Court through periodic status updates, the most recent of which is attached hereto as Exhibit A.

¹ See 15A N.C.A.C. 18C .0402(g)(5).

2. The most recent of the periodic status updates to the Superior Court occurred on March 7, 2023. Water Resources was represented by counsel who related the following to the Court: In summary, Water Resources continues to pursue the completion of an interconnection of the Rocky River system with the nearby system of the Town of Harrisburg (“Harrisburg”), as required by the consent judgment, and in parallel is exploring the possibility of rehabilitation of the green sand filter on Well #1.

3. With respect to the completion of an interconnection with Harrisburg, Water Resources has obtained a needed easement, developed and submitted various applications and plans for approvals, and made plans to procure the necessary parts and labor to complete the physical work required to accomplish the interconnection with Harrisburg’s system. The Company has expended significant effort and resources to implement the interconnection with Harrisburg’s water system, although this effort has advanced more slowly than Water Resources would like, the delays have largely been out of the Company’s control. Most recently, the Company submitted requests for approval of an encroachment agreement with the North Carolina Department of Transportation, which would authorize boring underneath Tom Savage Rd. for the installation of piping to convey water from the interconnection point to the Rocky River distribution system. The total costs of completing the interconnection with Harrisburg’s system is estimated to be more than \$300,000.

4. With respect to the parallel effort to rehabilitate the green sand filter on Well #1, Water Resources has engaged the services of Rob Bergin, PE, to assist with the design, testing, and feasibility of this option. If successful, the rehabilitation effort would provide a less time consuming, less expensive, and less complex resolution of the present violation of 15A N.C.A.C.

18C .0402(g)(5). Thus, this is the Company's preferred compliance option for the benefit of customers.

5. The rehabilitation of the green sand filter in Well #1, however, is not the compliance option required by the Consent Judgement. As such, the Company acknowledges that acceptance of this compliance option by the Superior Court would be required. Prior to presenting this option to the Superior Court for its consideration, the Company must satisfy itself (and to an extent NC DEQ) that it is indeed a viable option for resolution of the underlying concern that water produced by Well #1 exceeded NC DEQ's adopted radium standard.

6. In exploration of the rehabilitation of the green sand filter in Well #1, Water Resources has implemented a smaller scale replacement of the filter media and ordered testing of the water quality treated by the small-scale replacement of the filter media. The Company is presently awaiting the water quality testing results of this small-scale replacement, with results expected to be delivered around or before April 10, 2023. However, Water Resources continues to press its vendor for water quality testing to complete its work as soon as possible and intends to contact that vendor early next week for a status update.

7. Upon receipt of the water quality testing results, Water Resources will have a clear path forward to resolve the present violation of 15A N.C.A.C. 18C .0402(g)(5): if test results show that the filter rehabilitation is a viable option for reducing radium levels below the applicable standard, the Company will confer with NC DEQ and seek its support for amendment of the Consent Judgment to embody the filter rehabilitation as an appropriate resolution of the violation and promptly implement that filter rehabilitation; or, if the test results show that the filter rehabilitation is not a viable option for reducing radium levels below the applicable standard, then

the Company will diligently pursue completion of the interconnection with Harrisburg's system (in which case no amendment to the Consent Judgment would be required).

8. In either case, the Company will provide the Commission with a further update as to the status of the pending action in Superior Court at an appropriate time, or as it may be directed to do by the Commission.

9. The next periodic update to the Superior Court is scheduled for the week of May 1, 2023.

Report on Customer Concerns Related to Service Disruptions

10. On or around February 14, 2023, Water Resources undertook replacement of the pump on the sole active well serving customers in Rocky River ("Well # 2"). Prior to doing so, the Company alerted customers that the work was going to occur and forewarned customers that the work could result in reduced water pressure or an interruption of water service. However, neither an interruption of water service nor a material loss of water pressure occurred. As customary and appropriate, the Company issued a boil water advisory to protect the health and safety of customers in Rocky River due to the nature of the pump replacement work.

11. Despite the undisputable fact that neither an interruption of water service nor a material loss of water pressure occurred, customers in Rocky River began alerting state regulators and other state officials that an interruption of service happened. Water Resources immediately responded by alerting those regulators and officials that the information reported by customers was inaccurate.

12. Separate and unconnected with the pump replacement work, but around the same time, Windstream Communications was installing fiber optic cable in Rocky River. Prior to the fiber installation work, Water Resources received an NC 811 locate request and responded by

accurately marking its water distribution lines in Rocky River. Despite Water Resources' appropriate and required actions to locate and mark its distribution lines, the fiber installation crew apparently disregarded the line location markings and cut several of the Company's distribution lines, resulting in a disruption of service to customers in Rocky River. These events may have contributed to the inaccurate communications to state regulators and state officials referenced above. Water Resources made the necessary repairs to its service lines and water service has since been restored to all customers in Rocky River, so far as Water Resources is aware.

13. Finally, with respect to these issues, the Company notes that three (3) consumer statements of position have been recently filed with the Commission. The statement of Larry B. Myers praises the Company for its efforts to restore service to customers after the line cuts by the fiber optic installer, concluding that "...I truly believe that Water Resources has responded in our best interests." Water Resources believes that these sentiments reflect the majority view of customers in Rocky River. Nonetheless, the Company acknowledges that two other statements, those of Joshua Collins and of Brenda Hughes, criticize the Company as "having regular issues" and "...always boil advisory not safe," respectively, and expressing a desire that the interconnection with Harrisburg's system be completed. While the regularity of issues is a subjective measure, it is not accurate that Rocky River is always on a boil advisory. The status of the interconnection, including whether it would be needed, useful, or reasonable and prudent is addressed in this Report.

Report on the Company's Financial Status,

Need for Rate Relief, and Establishment of a Regulatory Asset

14. On August 20, 2021, in Docket No. W-1034, Sub 11, Water Resources filed a notice of intent to file an application for a general rate increase. Considering the ongoing regulatory issues and customer concerns, the Company determined to refrain from pursuing a general rate increase at that time.

15. At the time that the notice of intent to file a general rate case application was filed, and through the present day, the Company is operating at a loss.

16. The Company has expended significant funds since August 20, 2021, to implement certain regulatory requirements and to restore Rocky River to environmental compliance, as detailed herein.

17. The Company has implemented extraordinary measures to control expenses, including Water Resources' President, Mr. Dennis Abbott, having foregone a regular salary and investing substantial sums of money to stabilize the Company's finances and provide needed capital to meet its regulatory obligations.

18. Water Resources intends to promptly seek rate relief as soon as it has resolved the regulatory issues facing the company, including emergency rate increases on an interim basis and the establishment of a regulatory asset to account for the significant capital investments made in recent years.

WHEREFORE, Water Resources respectfully requests that the Commission accept this report, allow the Company to establish a regulatory asset, and order such other further relief as the Commission deems just and in the public interest.

Respectfully submitted this 31st day of March, 2023.

/s/ Patrick Buffkin
Buffkin Law Office
N.C. Bar. No. 44264
3520 Apache Dr.
Raleigh, NC 27609
Phone: (919) 971-2796
Email: pbuffkin@gmail.com

Counsel for Water Resources, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing WATER RESOURCES' REPORT ON REGULATORY ISSUES has been served by electronic delivery upon the parties of record.

This the 31st day of March, 2023.

/s/ Patrick Buffkin
Buffkin Law Office
N.C. Bar. No. 44264
3520 Apache Dr.
Raleigh, NC 27609
Phone: (919) 971-2796
Email: pbuffkin@gmail.com

Water Resources, Inc.
 Revised estimated Project Timeline for Town of Harrisburg Water Line Tie-in (Compliance Plan)
 3/27/2023

Step	Description	Status	Comments	Timeframe	Update
1	Receive approval from the Town of Harrisburg and DEQ for use of Zurn control valve.	COMPLETED			1/23/2023-3/27/2023: No updates 1/16/2023: Confirmed. See: Jeff 2023.01.17.pdf, page 2 Price 2022.12.21.pdf, page 5 Jeff 2022.12.16.pdf, page 15
2	Apply to NCDOT for approval to bore underneath Tom Savage Drive.	COMPLETED	A permit is required to be issued by NCDOT to allow the boring underneath a state road.	Engineer to prepare plans for submission within 2 weeks (approximately on or before 12/21/22)	3/27/2023: No update 3/20/2023: DOT approval received. See: DOT Approval 2023.03.16.pdf (page 5) 3/6/2023-3/13/2023: No updates 2/27/2023: Email exchange between engineer and NC DOT regarding encroachment. See: DOT 2023.02.22.pdf (page 3); See: Jeff 2023.02.23.pdf (page 10); See: Encroachment Agreement.pdf (page 13) 2/21/2023: Application requested. See: Jeff 2023.02.21.pdf (page 3) 2/13/2023: Documentation of submission of plans to NC DOT, copy of application requested from engineer. See: Jeff 2023.02.13.pdf (page 3) 2/6/2023: Requested update from Jeff. See: Jeff 2023.02.06, page 2 1/23/2023-1/30/2023: No updates 1/16/2023: Application 12/9/2022 confirmed, awaiting approval. See: Jeff 2023.01.17.pdf, page 2
3	Apply to Town of Harrisburg for "tap side" approval based on utility locations	COMPLETED	Location of the point where the interconnection "taps" into the Town's existing water lines.	TOH to review/approve within 10 business days DOT to approve within 8 weeks	3/27/2023: No update 3/20/2023: DOT Approval received (see above) 1/23/2023-3/13/2023: No updates 1/16/2023: Confirmed. See: Jeff 2023.01.17.pdf, page 2 Price 2022.12.21.pdf, page 5 Jeff 2022.12.16.pdf, page 15

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Mar 31 2023

<p>4</p>	<p>Documentation demonstrating that Water Resources, Inc. has placed an order to acquire the Zurn control valve.</p>	<p>WAITING</p>	<p>WRI is expecting that the contractor will manage the provision of materials as they were included in his proposal with pricing.</p> <p>WRI is awaiting all approvals before ordering parts and materials as approvals may be denied or impact what is ordered. Requested updated lead time for Zurn Control Valve.</p>	<p>3/27/2023: Awaiting communication from contractor to schedule pre-construction meeting. Followed up with contractor stopping by his office and leaving a voicemail today, 3/27/2023. See: Todd 2023.03.23.pdf (page 4)</p> <p>3/20/2027: Awaiting scheduling of pre-construction meeting. See: TOH 3/13/2023 (page 23) and Todd 2023.03.20.pdf (page 25)</p> <p>3/13/2023: No update</p> <p>3/6/2023: Zurn Control valve lead time is 5 weeks through Ferguson and 3-4 weeks through Core & Main. See: Ferguson 2023.03.01.pdf (page 4) and Core & Main 2023.03.06.pdf (page 8)</p> <p>2/27/2023: Requested updated lead time. See: Ferguson 2023.02.24.pdf (page 15)</p> <p>2/21/2023: No update. See Kendrick 2023.02.21.pdf (page 5)</p> <p>2/13/2023: See highlighted note and requested lead time. See Kendrick 2023.02.13.pdf (page 5)</p> <p>1/23/2023-2/6/2023: No update</p> <p>1/16/2023: Zurn not yet ordered.</p>	<p>3/27/2023: Awaiting communication from contractor to schedule pre-construction meeting. Followed up with contractor stopping by his office and leaving a voicemail today, 3/27/2023. See: Todd 2023.03.23.pdf (page 4)</p> <p>3/20/2027: Awaiting scheduling of pre-construction meeting. See: TOH 3/13/2023 (page 23) and Todd 2023.03.20.pdf (page 25)</p> <p>3/13/2023: No update</p> <p>3/6/2023: Zurn Control valve lead time is 5 weeks through Ferguson and 3-4 weeks through Core & Main. See: Ferguson 2023.03.01.pdf (page 4) and Core & Main 2023.03.06.pdf (page 8)</p> <p>2/27/2023: Requested updated lead time. See: Ferguson 2023.02.24.pdf (page 15)</p> <p>2/21/2023: No update. See Kendrick 2023.02.21.pdf (page 5)</p> <p>2/13/2023: See highlighted note and requested lead time. See Kendrick 2023.02.13.pdf (page 5)</p> <p>1/23/2023-2/6/2023: No update</p> <p>1/16/2023: Zurn not yet ordered.</p>
<p>5</p>	<p>Timeline to acquire ductile iron pipe "DIP"</p>	<p>IN PROCESS</p>	<p>(1) Documentation from someone with direct knowledge of the alleged one-year delay in supplying DIP (provide the electronic mail or other written response from the supplier); and</p> <p>(2) Documentation demonstrating that you have inquired with several other potential suppliers that may be able to provide the DIP necessary for this project.</p>	<p>WRI is expecting that the contractor will manage the provision of materials as they were included in his proposal with pricing.</p> <p>Core & Main and Ferguson are the 2 largest suppliers in the Charlotte area and will be the best and most expeditious resources. Ordering of the DIP will be coordinated with construction and delivery of Zurn control valve, once DOT approval is obtained.</p>	<p>3/27/2023: No update. Awaiting response from contractor as his proposal includes pricing for materials. See above.</p> <p>3/20/2023: Awaiting responses from additional suppliers. See Fortiline 2023.03.17.pdf (page 26) and Hajoca 2023.03.17.pdf (page 30)</p> <p>3/13/2023: Reached out to 2 additional suppliers, awaiting response. See Hajoca 2023.03.10 (page 4) and Morsco Reece 2023.03.13.pdf (page 5)</p> <p>3/6/2023: Confirming again status of 8" DIP. See Core & Main 2023.03.06.pdf (page 6)</p> <p>2/21/2023-2/27/2023: No update</p> <p>2/13/2023: See highlighted note</p> <p>1/30/2023-2/6/2023: No update</p> <p>1/23/2023: Current status: Core & Main has DIP in stock (see Core 2023.01.17.pdf, page 2)</p> <p>Ferguson has 10-12 month lead time from date of order (see Ferguson 2023.01.17.pdf, page 7)</p>

<p>Questions from DEQ Update 3/3/2023</p>	<p>1) What other parts suppliers has Water Resources talked to about getting the required materials sooner? 2) What documentation can be provided about the suppliers you talked to?</p>	<p>-----></p>	<p>Water Resources has not talked to other suppliers as Core & Main and Ferguson are the 2 largest suppliers in the Charlotte area and will have better and faster access to all materials than smaller supply companies. No documentation available at this time with other potential suppliers; however, Water Resources will identify additional potential suppliers and begin reaching out for material availability.</p>		
	<p>3) What happened on February 14 and why?</p>	<p>-----></p>	<p>On February 14, customers were given notice that pump maintenance was occurring and forewarned that loss of pressure or interruption to service might occur; however, the pump failure that occurred on February 14, 2023 did not result in a water system outage.</p>		
	<p>4) What is the configuration of the oxidizer in the treatment process (upstream from the green sand filter or otherwise)?</p>	<p>-----></p>	<p>Will prepare response.</p>		
<p>6</p>	<p>Submit development fee, which includes interconnection fee, to Town of Harrisburg once approvals are received.</p>	<p>WAITING</p>	<p>TOH requires a development fee for the review of plans. Dependent on steps 2 and 3 as approval may required adjustment to the plans</p>	<p>WRI is waiting on contractor to respond to request for pre-construction meeting and to confirm there are no adjustments to proposal or plans. Within 15 business days of approval</p>	<p>3/27/2023: No update. Awaiting response from contractor to schedule pre-construction meeting. See above. 3/20/2023: Awaiting pre-construction meeting to review plans for any adjustments; meeting date TBD</p>
<p>7</p>	<p>Construction to begin upon final approvals.</p>	<p>WAITING</p>	<p>Approval from TOH and DEQ along with receipt of necessary materials Notify PWSS within 48 hours of receipt of materials</p>	<p>30-45 business days after receipt of materials</p>	
<p>8</p>	<p>Engineer's certification post-construction.</p>	<p>WAITING</p>	<p>Engineer to inspect the completed construction and issue a certification that the interconnection was constructed in accordance with the approved plans</p>	<p>Within 30 business days</p>	
<p>9</p>	<p>Approval of construction by Town of Harrisburg</p>	<p>WAITING</p>	<p>TOH will inspect the construction and issue an approval that the interconnection was constructed as designed. Dependent on step 6</p>	<p>Within 15 business days</p>	
<p>10</p>	<p>NC DEQ accepts certifications.</p>	<p>WAITING</p>	<p>DEQ accepts certifications that the interconnection was constructed as designed. Dependent on step 6</p>	<p>Within 15 business days</p>	
<p>11</p>	<p>Interconnection is placed into service</p>	<p>WAITING</p>	<p>Upon receipt of all approvals Dependent on steps 6-8</p>	<p>Immediately</p>	

File Name: Todd 2023.03.23.pdf

Beth Lockwood - Customer Service <customerservice@waterresourcesnc.com>

3/23/2023 1:53 PM

Fwd: Re: Rocky River Plantation - Water Meter / Bore

To undergroundupllc@gmail.com <undergroundupllc@gmail.com> Copy
dabbott waterresourcesnc.com <dabbott@waterresourcesnc.com>

Good afternoon!

I am just following up on my email from Monday. The availability of the Town for this week has passed, but do you have dates and times next week that I could offer to them?

Thanks!
Beth Lockwood
Customer Service, Water Resources
Tel: 704-643-9866
After hours/weekends: 704-529-4018

----- Original Message -----

From: CustomerService@waterresourcesnc.com
To: Todd DiManno <undergroundupllc@gmail.com>, DAbbott@waterresourcesnc.com
Date: March 20, 2023 8:41 AM
Subject: Re: Rocky River Plantation - Water Meter / Bore

Good morning Todd,

I hope you are well. We just received DOT approval last week for the interconnect project with the Town of Harrisburg. The Town is ready to schedule a pre-con meeting and hoping you are available as they require the contractor to participate.

The Town has offered Wednesday morning or Thursday afternoon of this week. Would either of those suit your schedule?

For reference, attached is the proposal you had given us. Please advise if there are any changes.

Thank you,
Beth Lockwood
Customer Service, Water Resources
Tel: 704-643-9866
After hours/weekends: 704-529-4018

On August 29, 2022 2:24 PM Todd DiManno <undergroundupllc@gmail.com> wrote:

Happy Monday
Here is my proposal for this project
Thank you for your consideration

Todd DiManno
(704) 400 - 4466



Beth Lockwood
Customer Service, Water Resources
Tel: 704-643-9866
After hours/weekends: 704-529-4018

Beth Lockwood
Customer Service, Water Resources
Tel: 704-643-9866
After hours/weekends: 704-529-4018

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- Rocky River Plantation REV 11-29-22 Proposal - WR.pdf (1 MB)