



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

December 28, 2023

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

Re: Application by 904 Georgetown Treatment Plant, LLC, for Authority to Adjust and Increase Rates for Providing Sewer Utility Service in Sandpiper Bay Golf and Country Club in Brunswick County, North Carolina

Dear Ms. Dunston:

The Public Staff, on behalf of itself and 904 Georgetown Treatment Plant, LLC, respectfully submits for filing in the above-referenced docket the attached Joint Proposed Recommended Order Granting Rate Increase and Requiring Customer Notice submitted in compliance with the Commission's December 7, 2023 Notice.

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

Sincerely,

Electronically submitted  
/s/ Davia Newell  
Staff Attorney  
[davia.newell@psncuc.nc.gov](mailto:davia.newell@psncuc.nc.gov)

cc: Parties of Record

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**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1141, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by 904 Georgetown Treatment Plant, LLC, for Authority to Adjust and Increase Rates for Providing Sewer Utility Service in Sandpiper Bay Golf and Country Club in Brunswick County, North Carolina ) **JOINT PROPOSED  
RECOMMENDED ORDER  
GRANTING RATE INCREASE  
AND REQUIRING CUSTOMER  
NOTICE**

BY THE HEARING EXAMINER:<sup>1</sup> This proceeding commenced on July 7, 2023, with the filing of an application by 904 Georgetown Treatment Plant, LLC (Georgetown or Applicant) seeking authority to increase its rates for providing sewer utility service in the Sandpiper Bay Golf and Country Club (Sandpiper Bay) in Brunswick County, North Carolina (Application). The present wastewater utility rates have been in effect since January 1, 2017, pursuant to the Commission's Order in Docket Nos. W-1141, Sub 6, and M-100, Sub 138, which resulted in a rate reduction due to a change in the State's corporate tax rate. The last rate increase for Georgetown was approved in 2007. Accompanying the Application was the Applicant's prefiled direct testimony on which it would rely at an expert witness hearing.

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<sup>1</sup> Commission Hearing Examiner Freda H. Hilburn

On July 31, 2023, the Commission issued an Order declaring a general rate case pursuant to N.C. Gen. Stat. § 62-137 and suspending the proposed rates for 270 days pursuant to N.C.G.S. § 62-134.

On August 21, 2023, the Commission issued a scheduling order that required customer notice and, among other things, established: that a public witness hearing would take place on September 27, 2023, subject to cancellation if no significant protests were received; that the Public Staff and intervenors, if any, shall file their testimony on or before Tuesday, October 17, 2023; that Georgetown shall file its rebuttal testimony, if any, on or before November 1, 2023; and that an expert witness hearing would take place on Monday, November 13, 2023.

On August 29, 2023, Georgetown filed its Certification of Customer Notice.

On September 22, 2023, the Public Staff filed a Motion to Cancel Public Witness Hearing, noting that only one of Georgetown's 795 customers submitted a statement of position and that the issues raised in the statement were well explained and capable of consideration on the merits by the Commission.

On September 22, 2023, the Commission issued an Order cancelling the public witness hearing and directing Georgetown to provide its customers with notice of the cancellation.

On September 26, 2023, Georgetown filed its Certificate of Service indicating that all its customers had been served with notice of the cancellation of the public witness hearing.

On October 6, 2023, Georgetown filed its Request for Approval of Affiliate Lease Agreement.

On October 17, 2023, the Public Staff filed the direct testimony and exhibits of Public Staff witness Iris Morgan, Public Utilities Regulatory Analyst with the Public Staff's Accounting Division; the direct testimony and exhibit of Public Staff witness Evan M. Houser, Public Utilities Engineer with the Public Staff's Water, Sewer, and Telephone Division; and the affidavit and exhibit of Public Staff witness John R. Hinton, Director of the Public Staff's Economic Research Division.

On November 1, 2023, the Applicant filed rebuttal testimony of Julie G. Perry, Principal Utility Consultant and Co-Owner of Peedin & Perry Consulting, LLC, 3440 Bizzell Grove Church Road, Princeton, North Carolina 27569.

On November 6, 2023, the parties filed their witness list and estimates of cross examination times for the expert witness hearing.

On November 9, 2023, the parties notified the Commission that they had agreed in principle to a settlement, and Georgetown filed a motion seeking to excuse all witnesses from appearing at the expert witness hearing; and requesting that all filings made in the docket, including the Public Staff's pre-filed testimony, affidavits and exhibits, be received into the record.

On November 13, 2023, the Hearing Examiner issued an Order Revising Time of Expert Witness Hearing and Allowing Filing of Stipulation and Supporting Testimony, changing the starting time of the hearing from 1:00 p.m. to 3:00 p.m.

On November 13, 2023, the Public Staff filed the parties' Settlement Agreement and Stipulation (Stipulation) as well as the Joint Settlement Testimony of Iris Morgan and Evan M. Houser (Settlement Testimony). Georgetown did not file settlement testimony.

At the expert witness hearing, the Hearing Examiner excused Georgetown's witnesses Tim Tilma and Julie Perry, and Public Staff witness John R. Hinton, but requested that Public Staff witnesses Evan M. Houser and Iris Morgan be presented as a panel to address the Hearing Examiner's questions on the Settlement Testimony. As agreed by the parties in the Stipulation, the Application, all direct testimony and exhibits, affidavits, and the rebuttal testimony and exhibit were admitted into evidence. After addressing the Hearing Examiner's questions, the Stipulation and the Settlement Testimony were also admitted into evidence.

On November 29, 2023, the Applicant filed a Late-Filed Exhibit that incorporates two changes to the Effluent Easement and Irrigation Agreement that were agreed to by the parties in Section II (D) of the Settlement Agreement and Stipulation.

On December 7, 2023, the transcript of the November 13, 2023, expert witness hearing was published, and the Commission issued its Notice of Due Date of Proposed Orders and/or Briefs setting January 3, 2024, as the deadline for the parties' Joint Proposed Order.

On December 14, 2023, the Public Staff filed a late-filed exhibit depicting the final revenue requirement as agreed to by the parties per the settlement agreement.

On December 28, 2023, the parties submitted their Joint Proposed Order granting the recommended rate increase agreed upon by both parties as filed on December 14, 2023, and requiring customer notice.

Based upon the foregoing, and the entire record in this matter, the Hearing Examiner makes the following:

#### **FINDINGS OF FACT**

1. Georgetown is a public utility that holds a franchise to provide sewer utility service in Sandpiper Bay. Georgetown is properly before the Commission seeking an increase in its rates and charges for sewer utility service.
2. The test year established for use in this proceeding is the 12-month period ended October 31, 2022, updated for certain items.
3. Georgetown currently provides a flat rate sewer utility service to 795 residential customers in Sandpiper Bay.
4. Georgetown's wastewater system consists of a wastewater treatment plant that sprays its treated effluent through a 5-zone irrigation system onto approximately 80 acres of land of the community's 9-hole Bay golf course. The treatment plant is a dual train treatment plant with an influent pump station, a

manual bar screen, aerated equalization basin, dual train aeration basin with two biological reactors each using fine bubble aeration, a dual train clarification system with two clarifiers each, a sludge holding tank, three blowers, two gravity tertiary filters, and a chlorine contact chamber. The facility also includes an approximately 750,000-gallon 5-day upset pond and an approximately 750,000-gallon irrigation pond with a 1,000 gallons per minute duplex irrigation pump station.

5. Public Staff's late-filed exhibit presented the results of the Public Staff's investigation of the appropriate levels of operating revenue, expense, and investment in support of the recommended increase in water and sewer service revenues, and by settlement, has been agreed upon by both parties.

6. The flat rate sewer utility service presently charged by Georgetown and the proposed rate as agreed to by the parties are as follows:

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Flat Rate for Wastewater Utility Service:</u>		
Residential	\$ 25.04	\$ 36.05
 <u>Connection Fee:</u>	 \$1,675.00	 \$1,675.00

7. The Company's original cost rate base as per the settlement, is \$146,845 consisting of plant in service of \$272,891, cash working capital of \$35,823, and average tax accruals of \$(948); less accumulated depreciation of \$160,921 updated through December 31, 2023.

8. Total annual operating revenues, as presented on Public Staff Settlement Exhibit I, Schedule 3, Page 1 of 2, are \$237,281 under Georgetown's

present rates and \$342,284 under the proposed agreed upon rates. Total annual operating revenues include \$137 in miscellaneous revenues, and \$(1,738) of uncollectibles.

9. The appropriate level of total service revenues for use in this proceeding is \$238,882 under Georgetown's present rates and \$343,885 under the agreed upon proposed rates.

10. For purposes of this proceeding, the appropriate cost of service (total operating expenses, including regulatory fee and income taxes) is \$320,353. The level of operating revenue expenses requiring a return (total operating and maintenance expenses, depreciation expense, amortization expense, and taxes other than income taxes) is \$313,306 and shown on Late-Filed Exhibit I, Schedule 1.

11. The total rate case cost for this proceeding is \$45,539. It is reasonable and appropriate to amortize this cost over a period of four years, resulting in an annual rate case expense of \$11,385.

12. The appropriate level of depreciation and amortization expense for use in this proceeding is \$22,634.

13. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$437 and \$3,649, respectively.



14. It is reasonable and appropriate to calculate regulatory fees expense using the regulatory fee rate of 0.1475% effective July 1, 2023, pursuant to the Commission's June 30, 2023, Order issued in Docket No. M-100, Sub 142.

15. It is reasonable and appropriate to calculate income taxes for the level of income found reasonable in this proceeding based upon the statutory corporate tax rates of 21% and 2.50% for federal and State income taxes, respectively.

16. The operating ratio method is the appropriate method for determining Georgetown's revenue requirement for sewer operations in this proceeding.

17. The agreed upon proposed rates will produce an overall rate of return of 7% utilizing the operating ratio method. This return is not in excess of a reasonable level and, accordingly, the proposed rates are reasonable.

18. During the period from July 1, 2020, through October 10, 2023, the Public Staff Consumer Services Division did not receive any customer complaints related to Georgetown.

19. No Notices of Violations (NOVs) or civil penalties were identified between July 1, 2020, and October 1, 2023. The Georgetown wastewater system was issued two Notices of Deficiency (NODs) by the North Carolina Department of Environmental Quality (DEQ). Both NODs were the result of an inspection conducted by DEQ on September 16, 2021. The first NOD, dated September 30, 2021, was for needed repairs to locks, a gate, and an audible alarm. At the time of

the Public Staff's site visit on September 14, 2023, it appeared that each of the lift stations were locked. The second NOD, dated October 1, 2021, was due to lack of required plans and timetables to address four areas: (1) shutting down an aeration basin for repair and cleaning; (2) repairing and replacing the splitter box portion or entire bar screen structure; (3) repairing various components of the filter system; and (4) repairing the influent pump station along with the exposed electrical junction boxes. Georgetown witness, Tim Tilma, responded to the second NOD by letter on October 29, 2021. Mr. Tilma provided plans to address the various components of the NOD and stated that the timetables for each was either the first or second quarter of 2022. Repairs were made in three months.

20. The Affiliate Lease Agreement between Applicant and Northstar Carolina Corporation is reasonable.

21. The Effluent and Easement Agreement between Applicant and Northstar Carolina Corporation, having been stipulated to by Georgetown and the Public Staff, is reasonable.

22. Georgetown is providing adequate service to its customers.

23. The agreed upon rates are just and reasonable and should be approved.

24. Georgetown waives its right to file exceptions, and requests that the Commission approved rates become effective upon the date of the Commission's Order.

WHEREUPON, the Hearing Examiner reaches the following

### **CONCLUSIONS**

The evidence for the foregoing findings of fact is contained in the Application; the Commission records; the testimony and exhibits of Public Staff witnesses Evan M. Houser and Iris Morgan; the affidavit of Public Staff witness John R. Hinton; the testimony and exhibits of the Applicant's witnesses; and the Stipulation. Based upon the foregoing, the Hearing Examiner reaches the following conclusions pertaining to Georgetown's Application for a general rate increase.

In regard to the quality of service provided by Georgetown, Public Staff witness Houser states that, based upon the Public Staff's investigation, the information provided by the Applicant and the North Carolina Department of Environmental Quality, and the absence of significant customer complaints and customer service issues, the Public Staff concludes that Georgetown is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Hearing Examiner finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

Based upon the entire record in this proceeding, the Hearing Examiner concludes that the Applicant has sufficiently demonstrated the need to increase its rates for providing water utility service. The Hearing Examiner, therefore, concludes that the rates agreed upon by Georgetown and the Public Staff are just and reasonable and should be approved. Such rates and charges are set forth in

Public Staff Settlement Exhibit I, Schedule 3, Page 1 of 2, filed on December 14, 2023, as a late filed exhibit, and the Schedule of Rates (Appendix A) attached hereto. Consequently, the Hearing Examiner finds and concludes that Georgetown should be allowed to increase its rates and charges so as to produce total annual operating revenues of \$342,284, comprised of \$343,885 in service revenues, \$137 in miscellaneous revenues, and (\$1,738) in uncollectibles. Moreover, the Hearing Examiner determines that the adjusted levels of rate base, revenues, and expenses set forth in Public Staff Settlement Exhibit I, filed on December 14, 2023, as a late filed exhibit, are the appropriate levels for use in this proceeding. Accordingly, the Hearing Examiner finds good cause to approve Georgetown's Application as provided in the Stipulation.

IT IS, THEREFORE, ORDERED as follows:

1. That Georgetown is authorized to increase its rates for sewer utility service in the Sandpiper Bay Golf and Country Club as reflected in the attached Schedule of Rates;

2. That the Affiliate Lease Agreement between the Applicant and Northstar Carolina Corporation, filed on October 6, 2023, be approved pursuant to G.S. 62-153(b);

3. That the Effluent Easement and Irrigation Agreement between the Applicant and Northstar Carolina Corporation, with language agreed to by the parties in Section II (D) of the Settlement Agreement and Stipulation and filed on November 29, 2023, be approved pursuant to 62-153(b);

4. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. These rates shall be effective for service rendered on and after the effective date of this Order; and

5. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered to all customers of Georgetown within two days of the date of this Order, and that Georgetown shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than \_\_\_\_\_ XX, 2024.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_ day of \_\_\_\_\_, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

SCHEDULE OF RATES

for

904 GEORGETOWN TREATMENT PLANT, LLC

for providing sewer utility service to the

SANDPIPER BAY GOLF AND COUNTRY CLUB

Brunswick County, North Carolina

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Flat Rate for Wastewater Utility Service:</u>		
Residential	\$ 25.04	\$ 36.05
<u>Connection Fee:</u>	\$1,675.00	\$1,675.00

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**NOTICE TO CUSTOMERS  
DOCKET NO. W-1141, SUB 8  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to 904 Georgetown Treatment Plant, LLC. The Order approved the following rates for water and sewer utility service provided on and after the date of this notice.

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Flat Rate for Wastewater Utility Service:</u>		
Residential	\$ 25.04	\$ 36.05
<u>Connection Fee:</u>	\$1,675.00	\$1,675.00

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

This the \_\_\_ day of \_\_\_\_\_, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I, \_\_\_\_\_, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-1141, Sub 8, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_, 2024.

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Utility Company

The above named Applicant, \_\_\_\_\_, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated \_\_\_\_\_ in Docket No. W-1141, Sub 8.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Address

(SEAL) My Commission Expires: \_\_\_\_\_  
Date