

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1141, SUB 8

In the Matter of)	
Application by 904 Georgetown Treatment)	TESTIMONY OF
Plant, LLC, for Authority to Increase Rates)	EVAN M. HOUSER
for Sewer Utility Service in Sandpiper Bay)	PUBLIC STAFF –
Golf and Country Club in Brunswick County,)	NORTH CAROLINA
North Carolina)	UTILITIES COMMISSION

October 17, 2023

1 **Q. Please state your name, business address, and present**
2 **position.**

3 A. My name is Evan M. Houser. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Public Utilities Engineer with the Water, Sewer, and Telephone
6 Division of the Public Staff – North Carolina Utilities Commission
7 (Public Staff).

8 **Q. Briefly state your qualifications and duties.**

9 A. My qualifications and duties are included in Appendix A.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to provide the North Carolina Utilities
12 Commission (Commission) with the results of my investigation and
13 recommendations regarding specific areas of the application filed on
14 July 7, 2023, by 904 Georgetown Treatment Plant, LLC (Georgetown
15 or Company) in Docket No. W-1141, Sub 8, for Authority to Adjust
16 and Increase Rates for Providing Sewer Service in Sandpiper Bay
17 Golf and Country Club in Brunswick County, North Carolina
18 (Application).

19 The specific areas of my investigation include customer complaints,
20 Notices of Violation (NOVs), and Notices of Deficiency (NODs)
21 issued by the North Carolina Department of Environmental Quality
22 (DEQ), certain expenses, plant in service, revenue, and rate design.

1 **Q. Please describe the Georgetown service area and wastewater**
2 **utility system.**

3 A. The Georgetown wastewater utility system consists of a deemed
4 wastewater collection system serving approximately 795 residential
5 homes in the Sandpiper Bay community, and a wastewater treatment
6 plant that sprays its treated effluent through a 5-zone irrigation
7 system onto approximately 80 acres of land of the community's 9-
8 hole Bay golf course.

9 **Q. Have you performed a site visit of the Georgetown wastewater**
10 **system and, if so, what were your observations?**

11 A. Yes. On September 14, 2023, I inspected the Georgetown
12 wastewater system. I was accompanied by Shashi Bhatta of the
13 Public Staff's Water, Sewer, and Telephone Division, Iris Morgan of
14 the Public Staff's Accounting Division, Davia Newell of the Public
15 Staff's Legal Division, Tim Tilma, the manager of Georgetown, Sunny
16 Wright, the contract operator, and David Wright, employee of the
17 contract operator.

18 The wastewater treatment plant and collection system lift stations
19 appear to be in reasonable condition. The wastewater collection
20 system consists of gravity sewer lines feeding into three lift stations,
21 each of which pumps to a fourth lift station located at the Sandpiper

1 Bay maintenance building, before being pumped to the Georgetown
2 treatment plant.

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

12 At the time of our site visit, due to a blower being out of service, only
13 one train at the treatment plant was operational. The lift stations with
14 fences were each locked except for the maintenance pump station,
15 which was locked, but had a fence that had partially fallen over. A
16 manhole pick was not available at the time of inspection; therefore,
17 visual inspection of the interior of the clubhouse lift station was not
18 possible. The maintenance building lift station had debris floating in
19 it that appeared to be flushable wipes or paper towels. Each lift
20 station had an electric generator hookup, where the mobile generator
21 could be connected in the event of power loss.

1 **Q. Briefly describe the results of your investigation of DEQ**
2 **actions.**

3 A. Between July 1, 2020, and October 1, 2023, the Georgetown
4 wastewater system was issued two NODs by DEQ. Both NODs were
5 the result of an inspection conducted by DEQ on September 16,
6 2021.

7 The first NOD was dated September 30, 2021, and was issued for
8 deficiencies at three pump stations, which are part of the deemed
9 collection system. One pump station needed a new lock and required
10 repair to an audible alarm, another needed to be kept locked, and
11 the last lift station needed the gate to be repaired so that it could be
12 locked and an area light to be fixed. Based on our site visit, it
13 appeared that each of the lift stations was locked.

14 The second NOD was dated October 1, 2021, and was issued for
15 deficiencies at the treatment plant. Deficiencies were noted for the
16 lack of plans and timetables for the following four areas: (1) shutting
17 down an aeration basin for repair and cleaning; (2) repairing and
18 replacing the splitter box portion or entire bar screen structure; (3)
19 repairing various components of the filter system; (4) and repairing
20 the influent pump station along with the exposed electrical junction
21 boxes.

1 Tim Tilma responded to the second NOD by letter on October 29,
2 2021. Mr. Tilma provided plans to address the various components
3 and stated that the timetables for each was either the first or second
4 quarter of 2022.

5 No NOVs or civil penalties were identified between July 1, 2020, and
6 October 1, 2023.

7 **Q. Did Georgetown provide Notice to Customers?**

8 A. Yes. On August 21, 2023, the Commission issued its Order
9 Scheduling Hearings, Establishing Discovery Guidelines, and
10 Requiring Customer Notice (Scheduling Order). The Order directed
11 Georgetown to provide Notice to Customers no later than 10 days
12 after the date of the Order and to submit a signed and notarized
13 certificate of service no later than 20 days after the date of the Order.
14 On August 29, 2023, Georgetown filed a Certificate of Service stating
15 that the Notice to Customers was mailed or hand delivered as of
16 August 26, 2023.

17 **Q. Were consumer statements received following Georgetown's**
18 **Notice to Customers?**

19 A. Yes. A total of two consumer statements of position were received
20 and filed in Docket No. W-1141, Sub 8CS. One was received on
21 August 31, 2023. The other was received on September 29, 2023,

1 which was after the September 21, 2023 deadline for significant
2 protests.

3 Both customers were primarily concerned with the magnitude of the
4 approximately 50% rate increase requested by Georgetown in its
5 Application. One statement noted that this was significantly above
6 the current rate of inflation. The other commented that residents of
7 the community were primarily on fixed incomes and that an increase
8 closer to 10% would be more reasonable.

9 **Q. Has the Public Staff received any customer complaints?**

10 A. From July 1, 2020, through October 10, 2023, the Public Staff
11 Consumer Services Division received no customer complaints
12 related to Georgetown.

13 **Q. Was a public witness hearing held on September 27, 2023?**

14 A. No. On September 22, 2023, the Public Staff filed a Motion to Cancel
15 Public Witness Hearing (Public Staff Motion), stating that the
16 Scheduling Order allowed for cancellation of the public witness
17 hearing if no significant protest was received. The Public Staff Motion
18 went on to state that one consumer statement had been received,
19 and that Georgetown agreed to the motion. The Commission
20 subsequently issued its Order Cancelling Public Witness Hearing
21 and Requiring Customer Notice. Georgetown filed a certificate of

1 service on September 26, 2023, stating that they had notified the
2 customers accordingly.

3 **Q. Is Georgetown providing safe and reliable service?**

4 A. Yes. Based on review of environmental compliance records issued
5 by DEQ and the lack of significant customer complaints and
6 customer service issues, it is my understanding that Georgetown is
7 providing safe and reliable service to its customers.

8 **Q. What are the existing and proposed wastewater utility service
9 rates?**

10 A. The last rate increase granted to Georgetown was on September 25,
11 2007, by the Commission's Order Granting Partial Rate Increase,
12 Approving Agreements, and Requiring Customer Notice in Docket
13 No. W-1141, Sub 4. Georgetown's rates were subsequently updated
14 to the current rates on December 6, 2016, by the Commission's
15 Order Approving Tariff Revision and Requiring Customer Notice in
16 Docket Nos. M-100, Sub 138 and W-1141, Sub 6, following changes
17 to the state corporate income tax rate enacted by Session Law 2013-
18 316.

19 The present monthly flat rate for residential service is \$25.04. The
20 Application proposes to raise the monthly flat rate for residential
21 service by \$12.93 per month to \$37.97, or approximately 51.6%.

1 Georgetown's current tariff includes a connection fee of \$1,675.00
2 that the Company confirmed that they did not seek to increase.

3 A copy of Georgetown's current approved tariff is included as Exhibit
4 1.

5 **Q. Describe your review of Georgetown's expenses.**

6 A. I reviewed Georgetown's maintenance and repair expenses,
7 including contract labor, landscape, mowing, and effluent expenses,
8 utilities expense, chemicals for treatment expense, testing fees,
9 permit fees, and sludge removal expense.

10 I adjusted Georgetown's expenses, including removal of one
11 unsupported invoice, removal of costs that should be attributed to the
12 Sandpiper Bay Golf Course, reclassification of certain expenses to
13 more representative expense accounts, and reclassification of some
14 expenses to utility plant in service.

15 **Q. Describe your expense adjustments by account.**

16 A. Maintenance and Repair – I removed one unsupported invoice from
17 the unexpected expense/accidental spill account listed at \$625 and
18 removed two invoices for water heater repair totaling \$820. I
19 additionally reclassified \$34,440 and \$6,720 associated with the
20 contract operator's monthly WWTP and collection system work to
21 contract services. Based on my adjustments, including an item
22 reclassified from the sludge removal expense, I recommend

1 maintenance and repair expense be adjusted from \$70,218 to
2 \$15,095.

3 Testing Fees – I annualized testing costs based on Georgetown’s
4 lab’s current fees and the sampling requirements in its DEQ permit
5 and determined that \$5,160 was a reasonable annual level of testing
6 expense, resulting in a \$440 increase to test year expenses. I
7 recommend \$5,160 for testing fees expense.

8 Sludge Removal – I reclassified one invoice for \$3,700 for cleaning
9 the sand filter and clear water tanks to maintenance and repair
10 expense. In addition, I reclassified to plant in service an invoice in
11 the amount of \$2,800 for pulling and replacing a pump at the
12 wastewater treatment plant. I recommend that the sludge removal
13 expense be adjusted from \$49,700 to \$58,600.

14 Utilities Expense – The Company reclassified \$18,500 associated
15 with the electric bills for each of the 5 lift stations, and incorporated
16 that amount into the effluent easement and irrigation agreement
17 (Effluent Agreement) with Northstar Carolina Corp. d/b/a Sandpiper
18 Bay Golf and Country Club (Sandpiper Bay). I disagree with this
19 reclassification. The invoices supporting the electricity cost are
20 addressed and billed to “904 Georgetown Treatment Plant, LLC,”
21 and are paid by Georgetown. Under Georgetown’s reclassification, it
22 would be paying this bill twice: directly to the energy provider and

1 also to Sandpiper Bay pursuant to the Effluent Agreement.
2 Georgetown should not pay both the electric utility and Sandpiper
3 Bay for these costs due to inclusion in the calculation of the Effluent
4 Water Application Charge (Effluent Charge) found in the Company's
5 Effluent Agreement. The Company's proposed allocation will only
6 require customers to fund the cost once, but Georgetown is incurring
7 the cost twice. I increased the office phone bill by \$120 to reflect the
8 additional \$10 per month increase that started in 2023. I recommend
9 that utilities expense be adjusted from \$6,313 to \$24,933.

10 Landscape Mowing and Effluent – I removed \$3,750 allocated to
11 Georgetown for the chemicals and fertilizer that are applied to the 9-
12 hole portion of the course that Sandpiper Bay irrigates. I reduced the
13 Company's recommended expense amount by \$18,500 to reflect the
14 utilities expense adjustment discussed above. Including an update
15 requested by the company and discussed below, I recommend
16 landscape mowing and effluent expense be adjusted from \$41,989
17 to \$23,979.

18 Contract Services – I reclassified a total of \$41,160 from the
19 maintenance and repair to contract services. I recommend that
20 contract services expense be set at \$41,160.

1 **Q. Describe the Company's updated request provided to Public**
2 **Staff on October 6, 2023.**

3 A. On October 6, 2023, the Company provided an updated response to
4 Public Staff Data Request No. 9. The Company sought to correct its
5 reclassification of \$18,500 of electric expense. The Company also
6 requested additional expense amounts be included in the Effluent
7 Charge and recovered in rates for a portion of a certified spray
8 operator salary and a portion of the test year irrigation system
9 maintenance incurred by Sandpiper Bay.

10 Georgetown requested an additional \$10,500 for a portion of a
11 certified spray operator's salary and stated in a discovery response
12 that they have assumed that 50% of the employee's time relates to
13 irrigation, equipment, maintenance, and the daily monitoring of the
14 reuse effluent ponds and spray fields. Georgetown divided the
15 assumed related portion of the salary by three for each of the golf
16 courses, one of which is irrigated by Georgetown's effluent.

17 The Company stated in its updated request that the test year amount
18 for irrigation system maintenance was \$15,592 and requested one-
19 third of that amount totaling \$5,197.

20 **Q. Do you agree with the Company's updated request?**

21 A. No, I disagree with the Company's approximation of the certified
22 spray operator's time, inclusion of some invoices in the irrigation

1 system maintenance cost, and the allocation method used to
2 determine salary and irrigation system maintenance expense.

3 Sandpiper Bay's certified spray operator is the golf course
4 superintendent for the three golf courses, whose job responsibilities
5 include: managing staff and their assignments; handling
6 administrative matters; evaluating golf course conditions; taking turf
7 samples; assessing the proper watering schedule for greens,
8 fairways, tees, and rough; and meeting with the GM/Head Golf
9 Professional to review the tee sheet to understand course conditions.
10 Regarding the utility operations, the superintendent is responsible for
11 repair and operation of the irrigation system and irrigation equipment,
12 and maintenance and daily monitoring of the reuse effluent ponds
13 and spray fields.

14 Based on the wide range of job responsibilities covered in the
15 superintendent's required tasks, I believe two hours per day is a
16 reasonable estimate of the superintendent's time to allocate to the
17 irrigation system. Two hours per day is 25% of working time, or 13
18 weeks per year.

19 During my review of the irrigation system maintenance invoices, I
20 removed \$5,904 in items unrelated to utility maintenance expenses
21 that were primarily associated with herbicides, pesticides,
22 nematicides, insecticides, and other turf chemicals that are needed

1 for golf course groundskeeping, but not for maintaining the irrigation
2 system or the effluent application. Other items removed included
3 Walmart gift cards, a green rolling machine repair kit, grass seed,
4 and potting mix. The remaining cost incurred by Sandpiper Bay
5 related to the irrigation system maintenance after removal of the
6 unrelated items is \$9,688.

7 I also disagree with the methodology used by the Company to
8 allocate costs for the certified spray operator salary and irrigation
9 system maintenance. The Company divided the costs by three
10 because Georgetown irrigates one of the three courses: the Bay
11 course. The cost incurred for the Bay course should be equally split
12 between Sandpiper Bay and Georgetown, because It is unfair for
13 Georgetown's customers to bear the entire cost of the shared
14 irrigation system. I therefore recommend that one-sixth of the related
15 costs be allowed to be included in rates.

16 I recommend \$1,615 for irrigation system maintenance and \$2,625
17 for a portion of a certified spray operator salary be included in the
18 landscape mowing and effluent expense based on the company's
19 updated request. This amount is included in the \$23,979 I
20 recommended for the landscape mowing and effluent expense
21 above.

1 **Q. Did you determine that any test year expense levels were**
2 **reasonable?**

3 A. Yes, the test year expense levels for chemicals for treatment and
4 permit fees were reasonable and are \$1,772 and \$1,310,
5 respectively.

6 **Q. Please describe the adjustments to maintenance and repair and**
7 **sludge expenses compared to the normalization proposed by**
8 **the Company.**

9 A. The Public Staff used the 12-month test year period ending October
10 31, 2022, for the maintenance and repair and sludge removal
11 expenses, while the Company normalized equipment repair
12 expenses and unexpected expenses over a three-year period, and
13 sludge removal over a two-year period. Given the facts in this case,
14 I do not believe that the Company's proposed normalization for these
15 expense accounts is necessary, because the periods of
16 normalization are inconsistent between expenses, and the overall
17 difference between use of a 12-month test year as used by the Public
18 Staff and a partial normalization as proposed by the Company is
19 small.

1 **Q. What adjustments have you made to plant additions since the**
2 **last rate case?**

3 A. I identified one invoice paid to the system operator which did not
4 appear to have been included in other expense accounts, for two
5 new pump installations. One pump installation was on the plant
6 influent tank and the other was on the plant lift station. The total cost,
7 including sales tax, for each component was \$2,028.25 and
8 \$6,938.75, respectively. I added each pump to plant in service with
9 an in-service date of June 2022 and a five-year depreciation life,
10 consistent with the depreciation life utilized for recently installed
11 pumps. I believe an in-service date of June 2022 is reasonable
12 because the pumps were included on the monthly system operator
13 invoice dated June 30, 2022, for work completed during that month.

14 I reclassified one pump removal and replacement from the sludge
15 hauling expense to plant in service. The total cost of the removal and
16 replacement was \$2,800. I used an in-service date of August 2022,
17 consistent with the invoice date, and a depreciation life of five years,
18 consistent with other new pumps.

19 The Company provided an invoice for the installation of two pumps
20 at the wastewater treatment plant which were not previously included
21 in plant in service. The total cost for installation of both pumps was
22 \$7,000. The invoice states that work was performed on October 15

1 and October 20 of 2020; therefore, I used an in-service date of
2 October 2020. Consistent with previous pumps, a five-year
3 depreciation life was used.

4 I adjusted the depreciation lives of various components. I increased
5 the depreciation lives of three control panels from 5 to 10 years, a
6 noise dampening fence from 7 years to 10 years, railings on the lift
7 station from 7 years to 10 years, a generator from 5 years to 10
8 years, and a mapping of the wastewater system from 5 years to 10
9 years. The bases for these adjustments are the engineering
10 experience of the Public Staff's Water and Sewer Division staff, the
11 expected life of the assets, and frequency of replacements.

12 **Q. What are the Public Staff recommended rates?**

13 A. Based on the calculations of Public Staff witness Morgan, the annual
14 service revenue requirement is \$318,235. At the end of the test year,
15 Georgetown had 795 residential customers. Based upon the service
16 revenue requirement and Georgetown's customer count, I
17 recommend \$33.36 per month for flat rate residential sewer service.

18 **Q. Do you believe the magnitude of the increase in rates is harmful
19 to customers?**

20 A. While the Public Staff's recommended rate and the Company's
21 proposed rate both represent a significant percentage increase, the
22 rate increase in dollars is \$8.32 per month at the Public Staff's

1 recommended rate, and \$12.93 per month at the Company's
2 proposed rate.

3 When examining customer impact, it is also important to consider the
4 extent of time since the last approved rate increase. Georgetown's
5 rates have not increased since September 25, 2007, just over 16
6 years ago, while continuing to provide safe and reliable service.

7 If Georgetown received a 4% rate increase every other year between
8 2007 and now, rates would have increased to approximately \$34.27
9 in 2023. This approximation does not factor in changes other than a
10 4% increase in rates charged to customers every other year.

11 Customers have benefited each year since the last approved rate
12 increase by receiving adequate service while not having to pay the
13 same rates that they may have been required to pay if Georgetown
14 had applied for rate increases more frequently.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes, it does.

QUALIFICATIONS AND EXPERIENCE

Evan M. Houser

I graduated from North Carolina State University, earning a Bachelor of Science Degree in Environmental Engineering. I am a certified Engineering Intern in the state of North Carolina. I worked for the North Carolina Department of Environmental Quality (DEQ), Public Water Supply Section for approximately three years before joining the Public Staff in 2022. Prior to working for DEQ, I worked for the engineering consulting firm Highfill Infrastructure Engineering, P.C.

My duties with the Public Staff include monitoring the operations of regulated water and wastewater utilities with regards to rates and service. These duties involve conducting field investigations; reviewing, evaluating, and recommending changes in the design, construction, and operations of regulated water and wastewater utilities; presenting expert testimony in formal hearings; and presenting information, data, and recommendations to the Commission.

APPENDIX A

SCHEDULE OF RATES

for

904 GEORGETOWN TREATMENT PLANT, LLC

for providing sewer utility service in

SANDPIPER BAY GOLF AND COUNTRY CLUB

Brunswick County, North Carolina

<u>Monthly Flat Rate for Residential Service:</u>	\$ 25.04
<u>Connection Fee:</u>	\$1,675.00
<u>Reconnection Fee if cut off by Utility:</u>	Actual cost provided written estimate is given to customer prior to disconnection.
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	30 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 30 days after billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1141, Sub 6, on this the 6th day of December, 2016, effective January 1, 2017.

OFFICIAL COPY

Oct 17 2023

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 17th day of October, 2023.

Electronically submitted
/s/ William E. G. Creech
Staff Attorney