

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1343, SUB 1

In the Matter of
Application by GWWTP, LLC for a)
Certificate of Public Convenience and)
Necessity to Provide Wastewater Utility)
Service to Southern Shores Landing)
and Ginguite Mixed Use Development)
in Dare County, North Carolina, and for)
Approval of Rates)
)

**JOINT SETTLEMENT
TESTIMONY OF
KUEI FEN SUN,
LINDSAY Q. DARDEN, AND
GREGORY J. REGER
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION**

May 6, 2024

1 **Q. Ms. Sun, please state your name, business address, and**
2 **present position.**

3 A. My name is Kuei Fen Sun. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility
5 Regulatory Analyst with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. Are you the same Kuei Fen Sun who filed direct testimony on**
8 **behalf of the Public Staff in this proceeding on April 5, 2024?**

9 A. Yes.

10 **Q. Are your qualifications and duties the same as stated in your**
11 **direct testimony?**

12 A. Yes.

13 **Q. Ms. Darden, please state your name, business address, and**
14 **present position.**

15 A. My name is Lindsay Q. Darden. My business address is 430 North
16 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an
17 engineer with the Water, Sewer, and Telephone Division of the
18 Public Staff.

19 **Q. Are you the same Lindsay Q. Darden who filed direct testimony**
20 **on behalf of the Public Staff in this proceeding on April 5, 2024?**

21 A. Yes.

1 **Q. Are your qualifications and duties the same as stated in your**
2 **direct testimony?**

3 A. Yes.

4 **Q. Mr. Reger, please state your name, business address, and**
5 **present position.**

6 A. My name is Gregory J. Reger, and my business address is 430 North
7 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities
8 Regulatory Analyst in the Economic Research Division of the Public
9 Staff – North Carolina Utilities Commission (Public Staff).

10 **Q. Are you the same Gregory J. Reger who filed direct testimony**
11 **on behalf of the Public Staff in this proceeding on April 5,**
12 **2024?**

13 A. Yes.

14 **Q. Are your qualifications and duties the same as stated in your**
15 **direct testimony?**

16 A. Yes.

17 **Q. What is the purpose of your joint settlement testimony?**

18 A. The purpose of our joint settlement testimony in this proceeding is to
19 provide support for the Settlement Agreement and Stipulation
20 (Stipulation) filed on May 6, 2024, entered into between GWWTP,
21 LLC (GWWTP or the Company) and the Public Staff (collectively the

1 Stipulating Parties) regarding certain issues the Stipulating Parties
2 resolved in the Stipulation.

3 **Q. Briefly describe the Stipulation.**

4 A. The Stipulation sets forth the agreement between the Stipulating
5 Parties regarding all revenue requirement issues. Updated plant in
6 service, updated rate case expense, the acquisition adjustment,
7 maintenance and repair expense, and the rate of return will be
8 discussed in greater detail below.

9 **Q. Please describe the agreed upon plant in service.**

10 A. The Stipulating Parties agreed upon including \$46,430 for a new
11 standby generator and \$3,458 for natural gas connection. The
12 Stipulating Parties agreed to utilize the half-year convention
13 methodology and the agreed upon service lives to update the
14 associated depreciation expense, and the accumulated depreciation
15 through December 31, 2024. The Stipulating Parties also agreed
16 upon the reclassification of sludge hauling expenses associated with
17 the front-end upgrade construction to plant in service.

18 **Q. Please describe the agreed upon rate case expense.**

19 A. The Stipulating Parties agreed upon including in the calculation of
20 the final revenue requirement the audited actual rate case expenses
21 up to the settlement date of April 25, 2024, as well as expenses

1 through the submittal of a joint proposed order up to and not to
2 exceed \$2,500 of actual audited expenses. The Stipulating Parties
3 further agreed that accounting schedules incorporating the final rate
4 case expense and revenue requirement will be filed upon completion
5 of the audit. The Stipulating Parties also agreed that the rate case
6 expense in the current proceeding will be amortized over a three-
7 year period, with the maximum annual amount of \$23,118.

8 Finally, the Stipulating Parties agreed that if the Company's next rate
9 case filing exceeds the three-year amortization period, then starting
10 with the date on which rates become effective in the present case,
11 the Company will record any overcollection of rate case expense,
12 beginning the first month after the three-year amortization period
13 ends and continuing until a new Commission order is issued
14 determining updated rates, in a regulatory liability account on a
15 monthly basis with the overcollection to be returned to ratepayers
16 with interest based on the weighted average cost of capital, in a
17 manner determined by the Commission in the Company's next rate
18 case. Should the Company file for a rate case before the expiration
19 of the three-year amortization period, any unrecovered rate case
20 expense balance will be added in the new rate case expense and
21 amortized over the number of years approved by the Commission in
22 that rate case.

1 GWWTP reserves the right to challenge the Public Staff rate case
2 expense refund mechanism in the next rate case for future rate case
3 expenses associated with a future rate case based on what GWWTP
4 believes to be accepted regulatory principles, accounting rules, and
5 previous Commission policy. In addition, should the Company file for
6 a rate case before the expiration of the three-year amortization
7 period, any unrecovered rate case expense balance will be added in
8 the new rate case expense and amortized over the number of years
9 approved by the Commission in the next rate case.

10 **Q. Please describe the treatment of an acquisition adjustment.**

11 **A.** The Stipulating Parties agreed that the Company will not recover the
12 acquisition premium.

13 **Q. Please describe the agreed upon maintenance and repair
14 expense.**

15 **A.** The Stipulating Parties agreed upon the Public Staff's adjustments
16 to the maintenance and repair expense for reclassifying a portion of
17 the maintenance and repair expense to the testing expense, as well
18 as annualizing the maintenance and repair expense associated with
19 the Albetuck Land Development work over five years. The Stipulating
20 Parties agreed to a maintenance and repair expense of \$26,465 for
21 sewer operations. The Public Staff believes this is a reasonable level
22 of ongoing expenses.

1 **Q. Please describe the agreed upon rate of return.**

2 A. The Stipulating Parties agreed to an authorized return on equity of
3 9.8%, a hypothetical capital structure composed of 50% debt and
4 50% equity, and an embedded cost of debt of 4.2%. The foregoing
5 factors produce an overall rate of return of 7.0%.

6 **Q. Have the Stipulating Parties finalized the revenue requirement?**

7 A. No, the Stipulating Parties will need to audit the final invoices for rate
8 case expenses to finalize the revenue requirement. Accounting
9 schedules detailing the final revenue requirement will be filed and will
10 update the numbers set forth above.

11 In addition, based on the fact that GWWTP will not be recovering its
12 allowed revenue requirement based on the billing of only 38 existing
13 customers, the Company reserves the right to change its rate
14 methodology in the next general rate case if the mixed-use
15 development does not come online.

16 **Q. What benefits does the Stipulation provide for ratepayers?**

17 A. The most important benefits provided by the Stipulation are as
18 follows:

19 1) An aggregate reduction of total revenue requirement from the level
20 requested in the Company's CPCN application, resulting from the
21 adjustments agreed to by the Stipulating Parties.

1 2) A balance between reducing the ratepayer's burden of paying a
2 higher utility rate and allowing the utility an opportunity to recover
3 sufficient revenue to provide quality service to the ratepayers.

4 3) The avoidance of protracted litigation between the Stipulating
5 Parties before the Commission and possibly the appellate courts.

6 Based on the foregoing, we recommend that the Commission
7 approve the Stipulation.

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

9 **A. Yes, it does.**

CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Joint Settlement Testimony upon each of the parties of record in this proceeding or the attorney of record of such party, 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 6th day of May, 2024.

Electronically submitted
/s/ Davia Newell