

1 STAFF CONFERENCE

August 9, 2021

2 CHAIR MITCHELL: Good morning. Let's come
3 to order and go on the record, please. I'm Charlotte
4 Mitchell, Chair of the Utilities Commission, and with
5 me this morning are Commissioners Brown-Bland, Gray,
6 Clodfelter, Duffley, Hughes and McKissick.

7 In compliance with the State Government
8 Ethics Act, I remind members of the Commission of
9 their duty to avoid conflicts of interest, and inquire
10 at this time as to whether any member of the
11 Commission has a known conflict with respect to
12 matters coming before us this morning?

13 (No response)

14 The record will reflect that no conflicts
15 have been identified, so we will proceed with Public
16 Staff, Communications Item P1. Ms. Proffitt?

17 MS. PROFFITT: Good morning. Item P1
18 presents Interconnection Agreements and Amendments
19 filed by AT&T North Carolina and Windstream between
20 June 3rd and June 7th, 2021.

21 The Public Staff has reviewed the filings
22 and recommends that orders be issued approving the
23 agreements and amendments effective on the date they
24 were filed.

NORTH CAROLINA UTILITIES COMMISSION

1 The Public Staff has provided proposed
2 orders to the Commission staff.

3 COMMISSIONER BROWN-BLAND: Move approval of
4 the recommendation.

5 COMMISSIONER GRAY: Second.

6 CHAIR MITCHELL: It's been moved and
7 seconded that the item be approved as recommended by
8 the Public Staff. Any questions or discussion on the
9 motion?

10 COMMISSIONER McKISSICK: Madam Chair?

11 CHAIR MITCHELL: Yes, sir, Commissioner
12 McKissick.

13 COMMISSIONER McKISSICK: And this is more of
14 an observation as much as anything else. I know like,
15 for example, with Docket Number P-55, Sub 1595, it
16 refers to the fact that we are adding a new section to
17 the Agreement and it's titled "Partner Delivery
18 Service Arrangement, Insurance and Subcontractors".

19 I went to the proposed order and it does not
20 have any language for Exhibit A nor does any language
21 exist elsewhere. So, I was able to track down some,
22 but it would be helpful moving forward if there is a
23 reference like that to an Exhibit A to either provide
24 a concise explanation as to what it actually does, you

1 know, in a concise substantive way or either provide a
2 copy of it. Just on an observational note moving
3 forward it would be helpful. I mean, once I was able
4 to review it I don't have any concerns about it, but I
5 guess wanted to make that as an observational note.
6 Thank you.

7 MS. PROFFITT: Yes, sir. Thank you.

8 CHAIR MITCHELL: Any additional questions?

9 (No response)

10 Hearing none, I'll go ahead and call for a
11 vote. All in favor indicate with an aye.

12 (All Commissioners say aye)

13 CHAIR MITCHELL: Any opposed?

14 (No response)

15 The motion carries.

16 (MOTION PASSES)

17 CHAIR MITCHELL: Thank you, Ms. Proffitt.

18 MS. PROFFITT: Thank you.

19 CHAIR MITCHELL: We'll proceed now to Public
20 Staff, Electric Item P1. Mr. Saillor?

21 MR. SAILLOR: I'm Scott Saillor with the
22 Energy Division. Item P1 is an Application for an
23 Amended and renewed Certificate of Public Convenience
24 and Necessity for a solar PV electric generating

1 facility.

2 The Public Staff recommends that the
3 Commission approve the Application and issue the
4 Amended and Renewed Certificate.

5 COMMISSIONER BROWN-BLAND: Move approval of
6 the recommendation.

7 COMMISSIONER GRAY: Second.

8 CHAIR MITCHELL: It's been moved and
9 seconded that the item be approved as recommended by
10 the Public Staff. Questions or discussion?

11 (No response)

12 Hearing none, I'll call the roll for a vote.
13 Indicate your support with an aye and your opposition
14 with a no. All in favor?

15 (All Commissioners say aye)

16 CHAIR MITCHELL: Anyone opposed?

17 (No response)

18 CHAIR MITCHELL: The motion carries.

19 (MOTION PASSES)

20 CHAIR MITCHELL: Thank you, Mr. Saillor.

21 We will proceed to Public Staff, Water Item
22 P1.

23 MS. FEASEL: Good morning. I'm Lynn Feasel
24 with the Public Staff, Accounting Division. Item P1

1 is Docket Number W-218, Sub 526A. On April 28th, 2021
2 Aqua North Carolina filed an Application requesting
3 authority to adjust its Water System Improvement
4 Charges and its Sewer System Improvement Charges
5 effective July 1, 2021.

6 Aqua's WSIC and SSIC percentages were reset
7 to zero as of October 26th, 2020, the effective date
8 of Aqua's new base rates in its general rate case,
9 W-218, Sub 526. This is Aqua's second filing to
10 implement charges under the WSIC and SSIC mechanisms
11 since the Sub 526 rate case.

12 Aqua's proposed WSIC and SSIC revenue
13 requirement and percentages are listed in the agenda
14 item.

15 The Public Staff has reviewed Aqua's stated
16 WSIC and SSIC improvements and, based on this review,
17 the Public Staff is recommending nine adjustments to
18 Aqua's proposed WSIC and SSIC revenue requirement and
19 percentages that are discussed in the agenda item.

20 The Public Staff's recommended WSIC and SSIC
21 revenue requirement and percentages, based on these
22 adjustments, are also reflected in the agenda item.

23 It's the Public Staff's understanding that
24 the Company agrees with the Public Staff's recommended

1 adjustments except for the adjustment to remove
2 \$71,150.93 of grinder pumps and the amount of the cost
3 allotted for the Willow Creek lift station.

4 A proposed order is attached as Exhibit
5 Number P-1.

6 The Public Staff recommends that the
7 Commission issue the proposed order approving the
8 Public Staff's recommended Water and Sewer System
9 Improvement Charges effective for service rendered on
10 or after the date of this order, subject to true-up;
11 allowing Aqua to retrospectively charge customers for
12 the approved surcharges through the EMF calculation
13 for the period July 1st, 2021 through the date of the
14 Commission's Order; and requiring customer notice.

15 If the Commission has any questions
16 regarding this item, Chuck Junis and I are available.
17 I believe representatives from the Company are in
18 attendance and intend to address the Commission.

19 CHAIR MITCHELL: Thank you very much. The
20 Commission does have questions for both the Company
21 and the Public Staff. We'll start with the Company.
22 If you would, send someone up this way. Ms. Sanford,
23 I see you and Mr. Becker approaching.

24 MS. SANFORD: Do we unmask to talk or --

1 CHAIR MITCHELL: Yes, please go ahead and
2 remove your masks.

3 MS. SANFORD: Good morning. I'm Jo Anne
4 Sanford, Sanford Law Office, representing Aqua North
5 Carolina. Thank you for hearing us this morning. We
6 are here with Mr. Becker and a number of other people
7 from the Company to be sure we have the right people
8 in case you have questions on this item.

9 We, first of all, want to thank the Public
10 Staff for its attention over a pretty protracted
11 period of time as the Company and the Public Staff
12 have worked to a resolution of most of the issues.

13 We're here this morning -- can you hear me?
14 Am I -- we're here this morning for two disputes, two
15 issues which have been identified this morning. The
16 first has to do with Willow Creek, it's about a small
17 amount of money, but is about an operational issue for
18 which the Company particularly and I assume everybody,
19 would like the Commission's guidance. The other has
20 to do with the grinder pump issue which we know has
21 been repeatedly presented in terms of filings with the
22 Commission and has been laid out.

23 So, with that, I have Mr. Becker. He has
24 backup. We will be happy to answer any questions that

1 the Commission has. Thank you.

2 CHAIR MITCHELL: Thank you, Ms. Sanford.
3 Mr. Becker, we do have a number of questions for you
4 on -- or for the Company on both grinder pumps and
5 Willow Creek. I'm going to start with Willow Creek
6 just because we have fewer questions there.

7 With the supplemental responses that the
8 Company provided to the Public Staff, the Public Staff
9 has now made an adjustment to remove AFUDC in the
10 amount of just over \$2,000. Does Aqua accept this
11 adjustment? And, if not, help us understand why.

12 MR. BECKER: So, I'm going to call on
13 Michael Melton who is the engineer. He's our state
14 engineer and he will be able to answer most of the
15 questions regarding Willow Creek.

16 CHAIR MITCHELL: Okay. Good morning, sir.
17 Please go ahead and introduce yourself for purposes of
18 the record.

19 MR. MELTON: Good morning. I'm Michael A.
20 Melton. I'm the Engineering Manager for Aqua North
21 Carolina.

22 CHAIR MITCHELL: So I'll direct my question
23 at you. With the supplemental response that the
24 Company provided to the Public Staff, the Public Staff

1 has now made an adjustment to remove AFUDC in the
2 amount of just over \$2,000. Does the Company agree
3 with this adjustment? If not, please help us
4 understand why.

5 MR. MELTON: Yes, ma'am. We disagree with
6 that.

7 CHAIR MITCHELL: Okay. Would you please
8 expound on your answer?

9 MR. MELTON: Yes, ma'am, absolutely. And
10 thank you for the opportunity to be here. If I can
11 explain maybe in simplistic terms the project itself.
12 I think it was referenced as a lift station. This is
13 an SSES, a Sewer System Evaluation Survey, that we
14 performed at the Willow Creek collection system.

15 I had submitted as part of the Data Request
16 64, a graph that appears on this. I don't know if you
17 have this copy or not, any of that information or not,
18 maybe, maybe not. It was in Question 1, Data Request
19 64. One of the things as I explained when we evaluate
20 a collection system, we look at something called the
21 peaking factor. Okay. And the peaking factor is the
22 maximum daily flow divided by the average flow. And
23 so when we see peaking factors north of three, okay,
24 it gives just an arithmetic calculation between the

1 maximum divided by the average, we have concerns that
2 there's either inflow or infiltration going on in the
3 collection system. So, we had looked at this data
4 previously and we had seen peaking factors of well
5 above seven in this collection system at Willow Creek.

6 We started the project in 2019. We had
7 actually had a sewer system overflow from one of the
8 manholes near a school that we serve there at Willow
9 Creek. And so in looking at that and solving that
10 issue we realized that we needed to carry on with this
11 system and look at the system as a whole, okay.

12 We had asked for proposal. We finally
13 received it in January of 2020. We acted on that
14 proposal. And they looked at four areas. The Company
15 that we hired was a Company called Tri-State and they
16 did an SSES study, if you will, looking at four areas.
17 They had identified, they had provided just multiple
18 information, like two reams, three-inch reams of
19 information on the collection system, and videos that
20 they supplied to us, and there was evidence that
21 this -- there were parts of the collection system that
22 we needed to do point repairs. We had began looking
23 at and getting -- trying to get bids for making these
24 point repairs. Tri-State refused. They were the

1 contractor that actually did the SSES study. And then
2 the Covid outbreak took place in March. We're able to
3 finally retain Barnett Enterprises who went out later
4 in the year to perform those point repairs. So we
5 kept this project open with the intent of solving and
6 fixing some of these point repairs.

7 Since those repairs have been made,
8 outstanding of a spike in the flow in 2021, there is a
9 graph that I recently provided to Public Staff that
10 pretty much shows the maximum and minimum. Here's
11 this -- the red is the maximum. But after that point
12 in January, our flows remain very consistent.
13 Evidence that we had solved, most if not all of the
14 issues with I&I. I stand here today and say that --
15 you know, I can't say that 100 percent that we're not
16 going to go back and fix a leak or do point repair of
17 something that might come up, but today that's where
18 we stand. And that's why we left the project open, if
19 you will.

20 CHAIR MITCHELL: Thank you. That's a
21 helpful overview of the work that you all have
22 undertaken. Help me understand though the Company's
23 position relative to the Public Staff's position.
24 Just explain why you all still take issue with this

1 position taken by the Public Staff?

2 MR. MELTON: Sure. And again, it's a
3 legitimate position. I'm not here to say it's not a
4 potential -- you know, we had fixed one area, okay, in
5 the collection system. We had a root ball that had
6 grown into the collection system. That's what led to
7 the SSO. We did find that there was some -- we did a
8 short video and we noticed that there was some
9 misalignment in the pipe. And we were very strong in
10 thinking that yes we need to continue this evaluation.
11 Right. So, I think from the Public Staff, I don't
12 want to speak for them on this, but I think that they
13 viewed this as one point repair that should have been
14 closed. In our minds, this was a whole project, a
15 system-wide survey and evaluation, if you will.

16 CHAIR MITCHELL: Thank you. Additional
17 questions for the Company on the Willow Creek issue?

18 (No response)

19 I'd like to hear from the Public Staff in
20 response to the Company. And, Mr. Becker, stay up
21 here. Don't go anywhere in case --

22 MR. JUNIS: Yes. Charles Junis, Engineer
23 with the Public Staff Water Division. I'm going to
24 keep this very short and sweet. We have a footnote in

1 the proposed order and the agenda item that lays out
2 this schedule. You basically had a study or cleaning
3 and videotaping in June of 2019. You then have a
4 repair that was done in November of '19. That's what
5 we're calling one project. Then they went back in
6 different areas to investigate further concerns about
7 I&I. So that investigation occurred in March of 2020
8 and the repairs were completed in December of 2020.
9 We'd call that the second project. So that's kind of
10 the delineation. When you group them all together you
11 lead to this accrual of AFUDC which is additional cost
12 to customers, which we felt was unnecessary and
13 excessive.

14 I will add Mr. Melton referred to that 2021
15 graph of flows, you'll see a spike in February of
16 2021, so I can make the argument under their logic
17 that this continues to be a problem and they will
18 continue to look at it. Now, it looks like it's
19 settled down but you don't know what factors went into
20 that of why that peak in February has gone down. So,
21 I think that's a little bit of flawed logic to say it
22 continues to be a problem because you can stretch out
23 a lot of projects under that logic.

24 I think from a responsibility and proper

1 management it should be two projects and it's a
2 limited cost to customers. Thank you.

3 CHAIR MITCHELL: Thank you, Mr. Junis.
4 Before Mr. Junis sits down, questions for Mr. Junis,
5 Public Staff?

6 (No response)

7 CHAIR MITCHELL: Mr. Becker, care to respond
8 to Mr. Junis?

9 MR. BECKER: I do. Thank you. This is
10 Shannon Becker, President for Aqua North Carolina.

11 I guess in summary of this, you can look at
12 almost any project and break it down into a piece and
13 say we should have capitalized that at that time, we
14 should have capitalized that at that time. But the
15 challenge that we have is we're working under fluid
16 operational conditions and we have over 20,000
17 activity numbers that track capital at any point in
18 time every year. The engineering team is managing
19 over 100 active projects at any point in time. While
20 we're in the field, we make decisions. And again, you
21 know, just like a service line project, after each
22 service line is put into, back into service which is
23 done within an hour or -- I don't want to be quoted on
24 the amount of time -- but within a short amount of

1 time that service line is done but it's still part of
2 the bigger project. So, technically we could
3 capitalize that, but we're looking at operational
4 efficiency and the ability to be able to manage
5 effectively without inundating the tracking and the
6 reporting and the recording of it.

7 We made an operational decision in the
8 field. In hindsight, when we look back on it, can we
9 make different decisions or we wish we would have?
10 Sure. But there's a fluidity to operating and making
11 a decision on the fly when they say that something is
12 going to be delayed or this is the start of something
13 that's going to be the front end of a project. We
14 make decisions that say, hey, you know what, we're
15 going to make this a larger project and not just
16 capitalize this at any point in time.

17 Now, I'll also say that if that were the
18 case where we would have capitalized the first part of
19 that 2019 study, we would have had it in a WSIC
20 filing, the last filing, and we would have already
21 been recovering on that. So, while AFUDC is getting
22 charged to that project during that delay, we would
23 have already been collecting on that project six
24 months ago, which would have been higher rates

1 earlier.

2 (Cellphone ringing)

3 I apologize for that. And that's all I
4 would say. Thank you for the opportunity to respond.

5 CHAIR MITCHELL: Thank you, Mr. Becker.

6 Questions for Mr. Becker? Commissioner
7 Hughes.

8 COMMISSIONER HUGHES: I think you said this
9 but could you just restate it again, the process and
10 actually individual or team that actually makes these
11 decisions on the operational side? I'm assuming it's
12 not the accountant, it's the engineers, or the -- and
13 how does that process goes. Is it a software driven
14 issue? Is it a, you know, just experience, engineers'
15 experience? Or could you just say a little bit more
16 about how that's done?

17 MR. BECKER: Sure. This is -- we have
18 management teams. Some projects are managed by area
19 managers. Some are managed by supervisors. And some
20 of the larger projects, they require planning and
21 permitting, and require our engineering team to be
22 involved. Now, we use a team of consultants or
23 contractors, engineering contractors, to help carry
24 out a lot of the work because the volume is

1 significant.

2 Most -- we are coordinated with our
3 accounting team to be able to track when a project is
4 completed and in service, to try to unitize things
5 when they are placed in service, and we just made an
6 improvement as a result of our last rate case to
7 better manage that, but most of these decisions are
8 made by the individuals in the field.

9 The project manager will assign an informal
10 title project manager to the individual managing that
11 project and they are making the calls based on the
12 information that is available to them; they and
13 potentially their supervisor depending on the size of
14 the project. You know this is a longer project, this
15 Willow Creek one, so it did require multiple hands
16 including accounting, the engineering team, the
17 operations team to be able to make sure that we are
18 effectively managing and doing what we need to do in
19 the field to address the SSO's, the sanitary service
20 overflows.

21 So, it's a little bit of a manual project.
22 Our back-end accounting is very computer oriented, but
23 the decision making in the field in monitoring and
24 seeing what's going on, whether to extend it into a

1 new area, you have to complete the things, take a look
2 at the results, do something a little different, and
3 we're likely -- not likely or in our typical -- to try
4 to be efficient we're not likely to try to close each
5 piece of that separately. That would be thought of as
6 a larger project.

7 COMMISSIONER HUGHES: Okay.

8 CHAIR MITCHELL: The Commission has
9 questions for the Company and for the Public Staff as
10 well on the grinder pumps. So, Mr. Becker, I'll
11 direct those at you. I don't know if you're going to
12 need to call up some assistance, but I'll just go
13 ahead and fire away.

14 For the 24 grinder pumps at issue in the
15 instant proceeding, is Aqua replacing original grinder
16 pumps located at or near a customer's residence that
17 were installed by the homeowner or the home builder?

18 MR. BECKER: I don't know if they're
19 original equipment that was initially installed. It
20 may have been replaced at some period in the past.
21 But they typically are near a homeowner's premise.
22 They are -- the ones that we have requested recovery
23 for are part of a pressurized system, not a gravity
24 system. And I would say the difference between those

1 two is the gravity system, you're going to have a
2 grinder pump in your home to be able to push the
3 sewage up the hill to connect into the master system,
4 whereas a pressurized system, we consider it to be,
5 the grinder pump to be part of the total pressurized
6 system. We don't want a lot of gaps. We need to
7 maintain pressure in the system and a grinder pump is
8 part of that system.

9 I also have Joe Pearce here who has helped
10 us respond to many of these questions and was probably
11 the primary contact in working with the Public Staff
12 and the data requests.

13 CHAIR MITCHELL: Okay.

14 MR. BECKER: So, if you have additional
15 questions that are more technical in nature.

16 CHAIR MITCHELL: Okay. And I see him
17 proceeding to the microphone as we speak.

18 Gentlemen, does the homeowner retain
19 ownership of the grinder pump that was paid for by the
20 homeowner or home builder until it's replaced by Aqua?

21 MR. PEARCE: No. These -- when we took over
22 the asset that grinder pump became Aqua's grinder
23 pump. We replaced that grinder pump and it's Aqua's.

24 CHAIR MITCHELL: And that's the case --

1 MR. PEARCE: I'm sorry. I'm Joe Pearce.
2 I'm Joe Pearce, Director of Operations for Aqua, 25
3 years in business. A few of you have met me before.

4 CHAIR MITCHELL: Thank you, sir. So, these
5 24 grinder pumps are Company assets?

6 MR. PEARCE: Correct.

7 CHAIR MITCHELL: Okay.

8 MR. PEARCE: We own all the grinder pump
9 station systems that we operate.

10 CHAIR MITCHELL: Okay. Just so the record
11 is clear, the 24 pumps to be replaced.

12 MR. PEARCE: Correct.

13 CHAIR MITCHELL: The existing pumps were
14 Aqua's pumps?

15 MR. PEARCE: The existing pumps were Aqua's
16 pumps.

17 CHAIR MITCHELL: Okay. And I assume, but
18 correct me if I'm wrong, that all 24 of these pumps
19 are on the same system?

20 MR. PEARCE: No. There are a variety of
21 systems. If I can go into a little bit of detail,
22 there's actually 11 E1 pumps that I think most of
23 those went into Sterling Farm. One went to Brice
24 Creek. I haven't got them all memorized so I can't

1 show off that way. But we've got 11 E1's. We've got
2 11 ABS. A lot of those go to the Governor's Club.
3 We've got one Myers and one King. They vary in
4 horsepower; 1 horsepower, the small E1's at the
5 coast. We have larger horsepower, 2, 2.5, 3.7, even
6 some 6.7 horsepower pumps. They're not all the same.
7 They are sized to fit the system depending on where
8 you're located. So, if you're at the end of the
9 system you may have a higher horsepower pump to ensure
10 we have flushing velocity. So, it's designed as an
11 integral system of pumps. The one pump down can cause
12 a failure of the pumping system. It won't reach our
13 velocity.

14 CHAIR MITCHELL: Just following up on
15 something you just said. So, the pumps are designed
16 relative to the system not to the -- not to a
17 residential unit.

18 MR. PEARCE: Correct.

19 CHAIR MITCHELL: Okay. According to Aqua's
20 current grinder pump installation fee tariff that's
21 applicable to the Governor's Club, once the grinder
22 pump is initially installed it becomes the
23 responsibility of the Company to maintain, repair, and
24 replace the grinder pump. Is this the case with

1 respect to the grinder pumps -- is this the case with
2 all grinder pumps that are connected to Aqua systems?

3 MR. PEARCE: On the ones that we own and
4 operate. There are some that are questionable as far
5 as who actually owns them. We do not operate those
6 that we don't own. There are some that the HOA was
7 supposed to have handled the grinder pumps. We don't
8 have access. We don't have easements for them. We do
9 not operate those. So, the ones that we don't own we
10 don't operate and maintain.

11 CHAIR MITCHELL: Understood. Thank you.
12 Again for the 24 in question here, those are pumps
13 that Aqua owns though, correct?

14 MR. PEARCE: To the best of my knowledge.

15 CHAIR MITCHELL: Okay.

16 MR. PEARCE: That would be our standard
17 practice.

18 CHAIR MITCHELL: In Aqua's response to the
19 Public Staff's reply comments which the Company filed
20 on June 28th, in 218, Sub 526A, Aqua stated that the
21 grinder pump stations at issue which are an integral
22 part of alternative pressurized sewer systems that are
23 permitted by the DEQ and they're necessary to the
24 proper operation of the collection system. Footnote 5

1 to this sentence states that As noted on pages 21-22
2 of the Company's May 7th, 2021 Verified Response,
3 there are grinder pumps which are used for the sole
4 benefit of individual customers. These grinder pump
5 systems are for a single facility that include a
6 pressurized drain connecting to a utility-owned
7 gravity sewer. These are permitted under the plumbing
8 code and not under DEQ permitting authority. The
9 grinder pumps installed for the sole benefit of the
10 customer are not part of any Aqua-owned sewer
11 collection system, and the Company does not own,
12 operate, and maintain grinder pump stations installed
13 for the benefit of a single customer.

14 You've already touched on this in your
15 responses to my questions but just so we're clear
16 explain the difference between the two categories or
17 the two types of grinder pumps one more time.

18 MR. PEARCE: So, one type, which is to the
19 benefit of a single homeowner --

20 COMMISSIONER BROWN-BLAND: Excuse me.
21 Excuse me just a minute. Mr. Pearce, for the benefit
22 of our listening audience including our staff who's
23 trying to follow this, they requested you step closer
24 to the mic.

1 MR. PEARCE: I'm sorry. I'm normally too
2 loud. Thank you, Commissioner.

3 So, the plumbing code ones are for the
4 individual homeowners. Those are the ones where
5 there's a -- they've put a house in and that
6 individual house will not reach a gravity sewer in the
7 area, so they will put in a grinder station permitted
8 under the plumbing code. Aqua does not own those.
9 It's handled as an individual homeowner item and it's
10 handled through the plumbing code. It is not
11 permitted by the State with an individual permit
12 either. So those are homeowner responsibility covered
13 for that individual homeowner's benefit. We're not
14 involved in the design of those. That's the plumbing
15 inspector's business to watch that portion of it as
16 opposed to -- I think that was one part of the
17 question.

18 The second part is the ones that are
19 combined, the low pressurized sewer systems, those are
20 permitted by the State and those plans are reviewed by
21 the State to ensure they maintain -- that flushing
22 velocity is designed for. Aqua the Company is held
23 responsible for those systems operating. Whether they
24 back up in the home or whether they cause a sewer

1 spill, the utility is responsible for it, for the ones
2 that we own. Does that answer the question?

3 CHAIR MITCHELL: It does. Back to the
4 Governor's Club Subdivision briefly. Which type or
5 category of grinder pump is located at the Governor's
6 Club?

7 MR. PEARCE: I believe most of those are
8 ABS.

9 CHAIR MITCHELL: Which means those are --

10 MR. PEARCE: Those are pressurized sewers.

11 CHAIR MITCHELL: Okay.

12 MR. PEARCE: Yeah, they're pressurized
13 sewers in Governor's Club. And I'll add one other
14 tidbit. That's one of our largest grinders. We have
15 one station that is -- one house, one area actually
16 that has a 10-horsepower grinder on it. I'll say a 10
17 horsepower -- I'm not sure -- I mean, a pump station.
18 That's big for a normal pump station, because of
19 elevations and maintaining flushing velocities in our
20 system it required a much larger. The 10 horsepower
21 is not just following.

22 CHAIR MITCHELL: . For the grinder pumps at
23 issue in this proceeding, the 24 grinder pumps, are
24 they referenced in the respective DEQ permits that

1 have been issued for those systems?

2 MR. PEARCE: For the collection systems,
3 yes.

4 CHAIR MITCHELL: So they would be
5 considered -- the grinder pumps would be considered an
6 integral part of the pressurized or pressurized sewer
7 system for the DEQ permit?

8 MR. PEARCE: Correct.

9 CHAIR MITCHELL: Okay. In Docket Number
10 W-218, Sub 475, which was a contiguous notification
11 filing by Aqua for the Hasentree, Phase 4C,
12 Subdivision in Wake County, the developer agreement
13 that was filed with that filing defines wastewater
14 utility system assets to exclude grinder pump
15 stations. So, we interpret this to mean that there
16 are circumstances in which grinder pumps are not part
17 of the wastewater utility system assets. Again,
18 you've already explained some of that, but just can
19 you remark about the specifics of the Hasentree
20 situation?

21 MR. PEARCE: So, I don't think the Hasentree
22 situation specifically, but I'll speak
23 more generically.

24 CHAIR MITCHELL: Please do.

1 MR. PEARCE: The developer and the H of --
2 candid -- and through the HOA developed an alternative
3 management program. It's not required to be a utility
4 to operate those pressurized systems. They'll allow
5 an HOA, homeowners association, to operate those. So,
6 in that case the State would permit those that way.
7 Or the other option is they're actually discharging to
8 a gravity sewer and handle those individual systems
9 and not permit through the State. So, it's not
10 required that there be a public utility to operate
11 those grinder systems.

12 COMMISSIONER HUGHES: Chair, can I just make
13 a --

14 CHAIR MITCHELL: You may. Go ahead.

15 COMMISSIONER HUGHES: So, could you just
16 physically describe what that would be? Would there
17 be two separate -- there would be a small part of the
18 system that is HOA owned and it connects to --

19 MR. PEARCE: To an Aqua-owned sewer.

20 COMMISSIONER HUGHES: Okay. So they're both
21 pressurized, it's just you have a boundary --

22 MR. PEARCE: Correct.

23 COMMISSIONER HUGHES: -- somewhere that's
24 distinguished between the HOA --

1 MR. PEARCE: And Aqua's lines.

2 COMMISSIONER HUGHES: Okay. Is that a
3 common --

4 MR. PEARCE: Is it common? We have one that
5 I'm aware of that we don't own that's discharged to
6 our gravity sewer, a community-owned HOA.

7 COMMISSIONER HUGHES: And --

8 MR. PEARCE: It's not terribly common.

9 COMMISSIONER HUGHES: But is it -- do you
10 have pressurized to pressurized or is it always
11 pressurized to gravity?

12 MR. PEARCE: I'm more -- pressurized to
13 gravity, because otherwise you've got issues with
14 trying to keep the two systems operable.

15 COMMISSIONER HUGHES: Yeah, I have a
16 headache trying to imagine that. So you don't have --
17 you don't have pressurized to pressurized --

18 MR. PEARCE: Right. I would actually be
19 worried about operating one that has two different --
20 two different groups of maintaining the pressure in
21 the system.

22 COMMISSIONER HUGHES: So, the ones that you
23 don't operate --

24 MR. PEARCE: The ones we don't operate --

1 COMMISSIONER HUGHES: -- somewhere along you
2 think you can tie to a gravity system?

3 MR. PEARCE: (Nods head in agreement).

4 COMMISSIONER HUGHES: That's what I
5 understand.

6 CHAIR MITCHELL: I'm just checking in with
7 Kim Mitchell to make sure you got that last question
8 and answer.

9 (WHEREUPON, the Court Reporter
10 nods head in agreement.)

11 CHAIR MITCHELL: Okay. Thank you.

12 One last question for the Company here and
13 then I'll pause and see if my colleagues have any
14 questions.

15 But the 24 grinder pumps at issue here, are
16 they the same or similar type of grinder pump
17 replacements that the Company included in its
18 October 2020 SSIC filing that the Company ultimately
19 withdrew?

20 MR. PEARCE: I believe they are. Michael?

21 MR. MELTON: I'm not sure.

22 MR. PEARCE: The grinders are -- yes, I'm
23 99 percent sure they are. I cannot guarantee it.

24 CHAIR MITCHELL: Okay. All right.

1 MR. PEARCE: But we -- our grinder program
2 has not changed in that time period.

3 CHAIR MITCHELL: Thank you, sir. A few
4 customers for the Public Staff. Mr. Becker and
5 Mr. Pearce, hang on.

6 Mr. Junis, one more time for the record.

7 MR. JUNIS: Charles Junis, Engineer with the
8 Public Staff Water Division.

9 CHAIR MITCHELL: Mr. Junis, I assume you're
10 familiar with the 02T Rules.

11 MR. JUNIS: Yes, ma'am.

12 CHAIR MITCHELL: 02T .0300 addresses sewer
13 system extensions. 02T .0302(a)(6) defines "pressure
14 sewer system" as *an interdependent system of grinder
15 pump stations, typically for residences serving
16 individual wastewater connections for single buildings
17 that share a pressure pipe with a diameter of 1.5
18 inches through 6 inches. Duplex or greater pump
19 stations connected to a common pressure pipe that can
20 operate both independently and simultaneously with
21 other pump stations while maintaining operation of the
22 system within the operating constraints shall be
23 excluded from the definition of pressure sewer system.*

24 Do you know whether the 24 pumps at issue

1 fall within the definition of 02T .0302(a)(6)?

2 MR. JUNIS: Within the exclusion or -- I'm
3 sorry, because that was a lot you just threw at me.

4 CHAIR MITCHELL: Well, and it is and I
5 apologize for that. So, are these -- do the 24 pumps
6 at issue, would they be excluded within the -- from
7 the definition of pressure sewer system?

8 MR. JUNIS: Not to my knowledge, no.

9 CHAIR MITCHELL: Okay. After hearing the
10 Company's responses today, does the Public Staff have
11 anything else it would like for us to know or be aware
12 of?

13 MR. JUNIS: So, I will say it's been my
14 experience in none of these replaced pumps has there
15 been a system issue caused by that short-term outage.
16 These are as-needed replacements. So, you can't --
17 the SSIC is intended to accelerate projects and also
18 to eliminate regulatory lag. This is not a project
19 that you can accelerate. This is a project that you
20 have to do no matter what. And I think we need to
21 parse out that the financial regulatory is separate
22 from the - to some degree - from the environmental
23 regulatory, and they want to kind of rest on the
24 permit includes these. And, yes, it's part of the

1 system but they do not dispute that the primary
2 purpose of these individual grinder pumps are to serve
3 that individual premise. When one pump goes out,
4 typically, and I will say for -- to my knowledge on
5 all 24 of these, there was not a system issue. There
6 was an outage for that individual premise. That needs
7 addressed immediately. That's an emergency repair and
8 replacement. A lot of times they might even throw in
9 a used pump temporarily and then come back and replace
10 it with a new pump or leave that used pump in there.

11 So, I really want to emphasize that not
12 everything is eligible for accelerated rate recovery.
13 And it's our position that grinder pumps would fall in
14 that category as not eligible, because it's not being
15 accelerated. It's a relatively small individual cost.
16 I think a lot of this has been addressed in sort of
17 the back and forth in our comments, so I don't want to
18 keep going on and on.

19 CHAIR MITCHELL: Thank you, Mr. Junis.

20 Questions for Mr. Junis from the
21 Commissioners? Commissioner Clodfelter.

22 COMMISSIONER CLODFELTER: If the Company
23 just let the pumps continue to operate, maybe even
24 shut down, would it be the Public Staff's position

1 that the Company would then be providing safe,
2 reliable, and efficient service?

3 MR. JUNIS: No, that would not be our
4 position.

5 COMMISSIONER CLODFELTER: Right.

6 MR. JUNIS: It's a necessary improvement. A
7 lot of times when these pumps malfunction there is no
8 service and you have a very small storage tank within
9 these grinder pumps and then you could potentially
10 have a backup, and that's why I say it's an as-needed
11 repair. They're not systematically -- or on a planned
12 basis replacing grinder pumps. It's failure, going
13 out to see what the alarm is, and make the fix. It
14 could be a control panel. It could be the pump. It
15 could be just a blockage that it's basically pulled,
16 blockage removed and put back in.

17 COMMISSIONER CLODFELTER: If they don't
18 replace them though they're not providing safe,
19 reliable, and efficient service?

20 MR. JUNIS: That's correct.

21 COMMISSIONER CLODFELTER: And these are
22 pumps?

23 MR. JUNIS: Yes, sir.

24 COMMISSIONER CLODFELTER: And they're

1 replacements?

2 MR. JUNIS: Yes, sir.

3 COMMISSIONER CLODFELTER: And they're
4 replacements for customers?

5 MR. JUNIS: Yes, sir.

6 COMMISSIONER CLODFELTER: Thank you, sir.

7 CHAIR MITCHELL: Commissioner McKissick.

8 COMMISSIONER McKISSICK: Thank you, Madam
9 Chair.

10 Mr. Junis, let me ask this. If one of these
11 pumps goes out, and from what I gather from your
12 testimony it's your contention that it does not impact
13 the total system, it only impacts that individual
14 household; is that correct?

15 MR. JUNIS: Primarily the impact is to that
16 individual premise. It would take, typically, because
17 the factors of safety, multiple of these to fail to
18 then have a system-wide failure, because you're
19 maintaining pressure with all of the grinder pumps.

20 COMMISSIONER McKISSICK: And have you
21 individually examined the pumps used in the situation
22 that we have before us, these 24 grinder pumps, and
23 reached the conclusion that if any one of these failed
24 it would not result in any system-wide problems?

1 MR. JUNIS: To my knowledge, no system-wide
2 impacts were occurred based on these outages or
3 repairs or replacements.

4 COMMISSIONER McKISSICK: And are you aware
5 of any other engineer who has reviewed these
6 individually --

7 COMMISSIONER GRAY: Microphone.

8 COMMISSIONER McKISSICK: I'm sorry. Are you
9 aware of any other engineer who has done a similar
10 assessment and provided that information to the Public
11 Staff as it relates to these 24 individual grinder
12 pumps.

13 MR. JUNIS: I mean, besides the Aqua's
14 engineers that worked on this, not to my knowledge. I
15 worked on this. I think this issue has maybe popped
16 up with Carolina Water so perhaps Ms. Casselberry or
17 Ms. Darden have also addressed this, but typically
18 that's a team effort in how we review those.

19 COMMISSIONER McKISSICK: And the information
20 that was provided Aqua's engineers, did it state that
21 there were system-wide problems that would of have
22 resulted from these 24 pumps?

23 MR. JUNIS: There was no evidence provided
24 that system-wide issues were experienced.

1 Theoretically, it was said that there could be
2 system-wide issues, but there were not actually
3 experienced system-wide issues from these outages to
4 my knowledge.

5 COMMISSIONER McKISSICK: And were these 24
6 pumps, to your knowledge, in a concentrated area or
7 were they throughout Aqua's system?

8 MR. JUNIS: This was on multiple different
9 systems. And that's why in our comments I pointed to
10 my experience in installing one of these systems. And
11 observing that construction and some of the initial
12 hiccups, you had multiple pumps out on a system of I
13 think it was about maybe a thousand. I don't recall
14 off the top of my head. But you could have 10 that
15 were malfunctioning during a given evening or during
16 the day when people were initially getting used to
17 what can you actually put down your sewer and then
18 just initial hiccups with the equipment after
19 installation, and so we still didn't have system-wide
20 issues at that level of saturation. So, an individual
21 grinder pump on an individual system, you're just not
22 going to have system-wide issues.

23 COMMISSIONER McKISSICK: Okay. And I gather
24 that basically the homeowner or owner of the unit that

1 needs the grinder pump has to pay the initial \$3,500
2 to have it installed or approximately that; is that
3 correct?

4 MR. JUNIS: Depends on the developer
5 contracts --

6 COMMISSIONER McKISSICK: I see.

7 MR. JUNIS: -- and it depends on the
8 subdivision. I do know, you know there's been a
9 number of systems brought up this morning, this has
10 been a point of dispute between Aqua and some of these
11 developments and DEQ. I don't recall where that
12 dispute is at but this has been an issue of who's
13 going to maintain, who's going to address these, and
14 who's going to pay for it.

15 COMMISSIONER McKISSICK: And I guess my next
16 question goes to that. Once that cost is paid for and
17 those grinder pumps are installed, at that point in
18 time do they become the responsibility of Aqua to
19 maintain going forward? When is that transfer? When
20 does that occur?

21 MR. JUNIS: Again, depends on the --

22 COMMISSIONER McKISSICK: The system?

23 MR. JUNIS: -- contract to my knowledge and
24 the system. But to my knowledge for these 24 it is

1 Aqua's -- well, Aqua owns these and is responsible.

2 COMMISSIONER McKISSICK: Thank you, sir.

3 MR. JUNIS: Thank you.

4 CHAIR MITCHELL: Commissioner Hughes?

5 COMMISSIONER HUGHES: Mr. Junis, you may be
6 able to answer this; it might be that it goes back to
7 Aqua, but are grinder pumps typically something that
8 from the focus on cost repair that tend to be in the
9 longterm from a life cycle cost standpoint cheaper to
10 "run to fail"? Or is it -- does it make cost sense to
11 kind of go through the process of tracking each one,
12 figuring out when to -- you know -- when's the ideal
13 and optimum time to repair it before it actually
14 fails? Does that question make sense?

15 MR. JUNIS: Yes, it absolutely makes sense.
16 It's been my experience and evidence has shown that
17 run to fail is the most efficient there are now.
18 Depending on the level of monitoring and basically the
19 controls you have, you can watch sort of the
20 electrical load on some of these. There are some
21 indicators that you could start to predict on failures
22 but that's still being worked out and sort of studied.
23 And so at this point it is still most efficient run to
24 fail, because it's unpredictable. It can be misuse.

1 It can be just an electrical failure.

2 I mean, these are hardworking grinder pumps.
3 The worst of the worst they face. I mean, I have seen
4 the inside of some of these tanks and you would be
5 surprised what people will flush down their toilet. I
6 don't even know how it got down into the sewer. So,
7 it's unpredictable and best to run to fail, because it
8 could last a year, it could last 10 years depending on
9 how it's cared for and the quality of craftsmanship.

10 COMMISSIONER HUGHES: I could ask you lots
11 of gross follow-ups.

12 CHAIR MITCHELL: I was waiting for that
13 actually.

14 COMMISSIONER HUGHES: I think the Chair is
15 quite concerned about my curiosity of that.

16 CHAIR MITCHELL: Right.

17 COMMISSIONER HUGHES: Well, I mean, I don't
18 know if there's been some comments that probably
19 reflect to Aqua's operating procedures and so I don't
20 know if it's fair to give them a chance to respond or
21 not.

22 CHAIR MITCHELL: Well, what I would like to
23 do at this point is I'd like for Chuck -- Mr. Junis,
24 take your mask off. I want a closing argument from

1 you on the Public Staff's position here and then we'll
2 take one from the Company. And anything that you need
3 to say in response to Mr. Junis' most recent comments
4 you can include in your closing statement.

5 MR. JUNIS: All right. So, I was not
6 prepared for closing arguments. I feel like I should
7 have just taken one more day of vacation and avoided
8 this and let somebody else deal with it but --

9 CHAIR MITCHELL: You've learned the hard
10 way, Mr. Junis.

11 MR. JUNIS: What I will say is there -- the
12 WSIC and SSIC is certainly being utilized by Aqua.
13 There are constraints here on what is eligible and not
14 eligible. And then I think there's room for
15 interpretation of what is most appropriate for both
16 company practices and then for the financial impact to
17 customers. And in this case this is an as-needed
18 repair. And I think that's important because you
19 can't delay this. This is something that in the
20 middle of the night somebody's got to go out and make
21 this repair because it can result in significant
22 impacts, especially to and most directly to that
23 individual premise that is served by that grinder pump
24 station. And I've seen it. It results in sewage

1 backups. You'll have stuff all over the carpet, your
2 furniture. It is a huge impact. And it has to be
3 done immediately. So, there is no delay to wait to
4 repair and replace it and put it into the next rate
5 case. It has to happen now. And I think that is very
6 important.

7 I understand the arguments about these are
8 systems, but there is no dispute that this, the
9 primary purpose of these is to serve that individual
10 premise. And these, the WSIC and SSIC is intended for
11 sewer system improvements. And so this is a scatter
12 shot. I don't recall how many systems, but the 24
13 pumps across multiple different systems being
14 addressed in this WSIC/SSIC, and then last go around
15 you had a different set. So, it's kind of all over
16 the place.

17 So, I'll rest on that. This is obviously
18 the Commission's decision. We respect that. But
19 we're trying to look out for customers and their best
20 interest and afraid of, if you allow this, what else
21 will be included in the WSIC/SSIC.

22 CHAIR MITCHELL: Thank you, Mr. Junis.

23 Mr. Becker?

24 MR. BECKER: Shannon Becker, President for

1 Aqua North Carolina. I don't think I've ever
2 presented final closing arguments ever in the way of
3 an accountant and an engineer doing this. This a
4 first for me, so thank you for the opportunity.

5 Mr. Junis is right. The primary -- this is
6 an immediate need. When something goes down, running
7 it to fail, we determine this to be a -- the most
8 prudent way to be able to use our capital that ends up
9 in the customer's rates. We don't want to go out and
10 change two to three hundred grinder pumps at one time
11 in one community because again as Mr. Junis mentioned
12 it could be one year, it could be 10 years. And we
13 don't want to change something out prematurely that
14 doesn't need to be changed out.

15 One of the things that Mr. Junis had said
16 earlier was the intent of the WSIC/SSIC is to
17 accelerate capital that we may not otherwise spend. I
18 don't know if he said it exactly that way. But in our
19 June 28th filing under the Verified Response to Reply
20 Comments of the Public Staff and Notice of Public
21 Staff's Plan to Present Comments and Recommendations
22 at the Commission's July 6th, 2021 Regular Staff
23 Conference, I'm looking at, well, at least on my page
24 4 here -- there's no other referenced points I can

1 use -- but we mentioned specifically here, counter to
2 the intent, the WSIC/SSIC tool's intent to accelerate
3 capital investment is not only the intent, that was
4 one of the -- there's orders, right? That is one of
5 the intents of the legislation.

6 But, additionally, it also states *Grinder*
7 *pump replacements are SSIC-eligible improvements under*
8 *General Statute § 62-133.12, because they are*
9 *necessary for Aqua, and now in quotes, "to implement*
10 *solutions to wastewater problems, and to comply with*
11 *State and federal law and regulations". In addition,*
12 *they are -- and that is on Aqua's Sub 363 rate case*
13 *Order at page 76 is where that was stated. In*
14 *addition, they are necessary for Aqua, in quotes, "to*
15 *provide safe, reliable, and efficient service in*
16 *accordance with applicable ... effluent standards" as*
17 *Commissioner Clodfelter had referenced. And that is*
18 *our intent. We cannot wait to fix these. We must fix*
19 *them. But they also meet the intent of the WSIC/SSIC*
20 *tool to allow us to do this type of work, to provide*
21 *us recovery, reduce lag on this type of investment*
22 *which allows us to provide and maintain safe and*
23 *reliable service, and maintain our regulatory*
24 *requirements, environmental regulatory requirements.*

1 So, just in closing, as Mr. Junis also said,
2 that the customer is the primary beneficiary here.
3 All of our customers benefit from all of our assets in
4 these systems, whether it's the collection system or
5 the grinder pump. In this case here we make the
6 argument that a pressurized system is part of the
7 greater good. It's part of the larger system. Can we
8 handle one going out? Yes, for a period of time,
9 right. I don't know what the number is of how many
10 have to go out and what size system and what size
11 horsepower, but we are trying to maintain the
12 integrity of the system that does benefit all of our
13 customers, not just an individual customer.

14 CHAIR MITCHELL: Thank you, Mr. Becker. And
15 thank you, Mr. Junis.

16 COMMISSIONER BROWN-BLAND: Madam Chair, I
17 move this matter to executive conference for further
18 consideration.

19 COMMISSIONER DUFFLEY: Second.

20 CHAIR MITCHELL: It's been moved and
21 seconded that the item be considered in executive
22 conference. All in favor, indicate with an aye.

23 (All Commissioners say aye)

24 CHAIR MITCHELL: Any opposed.

1 (No response)

2 We will take the matter up in executive
3 session.

4 The Commission has before it its minutes of
5 August 2nd Staff Conference for approval.

6 COMMISSIONER BROWN-BLAND: Move approval.

7 COMMISSIONER GRAY: Second.

8 CHAIR MITCHELL: Any questions, discussion
9 on our -- on the motion?

10 (No response)

11 CHAIR MITCHELL: All in favor indicate with
12 an aye.

13 (All Commissioners say aye)

14 CHAIR MITCHELL: Anyone opposed?

15 (No response)

16 The minutes of August 2nd, 2021 are
17 approved.

18 Any additional business for the Commission
19 this morning?

20 (No response)

21 Hearing none, we will be adjourned. Thank
22 you very much.

23

24

1 _____
2 WHEREUPON, this conference is adjourned.
3 _____
4

5 C E R T I F I C A T E

6 I, KIM T. MITCHELL, DO HEREBY CERTIFY that
7 the Proceedings in the above-captioned matter were
8 taken before me, that I did report in stenographic
9 shorthand the Proceedings set forth herein, and the
10 foregoing pages are a true and correct transcription
11 to the best of my ability.
12

13 Kim T. Mitchell _____

14 Kim T. Mitchell
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