BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1318, SUB 1

In the Matter of Application by HH Water, LLC, for Authority to Adjust and Increase Rates for Water Utility Service in High Hampton Service Areas in Jackson County, North Carolina	)))))	**TESTIMONY OF** **SHASHI M. BHATTA** **PUBLIC STAFF –** **NORTH CAROLINA** **UTILITIES COMMISSION**

June 7, 2024

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

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

Q. Briefly state your qualifications and duties.

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

Q. What is the mission of the Public Staff?

A. The Public Staff represents the concerns of the using and consuming public in all public utility matters that come before the North Carolina Utilities Commission (Commission). Pursuant to N.C. Gen. Stat. § 62-15(d), it is the Public Staff's duty and responsibility to review, investigate, and make appropriate recommendations to the Commission regarding the following utility matters: (1) retail rates charged, service furnished, and complaints filed, regardless of retail customer class; (2) applications for certificates of public convenience and necessity; (3) transfers of franchises, mergers, consolidations, and combinations of public utilities; and (4) contracts of public utilities with affiliates or subsidiaries. The Public Staff is also responsible for

appearing before State and federal courts and agencies in matters affecting the public utility service.

Q. What is the nature of the Company's application in this rate case?

A. On January 26, 2024, HH Water, LLC (HH Water or Company) filed an application seeking authority to increase rates for water utility service in its High Hampton service area in Jackson County, North Carolina (Application). On February 2, 2024, the Company filed an amendment to the Application. The test year for this rate case is the 12-month period ended December 31, 2022.

On February 19, 2024, the Commission issued an order establishing a general rate case and suspending rates.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission with the results of my investigation and recommendations regarding specific areas of the Application.

The specific areas of my investigation include reviewing customer complaints, consumer statements of position filed in the docket, and Notices of Violation (NOVs) and Notices of Deficiency (NODs) issued by the North Carolina Department of Environmental Quality (DEQ). I also analyzed revenues at present and proposed rates, completed a billing analysis including rate design, conducted a site visit, and

assisted Public Staff Financial Analyst Darrus Cofield in reviewing plant in service, capital improvements, and expenses.

Q. Briefly describe HH Water's water utility system.

A. HH Water's service area is located off Highway 107, just south of downtown Cashiers, in Jackson County. HH Water has one community water system, High Hampton Inn/Country Club (NC0150136), consisting of four active wells (Well Nos. 1, 5, 7, and 10), two ground storage tanks (75,000 gallons and 18,000 gallons), two hydropneumatic storage tanks (2,500 gallons and 500 gallons), one booster pump station with two pumps each having a capacity of 75 gallons per minute (gpm), and 10-inch, 8-inch, 6-inch, 4-inch, 3-inch and 2-inch distribution mains. Well No. 1 has not been used since the Fall of 2019. Per the DEQ approval issued for Well No. 8, Well No. 1 cannot be deactivated until Well No. 8 is activated.

Per the most recent DEQ approval (Serial No. 22-00308, approval date: May 16, 2022), the water system is approved to serve a total of 307 connections, mostly single family homes, one 122-room hotel/inn, one 350-seat restaurant, one 6,000 square foot dining area, one 50-seat bar, one 50-seat golf/tennis center restaurant, and one 200-people golf/tennis center employee facility within High Hampton development. DEQ's last water system approval also 0stated that Well No. 8 (125 GPM) and Well No. 11 (78 GPM) had

been approved to be a part of the overall water system to serve a total of 307 connections; however, those wells have not been activated yet.

HH Water has also drilled Well No. 14 and constructed a new triplex booster pump station and a new hydropneumatic tank at the site of the two existing elevated tanks; These have not been placed into service either.

Q. Have you conducted a site visit of HH Water's water system, and, if so, what were your observations?

A. Yes. On June 5, 2024, I visually inspected HH Water's water system. I was accompanied by Meredith Guglielmi, P.E., engineer with DEQ – Asheville Regional Office; Robert Burgin, P.E., design engineer of the water system; Owen Schultz with HH Water; and Ken Deaver, operator in responsible charge (ORC), with Sure Water Services, Inc. the contract operator of the water system. Reid Mullis with Gopher Utility Services, Inc. (Gopher Utility), which provided commercial electrical services to HH Water, joined the site visit when we visited Well No. 8, just before we started our wastewater system visit.

The water system appeared to be in good condition overall. All the active wells and associated sodium hypochlorite treatment at each well, well houses, water storage tanks, and the booster pump station appeared to be well maintained and were operating properly. Well

No. 1 has not been used since the Fall of 2019. Mr. Robert Burgin, the design engineer for most of the water system components, informed me during the site visit that during his survey, he found that a sewer line runs from the Kid's Club (daycare facility) under the well house for Well No. 1, a few feet from the well-head. The Kid's Club is approximately five feet from the well house, which is located in the resort core area with the swimming pool, bath houses, golf course etc. Mr. Burgin recommended not using Well No. 1 as a source supply due to the proximity of the sewer line and the potential health risk if the sewer line failed. He further stated that, because of all the improvements in the resort core area, a 480-volt power line was placed near the well so that it could be used as an emergency source per DEQ's instructions at the time. Well No. 8 well head was observed, but the building and other piping had not been completed. A new booster pump station and a new hydropneumatic storage tank have also been constructed next to the two existing elevated storage tanks, but are also not in service. In its response to Public Staff Data Request No. 11, HH Water stated that service boxes are typically located at the property line near the road for newer homes, and generally within 20 feet from the property line for the older homes. The Company further stated that the service boxes for the facilities within the Club and Inn are located close to the buildings. The service box for the Halstead House and the Kids Club were verified, and the

service boxes are approximately 4-10 feet from the building footing and a long distance from the water main (e.g., Kids Club has a service box approximately 3 feet from the building, but the distance from the water main to the service box is approximately 60-70 feet). The location of the service box distinguishes where the Company's responsibility ends and the customer's responsibility begins. The resort core has multiple service connections and these are being assigned to either "the Club" or "the Inn" customer.

Q. Briefly describe the results of your investigation of DEQ's records.

A. The last sanitary survey (inspection) of the water system was conducted on October 18, 2022. A letter from the DEQ-Asheville Regional Office on the findings of the sanitary survey, dated November 14, 2022, stated that the operation and maintenance (O&M) Plan and Emergency Plan were not available on site; the required number of disinfectant residual concentration measurements (five per week) were not reported on the monthly reports for August and September of 2022; the required three visits per week by the certified operator were not performed per the August and September 2022 monthly reports; Well Nos. 5 and 10 had the pH adjustment equipment but the chemical (soda ash) was not being fed, and the overflow pipe on the 18,000-gallon tank could not be

located. At the time of the sanitary survey and letter, Envirolink, Inc. was the contract operator.

Between January 1, 2021 and March 31, 2024, the water system received six violations from DEQ. There were two violations in December 2021 and two in December 2022, for not monitoring for E. coli and not testing the chlorine level in the water. The remaining two violations occurred in November 2022 for not monitoring for total trihalomethanes (TTHM) and Haloacetic Acids (HAAs). As of April 10, 2024, all violations had been resolved.

Q. Did HH Water provide Notice to Customers?

A. Yes. On April 11, 2024, the Commission issued its Order Scheduling Hearings, Establishing Procedural and Filing Requirements, and Requiring Customer Notice. On April 22, 2024, the Commission issued its Order Rescheduling Public Witness Hearing, Revising Dates for Filing Reports, and Requiring Customer Notice (Scheduling Order). The Scheduling Order directed HH Water to provide Notice to Customers no later than 10 days after the date of the Scheduling Order and to submit a signed and notarized certificate of service not later than 15 days after the date of the Scheduling Order. On May 2, 2024, HH Water filed a certificate of service indicating that the Notice to Customers was mailed or hand delivered, by the Scheduling Order deadline.

Q. Has the Public Staff received any consumer statements of position?

A. Yes. As of June 7, 2024, 144 consumer statements of position were received and filed in Docket No. W-1318, Sub 1. Some customer statements were duplicates. Most of the consumer statements of position followed a form and contained the same language. All customer statements expressed concerns related to the high percentage of increase in rates proposed by the Company and opposed the proposed increase, which is 367%. Some customers compared the proposed increase to the rates charged in other water systems in the surrounding areas, maintaining that HH Water's proposed increase was significantly higher. While some customers are not opposed to a reasonable rate increase, they are opposed to the proposed increase due to its magnitude.

Many, if not all, of the statements of position noted that most of the residents are seasonal and there is no water usage during some months. As such, they believed that the flat rate would be unfair to residents. They stated that they would be paying significantly more for water at High Hampton for the few months their home was occupied, than at their permanent residence. Some customers stated that HH Water should install water meters and charge based on water usage instead of a flat monthly rate. Some customers also stated that the older homes are smaller in size than the newer homes

resulting in higher water consumption for the newer, larger homes and thus, the proposed flat monthly rate is not fair and equitable.

The statements further stated that customers were concerned that some of the capital expenditures included in the rate increase were for the costs of the developer to develop new lots rather than costs of HH Water to service its existing customers. Most customers stated that if capital expenditures were due to the development of new lots, then the cost of new capital expenditures should be paid by the new residents or the developer rather than the long-time residents. Some customers want to know how much of the $1.4 million spent on capital improvements is to serve the new development.

Many of the customer statements also voiced concern that the notice to customers was late (received in early May when the rate case was filed in January), that the delay in customer notice did not allow customers an opportunity to seek justification for an increase in rates as proposed, and that the notice to customers was sent when seasonal residents are not in High Hampton.

One customer stated that he lives in an older neighborhood, Sheep Laurel, and that he has experienced low water pressure, frequent water line breaks, and no fire hydrants in this neighborhood, and that newly developed areas would benefit from new installations. A customer stated that when an experienced developer bought the

property, it knew there was a need to update old infrastructure, and the purchase price should have been negotiated to reflect the need to update old and fragile infrastructure. A few customers stated that due to a lot of construction work and large trucks on the road, the water mains have been damaged causing leaks, leading to water outages, and water quality issues. Some customers stated that they had heard the developer had sold most lots for approximately $600,000 to $800,000 with some lots approaching $1 million. Other customers stated that they wanted to know what profits and deficits have been experienced in the last 19 years since the last rate case. One customer stated that he objects to arbitrary billing simply based on a home's existence, and not the number of bedrooms or square footage of homes, and equitable billing must be considered. A number of customers stated that the proposed increase would be a shock to the household budget and could cause hardship, and that the increase should be more gradual.

Q. Has the Public Staff received any customer complaints?

A. No, there were no customer complaints received by the Public Staff Consumer Services Division for the period beginning September 17, 2017, the date of the Commission's Order Approving Transfer, Granting Franchise, Approving Bond, Approving Rates, and Requiring Customer Notice to HH Water, LLC in Docket No. W-1318, Sub 0 (September 2017 Transfer Order) through May 29, 2024.

Q. Was a public witness hearing held on June 4, 2024?

A. Yes. On June 4, 2024, a public witness hearing was held at the Jackon County Courthouse, in Sylva, North Carolina and two customers testified: Mr. Ben Hill and Mr. Hope Sandler Poe. They primarily testified about the magnitude of the rate increase requested by the Company. Mr. Hill stated that he has lived in the Sheep Laurel neighborhood within the High Hampton service area for approximately 25 years. Mr. Hill stated that he is a seasonal resident and normally comes to his High Hampton home every year, from the end of May to the beginning of September, and visits on some weekends during the other months. Mr. Hill further stated that there are currently approximately 275 customers, the new developers are planning to build a total of 450 to 500 new homes, and the new wells, installed new lines, and new, larger storage tank are to serve the new homes. He said that the existing customers do not need additional wells or storage capacity, and are doing fine. He further stated that if additional wells or storage are built to serve new homes, the new homeowners should pay for them. He also stated that the developer is selling each lot with all utilities available for approximately $500,000 to even $3.0 million. The newer homes are 5,000 square feet (SF) to 10,000 SF in size, which are larger than the older home sizes of approximately 2,500 SF to 3,000 SF. Mr. Hill stated that he had had some water outages and discolored water due to breaks in

the water lines caused by large construction trucks driving on the roads. He further stated that the Company acted quickly to repair those breaks. He also mentioned that the new developer has restricted access to some of the amenities that used to be included with the annual dues under the previous ownership.

Mr. Poe testified that he has been living in HH Water's service area, Sheep Laurel neighborhood, for approximately eight years. He is the current president of the Sheep Laurel neighborhood association. He testified that he has spoken to a lot of his neighbors who expressed concern about the magnitude of the proposed increase, and it is not just the two customers that testified at the hearing. He said that the Company has informed them that DEQ is requiring all the lead water lines to be replaced, and that there has been some work replacing some of these lines. In some areas, where the old galvanized (lead containing) lines were replaced, the Company has installed meters. He does not know if the Company plans to charge a flat rate or a metered rate. Mr. Poe wanted to know how much has been spent to replace the galvanized lines. He also was interested in knowing who is paying for the additional new wells and new storage tanks. Mr. Poe stated that he believes that since more capacity is not needed for the existing customers, the existing customers should not have to pay for the added capacity. He mentioned that the Company has said that the wells are getting old. Mr. Poe further stated that he does not

want to pay for the lots that the developer is profiting from. He also stated that there were a few times that water was out due to water line breaks caused by large construction trucks on the road. Mr. Poe further stated that one dry summer, the Company issued a water conservation notice urging them not to water the lawns. He also mentioned that the customers were not informed of all the modifications, improvements, and new construction that the Company had planned until the Notice to Customers was mailed to the customers. In response to customer questions, the Company sent out two letters answering frequently asked questions and providing additional information regarding its future plans. After the hearing, the Public Staff requested copies of these letters from HH Water representative, Owen Schultz.

Q. Has HH Water been providing safe and reliable service?

A. Yes. Based on my site visit, review of environmental records, the minimal amount of NOVs issued by DEQ, which have been resolved, the lack of consumer complaints since the Transfer Order, and the very few water quality, pressure and outage complaints identified in consumer statements of position, I conclude that HH Water is providing adequate service to its water customers.

EXPENSES

Q. Have you recommended any adjustments to expenses related to water operation?

A. Yes, I have provided Public Staff Financial Analyst Darrus Cofield with recommendations for adjustments to testing, chemicals, maintenance and repair (M&R), contract operator/ORC, permit fees, Consumer Confidence Report (CCR) annual report and miscellaneous expenses.

TESTING EXPENSES

The Public Staff has reviewed HH Water's water testing expenses. HH Water planned to activate Well No. 8 in 2023, which did not occur. In response to Public Staff Data Request No. 3, Well No. 8 should be activated in December of 2024, Well No. 11 in June of 2025, and Well No. 14 in September of 2025. Since these wells are currently not in use, I did not include the testing expenses for these three wells. The water system currently has Well Nos. 1, 5, 7 and 10 in service per DEQ's water system information website (Drinking Water Watch). Per the DEQ's inspection report, Well No. 1 will not be deactivated from the system until Well No. 8 is activated. Since Well No. 1 has not been deactivated and Well No. 8 is not active yet, I calculated the recommended annualized testing cost by annualizing the current DEQ testing requirements for the water system with four active wells and the current testing costs provided in response to Public Staff Data Request No. 2. Therefore, the Public Staff's recommended testing expense is $4,434.44 (See Bhatta Exhibit No.2: Recommended Water Testing

Expense). The Company's proposed annual testing expense level was $13,015 which included the initial testing for the three new wells that are not active yet and would not be an ongoing annual level of expense.

The Company had also mentioned the upcoming EPA requirements for the PFAS compounds. Under the EPA's just released, the final PFAS Maximum Contaminant Level (MCL) rules (40 CFR Parts 141 & 142), which become effective on June 25, 2024, systems are required to collect and analyze initial well samples by the end of 2027. If the sample results exceed the MCL, the system will be required to install treatment and conduct the required ongoing PFAS sampling. Since the ongoing cost of PFAS sampling is not known and measurable at this time, I do not recommend incorporating the PFAS testing expense.

CHEMICALS EXPENSES

The Public Staff has reviewed HH Water's expenses for chemicals. The Company is only using sodium hypochlorite (chlorine) for water disinfection. During the test year, a total of $687 was spent on water treatment chemicals per an invoice from Envirolink and the Company's general ledger. However, the invoice did not include neither the amount of chlorine that was purchased nor the unit cost per gallon of chlorine. In response to Public Staff Data Request No. 2, the Company

stated that one purchase of chlorine by Envirolink was an underestimate, because Envirolink had purchased extra chlorine during the previous year, and the chlorine purchased the previous year was used during the test year. The Company also provided an estimated amount of chlorine that would be required for each well with a proposed annual chemical cost of $3,150. Per Public Staff Data Request No. 6, the Company provided Sure Water Services' invoices that showed December 2023 and January 2024 total chlorine purchases, and also listed the amounts purchased in February 2024 to April 2024. Based on the information provided on the amount of chlorine purchased from December 2023 to April 2024, the price of the chlorine and my engineering judgement, the proposed chemical expense level of $3,150 is appropriate. The Company proposed including the chemical treatment cost of the three new wells that are not active (Well Nos. 8, 11, and 14), but the Public Staff does not recommend inclusion of the treatment chemicals for wells that are not in use.

CONTRACT OPERATOR EXPENSES

The Public Staff reviewed HH Water's expense for the contract operator for its water operations provided in response to Public Staff Data Request No. 2 and reviewed the contract operator's contract. The Company had used Envirolink for the contract operating services during the test year and the total contract operator cost during the test

year was $127,387.34, which is higher than the Company's proposed annualized contract operator expense of $81,241 for Sure Water Services, as is recommended by the Public Staff.

MAINTENANCE AND REPAIR EXPENSES

The Public Staff reviewed HH Water's expenses for M&R for its water operations. The Company provided invoices and explanations for expenses in response to Public Staff Data Request Nos. 2 and 3. The Company proposed a revised M&R expense of $102,808. Some M&R invoices included wastewater-related work. I removed those wastewater costs from the M&R expenses and also removed Burnell Maintenance invoice no. 2080522 totaling $249.4 because the work was performed in 2021, which is outside of the test year. These removed wastewater related costs include $2,587 from Envirolink invoice 30791, $750 from Sure Water Service, Inc. invoice 3, $300 from Trailworks' invoice 526, and $2,142 from Waterlogic's invoice 45-107. Additionally, I removed $5,753 from another Waterlogic invoice (invoice 45-106). The total of invoice 45-106 was $24,412, which included $563 in wastewater work, 17% overhead totaling $3,268, and an additional 10% profit totaling $1,922. Therefore, a total of $5,753 was removed from Waterlogic's invoice no. 45-106. Gopher Utility invoices no. 25183 and no. 25238 were removed because they were duplicates for monthly messaging and texting service for the SCADA system that has been accounted for by adding Gopher Utilities invoice

no. 25316 from plant in service (PIS), for the SCADA messaging and texting service at a reasonable annualized expense level of $3,755.70 for the water utility after splitting with the wastewater utility. I recommend including the annual CCR preparation and submittal fee of $400 in the M&R expense. As a result of these adjustments, the M&R expense recommended is $70,968 (See Bhatta Exhibit 3: Recommended M&R Expense).

PERMIT FEES EXPENSES

The Public Staff has reviewed permit fees and the Company's annual North Carolina Rural Water Association (NCRWA) private utility membership. The Public Staff recommends an annual DEQ permit fee expense of $780, which was not considered by the Company, and an annual NCRWA membership fee of $295, resulting in a Public Staff recommended permit fees expense of $1,075. The Company's proposed permit fee expense level included only the annual NCRWA membership fee of $295.

ELECTRIC POWER EXPENSES

The Public Staff reviewed the electric power cost, which Envirolink had paid on behalf of HH Water. HH Water did not provide copies of the electric utility invoices as requested by Public Staff Data Request No. 2, stating that Envirolink had the copies of the invoices, and would not provide them to the Company. Therefore, the Public Staff used electric

power expenses included in the Company's general ledger account totaling $34,078, which was slightly lower than the Company's proposed electric power expense of $34,098.

MISCELLANEOUS EXPENSES

HH Water has been paying $400 for preparation and submittal of an annual CCR report that is required by DEQ. This annual expense of $400 is appropriate as proposed by the Company. However, as previously discussed, this amount was included by the Public Staff in the M&R expense recommendation resulting in $0 included as miscellaneous expenses.

PLANT IN SERVICE

Q. What adjustments have you made to plant additions since Docket No. W-1318, Sub 0?

A. In response to Public Staff Data Requests Nos. 2 and 4, invoices to support "land and land rights" for plant in service were provided. All of the Ed Holmes invoices were for survey work to separate the water and wastewater properties from the resort properties. Per its response to Public Staff Data Request 4, the Company stated, "The Survey work was done to separate the properties from the resort so that the company could either convey them to the Utility or issue proper easement." The transferring of utility owned properties and recording of easements should have been done by September 2017

as part of the Sub 0 transfer proceeding. The Public Staff is reviewing this rate case more than six years after the transfer, and the transfer is still not yet complete. Therefore, all of the Ed Homes invoices totaling $51,773 were excluded. Additionally, other invoices that included survey work by L. Stephen Foster and Associates totaling $2,253 for a new Well No. 11, the wastewater treatment plant, and Well No. 8 were also excluded. The invoices for the survey work conducted by Sylvester and Company totaling $5,245 for wells that were not developed or could not be used, and a portion of the total cost to evaluate a site for the new storage tank were allowed. Per the Public Staff Data Request Response 4, the Company stated that a survey was done to locate the best place for the newly planned storage tank but later decided that the site surveyed was too remote to install a new tank. Therefore, approximately 90% of the total invoiced amount by Sylvester and Company was included for this work. The Public Staff's recommended amount for "PIS land and land rights" is $4,720.50, in contrast to the Company's requested total of $57,018.

The Company requested that $292,214 be allowed for PIS structures and improvements. In response to Public Staff Data Request Nos. 2, 3, and 4, the Company provided "PIS structures and improvements" invoices. A total of $80,416 is recommended for this item instead of the Company's request of $292,214. Most of the invoices provided

to justify the Company's total included work related to the wastewater treatment and disposal systems, some invoices included work for new wells 8, 11 and 14 that are not in use (i.e., "used and useful"), work related to a planned new ground storage tank and a booster pump station not constructed and in use yet. Some invoices did not have detailed information describing the work performed, and simply stated "drawing," "as-builts," etc.

The Company submitted invoices to justify the cost for "PIS wells and springs" totaling $135,985. However, one of the invoices, Hedden Bros Well Drilling, invoice no. 1310012, dated December 8, 2020 totaling $14,040, was removed because it was for drilling new well no. 14 that has not been approved by DEQ yet, and is not in use. Therefore, the Public Staff's recommended amount for "PIS wells and springs" is $121,945.

The Company provided invoices to justify the total cost of "PIS communications and SCADA" in the amount of $144,388. Gopher Utility invoice no. 25316, totaling $625.95 appears to be a monthly SCADA system messaging and texting service for both water and wastewater systems. Therefore, this is considered M&R expense rather than a PIS item and should be reclassified as such. Moreover, only half of this monthly service total should be allocated to the water utility. The other half should be allocated to the wastewater utility.

One Gopher Utility invoice totaling $38,060 and one Treyus Controls invoice totaling $47,965.82 appear to be for the wastewater utility only, and were therefore removed. Treyus Controls invoice no. 1066 appears to be a one-time license fee for the SCADA system, for the water and wastewater systems; therefore, the total was split equally between the two utilities. The Public Staff's recommended amount for "PIS communication and SCADA" is $45,180.

The Company provided an invoice totaling $5,993.89 for "PIS custom valve and other equipment." Based on my site visit inspection, I've determined that this item is a sewer expense only, and not a water-related expense. An additional valve was installed inside the existing sewer metering station, near the laundry building, that measures the total sewer flow from High Hampton to Tuckaseigee Water and Sewer Authority (TWSA), which was also excluded. Therefore, Public Staff's recommended amount for "PIS custom valve and other equipment" is $0.

The Company's "PIS pumping equipment" totaled $30,630 and invoices were provided in the Company's Public Staff Data Request Response 2-1j. In response to Public Staff Data Request No. 4-2, I determined that Waterlogic's invoice no. 20-107 dated August 18, 202 totaling $21,000 is for sewer pump station work, and per Public Staff Data Request Response No. 2-1j, Hedden Bros Well Drilling

invoice no. 1310061, dated January 21, 2021, totaling $9,630 is for Well No. 14 pumping test and water sampling, which has not been reviewed and approved by DEQ and not in service. Therefore, both invoices are not considered "PIS pumping equipment" for the water system and the Public Staff recommends $0 for this item.

The Company provided invoices in response to Public Staff Data Request No. 2-1k totaling $459,397 for "PIS transmission and distribution mains." Waterlogic's invoice no. 45-102, dated July 21, 2022, totaling $2,746, had a 20% markup on materials totaling $274 in addition to a 17% markup for overhead totaling $570. Waterlogic's invoice no. 45-202 dated December 19, 2022, totaling $13,637, had a 17% markup for overhead totaling $1,825 in addition to a 10% markup for profit totaling $1,074. These various markups were not incorporated in the Public Staff's recommended total for "PIS transmission and distribution mains" of $455,663.58.

The Company's total for "PIS chemical pumps" was $2,511.51. The Public Staff agrees with this amount.

The Company installed five new meters in 2022 totaling $2,963 and submitted them for inclusion as "PIS new meters." The Company currently charges a monthly flat rate for water service and did not propose changing from a flat rate. Rather, it proposed increasing the flat rate. As such, the reason for the new meter installation is not

known, and the costs of these meters was excluded. The only meter installation plan received from the Company is to install meters on the new homes. The Company has stated that if the Commission requires meters, it will install meters on the older homes as well at the estimated cost of approximately $675,000. Typically, new meter expense would be allowed in PIS, but there is no plan in place to meter the existing customers. The Public Staff recommends that the Company read the water meters monthly for the new homes and maintain records of the service addresses, meter numbers, read dates, and meter readings. The data from the meters can be analyzed during the next rate case and be used to consider whether the rate design needs to be changed.

The Company provided invoices in response to Public Staff Data Request No. 2-1c to justify the "PIS new transmission and distribution mains" totaling $8,480. The Public Staff agrees with this total.

POST TEST YEAR PLANT IN SERVICE

For "organization," the Company's total was $5,190 and the Company provided Burgin Engineering invoice no. 9-12218, dated May 5, 2023 in response to Public Staff Data Request response 2-3a. This invoice was also provided in response to Data Request 8 for rate case expense documentation. None of the expense from this invoice should be included for "organization" expense because a

portion was rate case expense and the rest is for new wells not in service yet. Therefore, the Public Staff's recommendation for this item is $0.

For "structures and improvements," the Company's total was $16,354 and the invoices to justify this total were provided in response to Data Request No. 2-3b. Burgin Engineering invoice no. 9-12219, dated March 4, 2023, totaling $16,354 was provided, and per Mr. Own Schultz's note, the total should be split 50/50 for the water and sewer utilities. Burgin Engineering invoice no. HH23042301, dated May 15, 2023, totaling $17,061.60 was also provided to document the structures and improvements cost. This invoice included costs for discussion with the accounting staff, which is rate case related work. Items such as drawings for Preston water lines, as-builts without detailed information, and Well no. 14 related work were not included. Therefore, the Public Staff's recommended total for this item is $6,643.

For "land and land rights," the Company's total was $3,922. To justify the total, three Ed Holmes invoices no. 150925 dated February 28, 2023, no. 151055 dated March 31, 2023, and no. 151223 dated April 30, 2023, were provided in response to Public Staff Data Request 2-3d. As discussed above in the plant-in-service section, none of the work should be allowed, because this is survey work for the transfer

to the utility that should have been completed in the Sub 0 docket proceeding. Therefore, the Public Staff recommends $0 for this item.

For "wells and springs," the Company's total was $2,805. To justify the cost, Burgin Engineering invoice no. HH23042301 dated May 15, 2023 was provided. This invoice and the work performed were already incorporated into post test year "structures and improvements". Therefore, the Public Staff's recommended total for this item is $0.

For "collection and impounding reservoirs," the Company's total was $2,805. To justify the cost, Burgin Engineering invoice no. HH23042301 dated May 15, 2023 was provided. This invoice and the work performed were already incorporated into post test year "structures and improvements." Therefore, the Public Staff's recommended total for this item is $0.

For "communication and SCADA," the Company's total was $36,514. To justify the cost, the Company provided two Treyus Control invoices, no. 1160 dated October 17, 2023 totaling $8,486.49, and no. 1091 dated March 24, 2023 totaling $28,027.99. Per Mr. Owen Schultz's note for invoice no. 1160, all the work was for the wastewater system. Therefore, no amount should be applied toward "communication and SCADA for the water system." The second invoice appears to be related to installing SCADA parts for the new

wells to connect to the rest of the system. There was already a payment made for the existing infrastructure in 2020 that is incorporated into the PIS section above. Therefore, this item was not included and the Public Staff's recommended total is $0.

For post test year "transmission and distribution mains" the Company's total was $134,634. To justify the cost, the Company provided three Waterlogic invoices, no. 45-108, dated March 3, 2023 totaling $73,751, no. 45-109 dated February 27, 2023 totaling $57,135, and no. 45-110, dated February 27, 2023 totaling $3,748. All three invoices included 17% overhead and 10% profit and these markups were removed as discussed above. Therefore, the Public Staff's recommended total for this item is $106,011.

The plant in service items that I recommend including, along with recommended service lives, are shown on Bhatta Exhibit No. 4 – PS Recommended PIS Cost. These items are also on **Public Staff Accounting Exhibit I Schedule 2-1** to Public Staff witness Cofield's testimony.

Q. What are some of the problems noticed with the invoices related to PIS, Contract Services, and M&R?

A. Many of the invoices related to PIS, Contract Services, and M&R had wastewater work included, so every invoice had to be read carefully and adjusted accordingly. Even though most of the invoices were

reviewed by HH Water personnel to allocate to either the water or wastewater utility appropriately, it was overlooked on some of the invoices. Going forward, the Company should clearly delineate in its records amounts for each utility and the incurred cost for each. Additionally, some of the invoices did not have detailed descriptions of the work performed and the Public Staff could not identify if the work was related to an existing system improvement or new construction. For example, Burgin Engineering's invoices would simply state, "asbuilts," "drawings," or "fire flow analysis" as the description of the work. Waterlogic's invoices described, "well house DCVA, 200 feet 4-inch water main water tie in" or "furnishing and installing 625 feet of 8-inch water main" but did not state if this was for an existing system or new construction. Similarly, Envirolink's invoice simply stated, "install new meter" but did not give a location. The Public Staff recommends that HH Water require its contractors to fully describe the work performed on each invoice and include the location or system being worked on, and that HH Water review the invoices to make sure the description therein adequately describes the work performed to allow proper allocation by utility system. Even if a contractor performs work for both water and sewer utilities at the same time, it may be better to provide separate invoices for work performed for each utility system, or note on one invoice the time, labor, or materials allocated for each. Also, Waterlogic's invoice no.

20-112A, dated November 14, 2020 for a total of $22,090.84 was for water line installation work to serve a commercial customer, the Inn and its cottages, per a response to Public Staff Data Request No. 6-3. Per a response to Public Staff Data Request No. 11-10, the Company stated, “most of the service boxes especially the newer homes are typically located at the property line near the road the house is located on. Older homes may not be as typical. The service boxes at the facilities within the Club and the Inn are located close to the buildings.” Since the Inn, Cottages, and the Club are developer owned as is HH Water, it is not clear how work on the service lines in these areas should be allocated. HH Water’s work on the service line that continues far into the property owned by HH Water’s parent may constitute work that would typically be considered work on a “private service line” and would be the sole responsibility of the parent company, not HH Water or its rate payers. In short, such work may not be an expense that should be borne by the utility. Waterlogic’s water line relocation work performed in invoice no. 20-112A may be one of these situations, which is currently allocated as PIS. My site visit inspection confirmed that the service box for the Club and the Inn are located very close to the buildings (3-10 feet), and the water mains are far from the service box for most facilities. Therefore, the cost to maintain HH Water’s portion of the service line

to the service box will be higher than the typical service box, which would be near the road right of way.

During its investigation of both the water and wastewater systems, the Public Staff learned that HH Water may not have advertised the water system projects or tried to obtain bids for the water main installation work. Rather, it appears that Mr. Robert Burgin recommended his son, Landon Burgin, and his son's company, Waterlogic, Inc.. The Company stated in the wastewater proceeding that it is hard to get reasonable bids for projects due to the remoteness of the service area, and referenced an example of TWSA's wastewater treatment plant expansion project where the bids for it were high and therefore, TWSA has not been able to start on construction of that project. Therefore, it cannot be known whether the projects could have been completed at a lower price.

RATE CASE EXPENSE

Q. Summarize findings on the rate case expense review from the engineering perspective.

A. Invoices were provided in response to Public Staff Data Request No. 2-14 for the costs incurred to date for the rate case expenses. The response to Public Staff Data Request No. 8 provided additional invoices relating to rate case expense. These included Burgin Engineering Invoices no. 9-12218 dated January 28, 2023; no.

HH23042301 dated March 15, 2023; no. HH23092301 dated September 10, 2023, no. HH23102307 dated October 7, 2023 and no. 9-12236 dated November 12, 2023; Sure Water Services invoices no. 9 dated June 6, 2023, no. 13 dated September 26, 2023, no. 1 dated December 7, 2022 and no. 3 dated February 27, 2023. I reviewed the invoices from Burgin Engineering and Sure Water Services to determine if the Company's rate case expenses in the invoices were appropriate and suggested my recommendations on which items should be classified as a rate case expense to Financial Analyst Darrus Cofield. After reviewing the invoices, it appeared that not all of the expenses the Company identified should be classified as rate case expenses. For example, as discussed above, engineering work to prepare and submit drawings, identifying optimal location on the drawings for pressure reducing valves (PRVs), routine operation and maintenance of the water and sewer systems, and M&R work outside of the test year, should not be considered as rate case expenses. Therefore, only the items that included some "rate case" description were included. The Public Staff followed up with Data Request No. 11 for an explanation why some items in the invoices that the Company classified as rate case expenses did not appear to be rate case expenses and requested the Company to provide further explanation. The Public Staff also asked the Company if some of these items could be classified as PIS.

Per Data Request Response No. 11, the Company did not agree with the Public Staff's analysis. The Company further emphasized in its response to Data Request No. 11-2-8 that all the costs provided in response to Public Staff Data Request No. 8 should be considered rate case expenses and submitted additional reasoning. The Company stated in response to Public Staff Data Request No. 11-6 that "HH Water made the decision to bring in Sure Water Services as a consultant since Envirolink had not been performing all of its duties." Since the Company hired a contract operator that did not perform the necessary duties, it would not be appropriate for the Company to recoup the costs of a second contract operator to perform the duties for which the original operator was paid but did not perform. Sure Water Services, invoice no. 1, dated December 7, 2022, a portion of work performed for the Well No. 5 troubleshooting totaling $375 was included by the Public Staff in the monitoring and repair (M&R) expense. The invoices with a work description that appeared to be normal contract operator duties for the water system incurred during the test year were removed. An appropriate level of Contract Services expense level for Sure Water Services to perform the duties of contract operator was annualized by the Public Staff as proposed by the Company. Some of the same Burgin Engineering invoices were submitted as additions to PIS, and if the performed

work was determined to be associated with plant that had been placed in service, then, those items were included in PIS.

BILLING ANALYSIS

Q. What are the present and proposed water utility service rates?

A. HH Water's present rates, fees, and additional charges were approved by the Commission in Docket No. W-574, Sub 2 and went into effect on December 5, 2005. The rates were slightly adjusted due to Tariff Filings to Reflect House Bill 998 in Docket No. W-574, Sub 3 and Docket No. M-100, Sub 138 on December 7, 2016. The franchise of High Hampton Inc. was transferred to HH Water, LLC in Docket No. W-1318, Sub 0, effective September 11, 2017, with the same rates. The present rates and the rates proposed by HH Water are as follows:

	Present	Proposed
Monthly Flat Water Rates:		
Residential service	$ 20.94	$ 97.86
High Hampton Inn and Country Club	$1,504.13	$10,326.05
Connection Charge:		
Water Tap-on Fee (per REU):	None	$ 4,500.00
1 REU = 360 GPD		

HH Water has not proposed any changes to the following rates, fees, and charges:

Reconnection Charge:		
If water service cut off by utility for good cause		$ 14.28
If water service discontinued at customer request		$ 14.28
Returned Check Charge:		$ 19.04
Bills Due:	On billing date	
Bills Past Due:	30 days after billing date	
Billing Frequency:	Shall be monthly for service in arrears	
Finance Charge for Late Payment:	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.	

Q. Briefly explain your billing analysis.

A. I reviewed and analyzed HH Water's billing data for the test year ended December 31, 2022. I performed a billing analysis to determine the level of annual service revenues produced at present and proposed rates utilizing the billing data provided for the test year, end of period (EOP) customer counts of 276 (275 single family homes and 1 commercial customer). Since the one commercial service connection includes various services (Inn, Restaurant, cottages, etc.), HH Water proposed to split this one commercial customer into two commercial customers: High Hampton Inn and High Hampton Club. Most of the connections are not metered and therefore meter size and usage data are not available to determine the billing determinants. To calculate the flat monthly rates for the Inn and the Club, Local Health Department (LHD)/Division of Health and

Human Services (DDHS) assigned wastewater flow was used for these facilities. The wastewater system is permitted and regulated by the LHD/DHHS, and the agency has assigned a total wastewater design flow for each facility within the resort, including the Inn and the Club. Based on the assigned total wastewater flow, residential equivalent units (REUs) were calculated for each commercial customer utilizing 360 GPD per REU. The Company also extended a water line and a service in late 2022 to provide a water service to the Good Shepard Church located near the resort, along Highway 107, which has the same size meter as the residential services. Then, I developed a recommended rate design to meet the service revenue requirement calculated by Public Staff Financial Analyst Darrus Cofield.

RATE DESIGN

Q. Briefly describe the rate design proposed by HH Water.

A. HH Water proposes to utilize a similar rate design as currently used and approved by the Commission, which is a monthly flat rate per single residential home (considered to be 360 gpd). Since many of the older homes do not have a water meter, I recommend a flat monthly rate, which is also the present rate structure. However, since the new homes are larger than the older homes and may use more water and the developer/utility is installing water meters at newly built homes, I recommend each new home have a meter installed and the

Company obtain and record monthly meter readings from these homes. Then, during the next rate case, the Public Staff can analyze the water usage by the newer homes vs. the older homes and determine if the rate design needs to be changed. Per the filed customer statements of position in this proceeding, the newer homes are substantially larger in size than existing homes, and they may use substantially more water.

Q. What are the Public Staff's annual service revenues under present and proposed rates?

A. The present and proposed service for the 12-month period ended December 31, 2022, are $87,152 and $446,851 respectively. The revenues were calculated using the end of period customers, 276 residential and one commercial and HH Water's present rates approved in Docket No. W-1318, Sub 0, and HH Water's proposed rates. The Company's present and proposed and the Public Staff's recommended revenues are presented in greater detail in Bhatta Exhibit No. 1.

Q. What is your recommendation concerning HH Water's proposed rates?

A. The Public Staff's recommended annual service revenue is $313,424 and the recommended rates are as follows:

Monthly Flat Water Rate:

Residential:	$ 61.02
Club, Commercial (63.9 REUs)	$ 3,999.18
Inn, Commercial (88.2 REUs)	$ 5,381.96

Connection Charge:

Water Tap-on Fee

Residential (per bedroom):	$ 1,500.00
Commercial (per REU):	$ 4,500.00

One REU for a commercial connection is determined by taking the design flow capacity for each non-residential commercial customer, as set forth in Administrative Code 15A NCAC 02T .0114, and dividing the design flow by 360 GPD.

Due to the interrelationship between the utility, parent, and affiliates, including the developer, and the evidence that the utility has accepted the risk of installing new infrastructure to serve future customers, it is appropriate to have a connection charge for water service. Also for those reasons, it is appropriate that the connection charge be of a magnitude sufficient to match the cost of connecting service and a portion of the new plant (e.g., water mains, wells, and treatment) necessitated to serve customers in new developments. The post test year estimated additions for new Wells Nos. 8, 11, and 14 total over one million dollars. It is my understanding that the High Hampton entities plan to continue to develop larger homes observed during the site visit and described by the consumer statements and

some more modest employee housing. Given the variance in size and associated demand of these future customers, I recommend the water tap fee better account for that variance and more clearly define the calculation and application of the fees as shown above.

ADDITIONAL COMMENTS AND RECOMMENDATIONS

Q. Do you have any major concerns on the rate case application?

A. Yes, as referenced above, the September 2017 Transfer Order provided that HH Water, "was formed for the purpose of acquiring and operating the High Hampton water utility system." Furthermore, it provided that:

"Upon the purchase closing of the system, HH Water will acquire ownership and control of the water utility system."

. . .

"HH Water has the managerial and financial capacity to own and operate the High Hampton water system."

On September 22, 2017, the Company filed a statement stating that the closing of the transfer of the High Hampton water system to HH Water, LLC was completed on September 21, 2017. However, in responses to Public Staff Data Request No. 7-1 and No. 9-1, the Company stated as follows:

> Please find the attached HH Water Response 7-1 that includes a surveyor document where HH Water has defined and surveyed all of the parcels that have water and sewer equipment. The Company is in the process of having an easement executed from High Hampton Land to HH Water for access. Please note that the parent company of both HH Water and HH Land are one in the same and that same company is partners in HH Inn, therefore HH Water has full access to the properties. The Company will provide these easements as soon as they are executed.
>
> In addition, the parent company, High Hampton Investments, the sole owner in HH Land, HH resort, and 25% ownership in HH Inn - is in the process of conveying the water and sewer assets to the utility and should have this completed within a few weeks – well before the hearing date. The Company will also provide the documentation once they are recorded.
>
> The water and sewer utility systems are already constructed, and the sewer system is awaiting the CPCN approval to begin operation. The Company is in the process of having an easement executed from High Hampton Land to HH Water LLC for access. Please note that the parent company of both HH Water and HH Land are one in the same and that same company is partners in HH Inn, therefore HH Water has full access to the properties. The Company will provide these easements as soon as they are executed.
>
> In addition, the parent company, High Hampton Investments, the sole owner in HH Land, HH resort, and 25% ownership in HH Inn - is in the process of conveying both the water and sewer assets to the utility and should have this completed within a few weeks – well before either hearing date. The Company will also provide the documentation once they are recorded.

A major concern is what appears to be the Company's inconsistent representations in Docket No. W-1318, Sub 0 regarding the conveyance of ownership or control of the utility property and assets, which was either not completed or not properly documented. The

Public Staff and Commission are all too aware of the issues and costs that can arise from such a failure. Furthermore, the Company only recently completed survey work and seeks cost recovery to do what should have been done in 2017. If HH Water does not obtain and provide to the Public Staff no later than 5:00 pm on June 27, 2024, a quit claim deed or comparable recorded document for the water facilities serving the High Hampton service area and an easement for the in-ground equipment (lines etc.) serving the service area, the Public Staff reserves the right to supplement its recommendations and testimony to remove the "transferred" rate base.

In addition, the parent and affiliated land development company initiated new development and are in the process of constructing new infrastructure (e.g., three new wells and a new booster pump station with a 2,000-gallon hydropneumatic tank that are not in service yet, with an additional large ground storage tank also planned), which HH Water contends are costs incurred to serve existing customers. Also, typically for new development, the developer incurs the cost of installing the utility system and contributes all or a significant portion of the system to the utility. We understand that HH Water, LLC was formed by High Hampton Investments, LLC to own, operate, and maintain the water utility system, and soon could also own, operate, and maintain the wastewater utility system. By acquiring the risk of

development buildout, new wells, treatment systems, and upsized piping, including associated operating expenses, the Company will also be subject to a determination, when the buildout is completed and placed in service, as to whether utility property is used and useful, in relation to the applicable test period. N.C.G.S. § 62-133(b)(1). Therefore, the Commission should exclude property that is not to be used and useful.

Q. Will HH Water need to record its deeds and easements?

A. Yes. Pursuant to statute and established Commission practice, prior to receiving a CPCN, a company must have ownership or control of all assets of the utility system and the property on which the utility components are located. Upon the advice of legal counsel, I understand that a quit claim deed would be sufficient for HH Water to acquire the components of the utility systems from its parent and affiliated companies. Typically, a general warranty deed is preferred; however, given the interrelationship between HH Water, LLC, and High Hampton Investments, Inc., the quit claim deed should be deemed acceptable to proceed with the Company's rate case. An easement for the in-ground equipment (lines etc.) serving the service area would also be needed. The deeds and easements would need to be recorded and filed with the Commission by close of the evidentiary hearing.

Q. Does this conclude your testimony?

A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

SHASHI M. BHATTA

I graduated from Michigan State University, earning a Bachelor of Science Degree in Chemical Engineering and a Master of Science degree in Environmental Engineering. I am a licensed Professional Engineer in the State of North Carolina. I am also certified as a B-Well Operator by the North Carolina Water Treatment Facility Operators Certification Board. Prior to joining the Public Staff in April of 2022, I worked for the North Carolina Department of Environmental Quality (DEQ), Public Water Supply Section - Raleigh Regional Office for three and a half years primarily inspecting water systems, and in DEQ's Public Water Supply Section - Central Office for 16 years, primarily reviewing engineering design of water systems' construction. Prior to working for DEQ, I worked for an environmental consulting company, Malcolm Pirnie, Inc., for two and a half years.

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

HH Water, LLC | Public Staff
Docket No. W-1318, Sub 1 | Bhatta Exhibit No. 1
For the 12 Months Ending December 31, 2022 | Page 1 of 1

Company's Present and Proposed, and the Public Staff's Recommended Revenue

Revenue at Present Rates

Billing Type	Usage (gallons)	Usage Rate ($ per 1000 gal)	Usage Revenue ($)	EOP Customers	EOP x 12 months	Monthly Flat Charge ($)	Annual Revenue ($)
Residential				275	3,300	$20.94	$69,102
Commerical				1	12	$1,504.13	$18,050
							$87,152
Total Annual Revenue							**$87,152**

Revenue at Proposed Rates

Billing Type	Usage (gallons)	Usage Rate ($/1000 gal)	Usage Revenue ($)	EOP Customers	EOP x 12 months	Monthly Flat Charge ($)	Annual Revenue ($)
Residential				275	3,300	$97.86	$322,938
Commerical				1	12	$10,326.05	$123,913
							$446,851
Total Annual Revenue							**$446,851**

Revenue at Recommended Rates

Billing Type	Usage (gallons)	Usage Rate ($/1000 gal)	Usage Revenue ($)	EOP Customers	EOP x 12 months	Base Charge ($)	Base Charge Revenue ($)
Residential				276	3,312	$61.02	$202,098
Commerical (Club, 63.9 REUs)				1	12	$3,899.18	$46,790
Commerical (Inn, 88.2 REUs)				1	12	$5,381.96	$64,584
Total Revenue (at PS Recommended Rate)							**$313,472**

HH Water, LLC
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Public Staff
Bhatta Exhibit No. 2
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PS Recommended Water Testing Expense

Test	Number of Samples Required Annually	Sample Testing Cost per each	Annual Testing Cost
Coliform Bacteria	12.00	$ 62.50	$ 750.00
Asbestos	0.00		
THM/HAA5	1.00	$ 285.00	$ 285.00
Lead/Copper	3.33	$ 48.50	$ 161.67
Inorganics	1.33	$ 445.00	$ 593.33
VOCs	1.33	$ 265.00	$ 353.33
SOCs	1.33	$ 1,240.00	$ 1,653.33
Nitrate	4.00	$ 50.00	$ 200.00
Radiologicals			
Gross Alpha	0.56	$ 275.00	$ 152.78
Comb. Uranium	0.67	$ 140.00	$ 93.33
Comb. Rad.	0.56	$ 345.00	$ 191.67
			$ 4,434.44

HH Water, LLC
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Public Staff
Bhatta Exhibit No. 3
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PS Recommended M&R Expense

DR2-7 c (M&R Expenses)	date	Invoice No.	PS Recommended	Work Performed	PS notes	
Atlantic South Power	9/28/2021	15426	$ 3,297.74	4 well generator preventative maintenance (two visits per ye	work done in 2022 per emails, but proposal in 2021	
Atlantic South Power	9/28/2021	15427	$ 3,830.60	4 well genertor annual load bank test	work done in 2022, proposal in 2021	
Burnell Maintenance	11/9/2021	2080522	$ -	Sheep Laurel Maintenance	work done in 2021, not within TY, so removed	
Envirolink	4/30/2022		$ 2,472.00	water and WW work, meter installation	per DR 3-2c, just 2472 is related to water (original total $5059.11)	
Gopher Utility Services, Inc.	2/21/2022	24235	$ 862.42	Well 10 trasfer switch		
Gopher Utility Services, Inc.	3/18/2022	24340	$ 1,400.57	Cherokee BPS pressure switches		
Gopher Utility Services, Inc.	8/12/2022	24953	$ 1,445.05	Well No. 7 control reset, VDF during power issues		
Gopher Utility Services, Inc.	5/20/2022	24606	$ 2,117.53	tank, troubleshoot for tank level, transducer on the concrete wall, new wire from valve pit to the control panel		
Gopher Utility Services, Inc.	7/26/2022	24896	$ 1,101.03	well 7 troublesheet VFD that is tripping periodically		
Gopher Utility Services, Inc.	7/26/2022	24897	$ 1,101.03	well 10 trouble sheet generator not running		
Gopher Utility Services, Inc.	8/16/2022	24968	$ 2,114.81	Well 5 FB and control issues		
Gopher Utility Services, Inc.	10/24/2022	25183	$ -	SAMSARA service agreement for same as below item, but also to bring them up to date for monthly , company's total is incorrect	brining up to date for monthly test service. since monthly amount is already incorporated below, remove this item, it's a catch up to date billing for service, per site visit discussion, no longer will use SAMSARA, just SCADA	$4297.50, total, not M&R
Gopher Utility Services, Inc.	11/14/2022	25238	$ -	SAMSARA billing, service agreement provides 24/7 monitoring, email, text, alert	covered by another item below, invoice no. 25316	$625.95 monthly, since no longer used, not M&R
Sure Water service Inc.	2/27/2023	3	$ 5,458.47	sewer pump station inspection, sewer pump station report, FE/mn sampels, ba samples, inspect cherokee BPS, well no. 7 repair (from total, 500+250 is for sewer work)	remove $750 from total per DR 3-5	
Toxaway Grading	8/25/2022	1	$ 13,939.36	gravel, concrete, sand bags, quikrete for water line repair at Chimney Top entrance		
Toxaway Grading	9/23/2022	1	$ 526.10	water line repaired for envirolink at Sawmill Cottages		
Trailworks	6/4/2022	439	$ 300.00	water utility weedeating		
Trailworks	8/8/2022	526	$ -	HWY 107 disposal area maintenance	per DR 3-2d, total of 300 is related to sewer, not water, so remove $300)	
Waterlogic	12/19/2022	45-107	$ -	water and WW work, some cost to WW?	all sewer per DR 3-2	
waterlogic	9/3/2022	45-103	$ 7,812.00	DB associates did grinder pumps (WW) work, and Water logic did water plus WW work, $5,000 towards SS Capex; 1/2 of 11271 to water per Owen's note	GL shows this total minus $5000 ($11271) but take out 17% profit and 10% overhead (total $12812 before profit and overhead, minus $5000 = $7,812 for W)	
Waterlogic	12/6/2022	45-106	$ 18,659.00	included the invoince in repsonse to DR 3-1 (originally missing)	includes $438 and $125 sewer related work, 17% overhead of $3268, 10% profit of $1922.. So total of $5753 removed.	
Sure Water Services, Inc.	12/7/2022	1	$ 375.00	only a portion that appaers to be M&R, top item, rest ORC work	part of rate case invoice	
Gopher		25316	$ 3,755.70	monthly SCADA subscription for water system, from PIS Communiation and SCADA item, $625.95 monthly billing split into 50/50 for W and WW and annualized	item from 2-1h, PIS SCADA and Communications	
			$ 400.00	CCR annual report preparation and filing		
		Total	**$ 70,968.41**			

HH Water, LLC
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Public Staff
Bhatta Exhibit No. 4
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PS Recommended PIS Expense

Plant in Service: Company's Exhibit 1, Schedule 2-1

Item No.	Description	Year in service per company	Company's service life	Company's total	PS Service Life	PS Recommended Amount	PS ID
25	**Chemical Pump Replacement Well #5 (Envirolink)**	2022	18	$ 2,512.00	5	**$ 2,511.51**	Well 5 Chemical Pump
26	**New Meters (Enviorlink)**	2022	17	$ 2,963.00	15	**$ 2,963.02**	New Meters
27	**New Transmission and Distribution Mains (envirolink)**	2022	17	$ 8,480.00	17	**$ 8,480.00**	Line Stop Work
28	**Organization**	2022	0	$ 295.00	NA	**$ 295.00**	Organization
29	**Structures and Improvements**	2022	25	$ 292,213.50		**$ 80,415.69**	
	Well No. 8 design work	2022				$ -	New Wells
	Wells, ground storage, BPS	2022				$ -	New Wells and WW
	Wells 8 and 11, testing, elect drawings	2022				$ -	New Wells
	well 7 pump replacement, EOP?, samping wells	2022			7	$ 243.60	Well 7 Pump Replacement
	well 7, well 8+EOP	2022			7	$ 776.40	Well 7 Pump Replacement
	Wells 8, 11, 14	2022				$ -	New Wells
	wells 8, 11, 14 work	2022				$ -	New Wells
	disposal, leaks, wells, etc.	2022				$ -	New Wells, WW
	WQ, wells, modeling, work for PWS	2022				$ -	New Wells
	drawings, testing, electrical, hwy 107 enchorachment,	2022			10	$ 98.00	Well 5 Drilling
	WW work, not water	2022				$ -	WW
	well 8, pressure test, modeling of wells, etc, some sewer work	2022				$ -	New Wells, WW
	tank check, scada, lc sampling, well layout, fire flow analyses,	2022			5	$ 1,208.40	LC Testing
	drawings, well 10, meetings, generator for well 10, some force main	2022			5	$ 4,402.00	LC Testing
	disposal calcs, disposal deisgn, reiew water logic invoice, work on EOP (appears all WW work)	2022				$ -	WW
	very little work on well no. 8, ground storage, scada, wells	2022			15	$ 90.00	Distribution Pressure
	work on design of boosters, some WW work?	2022				$ -	New BPS, WW
	well controls, GST design, highway 107 rock testing, etc..	2022				$ 3,141.00	SCADA
	water, wells 8 and 14	2022				$ -	New Wells
	well 1 sampling coord, well 5 drilling coord	2022			10	$ 9,566.00	Well 5 Drilling
	well 8, 11 and 14, some WW work	2022				$ -	New Wells, WW
	well 8, 11, disposal, EOP, well 14, BPS	2022				$ -	New Wells, WW, New BPS
	Wells 8, 11, 5 testing	2022			10	$ 524.00	New Wells, Well 5
	Wells 8 and 11, design…	2022			10	$ 644.40	New Wells, Well 5
	Darwing, well site meeting some WW work	2022				$ -	New Wells, Drawings, WW
	metings, emails, coordinatin, master plan, SCADA meeting, some WW work	2022			10	$ 2,282.64	SCADA, Coordination, Planning
	PWS work	2022				$ -	New Wells
	Water and sewer calls, coordination, PRV work, has some WW work	2022				$ -	WW, Drawings, New Wells
	well production, Wells 5, 7 and 10 meeting, FH inspect std, PRV	2022			10	$ 2,502.00	Wells 5 7 10, FH, New Wells, Drawings, PRV, Pressure
	work on well 8, PRV, ground storage, well 14 some WW work	2022			10	$ 196.00	New Wells, PRV, GST
	loading model, nitrogen model, etc. (WW work, not W work?)	2022				$ -	WW

	8-inch water line work, last 25% complete? No. 17 hole water?	2022			50	$ 54,741.00	Wade Road WM
30	**Wells and Springs**	2022	25	$ 135,985.00		**$ 121,944.54**	
	well no. 5 pump, motor, pipe, wire, contrl installation	2022			10	$ 5,136.00	Well 5 Pump
	Well 5 move VFD into new well house, added reactor and fileter, and wired.	2022			10	$ 2,554.77	Well 5 Pump
	Well No.7 replace wire, motor	2022			10	$ 15,430.50	Well 7 Motor Wire
	Well 5 drawdown test	2022			10	$ 4,090.82	Well 5 Drawdown
	Well no. 5 install pump, pipe, wire, modify controls in building	2022			10	$ 26,732.45	Well 5 Pump
	well drilling at Flagstone Road, steel and grout	2022				$ -	New Wells
	Well no. 7 generator, invoice includes $84,000 total, $50,000 deposit paid, and remainign was $34,000	2022			20	$ 34,000.00	Well 7 Generator
	Well no. 10 generator, invoice includes $84,000 total, $50,000 deposit paid, and remainign was $34,000	2022			20	$ 34,000.00	Well 10 Generator
31	**Land and Land Rights**	2022		$ 57,018.33		**$ 4,720.50**	
	Topographic survey	2022					Survey
	Topographic survey, trillium road in Sheep Laurel	2022					Survey
	Survey drawings.	2022					Survey
	survey, located bridge	2022					Survey
	survey and drawings	2022					Survey
	survey, WWTP, Well 7	2022					Survey, Well 7, WW
	survey, pump station lots	2022					
	well easment on mitten lane and zeb alley road, well and septic easements off cashiers school road	2022					New Wells
	stake 6 proposed wells per bburgin drawing	2022				$ 4,720.50	Survey
32	**Communications Equipment, SCADA**	2022	10	$ 144,388.00		**$ 45,180.22**	
	24/7 monitoring and email, text, alert through SAMSARA monitoring platform	2022				$ -	
	upper tanks wire meter, breaker box	2022			10	$ 4,109.16	GST, SCADA
	water tank and three remote wells, remote monitoring, control panels	2022			10	$ 28,515.50	Wells 5 7 10, GST, SCADA
	electrical work for automation (invoiced amount $38,060)	2022			10	$ -	WW, SCADA
	dosing field and main station HMI panels,	2022			10	$ -	SCADA, WW
	ignition software license for SCADA and basic support plan	2022			10	$ 12,555.56	SCADA
33	**Other plant and misc equipment - custom valve vault**	2022	25	$ 5,994.00	35	**$ -**	Laundry Valve and Vault
34	**Pumping Equipment**	2022		$ 30,630.00		$ -	
	24 hour pump test Well 14 and water samples (incoice total $9630)	2022					New Wells
	invoice for 75% triplex pump station installation (invoice total $21,000)	2022					WW
35	**Transmission and Distribution Mains**	2022	25	$ 459,397.00		**$ 455,663.58**	
	Furnishing and installing 625 feet of 8-inch water main	2022			50	$ 23,500.00	Wade Road WM
	installaiton of 75% of the Hole #17 8-inch water line project (1543 8-inch WM)	2022			50	$ 164,233.75	Wade Road WM
	final invoice for hole #17 8-inch water line installation project (485 8-inch)	2022			50	$ 54,741.25	Wade Road WM
	well house DCVA, 200 ft 4-inch water tie in, rock removal, backfill, erosion control	2022			10	$ 19,926.74	Well DCVA 4-inch WM
	25% complete 500 fet of 6-inch water line installation Golf hole #9 WM	2022			50	$ 30,920.00	Sawmill WM

	100% of 1460 ft 6-inch watr line and FH installaiton golf hole #9	2022			50	$ 92,760.00	Sawmill WM
	Mt. Holly additions 220 ft 2-inch, 240 fet extra 6-inch valves, parts	2022			50	$ 34,851.00	Mt Holly WM
	Inn and cottages 8-inch WM installation	2022			50	$ 22,090.84	Resort Area WM
	WM installation for Good Shepard Church, temporary connection (invoiced $2746)	2022			3	$ 1,902.00	WM to serve Church, Overhead, Profit
	Church permanent WM installation; tapping saddle, PRV, metr box, tracer wire (total invoiced $13637)	2022			35	$ 10,738.00	WM to serve Church, Overhead, Profit
from O&M to PIS							
	Chlorine Pump	2022	5	$ 2,441.00	5	**$ 2,441.00**	Well 5 Chemical Pump
	ConX parts	2022	5	$ 8,453.00	10	**$ 4,226.50**	Storage Container
Post Test year							
36	Organization	2023	5	$ 5,190.00		$ -	Rate Case, New Wells
37	Structures and Improvements	2023	25	$ 16,354.00		**$ 6,643.30**	Asbuilts, Preston WM, New Wells, New GST, WW
	Burgin 9-12219: meter check	2023			3		Meter Check
	Sawmill water assistance	2023			50		Sawmill WM
	sawmill cert	2023			50		Sawmill WM
	HH envirolink help with well 7	2023			10		Well 7 Help
	sawmill asbuilts	2023			50		Sawmill WM
	wade asbuilts	2023			50		Wade RD WM
	HH water coord, new water mains	2023			5		Coordination, Planning, New Wells
	Fieldstone Valving, Sheep Laurel research	2023			50		Fieldstone WM, Sheep Laurel Research
	coordination, fieldstone, sheep laurel	2023			50		Fieldstone WM, Sheep Laurel Research
	burgin HH23042301: sawmill	2023			50		Sawmill WM
	Wells 5,7,10	2023			10		Wells 5 7 10
38	**Wells and Springs**	2023	25	$ 2,805.00		$ -	Incorported in PTY PIS Structures and Improvments
39	**Land and Land Rights**	2023		$ 3,922.00		$ -	Development Survey
40	**Collecting and Impounding reservoirs, water storage tank engineering**	2023	10	$ 2,805.00		$ -	Incorported in PTY PIS Structures and Improvments
41	**Communications equipment, SCADA**	2023	10	$ 36,514.00	10	**$ -**	SCADA for Wells, New Wells, GST, BPS
	Treyus Contols inv. 1091: SCADA Parts for existing WS components	2023			10		SCADA for Wells, New Wells, GST, BPS
	labor for SCADA work	2023			10		SCADA for Wells, New Wells, GST, BPS
42	**Transmission and Distribution Mains**	2023	25	$ 134,634.00		**$ 106,011.00**	
	waterlogic inv 45-108 : WM along Wade Road	2023			50	$ 58,072.00	Wade Road WM, Profit, Overhead
	waterlogice inv 45-109: WM along Wade Road	2023			50	$ 44,988.00	Wade Road wWM, Profit, Overhead
	Waterlogic inv 45-110: Vinci and Warriner Services	2023			35	$ 2,951.00	Vinci and Warriner Services, Profit, Overhead
43	**Well No. 8**	2024	25	$ 279,999.00			New Wells
44	**Well no. 11 Mitten Lane Construction and connection**	2025	25	$ 912,999.00			New Wells
45	**Well No. 14 Construction and Connection**	2025	25	$ 369,999.00			New Wells
		Total		**$ 2,915,990.83**		**$ 841,495.86**	

PIS in 2022	**$**	**728,841.56**
PIS in 2023	**$**	**112,654.30**

CERTIFICATE OF SERVICE

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

This the 7th day of June, 2024.

Electronically submitted
/s/ James Bernier, Jr.
Staff Attorney