



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

March 2, 2022

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

Re: Docket No. W-1333, Sub 0 and W-1130, Sub 11 - Application of  
Currituck Water and Sewer, LLC for Authority to Transfer the Sandler  
Utilities at Mill Run, LLC Wastewater System and Public Utility  
Franchise in Currituck County, North Carolina and for Approval of  
Rates

Dear Ms. Dunston:

In connection with the above-captioned docket, I transmit herewith for filing  
on behalf of the Public Staff Direct Testimony of Phat Tran – Public Version.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Gina C. Holt  
Staff Attorney  
[gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

GCH  
Attachments

<b>Executive Director</b> (919) 733-2435	<b>Communications</b> (919) 733-2810	<b>Economic Research</b> (919) 733-2902	<b>Legal</b> (919) 733-6110	<b>Transportation</b> (919) 733-7766
<b>Accounting</b> (919) 733-4279	<b>Consumer Services</b> (919) 733-9277	<b>Electric</b> (919) 733-2267	<b>Natural Gas</b> (919) 733-4326	<b>Water</b> (919) 733-5610

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1333, SUB 0

DOCKET NO. W-1130, SUB 11

In the Matter of  
Application by Currituck Water and )  
Sewer, LLC, 4700 Homewood Court, )  
Suite 108, Raleigh, North Carolina )  
27609, and Sandler Utilities at Mill Run, )  
LLC, 448 Viking Drive, Suite 220, )  
Virginia Beach, Virginia 23452, for )  
Authority to Transfer the Sandler Utilities )  
at Mill Run Wastewater System and )  
Public Utility Franchise in Currituck )  
County, North Carolina and for Approval )  
of Rates )

TESTIMONY OF  
PHAT H. TRAN  
PUBLIC STAFF – NORTH  
CAROLINA UTILITIES  
COMMISSION

**CURRITUCK WATER AND SEWER, LLC  
DOCKET NO. W-1333, SUB 0**

**SANDLER UTILITIES AT MILL RUN, LLC  
DOCKET NO. W-1130, SUB 11**

**TESTIMONY OF PHAT H. TRAN  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**March 2, 2022**

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS**  
2 **ADDRESS FOR THE RECORD.**

3 A. My name is Phat H. Tran, and my business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities  
5 Financial Analyst in the Economic Research Division of the Public  
6 Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND**  
8 **AND EMPLOYMENT EXPERIENCE.**

9 A. I received a Bachelor of Science degree in Economics, with a Minor  
10 in Accounting from North Carolina State University in 2009, and a  
11 Master of Economics degree from North Carolina State University  
12 in 2010. I joined the Public Staff in October of 2021. Prior to joining  
13 the Public Staff, I was a Senior Defined Benefit Specialist at Fidelity  
14 Investment for four years and a Senior Trading Control Analyst at

1 Alliance for Cooperative Energy Services for seven years. Since  
2 joining the Public Staff, I have conducted rate of return studies in  
3 water and wastewater utility rate cases, and filed an affidavit on fair  
4 rate of return in a small water utility rate case in Docket No. W-  
5 1063, Sub 5. In addition, I have been involved in the investigation  
6 and analysis of electric public utilities' proposed avoided cost rates.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
8 **PROCEEDING?**

9 A. The purpose of my testimony is to present my recommendation to  
10 the North Carolina Utilities Commission (Commission) regarding  
11 the financial viability of Currituck Water and Sewer, LLC (Currituck  
12 or the Company) to acquire and operate the Eagle Creek  
13 wastewater system that Sandler Utilities at Mill Run, LLC (Sandler)  
14 currently owns.

15 **Q. WHY IS IT NECESSARY TO ASSESS THE COMPANY'S**  
16 **FINANCIAL VIABILITY?**

17 A. In addition to the costs Currituck would incur operating the Eagle  
18 Creek wastewater system, the Eagle Creek wastewater system  
19 needs significant system upgrades to comply with the North  
20 Carolina Department of Environmental Quality, Division of Water  
21 Resources' (DWR) permitting requirements, and state

1 environmental law. Accordingly, it is important that Currituck have  
2 the financial capability to make the needed capital expenditures that  
3 were identified in the pre-filed testimonies of Company witness and  
4 Vice President Michael J. Myers and Public Staff witness D.  
5 Michael Franklin. I am also aware that the Amended Consent  
6 Judgment between Sandler and DWR that was issued on  
7 December 28, 2021 requires Sandler, among other things, to make  
8 certain system improvements, which will require significant capital  
9 expenditures.

10 **Q. WHAT INFORMATION DID YOU EXAMINE IN THE COURSE OF**  
11 **YOUR INVESTIGATION?**

12 A. In conducting my investigation of Currituck's financial viability, I  
13 examined the financial and accounting information that Currituck  
14 provided in connection with the Joint Application for a Utility Transfer  
15 for Currituck Water and Sewer and Sandler Utilities at Mill Run (the  
16 Joint Application), Mr. Myer's pre-filed testimony, and Currituck's  
17 responses to the Public Staff's data requests, in particular Currituck's  
18 financial statements, and pro forma financial modeling.

19 **Q. PLEASE DESCRIBE YOUR INVESTIGATION OF THE**  
20 **COMPANY'S FINANCIAL VIABILITY.**

21 A. My investigation and analysis indicate that Currituck has the

1 financial funding to obtain and operate the Eagle Creek wastewater  
2 system. Currituck will be able to obtain 80% of its equity needs from  
3 **[BEGIN CONFIDENTIAL]** [REDACTED] **[END**  
4 **CONFIDENTIAL]**, and 20% from **[BEGIN CONFIDENTIAL]**  
5 [REDACTED] **[END CONFIDENTIAL]**. In addition, **[BEGIN**  
6 **CONFIDENTIAL]** [REDACTED] [REDACTED] **[END CONFIDENTIAL]** has  
7 committed to provide Currituck a Business & Industry (B&I) loan;  
8 however, approval of the loan is contingent upon final plan and  
9 regulatory approvals, which are underway.

10 In response to a Public Staff data request, the Company provided  
11 (1) financial modeling on a stand-alone basis and (2) financial  
12 projections assuming that wastewater service is provided to the  
13 nearby Fost and Floral developments, as proposed in Currituck's  
14 application for a certificate of public convenience and necessity that  
15 was filed on June 1, 2021 in Docket No. W-1333, Sub 1. Given  
16 certain express financial commitments Currituck's equity investor  
17 **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**  
18 has made to Currituck, and which were detailed in Currituck's  
19 responses to Public Staff data requests, both the stand-alone basis  
20 financial modeling and combined-basis financial projections  
21 indicate that Currituck is financially viable. Based on the information  
22 provided, Currituck, on a stand-alone basis, will have positive net

1 income beginning five years after its projected acquisition of the  
2 Eagle Creek wastewater system and public franchise, and positive  
3 net income on a combined basis beginning two years after its  
4 projected acquisitions. Based on discussions with Public Staff  
5 witness Franklin, there is a concern that Currituck might be  
6 underestimating its projected system improvement costs. With  
7 respect to this issue, **[BEGIN CONFIDENTIAL]** [REDACTED] **[END**  
8 **CONFIDENTIAL]** is committed to providing additional capital if  
9 required. As such, Currituck should be able to absorb higher capital  
10 costs.

11 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE**  
12 **FINANCIAL VIABILITY OF THE COMPANY TO ACQUIRE AND**  
13 **OPERATE THE EAGLE CREEK WASTEWATER SYSTEM?**

14 A. Based on my evaluation of the information mentioned above, I  
15 conclude that Currituck is financially viable to acquire and operate  
16 the Eagle Creek wastewater system. In addition, Currituck has the  
17 financial viability to make necessary system improvement upgrades  
18 and adequately maintain the wastewater system. However,  
19 Currituck's financial viability is merely one factor the Public Staff  
20 considers in its review and is not dispositive of the Public Staff's  
21 ultimate recommendation to the Commission regarding the Joint  
22 Application.

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes.