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1.	PLACE:	Briar Chap	el Clubhou	ıse	Clerk's Office
2		Chapel Hill	l, North (Carolina	N.C. Utilities Commission
3	DATE:	March 31,	2015		
4	TIME:	7:25 p.m.	- 7:55 p.n	n.	:
, 5	DOCKET NO	: W-1300	0, Sub 9 a	and W-1230,	Sub 1
6	BEFORE:	Hearing Exa	aminer Ror	n Brown, Pr	esidina
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9		T N T	THE MATT	ED OB.	
9		工 17	TUE MAII	ER OF:	
10	Applicat	tion by Old	North Sta	te Water Co	ompany, LLC,
11	1620 01	id Chalk Roa	d, Wake F	orest, Nort	h Carolina
12	.27587, and	d Briar Chap	el Utilit	ies, LLC, 1	.6 Windy Knoll
13	Circle	e, Chapel Hi	ll, North	Carolina 2	7516, for
14	Authority	to Transfer	s Sewer Fr	anchise in	Briar Chapel
15	Subdivisi	on in Chatha	am County,	North Car	olina, to Old
16	North St	ate Water Co	ompany, LI	C, and for	Approval of
17			Rates.		
18					
19					
20					
21					
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. 3
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1	TABLE OF CONTENTS:	
2		
3	RICHARD LUCIER	
4	Direct Examination by Mr. Grantmyre	7
5	Cross Examination by Mr. Cobb	8
6	Direct Statement by Mr. Lucier	21
7	MICHAEL MYERS	•
8	Direct Examination by Mr. Cobb	. 10
9	Cross Examination by Mr. Grantmyre;	11
10	BABETTE MCKEMIE	
11	Direct Examination by Mr. Grantmyre	14
12	Examination by Examiner Brown	18
13		
14		
15	EXHIBITS	
16	IDENTIFIED / ADMI	TTED
17	Applicant's Exhibit 1 1	4/14
18	McKemie Exhibit 1	0/20
19	Bradley Exhibit 1 2	0/20
20	Craig Exhibit 1 2	0/20
21		•
22		e e
23		•
24		

PROCEEDINGS

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EXAMINER BROWN: Good evening. Let's come to order and begin this hearing. My name is Ron Brown and I'm a Hearing Examiner with the North Carolina Utilities Commission, and I've been assigned to preside over the matter before us this evening.

The Commission calls for hearing its Docket Number W-1300, Sub 9, which is In The Matter of an Application by Old North State Water Company for Authority to Transfer the System and Franchise to Provide Sewer Utility Service in Briar Chapel Subdivision in Chatham County, North Carolina, from Briar Chapel Utilities, LLC. Old North State has not requested to change the rates currently approved from Briar Chapel.

This matter was initiated on November 7, 2014, by the filing of the Application.

On February 23rd of this year, the Commission issued an order requiring customer notice and scheduling the hearing.

On March 2nd, the Applicant filed a

Certificate of Service indicating that customer notice
was provided as required.

On March 25th, the Public Staff filed the

testimony of Laura Bradley, Staff Accountant with the l 2 Water Staff Section of the Accounting Division; and 3 the testimony of Babette McKemie, Utilities Engineer of the Water Division; and the Affidavit of Calvin 4 5 Craig, Financial Analyst of the Economic Research Division of the Public Staff. 6 7 That brings us to date. Will the parties 8 please announce their appearances beginning with the Public Staff? 9 MR. GRANTMYRE: Mr. Hearing Examiner, my 10 11 name is William Grantmyre. I'm a Staff Attorney with the Public Staff. We represent the Using and 12 Consuming Public. And with me tonight is Babette 13 14 McKemie who is a Utilities Engineer with the Public Staff. 15 Good evening. My name is 16 MS. KEMERAIT: Karen Kemerait with the Law Firm of Styers & Kemerait 17 in Raleigh, and I'm here on behalf of Briar Chapel 18 Utilities, LLC. 19 20 EXAMINER BROWN: Thank you. I'm Larry Cobb with Nexsen Pruet MR. COBB: 21 22 Law Firm and we represent Old North State Water 23 Company.

EXAMINER BROWN:

24

Thank you.

Are there any

motions, stipulations, or preliminary matters we need to address before we begin?

1.4

MR. GRANTMYRE: Mr. Hearing Examiner, we have a -- and we'll introduce it later -- the Affidavit of Public Staff Economist, Calvin Craig, III. He's recommending approval of the transfer, and the Companies have said they do not desire to cross examine him. Also, we have the prefiled testimony of Laura Bradley, Public Staff Accountant, and she really just says that the rate base at transfer would be zero since it's a zero purchase price. And we would ask that that be, at the proper time, entered into the record as if given orally even though she's not here to testify since we knew there would be no cross examination. Thank you.

EXAMINER BROWN: Any other matters?

MS. KEMERAIT: In addition, Briar Chapel

Utilities, we have an Affidavit from Michael

Mehringer. He's a Project Manager of Homes By

Dickerson which is the primary builder for Briar

Chapel. And his Affidavit has Exhibits A, B and C and provides information about the information and documentation that Homes By Dickerson provides to the

homeowners about responsibility for the grinder pumps.

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So we would ask that that be admitted into evidence as
 2
     if given orally by the witness.
 3
               MR. GRANTMYRE: We do not desire to cross
 4
     examine on that and we are agreeable to that.
                                 Okay. Mr. Grantmyre, do
 5
               EXAMINER BROWN:
 б
    you have any public witnesses --
 7
               MR. GRANTMYRE: We have two public
    witnesses. Rich Lucier, do you wish to testify?
 8
 9
               MR. LUCIER: Yes. I do.
                         was duly sworn and
    RICHARD LUCIER;
10
                           testifies as follows:
11
1.2
    DIRECT EXAMINATION BY MR. GRANTMYRE:
          Please state your name and address.
13
          Richard Lucier, 75 North Serenity Hill Circle.
1.4
    Α
          Could you please spell your last name for the
15
          Court Reporter?
16
          L-U-C-I-E-R.
17
    А
          Please -- and you're a customer of this
18
          wastewater utility?
19
          Yes.
20
    А
          And you live here in Briar Chapel?
21
    Α
          Yes, I do.
22
          Just right down the street here?
23
          Yes, right across the --
24
    Α
```

1 0 Okay. Please proceed with your statement. 2 Α I've talked to several people and many of us 3 didn't seem to have received any notice about 4 this hearing. And while these meetings don't get 5 huge numbers of people they usually get more than 6 this. And so it appears to me that notification 7 really wasn't -- may have been handled by the law but it wasn't very effective. Just to have 8 9 something sprung on us and we didn't receive notification like this, since it involves our 10 home and our finances, it's a little 11 12 disconcerting. The Company did file a verification on 13 February 16 that they have provided notice to 14 their customers, but when the Company testifies 1.5 we'll ask them about that. 16 Maybe it's the Chapel Hill Post Office, I don't 17 know, but I'm usually pretty careful with my mail 18 and since I'm retired basically I have nothing 19 20 else to do. I have one question. MR. COBB: 21 CROSS EXAMINATION BY MR. COBB: 22 Mr. Lucier, during the informal discussion you 23 indicated you had been doing research on the 24

```
1
          Company.
          Just this afternoon.
 2
     Α
 3
          So you --
     Α
          When I heard about it I immediately looked it up.
 4
 5
          So you didn't hear anything at all until this
          afternoon?
 б
          No, just this afternoon.
 7
 8
               MR. COBB:
                          Thank you.
                    (The witness is excused.)
 9
               MR. GRANTMYRE: The gentleman there on the
10
     end, do you wish to testify?
11
                       No, I made a mistake.
               VOICE:
12
               MR. GRANTMYRE:
                               Oh, okay.
13
                       I'm here by mistake is all.
               VOICE:
14
15
               MR. GRANTMYRE: Okay. Well, welcome.
     That's all the public witnesses. Do any other public
16
17
     witnesses want to testify? (No response.) Okay.
     That's all the public witnesses.
18
               EXAMINER BROWN: All right. Who's going
19
20
     first?
               MR. COBB: Old North State will call
21
    Mr. Myers.
22
                          was duly sworn and
    MICHAEL MYERS;
23
                           testifies as follows:
24
```

1 DIRECT EXAMINATION BY MR. COBB: 2 Q State your name please for the record. Michael Myers with Old North State Water Company. 3 4 What is your position with Old North State? I'm the President of Old North State Water 5 А 6 Company. 7 And are you also an officer of Envirolink? Q I'm the President of Envirolink, Inc. 8 Can you tell us how the notice in question was 9 Q 10 mailed? A The notices were mailed with sufficient postage 11 on them and they were -- all the customers on our 1.2 13 customer list -- they were mailed to all the 14 customers on our customer list. 15 So those are all the people you're billing? That's correct, yes. 16 Α Just to get it into the record, it was discussed 17 in the earlier discussion, question and answer 18 period, about the connection between Envirolink 1.9 and Old North State, and basically Envirolink has 20 21 been running the system? Envirolink has been managing the Briar Chapel A 22 Utilities wastewater system since its inception. 23 We were the original -- Newland (spelling 24

	ł	·
. 1		uncertain) hired us originally and we've been
2		managing it ever since.
3	Q	And is it Old North State's intention to enter
4		into a similar contract with Envirolink if the
5		transfer is approved by the Commission?
6	A	Yes, sir. We are anticipating no changes.
7	Q	And with respect to the grinder pumps in Herndon
8		Woods, as I understand now that is it 15 of
9		them?
10	A	Yes, approximately 15.
11	Q	And the developer agreed to maintain those in a
12		separate agreement; is that correct?
13	A	Yes, as part of the original agreement with
14		Herndon Woods, the developer agreed to maintain
15		those, those grinder pumps.
16	Q	And will Old North State take over that
17		obligation?
18	A	We will.
19		MR. COBB: That's all I have.
2 0		MR. GRANTMYRE: I would like to are there
21	more	than one copies of this?
22		MS. KEMERAIT: Yes, sir.
23	CROS	S EXAMINATION BY MR. GRANTMYRE:
24	Q	This is an Affidavit by Michael Mehringer, who is

the Regional Manager for Briar Chapel for Homes 1 By Dickerson, and are you familiar with that 2 gentleman? 3 4 Α I don't know him personally but I know the name. 5 And Envirolink has been -- when a customer has a problem with their grinder pump, that's out in 6 7 Herndon Woods, you would go respond and at least tell the customer what he needs to do; is that 8 correct? 9 That is correct. 10 Can you read into the record paragraphs five and 11 I just want to get into the record 12 13 paragraphs five through eight. Specifically, Homes By Dickerson provides the 14 property owner in which a grinder pump has been 15 installed on the property with a Property Owner 16 Guide to Grinder Pump Operation ("Grinder Pump 17 Guide") and ABS Piranha Submersible Grinder Pump 18 Installation and Operations Instructions 19 ("Manufacturer's Installation and Operations 20 Instructions"). The Grinder Pump Guide is 21 attached hereto as Exhibit "A", and the 22 Manufacturer's Installation and Operations 23 Instructions is attached hereto as Exhibit "B". 24

Paragraph 6: The Grinder Pump

Guide provides notice to the homeowner that he or
she is responsible for the maintenance of the
grinder pump. It states: "The property owner is
responsible for the maintenance of the grinder
pump. BCU recommends an annual inspection and
cleaning of each grinder pump."

1.0

2.0

Homes by Dickerson also provides each property owner with a list of warranty and telephone numbers that includes a telephone number for grinder pump issues. The list of warranty and telephone numbers is attached hereto as Exhibit "C".

Paragraph 8: In addition, Homes
By Dickerson explains to the home purchasers
during the pre-closing walk-through of the homes
that they will own and be responsible for the
grinder pumps.

MR. GRANTMYRE: Thank you. I have no further questions.

EXAMINER BROWN: Thank you, Mr. Myers.

(The witness is excused.)

MR. COBB: I have nothing further.

MS. KEMERAIT: I would simply ask that the

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Affidavit be admitted into evidence as our Exhibit 1.
 1
 2
     I'd also like to point out that Bill Mumford and Lee
 3
    Bowman with Briar Chapel Utilities are here in support
    of the Application and they will be available for any
 4
 5
    questions after the hearing.
 6
               EXAMINER BROWN: All right. The Affidavit
    shall be entered into evidence and identified as,
 7
    let's see, let me make sure I've got the right --
 8
 9
               MS. KEMERAIT: Applicant's Exhibit 1.
               EXAMINER BROWN: Okay. Applicant's Exhibit
10
        Okay. It shall be so identified and admitted into
11
    evidence.
12
        (Applicant's Exhibit 1 Identified and Admitted.)
13
               EXAMINER BROWN:
                                I've got both of y'all
14
    covered. Public Staff?
15
               MR. GRANTMYRE: The Public Staff will call
16
    Utilities Engineer, Babette McKemie.
17
    BABETTE MCKEMIE;
                            was duly sworn and
18
                            testifies as follows:
19
20
    DIRECT EXAMINATION BY MR. GRANTMYRE:
         Please state your name.
21
    Q
         My name is Babette McKemie.
22
         And what is your position with the Public Staff?
23
    0
          I'm a Utilities Engineer with the Public Staff of
24
    Α
```

1.		the North Carolina Utilities Commission Water
2		Division.
3	Q	And did you cause to be prefiled in this case
4		testimony on March 31st consisting of five pages
5		of testimony?
6	A.	I did.
7	Q	If we were to ask you the same questions today,
8		would your answers be the same?
9	A	They would.
10	Q	Do you have any additions or corrections?
11	A	I do not.
12		MR. GRANTMYRE: We would request that her
13	test	imony be copied into the record as if given
14	oral	Lly.
15	Q	(MR. GRANTMYRE) And do you have a summary of
16		your testimony?
17	A	I do.
18		(WHEREUPON, the summary of BABETTE
19		McKEMIE is copied into the
20		record.)
21		
22		
23		
24		

OLD NORTH STATE WATER COMPANY, LLC, DOCKET NO. W-1300, SUB 9

TESTIMONY SUMMARY OF BABETTE MCKEMIE ON BEHALF OF THE PUBLIC STAFF NORTH CAROLINA UTILITIES COMMISSION

My name is Babette McKemie. I am a Utilities Engineer with the Public Staff of the North Carolina Utilities Commission.

I have reviewed the operational status of the wastewater collection and treatment system. I reviewed the Division of Water Quality (DWQ) compliance inspection reports from July 31, 2013, August 23, 2013 and August 14, 2014. I reviewed the past twelve months Non-Discharge Monitoring Reports. I conducted a visit to the site on March 12, 2015 and met with Mike Myer of ONSWC. The plant appears to be well run and operating in compliance with DWQ requirements and standards. The Contract Operator, Envirolink, is providing adequate maintenance and service and will continue to operate the plant after ONSWC takes ownership.

There is currently a \$50,000 bond posted by Briar Chapel Utilities, LLC for this franchise. I recommend that the required bond remain \$50,000 for Briar Chapel.

ONSWC owns and operates a number of other water and wastewater utility systems and has provided adequate service for these utility systems. The Public Staff believes that ONSWC has the managerial and operation capacities to provide adequate service to the Briar Chapel wastewater customers.

The applicant has asked for the current rates to remain in effect. After the adjustment to current rates due to the Implementation of House Bill 998, the current rate is \$42.30 per month per REU. The Public Staff recommends approval of the transfer and the current rate.

1 Thank you. I have just a MR. GRANTMYRE: 2 couple of follow-up explanation questions for the 3 benefit of the customers. 4 (MR. GRANTMYRE) Now, you are a registered, 5 professional engineer in North Carolina? 6 Α I am. 7 And you've been working with the Public Staff and prior to that you worked at DENR in their 8 9 Wastewater Division; is that correct? For some time in Air Quality and then some time 10 11 in Water Quality. And you said you looked at reports that DENR did 12 inspections on the system, I believe you've 13 mentioned three of them. 1.4 15 \mathbf{A} Yes. Can you briefly explain what those reports are 16 about, you know, DENR comes out and looks at the 17 system and looks at records? 18 DENR does an inspection based on the criteria, 19 Α they look at flow, and they look at the 20 operational status of the plant and they also 21 22 look at the testing. That's done to ensure that the plant is meeting and running and works with 23 all the laws and regulations. 24

l	Q	And you reviewed the last three inspection	:
2		reports that DENR did?	:
3	A	Yes.	
4	Q	And you also looked at the monthly flow re	; ports
5		that the Company files with DENR every mon	th; is
6		that correct?	
7	A	I did, yes.	
8	Q	And all of those appear to be satisfactory	?
9	A	Yes, all show the plant is operating in	· ·
10		compliance.	
11	Q	And you also did you also observe that	there
12		are low flows going into the plant conside	ring
13		the number of 600 plus customers?	•
14	A	Yes, yes. Their daily flow rates are reco	rded on
15		the NDMR, the Non-Discharge Monitoring Rep	ort.
16		MR. GRANTMYRE: Thank you. I have no	
1.7	furt	her questions.	*. - -
18		MR. COBB: I have no questions.	; * ;
1.9		MS. KEMERAIT: I have no questions.	
20		EXAMINER BROWN: I do have one.	
21.		MR. GRANTMYRE: Uh-oh!	
22		(Laughter.)	
23	EXAM	INATION BY EXAMINER BROWN:	
24	. 0	We heard earlier, probably before we were	on the

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1
          record, that the Company has -- that Old North
          State has $250,000 worth of bond that they have
 2
 3
          put up.
    Α
          Yes.
 4
          And of that $250,000, $90,000 of that has been
 5
 б
          assigned to some of these other subdivisions that
 7
          we were talking about --
          (Interposing) Right.
 8
    Α
          -- over the rest of the state. And $160 --
 9
    Q
          therefore, $160,000 of it is unassigned.
10
11
    Α
          Right.
          And you're recommending that $50,000 of that
12
          $160,000 be assigned to Briar Chapel --
13
          (Interposing) Yes, I am.
14
    Α
          -- leaving them $110,000 for other subdivisions
15
          at a later time?
16
17
          Yes, correct.
    Α
               EXAMINER BROWN: All right.
                                           I just wanted
18
    to get that on the record. Thank you very much.
19
                    (The witness is excused.)
20
               MR. GRANTMYRE: Mr. Hearing Examiner, we
21
    would also move that the testimony of Laura Bradley,
22
    Public Staff Utility Accountant, be copied into the
23
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reported as if given orally, and the Affidavit of

24

Calvin Craig, III, Public Staff Economist, who also recommends the transfer that the Company has the financial ability to operate the system.

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1.7

EXAMINER BROWN: Okay. The prefiled testimony of Ms. McKemie will be identified as McKemie Exhibit 1 and it is so identified and is accepted into the evidence. The testimony of Ms. Bradley will be identified as Bradley Exhibit 1 and that will be accepted into evidence. And the Affidavit of Mr. Craig will be identified as Craig Exhibit 1 and will be accepted into evidence in this case.

(McKemie Exhibit 1 Identified and Admitted.)

(Bradley Exhibit 1 Identified and Admitted.)

(Craig Exhibit 1 Identified and Admitted.)

MR. GRANTMYRE: That concludes the evidence for the Public Staff. Customers that are here, we have some extra copies of our prefiled testimony if you want it. The reason that it seems to go so quickly is when you prefile testimony the Commission has that already and it's not necessary to go through and read the whole thing, but we did prefile testimony. I will say, for the customers' benefit, that the Company filed in November and our audit was going on through, well, up to the time we filed our

testimony, almost in March. So we did do an extensive 1 2 evaluation of this transfer. EXAMINER BROWN: All right. Then let's --3 (Mr. Lucier raised his hand.) 4 MR. GRANTMYRE: I'll answer it afterwards. 5 MR. LUCIER: It's not a question. I just 6 want to, since I learned more information from the 7 other testimony, if I could testify again? 8 EXAMINER BROWN: Come back to the stand. 9 MR. LUCIER: Do I need to swear? 10 EXAMINER BROWN: Just identify yourself. 11 (WHEREUPON, Mr. Richard Lucier 12 returns to the stand and remains 13 under oath.) 1.4 MR, LUCIER: I'm Richard Lucier. 15 16 EXAMINER BROWN: Okay. Go ahead. DIRECT STATEMENT BY MR. LUCIER: 17 There are many of us here who haven't bought 18 There are several other builders Homes By Dickerson. 19 here and so it seems to me that similar affidavits 20 from all of these other builders who built numerable 21 homes here -- I'm not quite sure why Homes by 22 Dickerson, if they've built the most if that's why 23 they're identified as the premium homebuilder or the 24

primary homebuilder, but many of us have bought homes from other home companies, and it's not at all clear to me that we've been notified in ways that Dickerson, people who bought Homes By Dickerson have been notified.

7 7

MR. GRANTMYRE: Let me address that. When we saw that the customers were responsible for the grinder pumps within Briar Chapel we asked that the Company provide us a list of every customer who has a grinder pump, and there were 50 customers with grinder pumps. Then we also said we want a copy of the deed to each of those customers which we got. And then we said, okay, how do we know that the customers were told that it was going to be their responsibility. And they said that Homes By Dickerson gave them each the three documents during the walk-through.

So one of the snow days I was in my office and I said, well, I'm going to investigate this some more. I don't want to have to call 50 homeowners. I called Homes by Dickerson and they gave me -- they referred me to this Mr. Mehringer, who is the Manager for Briar Chapel, and I talked with him and he verified that they do give these three documents as explained during the walk-through. Now, of the 50

grinder pumps, all but three were Homes by Dickerson. The other three were another company, I think it begins with a "C", it's somewhere in my file here, and I called them and talked to their guy and he said the same thing. He said he was the manager during the walk-through and gave the exact same documents to those three that had the grinder pumps. So the Public Staff was satisfied having talked to the companies that installed it.

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The other 600 homes, whatever it is, do not have grinder pumps, they have gravity flow. And what they do is they install grinder pumps where the house is lower than the sewer main or the manhole that it's feeding into so they have to pump it. So the Public Staff was satisfied that all 50 homeowners that do -- do you have a grinder pump?

MR. LUCIER: I have no idea.

MR. GRANTMYRE: Well, if you did you'd know it. You'd know it because -- I have a grinder pump at my beach house. When the power is out it doesn't work so you can't flush the toilet so you would know if you had a grinder pump.

MR. LUCIER: I guess we haven't lost power.

MR. GRANTMYRE: Okay.

(The witness is excused.)

б

21.

EXAMINER BROWN: Okay. We have reached the end of all the testimony both customers and --

MR. GRANTMYRE: (Interposing) Counsel.

EXAMINER BROWN: -- Company's and, yep, and counsel, too. So let's -- we're coming to the phase of talking about the recommended order. Let's go off the record for a moment while we discuss that.

(WHEREUPON, a discussion was held off the record.)

EXAMINER BROWN: Let's go back on the record. I'm going to ask the Company, the Applicant, to prepare a proposed recommended order, and the Public Staff has agreed to work with them and make additions or even perhaps file it as a joint proposed order. In order to expedite what we heard earlier tonight, they'd like to be able to close on this by the end of April. If a proposed recommended order is sent to me by the Wednesday before the 20th, then we can most likely have it approved by the Commission on the 20th at that Staff Conference and made a final order and, if it's not filed by then, it will be the 27th. Anyway, that's -- and that would be preferable to me just issuing a proposed order and then have to

wait 16 days to become final, if I can see to it that we get Commission approval to make it final on the 20th.

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And for the benefit of the customers, what I've done is just some housekeeping here to --- I've asked the Company and the Public Staff to prepare this order so that I can then, well, I'll look at it, I may take it verbatim, I may massage it a little bit, you never know, sometimes I do when I get it, but I will prepare an order that is my, the Hearing Examiner's proposed order. And in normal circumstances, when that Hearing Examiner proposed order comes out, it becomes a final order 16 days later. And during that interim period, the parties, if they don't like what I put in that order, they can file exceptions and the full Commission can hear it. But if the parties file a joint proposed order that is pretty much saying that they're not going to take an exception and we will -and they've agreed to have the order made final on the date that the proposed order will be issued so this proposed order and the final order will happen simultaneously on the 20th when the Commission has -the Commission meets once a week to take up matters So we're all hoping that the Staff presents to them.

its might can happen on the 20th. So that answers the question that was asked during the off-the-record portion before we started the hearing as to when this could happen. And so it will be in the Company's hands to proceed on to closing any time after the 20th if everything falls in place. So that's what we're discussing and where we're going with that. If there so nothing further -
MR. COBB: I would say Mr. Myers will be

MR. COBB: I would say Mr. Myers will be available for questions, if there are any, from the customers after we're adjourned.

EXAMINER BROWN: Okay. If there is nothing further, the hearing is adjourned. And as Mr. Cobb just stated, all the parties to this are available if you have any further questions you want to ask now that we're done.

(WHEREUPON, the hearing is adjourned.)

CERTIFICATE The undersigned Court Reporter certifies that this is the transcription of notes taken by her during this proceeding and that the same is true, accurate and correct. Kim T. Mitchell Court Reporter II