

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2022-151-WS

Joint Application for Approval of the Sale of)	REBUTTAL TESTIMONY
Assets and Transfer of Facilities, Territory and)	OF WAYNE OWENS ON
Certificate of Public Convenience and Necessity)	BEHALF OF TOTAL
from Total Environmental Solutions, Inc. to)	ENVIRONMENTAL
CSWR South Carolina Utility Operating)	SOLUTIONS, INC.
Company, LLC)	

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Wayne Owens. My business address is 1824 Ryder Drive, Baton Rouge,
3 Louisiana, 70808.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by South Louisiana Electric Cooperative Association (“SLECA”) the parent
6 company of Total Environmental Solutions, Inc.) to serve as the CEO for Total
7 Environmental Solutions, Inc. (“TESI”).

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my testimony is to respond briefly to the Direct Testimony of Dawn M.
10 Hipp and Daniel P. Hunnell II filed on behalf of the South Carolina Office of Regulatory
11 Staff (ORS).

12 **Q. PLEASE DESCRIBE TESI BRIEFLY.**

13 A. TESI currently owns and operates water and wastewater systems serving the Foxwood
14 Hills subdivision in Oconee County. According to information in TESI’s Annual Report,
15 the water system serves approximately 599 connections, and the wastewater system serves
16 approximately 582 connections. The water connections as of July 2022 were 623 and the

1 wastewater connections were 606. In addition, there are there are condominiums
2 containing 114 individual units which have been closed for a number of months and are in
3 the final stages of renovation and are expected to reopen in the near future. TESI last had
4 rates approved by this Commission more than 16 years ago – on May 9, 2006, by Order
5 No. 2006-292(A) in Docket No. 2004-90-W/S. In addition, TESI owns and operates water
6 and wastewater systems in Louisiana and North Carolina.

7 **Q. HAS TESI SIGNED AN ASSET PURCHASE AGREEMENT TO SELL THE**
8 **FOXWOOD HILLS SYSTEMS?**

9 A. Yes. The terms of the Agreement, including the purchase price, were negotiated by the
10 parties in good faith and at arm’s length, and TESI believes the terms of the Agreement are
11 fair and reasonable and serve the public interest.

12 **Q. WHAT IS THE STATUS OF TESI’S OPERATIONS IN THE THREE STATES**
13 **WHERE IS CURRENTLY OPERATES?**

14 A. TESI is in the process of selling its water and wastewater business entirely. As described
15 in Mr. Cox’s Rebuttal Testimony, TESI has entered into purchase agreements that will, if
16 closed, result in the transfer of all TESI’s water and wastewater assets in Louisiana, North
17 Carolina, and South Carolina. A number of TESI sewer systems in Louisiana are currently
18 subject to a Federal Consent Decree requiring significant capital investment in those
19 systems. TESI will require an increase in credit limit to meet the demands of the capital
20 improvements mandated by the Consent Decree. To obtain increased borrowing capacity
21 it would be necessary for SLECA, TESI’s parent company, to endorse the loans to fund
22 the capital expenditures. This is not a viable option. TESI’s parent company sustained
23 catastrophic losses from Hurricane IDA in September 2021. SLECA is an electric

1 distribution cooperative that suffered over \$129,000,000 of infrastructure destruction plus
2 the total loss of its administrative office facilities. The expenses will continue to increase
3 as restoration efforts continue.

4 The North and South Carolina systems do not generate adequate profitability to
5 justify continued ownership as they would be the only remaining systems owned by TESI
6 after the sale of the Louisiana systems.

7 **Q. WHY IS TESI SEEKING TO SELL ITS WATER AND WASTEWATER SYSTEM**
8 **ASSETS?**

9 A. The costs of maintaining the sewer and wastewater systems and implementing the
10 requirements of the Federal Consent Decree for those Louisiana sewer systems still subject
11 to that Decree have made continued ownership and operation of these systems exceedingly
12 difficult for TESI. These catastrophic losses suffered because of Hurricane Ida make the
13 need to sell the two Carolina operations even more critical. South Carolina operations are
14 not sufficiently profitable to justify TESI's continued ownership as a standalone operation.
15 These facilities are too remote from Baton Rouge, Louisiana to manage efficiently. After
16 the sale of Louisiana Assets, the North and South Carolina operations don't justify
17 maintaining management and administrative staff for these two remote operations.

18 **Q. HAS TESI MADE ANY RECENT INVESTMENTS IN ITS SOUTH CAROLINA**
19 **SYSTEMS?**

20 A. No. As set out above, TESI does not possess the capital resources or the access to capital
21 necessary to invest in, maintain, and improve its systems, in South Carolina, Louisiana, or
22 North Carolina. Similarly, TESI does not have the wherewithal to seek to adjust its rates
23 with this Commission, even though TESI's current rates have been in place since 2006.

1 **Q. WHAT IS TESI'S FINANCIAL CONDITION WITH RESPECT TO ITS SOUTH**
2 **CAROLINA OPERATIONS?**

3 A. According to the TESI 2021 Annual Reports filed with this Commission, TESI's water
4 operations had a net loss of \$113,603, and its sewer operations had a net loss of \$19,164.
5 TESI has experienced similar losses in recent years.

6 **Q. ORS WITNESS HUNNELL PROVIDES SOME TESTIMONY (P. 8) REGARDING**
7 **THE PERFORMANCE BONDS TESI HAS PROVIDED TO THE COMMISSION.**
8 **WHAT IS YOUR RESPONSE?**

9 A. Mr. Hunnell is correct that TESI currently has provided the Commission with bonds (in
10 the form of irrevocable letters of credit) for water operations and sewer operations each in
11 the amount of \$100,000. Mr. Hunnell further testifies that “[i]f the Commission does not
12 approve the acquisition and transfer, ORS recommends the Commission require TESI to
13 increase its performance bond amounts” to \$350,000 for both water and wastewater
14 operations. TESI would not be able to “increase its performance bond amounts” to
15 \$350,000. Again, TESI is simply not able to continue to operate these systems.

16 **Q. DOES TESI HAVE ACCESS TO CAPITAL IN ORDER TO MAKE**
17 **INVESTMENTS AND IMPROVEMENTS IN THE SYSTEM?**

18 A. No, it does not. TESI is trying to exit the utility business altogether.

19 **Q. ORS WITNESS HUNNELL TESTIFIES THAT TESI IS “CURRENTLY**
20 **OPERATING IN COMPLIANCE WITH THE COMMISSION'S RULES AND**
21 **REGULATIONS.” CAN YOU PROVIDE SOME MORE CONTEXT FOR THE**
22 **COMMISSION?**

1 A. While TESI may be so operating at this point in time, because of the difficulties described
2 above, TESI is unlikely to continue to be able to maintain regulatory compliance on a
3 going-forward basis. In addition, Mr. Hunnell overlooks a number of difficulties TESI has
4 faced with respect to its systems. For example, the Foxwood Hills Wastewater Treatment
5 Plant has received eleven notifications of violations (NOVs) from the South Carolina
6 Department of Environmental Control (“SCDHEC”) since January 2018 for exceeding
7 effluent limitations. As a result, in 2021, TESI executed a Consent Order with SCDHEC
8 (21-061) requiring TESI to undertake certain actions and pay DHEC a civil penalty.

9 **Q. ORS WITNESS HIPP TESTIFIES (P. 4-5) THAT THE SALE OF ASSETS TO**
10 **CSWRSC WILL NOT PROVIDE CUSTOMER BENEFITS THAT AREN’T**
11 **CURRENTLY PROVIDED BY TESI? IS THIS CORRECT?**

12 A. As I have emphasized above, TESI’s resources are dwindling. I am not specifically familiar
13 with the changes CSWRSC seeks to provide customers. However, I can tell the
14 Commission that TESI will not be making “operational changes” in the areas of customer
15 service, billing, or complaint response should TESI maintain ownership of these systems.

16 **Q. ORS WITNESS HIPP INCLUDES ONE CONDITION (P. 12) IN HER DIRECT**
17 **TESTIMONY ADDRESSING “REFUNDS RELATED TO THE 2017 TAX CUTS**
18 **AND JOBS ACT.” CAN YOU RESPOND TO THAT CONDITION?**

19 A. TESI understands this requirement and has agreed to provide customers with all refunds
20 required by the TCJA prior to the closing of the acquisition. TESI also agrees to provide
21 the Commission and ORS a final calculation of the total refunds to be issued and a
22 reconciliation of each refund issued customers including the address, amount, and date
23 the refund was mailed.

1 **Q. WILL THE TRANSFER OF ASSETS, FACILITIES, PROPERTY AND**
2 **CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO CSWRSC**
3 **SERVE THE PUBLIC CONVENIENCE AND NECESSITY?**

4 A. Yes. From TESI's perspective, the transfer of these systems to CSWRSC could
5 not have come at a better time. TESI simply is not in the position to own,
6 maintain, and operate these systems.

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A. Yes, it does.