

1 PLACE: Dobbs Building, Raleigh, North Carolina  
 2 DATE: Tuesday, September 25, 2018  
 3 TIME: 9:00 a.m. - 12:12 p.m.  
 4 DOCKET NO: W-218, Sub 497  
 5 BEFORE: Commissioner ToNola D. Brown-Bland, Presiding  
 6 Chairman Edward S. Finley, Jr.  
 7 Commissioner Jerry C. Dockham  
 8 Commissioner James G. Patterson  
 9 Commissioner Lyons Gray  
 10 Commissioner Daniel G. Clodfelter  
 11 Commissioner Charlotte A. Mitchell

12  
13 **IN THE MATTER OF:**

14 Application by Aqua North Carolina, Inc.,  
 15 202 MacKenan Court, Cary, North Carolina 27511,  
 16 for Authority to Adjust and Increase Rates  
 17 for Water and Sewer Utility Service in  
 18 All Service Areas in North Carolina.

19  
20 VOLUME: 16  
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E X H I B I T S

IDENTIFIED / ADMITTED

Aqua Becker Rebuttal Redirect

Exhibit 1..... 23/110

Public Staff Becker Rebuttal Cross

Examination Exhibit 21..... 102/110

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Public Staff Berger Rebuttal Cross

Examination Exhibit 6..... 171/187

## P R O C E E D I N G S

COMMISSIONER BROWN-BLAND: Good morning.

Let's come to order and go back on the record. And we're finishing up redirect.

MS. SANFORD: Thank you, Commissioner Brown-Bland.

CONTINUED REDIRECT EXAMINATION BY MS. SANFORD:

Q Good morning, Mr. Becker.

A Good morning.

Q Are you organized?

A I'll get there.

Q You'll get there. We're going to go through various items as we finish the redirect on your rebuttal. It's been discussed that CIAC was included as a offset to rate base in the Sub 319 and Sub 363 rate cases; is that right?

A It always is, yes.

Q Always is. Is this a benefit to ratepayers or a detriment to ratepayers?

A It's a benefit to ratepayers.

Q Would you explain how?

A CIAC is a -- it nets against an asset that's on the books. So an asset, if we were to build one and we put a million dollar filter in for

1 example, the revenue requirement would be  
2 calculated on that million dollars. If for some  
3 reason a developer contributed cash or gave us  
4 the filter, that basically makes that asset worth  
5 zero. It completely offsets it depending on what  
6 the dollar amount is or if it was donated to us  
7 it would be zero so there would be no revenue  
8 requirement calculated on that. So that would  
9 effectively have no rate impact whatsoever.

10 Q Okay. Thank you. If you have it with you, I'm  
11 going to ask that you turn to Public Staff Becker  
12 Rebuttal Cross Examination Exhibit 5, and if you  
13 don't I think I can take you to the pertinent  
14 parts. It's the Annual Revenue Requirement Cost  
15 Per Aqua Uniform Rate Customer for Manganese  
16 Greensand Filtration.

17 A I have it.

18 Q Have you got that?

19 A I do.

20 Q I will ask you to look -- let's see, the  
21 conversation or the substance of this is about  
22 the capital cost for 80 manganese Greensand  
23 filters totaling \$28 million; is that correct?

24 A That's correct.

1 Q And at the bottom of the front page, the last  
2 line actually, indicates that the annual revenue  
3 requirement per customer is \$47.37, right?

4 A As calculated here, yes.

5 Q As calculated here. And is it correct that to  
6 date the only times you have installed Greensand  
7 filters has been with the cooperation and the  
8 support and the approval, whatever the right word  
9 is, of the Public Staff?

10 A All of our filters are Greensand filters that are  
11 part of the WSIC Program, have to be approved by  
12 the Public Staff, or reviewed by the Public Staff  
13 and then submitted to the Commission for their  
14 approval --

15 Q For their approval.

16 A -- before installation, yes.

17 Q Right. And so you and the Public Staff have  
18 worked out a collegial, congen- -- I mean, a  
19 collaborative process for reviewing and  
20 scrutinizing these filters, right?

21 A Yes, after WSIC was approved. I believe my  
22 predecessor worked with the Public Staff to  
23 develop a model to make that process more  
24 efficient or efficient.

1 Q Efficient. And so my question is, if ever it is  
2 to get to this \$47.37 annual revenue requirement  
3 per customer, is it your anticipation that that  
4 would only be through a process that includes  
5 you, the Public Staff and the Commission in terms  
6 of prior approval?

7 A Yes. It's a back and forth. They ask questions,  
8 we answer them, and hopefully we come to the same  
9 conclusion and move forward.

10 Q Okay. I'll now ask you to turn to Public Staff  
11 Becker Rebuttal Cross Examination Exhibit Number  
12 8. It's an email from Peggy Dodge to Becky  
13 Flower -- Rebecca Flowers. And again,  
14 Mr. Becker, if you have trouble finding it then I  
15 apologize for not having you better equipped  
16 here. I think I can simply ask you questions  
17 about if you recall the email?

18 A I do.

19 Q And the examination on it?

20 A I do.

21 Q The -- and the question I want to ask you about  
22 has to do with your position with respect to the  
23 ownership of unused capacity when a development  
24 is built out as between the developer and Aqua.

1 So what is your position with respect to who owns  
2 this, any unused capacity that might exist when a  
3 development for which there were commitments of  
4 capacity has been built out but there is capacity  
5 remaining that was unused, either because of  
6 re-rating or because somebody just got the  
7 numbers wrong to begin with?

8 A So with Johnston County it's -- we own the  
9 capacity. The developers don't own it. In other  
10 development agreements it's common where the  
11 developer will build the plant, will take  
12 ownership of it and then they'll own the  
13 capacity. Typically we'll put a timeframe on it  
14 or sunset provision for 10 years, 15 years, after  
15 that time it reverts to us. In this case here,  
16 we own the capacity in the Neuse Colony plant.  
17 We own the capacity that we purchase from  
18 Johnston County. In the letter or in the email  
19 that Mr. Grantmyre referred to yesterday in this  
20 Exhibit 8, that was where we gave a credit -- or  
21 Neal Phillips gave a credit to Becky Daniels,  
22 that was a, from what I can tell, a one-time  
23 deal. It looks like in the schedule that these  
24 were credits -- or these were purchases of

1 capacity that were made at the time of the DWQ  
2 submittal. And I believe they changed their  
3 process after that where it's now done at the  
4 time of recording with the county. And even in  
5 the chart, if you look at the first one, the  
6 \$19,000 that was paid in 1999, it was never built  
7 out so there was a credit applied to that.

8 Another thing to note here is it  
9 looks like there were credits given from the  
10 re-rating from 360 to 240, but we hadn't done it  
11 when we re-rated the plant from 240 to 180. That  
12 same credit was not provided so this was a  
13 special circumstance.

14 Q Okay. And so the bottom line is it's your  
15 position that Aqua owns any unused capacity  
16 should there be some?

17 A Yes. That 360 or the 240 or the 180 is per lot,  
18 and if they don't use it, I'm selling it.

19 Q Okay. All right. I'm now going to ask you and  
20 others in the room to try to locate three  
21 exhibits -- I'm not sure I'm in the mic here --  
22 three rebuttal cross examination exhibits. They  
23 are 12, 19 and 7.

24 A Okay. I think I have all three.

1 Q You ready? First of all for Cross Examination  
2 Exhibit 12, Items 1 and 6, which are highlighted  
3 on my copy. I'm not sure if they were  
4 highlighted by the Public Staff or if I just  
5 ended up with some highlighter but, at any rate,  
6 paragraphs 1 and 6 are the ones that we're  
7 looking at.

8 A Yes.

9 Q These deal with some wastewater facilities  
10 improvements; is that correct; 2003 and 2006?

11 A Those are the two expansions, the wastewater  
12 treatment plant expansions for Johnston County,  
13 yes.

14 Q Let's see -- I'm sorry. I'm at the wrong dates.  
15 The first one was completed in 2004 and the  
16 second was completed in 2009; is that correct?

17 A The titles are 2003 and 2006 but there's  
18 additional information there in case it -- when  
19 they were completed, yes.

20 Q All right. Let's turn to Public Staff Junis  
21 Exhibit 19. I think I told you wrong. I  
22 mentioned it was a rebuttal exhibit but it's not.  
23 Public Staff Junis Exhibit 19, which is a letter  
24 from Johnston County to Shannon Becker dated

1 July 11, 2018.

2 A Yes, got it.

3 Q Okay. There -- in the middle of the page there  
4 is a series of lines with dollar amounts to the  
5 right-hand side and it speaks about the proposed  
6 capacity fee. Are you with me?

7 A Yes.

8 Q The -- is the wastewater capacity charge based on  
9 the 2006 expansion shown on this exhibit, is it  
10 \$5.34 --

11 A That's correct.

12 Q -- gpd?

13 A Yes. And I'd like to point out that it's  
14 noted -- it's labeled based on a 2006 expansion  
15 even though it was completed in 2009. That's how  
16 it was referred to us when we asked them as well.  
17 And that's referring back to a question that  
18 Mr. Grantmyre had asked me yesterday.

19 Q Okay. And then down below that the transmission  
20 fee is labeled as \$3.14; is that correct?

21 A That is correct, yes.

22 Q For a total capacity fee of \$8.48; is that right?

23 A That is correct, yes.

24 Q Now, we're turning to Cross Examination Exhibit

- 1 7. Becker Rebuttal Cross Examination Exhibit 7.
- 2 A I have it.
- 3 Q Are you there? The second paragraph is, it's a  
4 letter to Tom Roberts from Johnston County dated  
5 August 17, 2009.
- 6 A I have that.
- 7 Q Does this letter indicate that the capacity fee  
8 at that time was shown as \$4.83 per gpd of  
9 average daily flow?
- 10 A It does, yes.
- 11 Q That the transmission charge at that time was  
12 \$1.46 per gpd?
- 13 A Yes. If you add equalization, it was \$1.46. If  
14 you didn't, it was \$3.65.
- 15 Q Okay. And that the total of both was shown as  
16 six dollars and twenty-five -- twenty-nine cents,  
17 I'm sorry, per gpd with flow equalization?
- 18 A And since our plant does offer flow equalization  
19 before sending it to the County, you would use  
20 the \$6.29 considering the total amount there.
- 21 Q As opposed to the \$8.48 without flow  
22 equalization; is that right?
- 23 A That's correct -- that's correct.
- 24 Q Do these documents clarify or confuse with

1           respect to what the Johnston County capacity fee  
2           has been over a period of time?

3       A     I think it's pretty clear the capacity fee is as  
4           stated. They break down the components of it.  
5           The agreement indicates based on the wastewater  
6           treatment plant capacity fee. I think it's  
7           pretty clear.

8       Q     But all of these capacity fees excluding  
9           transmission are less than the \$6.00 you're  
10          currently charging; is that correct?

11      A     That is correct, yes.

12      Q     Okay. Anything else to add?

13      A     I don't think so.

14      Q     Okay. That's fine. We're going to go to the  
15          last, last line of conversation here, Mr. Becker,  
16          and this has to do with what I'll call the  
17          Johnston County situation which has been much  
18          discussed in this room and as much in controversy  
19          between Aqua and the Public Staff here. This has  
20          been a -- this contract was drafted and entered  
21          into in 2002; is that correct?

22      A     1999, then 2002 --

23      Q     In 2002 --

24      A     -- modification, yes.

1 Q And it is -- it creates a three-way relationship  
2 among Aqua, Johnston County and Flowers  
3 Plantation?

4 A That's correct, three parties.

5 Q Do you have any other contracts or any other  
6 arrangements - I'll go more broadly than  
7 contracts - that are established in this way?

8 A Not as far as I'm aware. And since this has  
9 become such a large profile of our last several  
10 months' time, my business development team has  
11 not brought anything to my attention as to  
12 anything as to anything near this kind of  
13 complexity or we're in the middle of it.

14 Q And without, having nothing to do with critique  
15 of the arrangement, it has just simply been very  
16 complicated to administer; isn't that correct?

17 A In hindsight it has. You know, we're trying to  
18 go back and look at what decisions were made  
19 based on the information that was available. And  
20 looking back on that now, again, I don't know if  
21 we have all that information but I think we made  
22 the right reasonable management decisions and how  
23 we operated it. Considering the facts that you  
24 have two different sections feeding into one

1 plant for now until some later date when you want  
2 to send it over to the county. It tries to  
3 monitor and dictate provisions and terms for  
4 every specific item and it's -- when you're  
5 drafting it you may not be aware of the fact of  
6 all these timing issues that are being created  
7 and caused. So it's a -- it's very complicated.

8 Q And there have been at times and including  
9 independency of this hearing, instances in which  
10 it appears there are internal contradictions that  
11 a decision about one matter is -- results in some  
12 inconsistency about a decision in the  
13 administration of another matter; is that  
14 correct?

15 A Absolutely. And then you have to go in -- you  
16 don't find out you have an issue until somebody  
17 else has a different interpretation of it, then  
18 you go back and you research that and, yeah,  
19 you're finding new things all the time, not all  
20 the time, I mean, we found quite a few new  
21 things.

22 Q Right. And so in this case, as the Public Staff  
23 has conducted its investigation into this to  
24 determine all the things that they've sought to

1 determine, including the accuracy of your CIAC  
2 administration, there's been an effort to go back  
3 in records and back in time; is that correct?

4 A That's correct.

5 Q With requests being made of Aqua to provide all  
6 communications about various Johnston County  
7 topics going back to 2005?

8 A 2005, yes.

9 Q And Aqua has undertaken to do that; is that  
10 correct?

11 A We have, yes.

12 Q You have learned things as you have gathered  
13 information or as you have had conversations in  
14 meetings with the Public Staff; is that correct?

15 A That is correct, yes.

16 Q And you have -- your understanding of, at least  
17 the various positions Johnston County's and  
18 Flowers Plantation, has increased and has changed  
19 as you have gone with the Public Staff through  
20 this examination; is that correct?

21 A It has.

22 Q It's taken a lot of the Public Staff's time and a  
23 lot of your time, hasn't it?

24 A It has.

1 Q And much of that time has been spent in trying to  
2 my word "reconstruct" the history and the inputs  
3 into Aqua's decisions over this period of time  
4 from 2005 until now?

5 A Yes, which is very hard to do when you --

6 Q It's very --

7 A -- don't have all the same materials available at  
8 the time you're making these decisions, yes.

9 Q Very difficult to do that. Would you say you  
10 have made a comprehensive search?

11 A Highly, yes.

12 Q And Aqua's done the best it could do to try to  
13 find these documents and to provide them to the  
14 Public Staff --

15 A Yes, we have.

16 Q -- is that correct?

17 A Yes, we have.

18 Q And have you found as you have gone that -- do  
19 you believe you've gotten all the documents that  
20 are relevant to all the decisions that have been  
21 made over this period of time?

22 A Probably not. All relevant documents to all the  
23 decisions, I don't think so. There's just  
24 conversations and we found several handwritten

1 notes that were kind of -- somebody going through  
2 their files who had been here a long time just  
3 happened to notice it so I don't think so.

4 There's probably more information out there.

5 Q Right, right. And Aqua's obligation -- is it  
6 your understanding that Aqua's obligation is in  
7 terms of being a reasonable and prudent  
8 decision-maker is one that exists with respect to  
9 what the Company knew or should have known at the  
10 time it was making various decisions?

11 A I'm sorry. What was the question?

12 Q Is your -- you have an obligation to reasonable  
13 and prudent management of your Company; is that  
14 correct?

15 A Yes.

16 Q And is it your understanding that that obligation  
17 exists in the context of what you know or should  
18 know at any given point in time as you run your  
19 Company?

20 A That is correct.

21 Q Right. And I'm going to give everybody a rest on  
22 exhibits but I'm going to ask you about one, and  
23 it's one that was provided to the Public Staff.  
24 And it was an email from Susan Wilburn to

1 Mr. Grantmyre in 2004. And it was a calculation  
2 of the total costs in the way the costs would be  
3 distributed for water and wastewater agreements.  
4 I can make it an exhibit if we need to. But this  
5 is an exhibit -- this had to do with the inquiry  
6 into what the costs were and how they were being  
7 allocated in 2004. And, is it correct that the  
8 Public Staff had a view of what -- not only what  
9 those costs were but of how they should be  
10 divided; an earlier view?

11 A Yes.

12 Q Yes. And then Ms. Wilburn happened to find this  
13 old email and provided it to you and you to the  
14 Public Staff, and it showed a different  
15 allocation of cost for good reasons; is that  
16 correct?

17 A That's correct. And that would be an example of  
18 one of the items that was late discovered  
19 thankfully. It provided specific clarification  
20 on a item that we were actually going down a  
21 different path.

22 Q Right.

23 A Mr. Junis and myself, we had no other  
24 counter-information and that came up, and it

1 provided clarity to both sides.

2 Q And it was dated 2004, which was prior to the  
3 date that you were supposed to be doing your  
4 search, but Ms. Wilburn just found it, right?

5 A Yes.

6 Q Provided it to you and you provided it to the  
7 Public Staff.

8 A Yes.

9 Q So as you said this is one example, there may be  
10 more, there may be many, there may -- we don't  
11 know, do we?

12 A We do not.

13 MS. SANFORD: I have no other questions.  
14 Thank you.

15 COMMISSIONER BROWN-BLAND: Ms. Sanford, I'm  
16 just going to save us a little bit of time. We would  
17 like to see -- have that document --

18 MS. SANFORD: Sure.

19 COMMISSIONER BROWN-BLAND: -- you're looking  
20 at.

21 MS. SANFORD: If it's all right, may I label  
22 it and I'll pass it out?

23 COMMISSIONER BROWN-BLAND: Yes, let's do.

24 MS. SANFORD: Well, then --

1 COMMISSIONER BROWN-BLAND: What --

2 MS. SANFORD: Go ahead. Thank you.

3 COMMISSIONER BROWN-BLAND: It will be  
4 identified as --

5 MS. SANFORD: Let's see, Aqua Becker  
6 Rebuttal Redirect --

7 COMMISSIONER BROWN-BLAND: Redirect --

8 MS. SANFORD: -- 1, I think.

9 COMMISSIONER BROWN-BLAND: -- 1. All right.  
10 It will be so identified.

11 (WHEREUPON, Aqua Becker Rebuttal  
12 Redirect Exhibit 1 is marked for  
13 identification.)

14 COMMISSIONER BROWN-BLAND: Questions from  
15 the Commission?

16 CHAIRMAN FINLEY: I have some questions.

17 COMMISSIONER BROWN-BLAND: Chairman Finley.

18 EXAMINATION BY CHAIRMAN FINLEY:

19 Q Mr. Becker, I want to ask you some questions  
20 about connection fees in Johnston County. I  
21 believe yesterday Mr. Grantmyre asked you  
22 questions having to do with cash CIAC from  
23 developers that are not in tariffs; do you  
24 recall --

1 A I do.

2 Q -- questions along those lines? What do -- if  
3 you know, what do Aqua's filed and public --  
4 published tariffs say about connection fees if  
5 anything?

6 A I think if -- I'm not positive, Commissioner. I  
7 believe there's a reference to specific  
8 connection fees if there is a specific connection  
9 fee in some occasions. I'm not positive though.

10 Q My recollection is, and correct me if I am wrong,  
11 that Aqua does not have a uniform connection fee,  
12 in other words, a default connection fee that  
13 they're permitted to charge where there is not a  
14 contractual provision allowed. They'll have to  
15 charge something else.

16 A It is a contractual provision. It does  
17 fluctuate --

18 Q All right.

19 A -- if at all, if it exists at all. Yes.

20 Q And I believe I heard that for the Johnston  
21 County service area there have been 50 or 51  
22 secondary - we call them secondary - developer  
23 contracts; is that correct?

24 A Contiguous extensions, yes.

1 Q Well, that would have bound to have been at some  
2 point a Certificate of Public Convenience and  
3 Necessity and then thereafter a contiguous  
4 extension --

5 A That's correct.

6 Q -- contracts? And the way those are handled, is  
7 it not, the Company will file a Notification of  
8 Contiguous Extension and the Commission has all  
9 sorts of rules and regulations about the types of  
10 documents that have to be accompanying those  
11 notifications, right?

12 A It's a package I believe.

13 Q And those are filed with the Commission, and the  
14 Public Staff analyzes those, right?

15 A That's -- they're filed and I believe they are  
16 analyzed by the Public Staff, yes.

17 Q Well, they look at them and determine whether or  
18 not they want to ask the Commission to  
19 acknowledge those contracts, and at some point  
20 bring them to the Commission in the Monday  
21 morning agenda conference; is that your  
22 understanding?

23 A And then they're submitted for approval.

24 Q That's right. And the Commission approves them

1 or disproves or modifies them, or something like  
2 that. And my understanding, based on what I have  
3 heard so far, is that the Johnston County  
4 contracts with River Dell or the Flowers  
5 Development Group or the other secondary  
6 developers did not address specifically what the  
7 obligation of those developers were with respect  
8 to connection fees. Is that right or not?

9 A Well, I think they did state the capacity fees.  
10 Now, connection fees, I don't think there is one  
11 on the wastewater side. Actually, I'm not sure  
12 if there's one on the water or wastewater side.  
13 But it does state the amounts that are being  
14 collected for capacity fees.

15 Q Well, are you drawing a distinction between a  
16 capacity and a connection fee?

17 A Yes.

18 Q What is the distinction there?

19 A Well, there's a connection fee and at the time of  
20 connection you can repay -- you'll -- you know, a  
21 developer will pay a fee to connect on. A  
22 capacity fee is buying capacity at a plant. So I  
23 think sometimes they're used synonymously.

24 Q Right.

- 1 A I'll tell you, sometimes I get confused with what  
2 we're referring to at times but --
- 3 Q But the contracts, to the extent they addressed  
4 capacity, that was the fee that the developer  
5 paid to reserve a right to build lots and have  
6 them connected to the wastewater system --
- 7 A That's correct.
- 8 Q And you think that they did address --
- 9 A I believe they did. I believe they stated the  
10 amount that was collected.
- 11 Q All right.
- 12 A Or the dollar amount per gallon that is  
13 collected.
- 14 Q And I believe Ruffin Poole is the person who does  
15 the development work for the Company now; is that  
16 right?
- 17 A He does, yes.
- 18 Q And he took the place of Rudy Shaw who did that  
19 in the past?
- 20 A He did, yes.
- 21 Q And Rudy Shaw --
- 22 A And there was another gentleman in between there  
23 but they're in the same position, yes.
- 24 Q And Rudy Shaw used to work for the Utilities

1 Commission.

2 A He did.

3 Q Yeah. And he should have known what the rules  
4 and regulations were, yeah?

5 A Yes.

6 Q Now, is it your understanding that before a lot  
7 can be connected to the wastewater collection  
8 system that it must have a Commission-approved  
9 Certificate of Public Convenience and Necessity  
10 or a Notification of Contiguous Extension?

11 A It does, yes.

12 Q Is it also your understanding that before a  
13 wastewater utility or a water utility in this  
14 state, because you're a monopoly, can charge any  
15 fee or any rate to any customer you've got to  
16 have approval of that rate or else you had to  
17 file that rate with the Commission, and it has  
18 not been suspended by the Commission?

19 A I'm aware, yes.

20 Q And I will represent to you that this business of  
21 attribution of contribution in aid of  
22 construction is not a new issue in this state,  
23 that your competitive company Carolina Water  
24 Service of North Carolina went through a similar

1 docket where the Public Staff sought to impute a  
2 number of connection fees back in the 1990's.  
3 And I want to, if you don't mind, read you a few  
4 provisions from the Order in that docket and ask  
5 you some questions about it and the docket is  
6 Docket Number W-354, Sub 118, and I'm reading --  
7 looking at an Order dated March 22, 1994. And,  
8 of course, the Public Staff participated in that  
9 docket, and the North Carolina Department of  
10 Justice participated in that docket represented  
11 by Jo Anne Sanford, Special Deputy Attorney  
12 General, and Margaret A. Force, Associate  
13 Attorney General, for the North Carolina  
14 Department of Justice. But I want to read you a  
15 couple of the Findings of Fact from that Order.

16                   Finding of Fact 2 says, *the word*  
17 *"rate" as applied to public utilities regulated*  
18 *by the North Carolina Utilities Commission is*  
19 *defined in G.S. 62-3(24), and includes tap fees,*  
20 *plant impact fees, management fees, oversizing*  
21 *fees, and all other connection fees. That's what*  
22 *Finding of Fact 2 says. So that would indicate*  
23 *that a connection fee is a tariff rate that would*  
24 *have to be approved or authorized by the*

1 Commission before the public utility can charge  
2 it, right?

3 A That's what I would assume from that Order, yes.

4 Q But you would recognize, wouldn't you,  
5 Mr. Becker, that connection fees is a sort of a  
6 weird animal, for lack of a better term; it's  
7 different than the commodity charge that  
8 customers pay on a monthly basis?

9 A It is.

10 Q It serves as sort of a financing device if  
11 nothing else as to who pays for plants, how much  
12 is paid for plant, and when it is paid for,  
13 right?

14 A It is, yes.

15 Q And Aqua is a rate base rate of return public  
16 utility, is it not?

17 A It is, yes.

18 Q And theoretically at least you wouldn't want to  
19 have every investment in plant that you have  
20 offset by a contribution in aid of construction  
21 where you wouldn't have a rate base at all, would  
22 you?

23 A Absolutely not.

24 Q Because that's how you -- that's how you earn

1 your money is on the rate base.

2 A And it absorbs resources that I could use  
3 elsewhere.

4 Q All right. And I want to read you Finding of  
5 Fact 4. *The Commission accepts for filing its*  
6 *approved and -- its approved form requiring*  
7 *numerous exhibits for acquisition of a new or*  
8 *existing water and/or sewer system. You would*  
9 recognize that that's a requirement that the  
10 Commission has?

11 A I would agree.

12 Q In 1994 and here today. And I'll represent to  
13 you that in this case W-354, Sub 118, the Public  
14 Staff was arguing that because Carolina Water  
15 Service did not charge in each time that it had a  
16 certificate and a contiguous extension it did not  
17 charge its uniform connection fee but it charged  
18 its fee based on the contract with the developer.  
19 And unlike Aqua, Carolina Water Service had a  
20 uniform connection fee which, as I understand,  
21 you do not have.

22 A We do not have a uniform fee, no.

23 Q So you wouldn't have this issue about charging  
24 what the contract requires versus charging what

1 uniform connection fee charges. You wouldn't  
2 have that issue?

3 A No, we don't.

4 Q Now, this sort of gets to I think something that  
5 Mr. Grantmyre was sort of floating yesterday. He  
6 was mentioning something about when addressing  
7 this issue so on a go-forward basis we wouldn't  
8 have to deal with this. So I want to read you  
9 the decretal paragraphs of this Order.

10 Decretal paragraph number 2 --  
11 well, first of all, the Commission in that case  
12 determined that the request by the Public Staff  
13 to impute connection fees, based on a uniform  
14 connection fee versus the contracted connection  
15 fees, was disapproved, and so there was no  
16 imputation in that docket. They turned down the  
17 Public Staff's request.

18 But here's what the Commission  
19 said in decretal paragraph 2, *that CWS shall file*  
20 *and request approval of all future contracts with*  
21 *developers within 30 days of the signing of said*  
22 *contracts and, in the case of informal agreements*  
23 *or contracts that are effective without signing,*  
24 *CWS shall file a detailed written description of*

1       the terms of those agreements within 30 days of  
2       entering into such agreements. The requirements  
3       of this decretal paragraph shall apply to all  
4       future contracts, including those covering  
5       contiguous extensions. In all contracts that  
6       have provisions which allow for connection  
7       charges (tap-on fees) and/or plant impact fees  
8       that are different from the tariffed uniformed  
9       connection charges and/or plant impact fees or  
10      that allow for special charges such as management  
11      fees, oversizing fees, availability fees or other  
12      such fees not common in -- to all service areas,  
13      the referenced charge or fee shall be  
14      specifically brought to the attention of the  
15      Commission to be approved or disproved. That's  
16      the end of the decretal paragraph 2.

17                   So that indicates that one way the  
18      Commission was trying to resolve these issues  
19      between the Public Staff and the Attorney  
20      General's Office, and Carolina Water Service was  
21      to make sure that they had written in the tariffs  
22      every provision in a contract that addressed any  
23      type of connection fees, right?

24    A    I understand, yes.

1 Q And then decretal paragraph 3, that CWS shall  
2 prepare amendments to its tariffs detailing its  
3 connection fee practices and procedures on a  
4 subdivision-by-subdivision basis and shall  
5 include applicable management and oversizing fees  
6 in its tariffs. CWS shall file those tariff  
7 revisions with its rebuttal testimony in the  
8 Company's pending general rate case, Docket  
9 No. W-354, Sub 128.

10 So looking at the provisions of  
11 this dispute and the way it was resolved, it sort  
12 of indicates that whatever is in the Company's  
13 contracts for certificates and contiguous  
14 extensions, that becomes the rate that the  
15 utility is entitled to charge, right?

16 A Right.

17 Q And if it's not in the contract or if it's  
18 something different than is in the contract  
19 you're not entitled to charge that?

20 A That would be correct.

21 Q All right. And you indicated that you thought  
22 that the Aqua North Carolina tariffs did list  
23 some of the connection fees in contracts?

24 A Yeah, I will tell you that I'm not positive.

1           When I was in Virginia, we had similar specific  
2           items that were listed. So I'm not sure if I'm  
3           confusing the two tariffs.

4       Q     Well, I will read you one other little paragraph  
5           here out of another Commission Order, Order on  
6           Clarification in Docket Number W-354, Sub 118,  
7           among others, and that's a February 27, 1998  
8           Order. And it looked like it took about four  
9           years for Carolina Water Service to comply with  
10          bringing its tariffs up to date to include all of  
11          those different contract provisions in its rates.  
12          And so when you said -- told Mr. Grantmyre that  
13          that would be an onerous task to do that, I think  
14          past history would say that that is correct, but  
15          it might be a necessary thing to do.

16                            But here's what one of the  
17          provisions of this Order said, *based on the*  
18          *foregoing, the Commission finds that the Public*  
19          *Staff's request that CWS should be required to*  
20          *provide justification where it has varied in its*  
21          *uniform connection fee should be denied. The*  
22          *presence of a contract, approved by the*  
23          *Commission and on file with the Commission,*  
24          *provides CWS the justification it needs to charge*

1 a connection fee that varies from its uniform  
2 connection fee. As noted above, in the case  
3 where different connection fees are specified in  
4 an approved contract, the contract governs. In  
5 the absence of an approved contract, uniform  
6 connection fees govern.

7 So, if Aqua has no uniform  
8 connection fee, the terms of the contract that it  
9 has with these secondary developers in Johnston  
10 County is the tariff that you have approved by  
11 the Commission and what you are authorized to  
12 charge and nothing else. That would be right,  
13 wouldn't it?

14 A I would agree, yes.

15 Q Yeah. And that would have something to say about  
16 whether or not it's appropriate to impute to you  
17 in this case contributions in aid of construction  
18 from these secondary development -- developers in  
19 Johnston County that are not part of your tariff  
20 rates?

21 A I would agree.

22 Q All right. Now, this contract that you were  
23 being asked about a minute ago by Ms. Sanford,  
24 this 2002 contract with the County and with

1 Flowers Plantation and with Heater, that was sort  
2 of, as I read it, sort of a wholesale contract  
3 between Johnston County and Heater to give you  
4 capacity in the wastewater system of the County.

5 A That's correct, yes.

6 Q So Johnston County has no authority to provide  
7 any service in the Flowers Plantation area. It  
8 certainly has not intended to provide service in  
9 competition with Heater or Aqua, has it?

10 A Not currently, no. Not in this area.

11 Q And was this contract, this 2002 contract, was  
12 that ever filed with the Commission for its  
13 approval?

14 A I -- I'm not positive; I believe it was. . I know  
15 there were several different contracts. I know  
16 we did file and I don't know the number -- the  
17 docket numbers, but there were several documents  
18 filed with the Commission. I believe so.

19 Q Well, in what context were they filed with the  
20 Commission if you know?

21 A That I do not know.

22 CHAIRMAN FINLEY: All right. I think those  
23 are the questions I have.

24 COMMISSIONER BROWN-BLAND: Commissioner

1 Clodfelter.

2 COMMISSIONER CLODFELTER: Ms. Sanford, do  
3 you think we could get a definitive answer post  
4 hearing to the Chairman's last question about --

5 MS. SANFORD: Yes, sir.

6 COMMISSIONER CLODFELTER: -- whether the  
7 Three-Party Agreement was filed with the Commission  
8 and, if so, in what context?

9 MS. SANFORD: Yes, sir, we can. And we can  
10 get it in very short order.

11 COMMISSIONER CLODFELTER: Thank you.

12 EXAMINATION BY COMMISSIONER CLODFELTER:

13 Q Mr. Becker, I've just a few questions again about  
14 Johnston County. These are factual -- some  
15 factual questions. Do you have available to you  
16 Public Staff Becker Cross Examination Exhibit 15?

17 A Coincidentally, I turned right to it.

18 Q Great. And I want to refer there to the 2003  
19 Johnston County Wastewater Treatment Plant  
20 expansion and the 2006 expansion.

21 Do you have any knowledge  
22 concerning when those two projects were  
23 identified in Johnston County's capital needs  
24 assessment planning or in its capital improvement

1 program funding plan?

2 A I do not have that knowledge.

3 Q You don't know whether they were or were not  
4 identified before or after the 2002 Three-Party  
5 Bulk Agreement, do you?

6 A I do not.

7 Q And so I take it from your answer then if I were  
8 to ask you if you know whether or not either of  
9 those two expansions had anything to do with the  
10 change in collecting the capacity fee from \$5.50  
11 to \$6.00, you wouldn't know the answer to that  
12 either?

13 A I could only assume. You know, the \$5.50 is an  
14 even number. The \$6.00 is an even number. That  
15 seems odd. I would think it's likely an estimate  
16 at a time based on information that was known,  
17 possibly because they were planning it and they  
18 had an assumption.

19 Q Would -- do you have any knowledge as to when --  
20 I'll ask you a double question to save some time.  
21 Do you have any knowledge as to when the capacity  
22 fee was increased from \$5.50 to \$6.00 that you  
23 were collecting, that the Company was collecting  
24 and what the trigger was for that? Do you have

1 any knowledge about that at all?

2 A So the dates -- I believe we have one sale, a lot  
3 sale, development closing, that was done at the  
4 \$5.50, and that was in the beginning of 2005. I  
5 have a schedule for it somewhere. I want to say  
6 the next one which was almost a year later was  
7 done at \$6.00. I do not know what drove or what  
8 drivers were involved with making a change in  
9 that pricing.

10 Q Thank you. That's fine. Thank you. I'm going  
11 to ask you a question and I'll -- I know you  
12 probably don't have in front of you. I'm going  
13 to ask you a question about the Three-Party  
14 Agreement. It's Junis Cross Examination Exhibit  
15 3, and I don't think you need the document. I'll  
16 tell you what I'm going to ask about. Under the  
17 Three-Party Agreement as I read it, and I want to  
18 have you confirm whether or not I'm reading it  
19 correctly, it was the Company's obligation to  
20 transport wastewater to the point of delivery.  
21 And at that point the County then - for purchased  
22 capacity - for the use of any capacity purchased  
23 from Johnston County you had to get it to the  
24 point of delivery, correct?

1 A That's correct.

2 Q Okay. The agreement defines the point of  
3 delivery as being the County's manhole on the  
4 north side of Highway 42 at the Neuse River  
5 bridge. And my question for you is just a  
6 geographic one. Where in relation to the  
7 County's treatment plant is that?

8 A It -- I don't know all the road and geography out  
9 there. That would probably be a better question  
10 for one of my engineers. I do know it's fairly  
11 close. In fact, Mr. Grantmyre and Mr. Junis may  
12 know that answer. But it's fairly close and it's  
13 the delivery to a manhole that I believe you had  
14 to get to over a road or under a road.

15 Q And, as I read the agreement, at that point of  
16 delivery there was at the time at least in 2002,  
17 an unused 10-inch force main that fed directly  
18 into the plant; is that correct?

19 A I'm not positive on that.

20 Q The recent connection -- interconnection request  
21 that the Company submitted to DEQ, and that I  
22 understand from your testimony you received some  
23 form of indication that's going to be approved or  
24 has been approved, where is the point of

1 connection for that request?

2 A So we have to -- we have to build up the  
3 wastewater plant with pumps and other  
4 equipment --

5 Q Right.

6 A -- and build the line. They've been talking  
7 about two different -- they had actually talked  
8 about moving that point of interconnect, and I  
9 honestly don't know if we did. One, there's a  
10 line that runs a little closer to our plant, I  
11 guess it was a bigger line and I think it was a  
12 pressurized line, that they've been talking about  
13 tapping into that. Or it could have been to that  
14 manhole that we originally defined in that  
15 contract. But we've been working with the County  
16 to identify that. I don't recall which one we  
17 went with or which was the approved --

18 Q As you sit here today you're not sure which one  
19 it is?

20 A I'm not.

21 Q Well, let me tell you then what I would like to  
22 see, if maybe we can get some follow-up  
23 information on it afterwards, is what I'm  
24 interested in exploring is if you're connecting

1 at a different point to the County's transmission  
2 system, collection system then whether or not the  
3 County may be or are providing additional  
4 transmission services beyond those that were  
5 contemplated in the Three-Party Agreement in  
6 2002. I'm just interested in knowing the --

7 A I can that get that information, but -- and again  
8 the alternative was an existing line that was  
9 already running next to our -- or near our plant  
10 at just a different location. So it wouldn't be  
11 a build-out on their behalf --

12 Q It would not --

13 A -- at that point.

14 Q It would not be.

15 A But let me get that information and clarify it.

16 COMMISSIONER CLODFELTER: Thank you. And  
17 I'll just -- again, so it doesn't get lost in the  
18 shuffle because I know we were closing up quickly  
19 yesterday, I just want to remind my request for a  
20 late-filed exhibit about the approval, any  
21 documentation, or the approval of the recent  
22 interconnection.

23 MS. SANFORD: Yes, sir.

24 COMMISSIONER CLODFELTER: Thank you. That's

1 all.

2 A Thank you.

3 COMMISSIONER BROWN-BLAND: Commissioner  
4 Mitchell.

5 EXAMINATION BY COMMISSIONER MITCHELL:

6 Q Good morning, Mr. Becker.

7 A Good morning.

8 Q I, too, have a few questions about Johnston  
9 County. So as I understand it -- I just want you  
10 to help me make sure that I understand the  
11 situation correctly. The Public Staff and Aqua  
12 appear to agree that Aqua has sold 333 gallons  
13 per day, just north of 333 gallons per day of  
14 capacity; is that correct?

15 A On the Buffalo Creek side --

16 Q On the Buffalo Creek side.

17 A -- using the DEQ assigned ratings, yes.

18 Q Okay. Now, the Public Staff proposes to reduce  
19 the Company's rate base by CIAC in the amount of  
20 \$1,497,000 which, as I understand it, is  
21 calculated by multiplying an average rate of  
22 \$5.99 per gallon by 250 (sic) gallons per day; is  
23 that correct?

24 A I don't know if it's by the \$2.99. Is that what

1           you said? That's --

2   Q       \$5.99.

3   A       I know the amount that they're proposing to  
4           assign to -- the amount of capacity we bought was  
5           \$1,497,000.

6   Q       Okay.

7   A       I can't offhand remember how we calculated that.  
8           I'd have to go back through and look at that  
9           again to see how they calculated that.

10  Q       But does that -- does that amount of CIAC  
11           represent 250,000 gallons per day of capacity?

12  A       Not in my opinion.

13  Q       Okay. But in the position of the Public Staff?

14  A       In the position of the Public Staff, they say the  
15           \$1,497,000 of CIAC received relates to the \$2  
16           million, \$2.12 million purchase that we just did.  
17           So we just bought 250,000 gallons of capacity for  
18           \$2,120,000.

19  Q       Okay.

20  A       They are saying \$1,497,000 of the cash  
21           contributions the CIAC received is related to  
22           that piece which will leave a difference of about  
23           \$600,000.

24  Q       Okay. Got that. And so I understand Aqua's

1 position to be that the full -- assuming the  
2 Commission were to remove that Johnston County  
3 purchase that the Company made in June of this  
4 year from plant in service, as you explain in  
5 your testimony, I think it's on page 31, the  
6 Company's position is that the full amount of  
7 CIAC collected which is over \$2 million should be  
8 used to offset the purchase of that capacity from  
9 Johnston County; is that correct?

10 A Yes.

11 Q Okay. So can you explain, and you may have done  
12 this multiple times already but just one more  
13 time, why Aqua thinks it's appropriate to apply  
14 CIAC from the sale of more than 250,000 gallons  
15 per day sold to the 250,000 gallons per day  
16 purchased from Johnston County?

17 A Sure. So on my Table 2 on page 18, that shows  
18 the 333,000 gallons that the Public Staff uses to  
19 compute their CIAC. The 333 is the amount of  
20 capacity that was sold on the books. That was  
21 based on 360 gallons per unit that was later  
22 moved down to 240. And that, back in 2017, was  
23 later rerated down to 180 gallons per day.

24 The rerating of the plant to those

1 lower numbers is a filing that we do that is  
2 representative of actual flows. The 360 is a  
3 book number. There is meaning and intent to it  
4 but the reality is we got those reratings because  
5 the flow is much less. Now they won't go below  
6 180 from what I understand. Our actual average  
7 flows in that plant per unit are about 115  
8 gallons per day.

9 They use something when they do  
10 the re-rating calculation called "peak flows" and  
11 they use your -- I think how it's calculated is  
12 the three highest days of the year, peak flows of  
13 the year, which were 154 gallons per day; the  
14 three highest throughout the period of time we  
15 did the rerating. They still would not below  
16 180. We got the 180, right, but it's still not  
17 representative.

18 So I didn't include it in this  
19 chart here because I wanted to use numbers that  
20 were approved. My 115 gallons, that's an  
21 internal number, you know, it goes up and down,  
22 but the average is 115. I wanted to use a number  
23 that was actually used in filings so the 154  
24 you'll see in that chart is the three highest

1 peak flow days. Right. So even using that and  
2 assuming that those three highest days are what's  
3 going to come through that plant for the units  
4 that are already sold and connected, that's  
5 representative of what the actual flow is. So  
6 you'll see here, if you calculate this at one --  
7 at 234, and I'll remind you that this does not --  
8 there's some special circumstances related to  
9 commercial properties. I did not adjust those  
10 down to the actuals. I left those at the DEQ  
11 stated rate so it's even more conservative  
12 potentially. So using the 154 I'm showing  
13 234,000 gallons and the average -- the actual  
14 flow is much less than that, but the 234 is below  
15 the 250 I just bought.

16 The contract requires that all  
17 capacity for the Buffalo Creek side will be  
18 served through Johnston County eventually. The  
19 lots that have closed, the lots that have come in  
20 that we've charged CIAC to, the \$2,925,000 to  
21 date has come in and their flows on the high end  
22 are 230,000. I bought 250,000 gallons of  
23 capacity. I did what would be prudent for the  
24 customer as well as for the Company there in that

1           respect. And that's why I say that the 333 is  
2           inflated; it's a paper number. I'm going to sell  
3           more capacity because I turned -- when we  
4           initially had like 900 lots -- well, if you  
5           divide the capacity by the 350 or 360 gallons per  
6           day, and you divide that same capacity by the  
7           180, I'm going to get two lots out of that.

8                           I'm also cutting down on the CIAC  
9           or the contribution. At the end of the day I'm  
10          going to sell the most or the same amount of CIAC  
11          or I'm going to have the most or the same amount  
12          of cash collected, you know, it's just half of  
13          what times two. But what I do have is more  
14          customers; more customers to dilute the fixed  
15          assets and any other costs out there. That's a  
16          benefit to the customers. That's a benefit to  
17          everybody.

18    Q       Okay. So just one more time, so it's Aqua's  
19           position that the 250,000 gallons per day  
20           purchased from Johnston County is sufficient to  
21           meet the needs, to provide service to those lots  
22           that have been sold on the Buffalo Creek side?

23    A       Absolutely.

24                           COMMISSIONER MITCHELL: Okay. Thank you. I

1 have nothing else.

2 COMMISSIONER BROWN-BLAND: We're getting  
3 there, Mr. Becker.

4 EXAMINATION BY COMMISSIONER BROWN-BLAND:

5 Q So, Mr. Becker, you recall when Witness Junis was  
6 on the stand and he indicated that as we go  
7 through the process of deciding between Greensand  
8 filters and other measures prior to that, that  
9 one of the things that might help with reduction  
10 of the unwanted elements was to get production  
11 from what he called the good well for a longer  
12 period of time and perhaps reduce or take off a  
13 bad well. Do you recall that conversation?

14 A Generally, yes.

15 Q Is that a practice that Aqua has recently  
16 implemented to improve water quality?

17 A Yes. I think in collaboration with the Public  
18 Staff's comments, you know we're always looking  
19 for the cheaper way to do it effectively and  
20 efficiently. If there is another source well  
21 that has capacity, that has maybe better water  
22 quality, we will utilize that well more so, so  
23 we'll turn it on for 12 hours a day or 10 hours a  
24 day versus -- you know, and use the bad water

1 (air quotes) - I say that -- the well with the  
2 challenged water quality, we might mix that but  
3 at a much lower level. So we do try to balance  
4 where we can. Ultimately, we need the capacity,  
5 right, and so we have to be able to provide clean  
6 water and at a pressure, a consistent pressure.  
7 So we just to have to address these issues and  
8 one of the things that we would do is just  
9 balance. And I'm not sure if your question is  
10 taking existing sources or trying to find other  
11 ones but we're doing both.

12 Q Right now both would probably work but I was  
13 referring to existing.

14 A If we think there's another opportunity to drill  
15 a new well, and actually in Bayleaf we have our  
16 geologist who's been working with us regularly  
17 for the last probably year and a half. We're  
18 trying to identify sites and locations for new  
19 sources in Bayleaf in particular, and then  
20 there's some other challenged systems that we  
21 look into. So if we can find it we'll do it.  
22 Then the next problem sometimes becomes being  
23 able to acquire the land to do it.

24 Q Now, and he -- when Witness Junis talked about it

1 he talked about doing it in conjunction with  
2 additional storage. Is that a part of Aqua's  
3 plans and have you added any additional hydro  
4 storage to be able to store from the good well?  
5 A I do know we -- I'm trying to remember what the  
6 site was. There was one that was kind of a  
7 recent point of contention. I don't know if --  
8 Thomas Mills. We do add storage where it's  
9 feasible so if we can actually pull more out of a  
10 well and actually store it with a bigger source  
11 or with a bigger tank we would definitely do  
12 that. These aren't things that are just kind of  
13 whimsical. We'll work with the Public Staff to  
14 discuss what options we might have. And that's  
15 part of that collaborative process going back and  
16 forth before we get to that Greensand  
17 determination. We submit it, we have an idea, we  
18 think we know, since we've been operating we have  
19 all the sampling and the results of that  
20 sampling, we think we know where we want to go.  
21 But I will say that the Public Staff in their  
22 review they do come back and they'll challenge  
23 us, and that's part of the process and I think  
24 that's good that it's part of the process. It

1 makes us look inwardly and double check some  
2 things. Sometimes we end up with the same  
3 conclusion, sometimes we'll come up with a  
4 different result.

5 Q Does part of the process include looking for  
6 alternative water sources? And I say part of the  
7 process of deciding on a Greensand filter.

8 A I think it's a part of the consideration. All  
9 options are on the table before we get to a  
10 Greensand filter.

11 Q And has Aqua -- and in particular with respect to  
12 any of the systems that you know are particularly  
13 challenging, Bayleaf just happens to be on my  
14 mind, but have you evaluated other water sources  
15 from any of the local governmental units in the  
16 area?

17 A Oh, to interconnect potentially?

18 Q Yes.

19 A Actually yes. We have, I believe it's the end of  
20 this month, it is the end of this month, I think  
21 it's next week maybe, we'll be meeting with the  
22 City of Raleigh to actually discuss where we  
23 might potentially be able to interconnect if  
24 they're -- if they're able to.

1 Q Have you looked -- so do you consider those  
2 options might be more feasible than going with  
3 the Greensand?

4 A Yeah, I think, you know if there's some areas in  
5 particular because Bayleaf is so large, if  
6 there's some areas that we could continue to use  
7 our source water and funnel that to supply the  
8 existing customers but take a couple of those  
9 communities off and maybe make those purchased  
10 water communities so we would just interconnect,  
11 valve them off. It's not as easy as that. I  
12 mean, this would probably be a lengthy project.  
13 But if we can identify some where they have a  
14 source or a water main near that location, we can  
15 valve off that community and provide them source  
16 water from another source that allows us to use  
17 our water to feed our existing customers, we  
18 would absolutely do that where it makes sense.

19 Q So then it stands to reason you're saying that's  
20 being explored but it hasn't been done here to  
21 date?

22 A We do have another system where we're working --  
23 well, we're actually looking at selling that  
24 system. We're kind of hold on a Greensand filter

1 because another town is going to be potentially  
2 serving this system. That's a unique situation.  
3 But we do look at those options if they're  
4 available and if there's a nearby alternative  
5 water source.

6 Q Can you remind me, just kind of a really quick  
7 update, of what happened with the  
8 Stonehenge/Crescent Ridge situation, because  
9 that's a situation where you did bring in at  
10 least temporarily some other water? Has that  
11 situation there resolved?

12 A Yes. We actually installed, I think it was wells  
13 one and six we got live earlier this year. I  
14 don't know the dates of it. Those wells both had  
15 iron and manganese issues as well as ra- -- I  
16 think it was radium. So we had to put a radium  
17 and an iron and manganese filter on that. It  
18 took -- it was unique. We had -- it was an  
19 opportunity though to really up the capacity  
20 there. Since we've had those wells online there  
21 have been no problems out there.

22 The interconnect, we have an  
23 emergency interconnect that is still underway  
24 with the City of Raleigh though to provide back

1 up although I don't think it will be necessary.

2 I hope it's not never necessary.

3 Q All right. Then --

4 A And, Commissioner, I'm sorry.

5 Q Go ahead.

6 A I was just thinking about the other water source  
7 providers. Belmont, which we all know about  
8 Belmont. We had our own wells, and because of  
9 the coal ash issue there we did interconnect into  
10 the City of Belmont who had some water mains that  
11 were running outside of those communities. So  
12 that was an option there and fortunate for those  
13 folks.

14 Q Thank you. You heard in my discussions with  
15 Dr. Crockett, and I was asking him about whether  
16 his testimony was an indication that with regard  
17 to the group one sites only a Greensand filter  
18 was the only option. And then I had follow up  
19 with Witness Junis, and he said, *well, there's*  
20 *sometimes some other things that you still could*  
21 *consider.* But, somewhere along the line there  
22 was additional testimony about flushing, and my  
23 question for you is, is flushing always an  
24 effective option for elimination of this iron and

1 manganese?

2 A No. It's a good business practice for a utility,  
3 for a water utility. And it's kind of a  
4 low-hanging fruit; something we can do where we  
5 know we have wells with challenged water quality.

6 Q So if we -- if group one sites were flushed more  
7 regularly more often for some period of time,  
8 there's no -- that's not a guarantee that the  
9 level of --

10 A Minerals.

11 Q -- for lack of a better word, contamination that  
12 we see were reduced?

13 A No, because it's a Band-Aid, I think Mr. -- or  
14 Dr. Crockett had mentioned. It is a Band-Aid.  
15 It's good to help keep those lines clean, but you  
16 have to stop the source. The source is going to  
17 keep pushing it through so you really -- you do  
18 flushing and tank cleaning and then you have  
19 sequestration. I know Mr. Grantmyre mentioned  
20 about the flushing relation to sequestration.  
21 Sequestration is a way to hold particles in  
22 suspension.

23 I don't know if you've seen those  
24 Oxy Clean commercials where you have the pink

1 water and then you put in the stuff and it's  
2 clear. That's kind of what it does. It holds  
3 those particles in suspension.

4 So we'll do that where possible.  
5 And then you get into then more mechanical forms  
6 which would be cartridge filters which are also  
7 fairly cheap. But then there's a maintenance  
8 issue because you've got to change out those  
9 cartridges sometimes two, three days, sometimes a  
10 couple of weeks. And then you move up into  
11 things like Greensand filtration.

12 Q All right. And then I also asked Dr. Crockett  
13 about how Aqua knows -- whether Aqua's own  
14 independent actions or testing would give it the  
15 information about the status of the presence of  
16 these elements in the water or did Aqua solely  
17 rely on the customers' complaints. And generally  
18 I think he said, you know, you are more familiar  
19 with the system so ask you.

20 A Sure.

21 Q Is that what --

22 A I would say we probably learned a lot about  
23 this -- and this is not new. This is not a 2018,  
24 '17, '16, this is -- it's been around for a long

1 time. I think we learn about it -- Usually we do  
2 the well pump test I think when we take on the  
3 new systems so we know what the water quality is  
4 like. A lot of it has degraded over time, so  
5 then we get notice about it through customer  
6 complaints. I'll say I think the customer  
7 complaints probably introduces it. And then once  
8 you start getting to a level we do the testing  
9 there and the manganese testing. There is  
10 something called an IOC test that we do once  
11 every three years. That's not enough to really  
12 monitor. So that's where we get into this  
13 operational testing that we're -- we've also  
14 discussed about the level of testing involved.  
15 And we need the ability to use that testing at  
16 our discretion, at management's discretion to  
17 determine where the water quality needs to be  
18 addressed. So I'd say it came from customers  
19 most likely. We do learn from testing as well  
20 but then we enhance our understanding through the  
21 testing and through follow-up testing.

22 Q Well, given that you've known about it for some  
23 time, several years now, and the customers have  
24 come to you and to us with complaints, do you

1 think that's the most accurate way though for you  
2 as a Company to know exactly what's happening -  
3 the frequency of the problems that they complain  
4 about, the results of your flushing or any other  
5 option. You know, do you have a way of knowing  
6 what's happening at their spigots?

7 A It's a -- it's probably the best measures when  
8 they start calling in and we can track that. And  
9 we do track it by system but without the testing,  
10 the follow-up testing to really go in and see how  
11 bad is this. Can it be handled through  
12 sequestration? Can it be handled through some  
13 other forms? It takes that back-up testing for  
14 us to really know and respond. But the customer  
15 comments and complaints are -- unfortunately, it  
16 has to get to that point before we sometimes do  
17 see it or we do it. We are aware of it.

18 Q Would perhaps one effective way for the  
19 Commission to know what's happening be the use of  
20 some sort of data entry, some sort of questioning  
21 through your website with maybe a log-in process  
22 so you know who it's coming from, from your  
23 customers?

24 A I'm sorry. Through the testing or --

1 Q Would it be helpful to have -- to indicate what's  
2 happening with their water as opposed to -- I  
3 mean, one possible way might be a survey that  
4 goes out maybe in a bill insert or someone go  
5 door-to-door or what-have-you. Might another way  
6 be your customers could log in through a user ID  
7 and --

8 A We actually --

9 Q -- give some information about their experiences?

10 A Yeah. We actually have a what's called CCR, a  
11 Consumer Confidence Report that's issued. It's  
12 required annually. And that's issued by system  
13 and it shows all of the sample results like the  
14 last sampling results for all types of minerals  
15 and contaminants. So that is available annually.  
16 I don't -- I think it's actually available. If  
17 you go onto our website and you put in your --  
18 you've got to put in the information, I don't  
19 know if it's your system number or name or how  
20 that works, but you can get it either from the  
21 call center or through our website. I believe  
22 it's in the website.

23 Q And so through -- you've mentioned focus groups  
24 and close-the-loop kind of efforts. Through

1 things like that have you established a  
2 relationship where you might have a customer --  
3 you know, say, well next time you see this  
4 particular condition call us up and we'll come  
5 pick up the sample ourselves, as just a way to  
6 have reliable accurate feedback so that you're  
7 not relying completely on an after-the-fact  
8 description from a customer?

9 A Are you saying take a sample for --

10 Q I'm just asking is that something you've  
11 considered, building that type of relationship  
12 where a customer would -- so as the only time you  
13 see this wouldn't be at our public hearings?

14 A Well, when the customers do call we go out and  
15 we'll sample the water. We do a field test right  
16 there to say what the samples are and we can  
17 identify if your high or low, and usually the  
18 customer is there to share their information that  
19 they like to share with us, and we'll typically  
20 flush. But if we have other problems we'll -- we  
21 bring those back and gather them and try to  
22 address them holistically.

23 One thing I -- we've been talking  
24 a lot about water quality and some challenged

1 wells and source wells. And I think it's  
2 important to note that even where we have  
3 filtration of some sort, whether it's a cartridge  
4 filter or a Greensand filter, we also have the  
5 main breaks. There's a lot of these -- a lot of  
6 these discolored water calls come from other  
7 reasons. You know, a change in flow from this  
8 pump going on on the other side of the  
9 neighborhood, you know, just being activated is  
10 going to change flow in different areas and when  
11 you do that you're mixing up potential  
12 sedimentation. And that's where the flushing  
13 does help to get rid of the sedimentation before  
14 it gets mixed up, but flushing also creates a lot  
15 of these problems temporarily. While you're  
16 flushing a lot of people will turn on their  
17 faucets and that's when you hear that they're  
18 upset because they didn't get enough notice or  
19 they got too much notice and they forgot, or --  
20 But there are a lot of other issues that come  
21 about that aren't just fixing the source wells;  
22 mechanical issues with the filters. And those  
23 are things that happen every day with every  
24 utility.

1 Q And what I'm getting to just in general about  
2 customer feedback is - with you, with the Public  
3 Staff, even with DEQ, and the customers - is a  
4 way that we have -- and I understand we've  
5 required you to file reports. But it seems that  
6 when we come back two years later, four years  
7 later, we're not hearing the drastic improvement,  
8 and I don't know that I'm not seeing as many  
9 written complaints is necessarily an indication.  
10 If the customer has come and complained many  
11 times and thought it didn't serve them well they  
12 just may not be responding. So I'm just trying  
13 to find out if improvement is real. If the  
14 additional cost we put to the customer is  
15 actually helping them.

16 So I just implore you to look for  
17 ways that help us all get more realtime  
18 information if these customers have these kinds  
19 of complaints in between rate cases.

20 A Sure. And that's part of our communications plan  
21 and the forums that we're introducing. Maybe  
22 they'll stay the way we intended them to. They  
23 won't most likely end up modifying or morphing  
24 into something else that is going to be based on

1           what we see. We do have to make a stronger  
2           concerted effort to - and understand what those  
3           customers' concerns are - provide information,  
4           relevant information in any new forum that we can  
5           identify, we're going to try to take advantage  
6           of. The improvements from the case-to-case, you  
7           know, we have the 31 filters that we've installed  
8           - Greensand filters, I'm sorry - that we've  
9           installed since the last case, 80 in total,  
10          including all the cartridge filters. I'd like to  
11          think that we've made a significant improvement  
12          but there's a lot. We still have 80 more in  
13          that -- in our water quality plan that have to be  
14          looked at to be addressed. So we are making  
15          progress. This four-year window -- you know, if  
16          we pull back, I'm going to pull back here, and  
17          I'm hoping in 10 years, and our issues are not  
18          going to be water quality, they're going to be  
19          something new that nobody has discovered yet.

20        Q        So, with regard to average monthly water  
21                consumption, do you agree that that has  
22                stabilized to close to 5,000 gallons a month and  
23                it might -- do you expect to see that be stable  
24                or continue to -- you expect to see consumption

1 continue to decrease?

2 A I will expect it to decrease. I know the EFC  
3 Report indicated that its recently stabilized but  
4 it has said that we've declined in not being able  
5 to make a revenue - I don't know how it exactly  
6 said it so I'm not going to try to quote it -  
7 but --

8 Q And why would you expect to see a decrease?

9 A Well, when I was in Virginia, my average  
10 consumption from my large -- one of the largest  
11 systems up there which is about the size of  
12 Bayleaf, I think it was 6000, but they were  
13 3200 gallons a month. And every time I went in  
14 for a rate increase -- you know, there's the  
15 elasticity of a rate increase. People are  
16 finding new ways - you've got the low flow  
17 fixtures and things of that - but I -- there is a  
18 lot of room to go down in my opinion.

19 Q My last question is, with regard to the  
20 installation of the meters, the new meters  
21 recently, have you kept a record of and are you  
22 aware of the kind of issues that arose from just  
23 the installation? For example, in some of the  
24 consumer statements that were filed with the

1 Commission there were complaints that the meter  
2 was installed such that there was a lot of  
3 leaking or it created a leak, and I know this is  
4 like one instance. And another that I recall,  
5 the meter was not insulated so it froze a number  
6 of times during that winter and so the customer  
7 claimed that he went out and did some insulation  
8 for himself. Do you have -- have you kept up  
9 with data about that, and can you speak to it at  
10 all?

11 A As Mr. Thompson had indicated the -- one of the  
12 arrangements was we had to have a billing in  
13 order for the folks to get paid, the contractor  
14 to get paid. A lot of those fixes, if there were  
15 fixes - you could put a meter in backwards, you  
16 could get a leak they could be called after -  
17 they did a lot of those fixes and I don't know if  
18 they tracked those. Now, there's going to be  
19 some future things that will get -- like you said  
20 the frozen meter, that probably wouldn't have  
21 happened until several months after. I don't  
22 believe we track it as this was related to that  
23 project. That might be a little bit of a  
24 challenge to go back and pin those down, what the

1 impact rate was from our work orders, I could  
2 look but I'm not confident that I would be able  
3 to find a tag as part of that project.

4 Q And you heard from my discussion with Witness  
5 Junis that with regard to when we started to  
6 receive these consumer statements and then we  
7 usually receive them in the context of a rate  
8 case, but contained inside those letters are  
9 actual service complaints. I don't know -- well,  
10 does the Company check them out to see, to  
11 determine the service complaints and then to  
12 follow up?

13 A The customer statements?

14 Q Uh-huh.

15 A Yes, we do read them. And if there is something  
16 that's current, a lot of them are in reference to  
17 two years ago or for the last -- where there's a  
18 situation we absolutely do follow up with that.

19 COMMISSIONER BROWN-BLAND: All right. Very  
20 good. That's all I have.

21 Any Commission -- Chairman Finley.

22 EXAMINATION BY CHAIRMAN FINLEY:

23 Q To follow up on Commissioner Brown-Bland's  
24 question, Mr. Becker, is it your conclusion after

1 listening to the complaints in this case that  
2 they are the same magnitude as existed in past  
3 cases or that they are fewer in number than in  
4 past cases?

5 A I definitely think they're fewer in number. From  
6 the folks who have testified and the folks who  
7 have sent in statements, I think that was  
8 identified in Junis witness' (sic) testimony and  
9 I made mention of it in mine, that there's been a  
10 significant decrease in the volume of witnesses  
11 as well as systems represented.

12 Q One place you've got a problem is Bayleaf.

13 A Yes, sir.

14 Q And that's where a lot of the customers have come  
15 to complain and you know you've got to address  
16 that one somehow or another?

17 A We do, yes.

18 Q All right. And, of course -- I meant,  
19 Mr. Becker, Aqua doesn't install these systems.  
20 It doesn't, for the most part, drill the initial  
21 wells or put in the additional sewage treatment  
22 plants. Somebody did that and you bought it from  
23 them?

24 A That's accurate, yes. We do not install.

1 Q And to the extent that you own the system and  
2 you've got to maintain it, and provide the  
3 service, and flush it, and put it filters, and  
4 that type of thing, now that is your  
5 responsibility at this point?

6 A Absolutely. Yes.

7 Q But you're working on something that somebody  
8 else put in and you didn't?

9 A That is absolutely correct. Yes.

10 Q And historically this Commission has encouraged  
11 the larger investor-owned companies like Aqua and  
12 Carolina Water Service to go out and buy these  
13 systems and take them away from the developers,  
14 because over time you have the capital to invest  
15 and improve it, and fix the service whereas the  
16 developer has no interest in doing that and  
17 doesn't have the capital to do; that's correct,  
18 isn't it?

19 A And that's the case with developers as well as  
20 HOAs or other random or small utility owners.

21 Q And when folks buy homes in systems that are  
22 served by wells and they're operated by  
23 investor-owned utilities, they ought to know that  
24 they're not buying in the city and getting

1 surface water provided by a municipal supplier;  
2 isn't that right?

3 A I would agree.

4 Q All right. And to the extent you have to install  
5 these expensive Greensand filters in some of the  
6 subdivisions under your uniform tariff, the more  
7 you have to install and the more you have to  
8 spend that money for a Greensand filter somebody  
9 else's service may be perfectly good is going to  
10 have to help pay for that, right?

11 A That's correct.

12 Q Now, just to follow up on the request about this  
13 Tri-Party Agreement with the County and Flowers  
14 Plantation, in particular, our request to follow  
15 up on what I and Commissioner Clodfelter have  
16 asked for. Looking at page 8, paragraph 2, it  
17 says that *Heater shall be reimbursed for this 50%*  
18 *balance of the construction cost through pro rata*  
19 *payments by the developers in the Flowers*  
20 *Plantation Tract. Heater's 50% payment of the*  
21 *balance shall be recovered equally from the first*  
22 *2,000 single-family equivalents. And that's*  
23 *having to do with this pump station and force*  
24 *main.*

1                   And what we would like to know in  
2                   the Company's response to that is to what extent  
3                   was that requirement picked up in any secondary  
4                   developers' contracts that were actually  
5                   approved with -- submitted to and approved by the  
6                   Commission. And was it consistent with this or  
7                   was it picked up at all or was it different from  
8                   that?

9                   And on page 10, it says that --  
10                  excuse me, page 10, paragraph 11, *River Dell and*  
11                  *Heater agree Heater shall collect from the*  
12                  *developer of each tract a WWTP capacity fee in*  
13                  *the same amount that currently -- then currently*  
14                  *being charged by Johnston County for the bulk*  
15                  *water treatment. Heater shall collect this*  
16                  *capacity fee from the developer prior to the time*  
17                  *Heater executes the DWQ application for that*  
18                  *developer's tract.*

19                  And again, the question will be  
20                  was that picked up in any certificate or  
21                  contiguous extension contract that was filed with  
22                  and approved by the Commission? And to the  
23                  extent that this agreement was submitted to the  
24                  Commission, in what manner was it submitted? In

1 other words, was it submitted to the Commission  
2 for its information in a rate case, for example.  
3 Or was it submitted to the Commission and the  
4 Commission looked at it and actually ruled upon  
5 any of the provisions of this contract? If you  
6 could provide that information that would be  
7 helpful to me.

8 MS. SANFORD: Yes, sir.

9 A Thank you.

10 COMMISSIONER BROWN-BLAND: Commissioner  
11 Patterson.

12 EXAMINATION BY COMMISSIONER PATTERSON:

13 Q If I -- I've read a number of articles lately  
14 that manganese is something that might be  
15 considered a health hazard in some sort of way.  
16 If that happens, does sequestration offer a  
17 solution for getting it? Is it useful?

18 A So manganese I think is being considered under  
19 this review by the EPA. It's called the UCMR4, I  
20 think it's 4. So it's being considered to be --  
21 should it be considered a, instead of a secondary  
22 contaminant, a primary contaminant. And if so,  
23 to answer your question, Sequest will not.  
24 Sequest makes invisible but it's still there. So

1 the actual levels -- and Mr. -- Dr. Crockett had  
2 referred to .3 as the level of manganese that we  
3 were looking at in determining our group one  
4 water quality prioritization. So any site that  
5 had over a .3 we were immediately going to  
6 recommend, assuming that there was a flow and a  
7 capacity and it was -- desire us to continue to  
8 use that source, we would recommend Greensand on  
9 that, because it's at such a high level as well.  
10 But Sequest will not address that, it just masks  
11 it.

12 Q Are there other substances in the water that are  
13 currently not considered health hazards but may  
14 be in the not-to-distant future?

15 A It's a great question. And I think the answer is  
16 we don't -- I don't know. They're always looking  
17 at new - GenX and all these other chemicals - and  
18 if they're in the water and somebody determines  
19 that they're going to be consideration for a  
20 health hazard, those studies are unknown and I'm  
21 not the right person probably to ask that.

22 Q And with all this recent flooding did that cover  
23 any of the areas where your wells are located?

24 A It did. We had 27 sites -- systems that were

1 affected by the flooding and power outages as  
2 well as some wastewater challenges as well where  
3 the wastewater plants got inundated through --  
4 from flood waters or high flows.

5 Q Well, there are a lot of things floating around  
6 in that water.

7 A There is, yes.

8 Q Now, you mentioned that you do some tests, I  
9 forget the specific name of it, but every three  
10 years.

11 A IOC testing, yeah.

12 Q Yeah. What -- after an event like Florence,  
13 what -- is there any testing regiment that you go  
14 through to know that we don't have a lot of other  
15 stuff in there?

16 A I think we're a little -- because we're  
17 100 percent well systems in North Carolina, I  
18 think we're a little protected from flooding  
19 issues. But there's no special testing that's  
20 being performed as a result of a flood in an  
21 area, but we do have a very rigorous process of  
22 required testing that we go through for all of  
23 our systems. So -- and if we had an idea that  
24 there might be an issue, we call it GWUDI, I

1 don't know what it stands for but under -- it's  
2 ground -- if ground water gets into the well we  
3 would find that out in our weekly sampling.

4 Q Now, when we have a drought we have problems with  
5 the wells. We don't -- when we have excess water  
6 we don't have problems?

7 A I'm sorry. When we have a drought we definitely  
8 get challenged because people are using a lot  
9 more water and it stresses the wells, yes,  
10 typically. But what was the other side of that?  
11 I'm sorry.

12 Q Well, when we have excess water, like standing  
13 water above the well, that doesn't all evaporate.  
14 It eventually goes down or some goes into that?

15 A Right.

16 Q That's not a problem?

17 A No, it's just like when rainfall, I mean, that's  
18 how you're replenishing that ground water. I  
19 think the earth does a pretty good job of  
20 filtering before it gets into the actual  
21 aquifers.

22 COMMISSIONER PATTERSON: That's -- I think  
23 that's what I wanted to understand.

24 A Good. Thank you.

1                   COMMISSIONER BROWN-BLAND: Commissioner  
2 Mitchell.

3 EXAMINATION BY COMMISSIONER MITCHELL:

4 Q     Mr. Becker, I want to ask you a few questions  
5        about meters. In Mr. Junis' testimony he  
6        indicates that these AMR meters will collect  
7        certain data points that could be beneficial to  
8        customers if provided to customers. Has the  
9        Company considered or is the Company developing  
10       any plans to share that information with  
11       customers at some point in the future?

12 A     So during the discussion of the meters and the  
13        benefits of that, AMR is a step, stepping stone,  
14        to AMI. AMI -- but, you know that's one of the  
15        benefits that you get from AMI is you get that  
16        continuous feed, if you have people using it  
17        anyway. We are using the data currently. We're  
18        developing it, or we're developing how we're  
19        going to use this. We're developing our  
20        processes around it, but it's us managing it.

21                   Down the road, are we considering  
22        being able to allow them, somebody to come in and  
23        see what their daily usage was, because right now  
24        the way the meter -- the way I understand it, the

1 meter is set at receiving a daily read, I think  
2 Mr. Thompson said at 12:01 a.m., or something  
3 like that. And we have had discussions about  
4 upgrading our interactive -- our website to be  
5 more interactive to allow for more information  
6 and detail to be available to the customers, and  
7 that would be -- has been discussed as one of the  
8 things we might be able to provide, but there's a  
9 lot of work behind that. So it's being  
10 discussed, that's where I can really leave that.

11 Q Okay. But you could -- with the AMR technology,  
12 if you did the other work which is updating the  
13 computer systems appropriately, you could provide  
14 data to, usage data to customers?

15 A On that limit, you know, the daily basis --

16 Q Right.

17 A -- whatever we get. And right now I know the  
18 customers don't get it, it's not at their  
19 fingertips, but if we have a problem where a  
20 customer calls in and there's a leak and they're  
21 like, *well, I didn't use all of this.* We can go  
22 back in and there's a 40-day record, we can do a  
23 read so we can send somebody out to take that  
24 read, even though it's not a real meter reading,

1 we can send somebody out if there's a problem and  
2 identify what were -- what was that 40-day  
3 history. So we can try to see if there's any  
4 peaks and help them pinpoint, maybe somebody --  
5 maybe their neighbor filled their pool with the  
6 neighbor's water, right. I say that because  
7 that's actually happened. But we're using it,  
8 it's available, but not directly available any  
9 time they want.

10 Q Okay. Understood. And I don't know if it was  
11 you or Mr. Junis who mentioned bill inserts when  
12 being asked about the Company's use of and  
13 position on these meters.

14 Is that something that could be  
15 done prior to sort of as an in the interim before  
16 computer programs are developed to provide this  
17 type of information to customers? I mean, could  
18 you -- could you provide them some usage history  
19 on a bill insert?

20 A Okay. So that, I don't recall hearing -- maybe I  
21 misunderstood what that was being discussed.

22 So --

23 Q Okay.

24 A Are you talking about putting in an informational

1 customer-specific bill insert?

2 Q Yes.

3 A If anything, I would think it would be on the  
4 bill.

5 Q Okay.

6 A Tailoring a bill insert might be quite  
7 challenging.

8 Q Okay.

9 A It might -- if with did something like that,  
10 would you be referring to something that comes  
11 continuously or as like a one-time --

12 Q Well, I mean, I guess it would just be  
13 depending -- I'm really -- and it could be that I  
14 misunderstood the answer given to the question,  
15 but I thought that there was some discussion  
16 about providing usage history to customers with  
17 the bill. So it would be based on whatever type  
18 of information was collected.

19 A And I think that would be similar to, if we're  
20 able to get this up on a website where people can  
21 go in and access it --

22 Q Okay.

23 A If there is a way to use -- to plot the 30 day,  
24 you can maybe see your ups and downs for 30 days.

1 Now, I think the bill now shows a monthly  
2 comparison, so I don't know how that would show  
3 up as a different schedule. I'm not familiar or  
4 aware of any discussions to include an  
5 additional --

6 Q Data point.

7 A -- data point there but, I mean, it's actually an  
8 interesting thought.

9 COMMISSIONER MITCHELL: Okay. Thank you. I  
10 have nothing further.

11 EXAMINATION BY COMMISSIONER BROWN-BLAND:

12 Q Mr. Becker, before Aqua acquires new systems or  
13 additional systems in our state, whether they be  
14 troubled or otherwise, the Company does do due  
15 diligence and doesn't purchase the system site  
16 unseen; is that correct?

17 A That's correct.

18 Q And so you come into a new system or a new  
19 situation even one where there has been a history  
20 of low water quality or issues believing that you  
21 can bring resources to bear, make that better for  
22 the customers, and do a good job with quality  
23 service and a quality product; is that correct?

24 A That's correct.

1 Q And does -- and when Aqua does make that purchase  
2 and Aqua is in acquisition, isn't it -- would you  
3 agree that it creates a reasonable expectation in  
4 the customers that the water will be treated and  
5 be usable for ingestion as well as other usage  
6 that include using this water in their various  
7 appliances?

8 A I would think that would be the expectation, yes.

9 COMMISSIONER BROWN-BLAND: All right. Thank  
10 you.

11 Questions on Commission questions?

12 CHAIRMAN FINLEY: I've got follow up on that  
13 for just a minute.

14 EXAMINATION BY CHAIRMAN FINLEY:

15 Q Mr. Becker, it's been my experience that the  
16 magnitude of customer complaints is somewhat tied  
17 to the magnitude of the increase that's requested  
18 by the Company and it has to do with the  
19 magnitude of what the economy is doing. When the  
20 economy is poor, it's been my experience, and  
21 when you have customer complaints they come out  
22 in greater number, because that's a place they  
23 can express their frustration. And, if the  
24 request for increase is greater than lesser, that

1 tends to magnify the concern that customers have  
2 with respect to their services issues; is that  
3 your experience?

4 A I would agree with that, yes.

5 CHAIRMAN FINLEY: All right. Thank you.  
6 That's all I have.

7

8 EXAMINATION BY COMMISSIONER BROWN-BLAND:

9 Q And, Mr. Becker, even though that is true what  
10 Chairman Finley asked you, I think I've asked the  
11 witnesses previously, the Company does not  
12 maintain or in any way that the customer's  
13 complaints aren't legitimate, does it?

14 A No. We do not try to minimize anybody's  
15 complaints. If I may make one statement here, we  
16 talk a lot about customer complaints and water  
17 quality issues like this and I want to just --  
18 I'd like to bring it back to, you know, when we  
19 did our water quality plan. We analyzed all of  
20 the customer complaints, and that was one of the  
21 primary drivers in addition to the water quality  
22 detail. It's obvious that's pertinent. But the  
23 customer complaints, it kind of tells us where to  
24 go and where -- how bad things might be, and are

1           they more continuous than they are isolated. So  
2           when we did our water quality plan we analyzed  
3           all of our customer complaints and more than --  
4           and I think you've might have heard me say this  
5           before -- but more than 50 percent of our  
6           customer complaints come from about less than 25  
7           systems. That's about three percent of our 750  
8           systems. So we do spend a lot of time talking  
9           about customer complaints. I'm not minimizing  
10          them. We focus our efforts there. We're doing a  
11          lot to try to address those. As I mentioned, I  
12          can't wait for 10 years, because I want to come  
13          back and it's going to be a whole different ball  
14          game. But I want to make sure that we understand  
15          that we're doing a great job I think in our  
16          customer service, but we have water quality  
17          issues that we have to address, and it is a small  
18          portion of our total number of systems.

19                COMMISSIONER BROWN-BLAND: All right. Now,  
20          questions on Commission's questions?

21                MR. GRANTMYRE: Yeah. I'll start from the  
22          bottom. I'll start from the end coming back.

23          EXAMINATION BY MR. GRANTMYRE:

24          Q        Commissioner Patterson was asking you questions

1 about testing after the hurricane. Will you  
2 please explain to -- I'm helping you on this one.

3 A Thanks.

4 Q Will you please explain to the Commission the  
5 monthly coliform testing that's required on every  
6 system and what it would show?

7 A So every system requires coliform testing. And,  
8 if there is, there's something called total  
9 coliform and then there's E.coli. Total coliform  
10 is an indicator that you could have E.coli. So  
11 in our total coliform testing that we take in  
12 every one of our systems, it's required, DEQ  
13 required, those sample results are analyzed - and  
14 that might be something to your question,  
15 Commissioner Patterson, about flooding - and we  
16 call it GWUDI. And I wish I could remember what  
17 the acronym stood for. But it's groundwater  
18 under the influence or something like that. When  
19 we do get a positive total coliform hit, we are  
20 then required to notify the customer's premises  
21 where we took those immediately, and then we have  
22 to do resampling of all of the customers in that  
23 area. And, if we get a E. coli hit, then we have  
24 to do a complete notice for the system and figure

1 out what the problem is. But the notice includes  
2 a Boil Water Notice and it says we've discovered  
3 this. We recommend that you boil your water for  
4 one to two minutes until further notice.

5 Q That is a precautionary notice. It doesn't  
6 indicate that fecal coliform is in the water. It  
7 just indicates that you had a positive result; is  
8 that correct?

9 A I believe if we find E. coli, it's different than  
10 a --

11 Q Yeah.

12 A It's an actual boil your water notice. It's not  
13 a --

14 Q But on some systems, let's say Bayleaf, you  
15 probably collect a lot of samples every month of  
16 coliform based on population?

17 A Yeah. We actually do take quite a few samples in  
18 Bayleaf. What's helped us in Bayleaf is we have  
19 a water model that's been established and it's  
20 been -- it's got to be continuously updated.  
21 That helps us identify what water source is  
22 serving which areas of customers. So, if we get  
23 a coliform hit on this street here, we can find  
24 out likely which wells provided or are

1 contributing to the water that's going to those  
2 systems. So that's something that's recent, that  
3 we've developed that and installed it.

4 Q Now, Commissioner Patterson asked you about  
5 flooding and affecting wells, and I believe you  
6 answered based on systems. Does Aqua still have  
7 its downhole or down well camera to see what's  
8 going on down in the well with possible  
9 intrusion?

10 A I believe so. I'm not positive.

11 Q Okay.

12 A If we still -- you said if we still have it. I'm  
13 not sure if we have another contractor do that.  
14 I think we have some internal, I just don't know  
15 where they are.

16 Q Okay. Will you accept subject to check that when  
17 you acquired Heater there was a downhole camera  
18 used to identify water intrusion into the well?

19 A Sure. Yes, I would.

20 Q Now, you were asked questions about the level of  
21 manganese by Commissioner Patterson at .3  
22 manganese. Will you accept subject to check that  
23 any -- the Public Staff has never rejected or  
24 refused to approve any .3 manganese that's been

1 presented to us?

2 A Subject to check, yes.

3 Q Okay. And Commissioner Finley was asking about  
4 the 2002 contract, about those clauses, page 8,  
5 paragraph 2, page 10, paragraph 11, a late-filed  
6 exhibit.

7 MR. GRANTMYRE: Madam Chairperson, the  
8 Public Staff would also like to file a late-filed  
9 exhibit answering those same questions that was asked  
10 of the Company, just as a protection that it's fully  
11 covered?

12 COMMISSIONER BROWN-BLAND: That's  
13 acceptable.

14 BY MR. GRANTMYRE:

15 Q And you talked about lower consumption in  
16 Virginia. Isn't Lake Monticello your largest  
17 system in Virginia with several thousand houses  
18 on it?

19 A It is.

20 Q And isn't that a second home community primarily?

21 A No. It's a lot of folks -- that's mostly a  
22 primary residence. It's turned into that.

23 Q Is it a retirement community, also?

24 A No, it's a --

1 Q Okay. Now, the focus group you mentioned, you  
2 agree that that focus group has not yet been  
3 established?

4 A Well, we've made contact, and I think you know  
5 Becky Daniel (sic) and Jack, is it Simpson, have  
6 agreed to participate. But we have not had our  
7 meeting yet or established the agenda for that  
8 yet.

9 Q And would you agree that they are more than  
10 anxious to start that focus group?

11 A I think they're energized to participate, yes.

12 Q Now, I'm going to ask you some questions on  
13 flushing. Would you agree that the purpose of  
14 flushing is to reduce the amount of built up  
15 sediment, iron and manganese and whatever other  
16 sediment that exists in the water mains; is that  
17 correct?

18 A That's existed or has come as a result of a main  
19 break, yes.

20 Q And what happens -- and a filter, an iron and  
21 manganese filter, if properly designed,  
22 installed, operated and maintained, will  
23 eliminate to a very large degree the introduction  
24 of new manganese and iron into the water,

1 correct?

2 A I would agree with that, yes.

3 Q But the filter does nothing to help what has  
4 already been accumulated in the water mains; is  
5 that correct?

6 A That's correct. And part of our process when we  
7 install Greensand filters is to clean the tank,  
8 if there's one there, as well as to flush the  
9 system.

10 Q But you would agree, you saw a number of pictures  
11 that the customers had of very dark water, ice  
12 tea colored water, correct?

13 A That were in the hearings?

14 Q Yes.

15 A Yes.

16 Q And you would agree that the water you're pumping  
17 from your well does not look like that, correct?

18 A In most cases -- well, you know, I can't say yes  
19 or no to that. If there's not a filter on it --  
20 I just don't know so I can't say yes or no.

21 Q You have wells that pump that dark a brown water?

22 A I just don't -- I haven't seen it so I can't --

23 Q Okay. But I believe you testified that when you  
24 have a change in flow direction or an outage

1           which creates a surge when the water comes back  
2           on that is what knocks loose a lot of sediment  
3           from the water mains; isn't it true?

4       A     If there's sediment in the mains, yes.

5       Q     And it's just like I believe Dr. Crockett or you  
6           might have testified, when you open a hydrant you  
7           again have a large surge and that creates  
8           discolored water coming out?

9       A     Right, which is why you want a velocity of water  
10          pressure to push through that hydrant to --

11      Q     So --

12      A     -- the walls.

13      Q     Would you agree that although flushing does not  
14          eliminate discolored water it mitigates the  
15          effect of -- the amount of discolored water that  
16          the customers receive when there is a change of  
17          flow or an outage?

18      A     If there's contaminants or minerals built up, I  
19          would agree with that, yes. It's good business  
20          practice.

21      Q     Because if you -- if there's been enough flushing  
22          and the mains are totally clear in the inside,  
23          there is no sediment, then there's no sediment to  
24          be delivered to the customers; would that be

1 correct?

2 A Unless there is some in the tank.

3 Q Okay. And you were asked about Stonehenge and  
4 Wildwood Green, and you stated that you put those  
5 wells back in service. Would you accept subject,  
6 to check, based upon the pump analysis that was  
7 provided to the Public Staff at our request, that  
8 it was approximately August 21, two thousand --  
9 or it was August 21, 2018, that those wells were  
10 put back online?

11 A I don't know officially what the date is. I know  
12 it was in the summer. There were some challenges  
13 because of the intricacy of the filter and  
14 something about having contact time with chlorine  
15 before going into the radium filter. So it --  
16 they've been up and ready but there has been some  
17 proven time that's taken longer than initially  
18 anticipated. But I think it was in August.

19 Q And it was approximately October of 2017, that  
20 Stonehenge and Wildwood Green experienced the  
21 outage, and you had the emergency connection to  
22 Raleigh, correct?

23 A I believe it was October, yes.

24 Q And so you would agree it took then about 10

1 months for you to complete the -- in October of  
2 2017, had you started the installation of the  
3 radium and iron and manganese filter?

4 A I don't think so. I think we asked our -- we  
5 advanced the start date of that because of the  
6 issues that we experienced so we tried to go  
7 through and get it in place sooner than later.

8 Q But in October of 2017, now, wells 1 and 6 were  
9 existing wells that were in existence when Aqua  
10 acquired the system back in 2004?

11 A I would agree with that subject to check.

12 Q And you would agree that in October of 2017,  
13 those two wells had been offline for several  
14 years?

15 A I believe so because of the radium issues, yes,  
16 and water quality. But those are higher  
17 producing wells and I think they're producing a  
18 considerable amount of that capacity that's being  
19 used in that system today.

20 Q Yes. And would you agree that the two combined  
21 are approximately 140 gallons per minute and have  
22 been a common entry point?

23 A Yes.

24 Q And you were asked by Commissioner Brown-Bland

1 about interconnections with possible cities in  
2 lieu of putting in a well, correct?

3 A Correct.

4 Q And Aqua is now working with Fuquay on the North  
5 Gate system; isn't that correct? And you and I  
6 have discussed that several times.

7 A Yeah. That's a system where we have an approved  
8 Greensand filter. The Public Staff, the  
9 Commission has approved the filter. I had  
10 received a call from the owner who wants -- from  
11 the owner of a development that's had some  
12 environmental issues and they want to buy that  
13 and instead of putting the \$300,000 or however  
14 much that estimate cost was for the filter,  
15 instead of putting that into place, we'd rather  
16 give it to them and avoid that. And then they're  
17 going to tie on with the Town of Fuquay.

18 Q The --

19 A That's the plan.

20 Q Isn't that the -- when you say the owner, isn't  
21 that the factory that's nearby that supposedly  
22 caused some contamination into this well --

23 A It is. And they've gone through change in  
24 ownership so I don't recall the exact name now.

1 Q Now, but recently the Public Staff has  
2 recommended to the Commission, and I think the  
3 Commission has already approved it or it's in  
4 process, that Aqua look at the Town of Holly  
5 Springs as far as Brayton Park. And I believe  
6 Brayton Park is about 65 customers or 80  
7 customers at build out. And would you agree that  
8 that suggestion was a reasonable suggestion that  
9 the Company did look at that alternative and the  
10 cost from Holly Springs would be prohibitive,  
11 like \$13.00 a thousand gallons and the Company  
12 decided it was not feasible?

13 A Yes. So when we presented that, in fact,  
14 Mr. Junis had recommended that I provide the --  
15 to have the discussion with the Town to get a  
16 cost of what the purchased water would be and the  
17 purchased water, I think it was would \$13.00 per  
18 thousand which was far in excess of what it would  
19 be even installing a Greensand filter. So that  
20 was an option that we looked at but it wasn't  
21 viable.

22 Q But that was where the Public Staff suggested a,  
23 what could have been a more cost-effective option  
24 and it was looked it and it was not in the

1 Company, and then the Public Staff agreed to  
2 recommend to the Commission to proceed with a  
3 filter?

4 A That's correct, yes.

5 Q Now, there was also questions about using good  
6 wells verses bad wells and you do agree that one  
7 of the things the Public Staff looks at when we  
8 look at our pump reports is how much the good  
9 well is running and how much the bad well is  
10 running, if they're good and bad. And you would  
11 agree that there have been instances in the past  
12 such the Village of Winchester where the rust  
13 bucket well was doing about 95 percent of the  
14 production, and equally good Ivory Hills well --  
15 I mean, an equal production 100 gallon a minute  
16 Ivory Hills well was only doing 5 percent of the  
17 production, and the Public Staff recommended that  
18 you make Ivory Hills the lead well. Are you  
19 familiar with that scenario?

20 A I am not and so I don't know the -- I don't know  
21 the capacities of each of those or what the  
22 reasonings was. But I trust your adjustment or  
23 your response.

24 Q Now, moving to Commissioner Mitchell's questions

1 about Flowers Plantation. You had talked about  
2 that the contract separates in the middle, or  
3 close to the middle, all the flow that goes to  
4 the wastewater treatment plant and all the flow  
5 that goes to the Johnston County bulk water --  
6 bulk wastewater capacity; is that correct?

7 A Yeah. I don't know if it's in the middle.

8 There's a dividing line --

9 Q There's a dividing line.

10 A -- between the two sections. Yes.

11 Q Now, didn't you have a conversation with -- I  
12 will say this, earlier you talked about Flower  
13 Plantation and said Becky Daniel. You'll accept  
14 subject to check that that's Becky Flowers,  
15 correct?

16 A Thank you for the correction. I will accept  
17 that, yes.

18 Q And didn't you -- after you found out that or --  
19 there were discussions with the Public Staff  
20 about this pump station force main. You did -- I  
21 believe you went to the meeting with Becky  
22 Flowers in July or August of this year?

23 A I did; Ruffin, myself and Joe Pearce. Yes.

24 Q And you advised her at that time that you were

1 going to begin collecting that CIAC for the pump  
2 station at the two twenty, \$221.00 or \$220.00,  
3 correct?

4 A That's correct. Well, it's the rate -- I can't  
5 remember what the rate was, but approximately  
6 \$220.00 per lot.

7 Q And in that discussion you pointed out the  
8 dividing line between what goes to the wastewater  
9 treatment plant and what supposedly flows to the  
10 county; did you not?

11 A We did.

12 Q And didn't you say that the dividing line is  
13 incorrect and it should be moved, and that you  
14 could shift more water to each place that --  
15 wasn't that part of the discussion?

16 A Yeah. Part of the discussion was when we brought  
17 up the contract with her and her team - there  
18 were several of them there - they had mentioned  
19 when she saw that, the dividing line that was in  
20 the contract was wrong. And that's the only  
21 dividing line we knew of. So that determines  
22 which lots would be charged at that fee which are  
23 the first 2000 lots. So she showed some other  
24 map that she had in her files saying that this

1 was what was supposed to be part of the contract,  
2 but it's not. So based on that confusion there,  
3 she thinks that it was a different dividing line  
4 than the one that's actually in the contract.

5 Q Isn't the gist of the conversation that the  
6 parties could get together and change the  
7 dividing line?

8 A I think we need to get together and whether  
9 that's part of it -- I don't know if that will  
10 be what we discuss, but we need to have  
11 discussions around the existing contract and  
12 potentially renegotiate it, especially depending  
13 on what comes out of this rate case here, Order.

14 Q Yeah. And with respect to Commissioner  
15 Mitchell's questions, I just want to clarify  
16 this. The Public Staff's position is that the  
17 \$2.12 million that you paid to Johnston County  
18 for the 250,000 gallon a day is not used and  
19 useful and, therefore, should not be used in rate  
20 base. Do you agree with that?

21 A I agree with that's the Public Staff's position,  
22 yes.

23 Q And the Public Staff also removed \$1,497,000 of  
24 CIAC from the case, so that CIAC no longer

1 reduces rate base?

2 A I would agree with that, yes. The \$1,497,000  
3 because that's being moved off to associate with  
4 that asset, yes.

5 Q And there's about \$600,000 of CIAC that was  
6 collected that the Public Staff has left in as  
7 CIAC that does reduce rate base?

8 A I would agree with that; unrelated rate base.

9 (WHEREUPON, the Court Reporter  
10 requested clarification for the  
11 record.)

12 THE WITNESS: Unrelated rate base, right.  
13 So just how we have an asset out for future use, that  
14 CIAC was collected theoretically for future use, if we  
15 held true to those definitions.

16 BY MR. GRANTMYRE:

17 Q Now, I believe Commissioner Clodfelter asked  
18 about the distance between the interconnection  
19 point and Johnston County wastewater treatment  
20 plant. Do you remember that?

21 A I do.

22 Q Would you accept that it's approximately 15 miles  
23 the distance by driving and, as the crow flies  
24 about 10 plus miles?

1 A Let me correct my "I do".

2 I thought you were referring to  
3 the interconnect point of the lift station where  
4 we have to connect with the County's collection  
5 system. Where the wastewater plant is I have no  
6 idea.

7 Q Okay. Thank you.

8 A I mean, the mileage, I don't know.

9 MR. GRANTMYRE: Now, Madam Chairperson, one  
10 of the late-filed exhibits that was asked was to file  
11 with the Commission when this 2002 contract was filed  
12 with the Commission. The Public Staff would also like  
13 to file a late-filed exhibit showing those cases that  
14 it was filed?

15 COMMISSIONER BROWN-BLAND: That's  
16 acceptable.

17 BY MR. GRANTMYRE:

18 Q Now, I believe Chairman Finley or one of the  
19 Commissioners asked about contracts that were  
20 filed for contiguous extensions and what language  
21 they included or did not include.

22 MR. GRANTMYRE: And I would like permission  
23 to approach the witness. I have one of those  
24 contracts. I didn't know it was going to be an issue

1 today so I only have one copy. So if I could approach  
2 the witness I would like to introduce this as a  
3 Redirect or Cross Examination or Commissioner  
4 Question.

5 COMMISSIONER BROWN-BLAND: You can approach  
6 the witness. And you, too. (Referring to  
7 Ms. Sanford)

8 MR. GRANTMYRE: And there's another one  
9 here.

10 THE WITNESS: Two contracts?

11 MR. GRANTMYRE: No. No. I'm going to go to  
12 this clause, too.

13 MS. SANFORD: Same contract?

14 MR. GRANTMYRE: Yeah, same contract.

15 We will file more for y'all but I only have  
16 one today.

17 MS. SANFORD: And this is filed with the  
18 Commission?

19 MR. GRANTMYRE: Yeah.

20 COMMISSIONER BROWN-BLAND: Mr. Grantmyre,  
21 describe -- just tell me what it is again.

22 MR. GRANTMYRE: Yes. This is a contract  
23 between Aqua North Carolina and BFP Developers, LLC,  
24 dated August 15.

1                   COMMISSIONER BROWN-BLAND: All right.  
2 That's good. That document will be identified as  
3 Public Staff Becker Rebuttal Cross Examination Exhibit  
4 21.

5   (WHEREUPON, Public Staff Becker  
6   Rebuttal Cross Examination Exhibit  
7   21 is marked for identification.)  
8

9 BY MR. GRANTMYRE:

10 Q And do you agree that this was docket number --  
11 filed in Docket Number W-218, Sub 477? At least  
12 that's what it says.

13 A The handwriting says that so I would, subject to  
14 check, yes.

15 Q And you agree the date is August of 2017?

16 A I do.

17 Q And whether it's right or not it says Buffalo  
18 Creek below the docket number?

19 A Subject to check on the lots.

20 Q And you agree in the first paragraph under  
21 WITNESSETH, it does say Flowers Plantation POD?

22 A It does.

23 Q Now, I'll refer you to the definitions on page 2.  
24 Could you read the definition of 1.5?

1 A "Bulk Wastewater Agreement" shall mean that  
2 certain agreements signed by Aqua and Johnston  
3 County dated May 14, 2002, and Amended September  
4 30, 2009 for the purchase of bulk wastewater  
5 treatment per SFRE for each planned SFRE in a  
6 Subdivision.

7 Q And I refer you to paragraph number 3.4 on page  
8 9. Could you please read the heading on that  
9 paragraph and the language that's highlighted?

10 A Developer shall pay to Aqua a capital cost  
11 recovery charge the same dollar amount per gallon  
12 as the County's bulk wastewater capacity fee,  
13 under the Bulk Wastewater Agreement between Aqua  
14 and County, for each planned connection in that  
15 phase of Subdivision (currently \$6.00 per  
16 gallon).

17 Q And you do recognize it says *per the Bulk*  
18 *Wastewater Agreement* which is a defined term in  
19 this contract which is the May 14, 2002 contract?

20 A I would accept that.

21 Q Thank you.

22 COMMISSIONER BROWN-BLAND: Are you about  
23 done? We --

24 MR. GRANTMYRE: I'm getting close to being

1 done.

2 COMMISSIONER BROWN-BLAND: All right. We're  
3 going to finish this case.

4 MR. GRANTMYRE: I know.

5 COMMISSIONER BROWN-BLAND: So move on.

6 BY MR. GRANTMYRE:

7 Q Now, Commissioner Finley asked you a number of  
8 questions about the Carolina water case in 1994,  
9 I believe, W-354, Sub 118. Do you remember  
10 those?

11 A I do.

12 Q Now, will you accept subject to check that Heater  
13 Utilities was not a party to that case?

14 A Subject to check, yes.

15 Q Will you accept subject to check that none of  
16 those ordering paragraphs in regard to the  
17 paragraphs quoted by Mr. Finley or Chairman  
18 Finley, as to management fees, plant impact fees,  
19 tap fees, there was never similar language in any  
20 of the Heater Utility contract -- Orders?

21 A I don't think I can answer that question.

22 Q And although you're not a lawyer, do you  
23 understand that rate cases are not res judicata?

24 A I would defer to my attorney.

1 Q Okay.

2 MR. GRANTMYRE: That's all the questions I  
3 have.

4 COMMISSIONER BROWN-BLAND: Questions on  
5 Commission's questions, Ms. Sanford?

6 MS. SANFORD: Yes. Very quickly.

7 EXAMINATION BY MS. SANFORD:

8 Q Mr. Becker, can you tell us whether complaints  
9 addressed in the bi-monthly reports - these are  
10 your reports on customer complaints - have  
11 decreased overtime, specifically where Greensand  
12 filters have been installed?

13 A Yes. Yes.

14 Q Do you -- can you tell us if customers in those  
15 subdivisions showed up at public hearings in this  
16 case in any significant numbers with respect to  
17 water quality concerns?

18 A I don't recall any especially in significant  
19 numbers. There may be --

20 Q Right.

21 A Not in significant numbers, no.

22 Q Okay. Switching to Johnston County, our favorite  
23 here. Is it correct that the Public Staff has  
24 left approximately \$600,000 of Johnston County

1 CIAC as a reduction to rate base in this case?

2 A Yes.

3 Q Can you tell us how, if ever, that CIAC would be  
4 removed as a reduction from rate base?

5 A When I buy future capacity -- so the capacity  
6 that we have -- well, first, are you referring to  
7 their treatment? Not our treatment, their  
8 proposed treatment? If their proposed treatment  
9 is accepted by the Commission, then it would  
10 be considered -- our asset purchase of the \$2.1  
11 million, \$2,120,000, would be recorded as an  
12 asset held for future years, if their proposal  
13 was accepted; that's off the books. At the same  
14 time, they've proposed moving \$1,497,000 off the  
15 books to offset that partially. The \$500,000  
16 that stays, it's been recorded on the books and  
17 will continue to be recorded on the books, would  
18 offset unrelated assets. That's a benefit to the  
19 customer, but it's again offsetting unrelated  
20 assets.

21 When the capacity that we  
22 purchased that's in an asset held for future use  
23 is brought back onto the books, the \$1.497  
24 million CIAC will be also brought onto the books.

1 So at that time then that extra \$600,000 would,  
2 although not matching it, it would offset the  
3 rest of that asset. But then when we go to buy  
4 the extra 250,000 gallons that's still remaining  
5 under contract with the County - or that were  
6 under contract, or we have the right to buy it  
7 with the County- that we need, when I buy that  
8 they would attempt, under their current  
9 provisions, would attempt to impute CIAC onto  
10 that future purchase as well.

11 Q All right. Okay. Thank you.

12 A This is complicated. I have --

13 Q And we've had that conversation about  
14 complication.

15 The last question, Mr. Becker, has  
16 to do with questions from Chairman Finley and  
17 Commissioner Clodfelter about the status of the,  
18 what I call the original contract, the 2002  
19 contract. Can you turn to page 24 of your  
20 rebuttal testimony? Do you --

21 A Okay.

22 Q Are you there?

23 A Yes. Yes.

24 Q You indicate at line 9 through 11 or 12 that the

1 initial contract for purchase of bulk wastewater  
2 was filed with the Commission?

3 A Yes, in W-274, Sub 392.

4 Q And do you indicate lines 11 through 16 that it's  
5 your position that the Public Staff was made  
6 aware of the capacity fees that were to be  
7 charged and that those fees were \$5.50 per gallon  
8 per day?

9 A Yes.

10 Q Okay.

11 MS. SANFORD: Thank you. I have no more  
12 questions.

13 COMMISSIONER BROWN-BLAND: All right. In  
14 Mr. Grantmyre's questioning we think we heard  
15 something about the Junis Exhibit 3, Cross Examination  
16 Exhibit 3, the contract with Johnston County and the  
17 developers, that that contract has been amended.  
18 Could can we get that amended 2009, I believe,  
19 contract as a late-filed exhibit?

20 MS. SANFORD: Yes. It was amended -- I have  
21 the 2002 contract here, that is, Junis Exhibit 3.

22 MR. GRANTMYRE: We will file that. It  
23 doesn't affect capacity fees. It has something to do  
24 with the schools that are on the system. But we will

1 be glad to file that.

2 COMMISSIONER BROWN-BLAND: As a late-filed  
3 exhibit.

4 MR. GRANTMYRE: It has nothing to do with  
5 the issues in this case.

6 COMMISSIONER BROWN-BLAND: Thank you. And  
7 so the Public Staff Becker Rebuttal Cross Examination  
8 Exhibits 1 through 21 will be received into evidence.

9 MR. GRANTMYRE: Thank you.

10 (WHEREUPON, Public Staff Becker  
11 Rebuttal Cross Examination  
12 Exhibits 1 - 21 are admitted into  
13 evidence.)

14 COMMISSIONER BROWN-BLAND: And the Aqua  
15 Becker Rebuttal Redirect Exhibit 1 will also be  
16 received in to evidence.

17 MS. SANFORD: Thank you.

18 (WHEREUPON, Aqua Becker Rebuttal  
19 Redirect Exhibit 1 is admitted  
20 into evidence.)

21 COMMISSIONER BROWN-BLAND: I think that  
22 takes care. And, Mr. Becker, thank you.

23 THE WITNESS: Thank you for your time.

24 COMMISSIONER BROWN-BLAND: You're still

1 entitled to that medal.

2 (Laughter)

3 THE WITNESS: Thank you.

4 (The witness is excused)

5 COMMISSIONER BROWN-BLAND: I'll take a quick  
6 five-minute break.

7 (Recess at 11:00 a.m., until 11:05 a.m.)

8 COMMISSIONER BROWN-BLAND: Let's come to  
9 order and go on the record.

10 Ms. Sanford, you've called your witness.  
11 The Company is completing its rebuttal case with its  
12 final witness, Amanda A. Berger. Ms. Berger has  
13 stepped up to the stand.

14 AMANDA A. BERGER;  
15 having been duly sworn,  
16 testified as follows:

17 COMMISSIONER BROWN-BLAND: You may be  
18 seated.

19 THE WITNESS: I'm going to try.

20 COMMISSIONER GRAY: Thank you.

21 COMMISSIONER BROWN-BLAND: She's learned.

22 THE WITNESS: I've been observing for quite  
23 some time now.

24 (Laughter)

1 DIRECT EXAMINATION BY MS. SANFORD:

2 Q Would you please state your name, business  
3 address and occupation for the record, please?

4 A Amanda A. Berger, business address is 202  
5 MacKenan Court, Cary, North Carolina, and I am  
6 the Manager of Environmental Compliance.

7 Q For Aqua?

8 A For Aqua, yes.

9 MS. SANFORD: Commissioner Brown-Bland, I  
10 had previously given notice late yesterday that I'd  
11 like to do a very few minutes of additional direct for  
12 Ms. Berger, if I could?

13 MS. JOST: Could I just say something in  
14 response?

15 COMMISSIONER BROWN-BLAND: Yes.

16 MS. JOST: The Public Staff would object to  
17 that. And it's our position that any testimony Aqua  
18 wishes to provide on the subject of the recording  
19 should be elicited in the form of redirect questions  
20 on any questions that the Public Staff asks about the  
21 recording.

22 MS. SANFORD: If I might?

23 COMMISSIONER BROWN-BLAND: Yes.

24 MS. SANFORD: (Coughs) Excuse me. Generally

1 speaking I would agree, but I don't in this case for  
2 the following reasons: This motion concerning  
3 confidentiality was filed, I forget the date, but  
4 pretty late in the game and put in play in this  
5 proceeding some mystery and I would say some  
6 insinuation or what would be understood to be some  
7 question about Ms. Bergers' having recorded this  
8 proceeding. And then Mr. Junis in one of his -- in  
9 his testimony spoke very directly and with some  
10 degree, if I might say, of agitation about the fact  
11 that Ms. Berger recorded this meeting and that the  
12 other participants didn't know it. I would like to  
13 ask her to give something of the context of the  
14 meeting and to introduce this recording into evidence,  
15 which I believe, and I'm not trying to put words in  
16 the Public Staff's mouth, was essentially invited in  
17 the motion that they filed.

18 COMMISSIONER BROWN-BLAND: I understand the  
19 sensitivities here, but I am -- I'm going to allow  
20 Ms. Sanford to take the witness on direct from this  
21 document in that the Public Staff's motion was for an  
22 excerpted portion and the Applicant has indicated they  
23 would introduce the full exhibit or transcript, if you  
24 will. So I will allow some latitude to ask the

1 witness a few questions on direct.

2 MS. SANFORD: Thank you, Commissioner  
3 Brown-Bland. And this will be quick.

4 BY MS. SANFORD:

5 Q Ms. Berger, did you prepare rebuttal testimony in  
6 this docket consisting of 23 pages?

7 A Yes, I did.

8 Q Do you have any changes or corrections to make to  
9 your testimony?

10 A No, I do not.

11 Q Do you have an additional exhibit to introduce?

12 A Yes. The USB of the recording.

13 Q Ah, yes, would you please describe it  
14 specifically with respect to what it -- to what  
15 it is a recording, or of what it is a recording?

16 A It is a recording of the August 29th meeting that  
17 was held at Aqua North Carolina's Cary office in  
18 attendance by DEQ and Public Staff and, of  
19 course, Aqua personnel.

20 Q And the item in question is a recording on a  
21 thumb drive of that meeting?

22 A Yes, ma'am.

23 Q And you made the recording?

24 A Yes, I did.

1 Q And you duplicated it into the thumb drive?

2 A Yes, ma'am.

3 Q Okay.

4 MS. SANFORD: And we have copies for the  
5 parties and for the court reporter.

6 BY MS. SANFORD:

7 Q Ms. Berger, we have a very few additional direct  
8 questions. So, first of all, you organized and  
9 attended this meeting on August 29th; is that  
10 correct?

11 A Yes, I did.

12 Q And who was in attendance; which agencies?

13 A Public Staff, DEQ and Aqua.

14 Q What was the purpose of the meeting and how was  
15 it a significant meeting, particularly in light  
16 of the Commission's interest in water quality?

17 A It was a meeting to discuss some, I guess,  
18 discrepancies between various different  
19 regulatory matters with DEQ and Public Staff. In  
20 addition, I'm new in my position so I've recently  
21 taken over administration of the Secondary Water  
22 Quality Plan so I wanted to discuss how we were  
23 going to be making some different changes and  
24 utilizing different technologies, hopefully for

1 the betterment of our customers.

2 Q Thank you. And who attended?

3 A Specifically?

4 Q Please.

5 A From Public Staff was Mr. Junis, Mr. Grantmyre,  
6 Ms. Jost and Ms. Darden. From DEQ, it was  
7 Mr. Allen Hardy with Raleigh Regional office,  
8 Mr. Shawn Guyer, Raleigh Regional office, Mr. Bob  
9 Midgette, Operations Branch Chief with DEQ. In  
10 attendance from Aqua was myself, of course,  
11 Mr. Joe Pearce, Mr. Michael Melton, Mr. Andrew  
12 Norris, Mr. Rob Krueger and Mrs. Dawn Markarian.

13 (WHEREUPON, the Court Reporter  
14 requested clarification for the  
15 record.)

16 THE WITNESS: Dawn Markarian.

17 BY MS. SANFORD:

18 Q Did Aqua bring any lawyers to the meeting?

19 A No, ma'am.

20 Q Did DEQ?

21 A No, ma'am.

22 Q There were two Public Staff attorneys in  
23 attendance; is that correct?

24 A Yes, ma'am.

1 Q And you were to run this meeting?

2 A Yes.

3 Q Did you tape it?

4 A I did.

5 Q Did you tell others in the room that you were  
6 taping it?

7 A No, I did not and I sincerely regret and  
8 apologize for that. That was an oversight on my  
9 part. I had reasons for the recording of the  
10 tape but it does not underscore nor excuse the  
11 fact that I made that oversight.

12 Q Is it your usual practice to record meetings?

13 A Absolutely not. I've been on the other side  
14 before which is one of the reasons why this has  
15 bothered me significantly, because I've been  
16 recorded in that kind of predicament before.

17 Q And so, very quickly, will you tell us on the  
18 record why you recorded this meeting?

19 A There were several reasons. One of which is I  
20 knew the importance of this meeting as it related  
21 to DEQ, the interest by the Commission, in  
22 addition to Public Staff, also my management. I  
23 wanted to be able to provide a clear recording  
24 and accounting of the events and what transpired

1 without overstating or adding words, you know,  
2 very clear.

3 The other reason was the fact that  
4 we did not have attorneys present. We were in  
5 the middle of a rate case. I had been asking for  
6 the meeting for quite some time and it had gotten  
7 delayed up until that point. I was anxious and  
8 nervous and so that was one of the reasons.

9 The other reason is the --  
10 Mrs. Markarian is a temporary employee. I had  
11 asked her on the fly to take some notes. She  
12 expressed some concerns about her ability to do  
13 so. She also understood the importance of the  
14 meeting. And so, given all of those things into  
15 consideration, I had decided to record it, but  
16 that does not excuse the fact that -- I stepped  
17 out briefly, came about in, the meeting had  
18 started and I failed to announce it. That's  
19 completely on me.

20 Q Were you concerned just generally speaking or  
21 specifically to this meeting that you wanted to  
22 not be in a position to be accused of  
23 misrepresenting anything that anybody said --

24 A Absolutely.

1 Q -- in your communications? And Ms. Markarian was  
2 a temporary employee and not familiar with --

3 A Yes. She -- and she expressed some concerns  
4 regarding it.

5 Q So you ran this meeting and it went for about  
6 three hours; is that right?

7 A Yes, ma'am.

8 Q And as you've said, the issue of your reasons for  
9 recording are entirely separate from whether you  
10 should have advised your colleagues?

11 A Absolutely. That was an oversight and I'm very  
12 apologetic for that oversight. I feel very  
13 badly.

14 Q Thank you. So, Ms. Berger, do you have any -- I  
15 don't think I asked this -- do you have any  
16 changes to make to your testimony? I did ask you  
17 that and you said no. If you presented this  
18 testimony, your testimony today, would it be the  
19 same as you had prefiled in this case?

20 A Yes, ma'am.

21 MS. SANFORD: Then I would ask that her  
22 testimony be read into the record as if given orally  
23 from the stand.

24

1 BY MS. SANFORD:

2 Q Oh, Ms. Berger, do you add a copy of this thumb  
3 drive to your testimony as Exhibit 1?

4 A Yes, ma'am.

5 MS. SANFORD: So, Madam Chair, we've asked  
6 that her testimony be read into the record as if given  
7 orally from the stand, and we would ask that Exhibit  
8 1, the thumb drive, be identified?

9 COMMISSIONER BROWN-BLAND: All right, the  
10 testimony, the prefiled testimony, rebuttal testimony  
11 I believe, of Amanda A. Berger will be received into  
12 the record and treated as if given orally from the  
13 witness stand. And the thumb drive that has been  
14 testified hereto will be received into evidence and  
15 identified as Aqua Berger Exhibit Number 1.

16 (WHEREUPON, Aqua Berger Exhibit  
17 Number 1 is marked for  
18 identification and received into  
19 evidence.)

20 (WHEREUPON, the prefiled rebuttal  
21 testimony of AMANDA A. BERGER is  
22 copied into the record as if given  
23 orally from the stand.)

24

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-218, SUB 497

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

IN THE MATTER OF  
APPLICATION BY AQUA NORTH CAROLINA, INC.,  
202 MACKENAN COURT, CARY, NORTH CAROLINA 27511  
FOR AUTHORITY TO ADJUST AND INCREASE RATES FOR WATER  
AND SEWER UTILITY SERVICE IN ALL SERVICE AREAS IN  
NORTH CAROLINA

PREFILED REBUTTAL TESTIMONY OF  
**AMANDA BERGER**  
ON BEHALF OF  
AQUA NORTH CAROLINA, INC.

September 4, 2018

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**Q. PLEASE STATE FOR THE RECORD YOUR NAME, ADDRESS, AND PRESENT POSITION.**

A. My name is Amanda Berger and my business address is 202 MacKenan Court, Cary, North Carolina. I currently serve as the Aqua North Carolina's ("Aqua" or "Company") Manager of Environmental Compliance.

**Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE RELATING TO WATER AND WASTEWATER OPERATIONS.**

A. I have nineteen years of progressive experience in the water industry. I have been employed with Aqua since January 2018. Prior to that I was employed by American States Utility Services as the Operations Support/Environmental Health and Safety Manager. My duties included direct oversight of all environmental, health, and safety requirements for the utility at nine military installations throughout the United States. I was also responsible for the development and administration of their Geographic Information System ("GIS") and Computerized Maintenance Management System ("CMMS") programs. In my career I have worked for large centralized water and wastewater treatment facilities (>100 MGD) and managed various environmental programs. As a regulator, I administered the National Pollution Discharge Elimination System ("NPDES") Stormwater and Agricultural Waste Management programs in two different states. I have held multiple licenses that include Grade IV Wastewater Operator, Grade A Water Treatment Operator, Grade A Water Distribution Operator, Class C Wastewater Collections Operator, Licensed Compost Operator, Grade 2

1 Erosion Prevention and Sedimentation Control Professional, Authorized  
2 OSHA trainer, and Manager of Environmental, Safety, and Health  
3 Programs. I graduated from the University of Wisconsin-Oshkosh with a  
4 Bachelor's Degree in Environmental Science and Biology.

5 **Q. WHAT ISSUES DO YOU ADDRESS IN YOUR REBUTTAL TESTIMONY?**

6 A. I rebut the testimony of Public Staff witnesses Junis and Darden on the  
7 purchased water expense and lab testing expense for Aqua.

8 **PURCHASED WATER EXPENSE**

9 **Q. MR. JUNIS RECOMMENDS A FINANCIAL PENALTY OF \$73,670**  
10 **RESULTING FROM HIS DISALLOWANCE OF COSTS FOR SOME**  
11 **VOLUME OF THE WATER ACTUALLY PURCHASED BY THE**  
12 **COMPANY. DO YOU AGREE WITH THIS ADJUSTMENT?**

13 A. I agree with only a small portion of the adjustment; Aqua disputes  
14 \$67,448.80 of Mr. Junis' proposed reduction to this expense. During  
15 discovery, Aqua worked with Mr. Junis to adjust test year volumes and  
16 vendor prices for seven systems, resulting in a reduction to Purchased  
17 Water expense in the amount of \$6,270.54. (See Junis Exhibit 24/EDR 53,  
18 Q3) Mr. Junis' recommendation exceeds that amount by \$67,448.80.

19 **Q. PLEASE EXPLAIN YOUR DISAGREEMENT WITH MR. JUNIS'**  
20 **POSITION AND ADJUSTMENTS.**

21 A. First, Mr. Junis assumes an acceptable level of water loss of 15% for these  
22 particular systems, relying unduly on an analysis of the system serving the  
23 Flowers Plantation as being "relatively new and leak free," to the exclusion  
24 of other important factors. Additionally, Mr. Junis utilizes the concept of

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Unaccounted for Water ("UAW"), which is an outdated measure of water loss. Finally, Mr. Junis ignored the necessity of use of a certain amount of water by the Company for system processes to maintain compliance with DEQ regulations.

**Q. PLEASE PROVIDE SOME BACKGROUND ON EACH OF THE SYSTEMS FOR WHICH MR. JUNIS MADE A PURCHASED WATER ADJUSTMENT.**

**A. City of Asheville – Twin Creeks –** This system serves 26 customers in a rural area. A leak was identified through routine analysis of the water purchased versus water billed. Aqua investigated the leak utilizing approved techniques; however, we were unable to find the leak because the line is placed within rock and did not present itself at the surface. Consequently, Aqua identified a capital improvement project to replace the main as the pipe was determined to be near its useful life, based on system age. Since the pipe was replaced, non-revenue water loss has significantly been reduced for this system.

**City of Concord Springhill/Springdale –** This system serves 49 customers in a rural area. During a routine comparison of the authorized water purchased versus water billed review, a leak was identified. Multiple processes were utilized to determine the location of the leak, but due to its location the leak was un-identifiable at the surface and acoustic methods could not be utilized due to pipe material (PVC). Aqua ultimately determined the leak was draining into the storm drain, which explained why it had been difficult to detect. Once identified, it was repaired, and non-

1 revenue water loss has thus reduced significantly. This system currently  
2 has an on-going Disinfection By-Product (“DBP”) issue that also contributes  
3 to the non-revenue water calculation. DBP is a primary contaminant that  
4 occurs when chlorine comes into contact with organic carbon. Because of  
5 this DBP issue, increased flushing is required. Under Mr. Junis’  
6 methodology, the need for flushing does not appear to be considered in his  
7 prescriptive adjustment.

8 **City of Mount Airy – Greenfield** – This system serves 94 customers in a  
9 rural area and it currently has an on-going DBP issue. Under Mr. Junis’  
10 methodology, the need for flushing does not appear to be considered in his  
11 prescriptive adjustment.

12 **Davidson Water – Beard Acres, Crestwood, Lancer Acres** – This system  
13 serves 157 customers. This system currently has an on-going DBP issue  
14 that attributes to the non-revenue water calculation. Because of this DBP  
15 issue, increased flushing is required. Under Mr. Junis’ methodology, the  
16 need for flushing does not appear to be considered in his prescriptive  
17 adjustment.

18 **Harnett County – Woodlake** – This system serves 967 customers and is  
19 a rural system. This system contains large areas of main that do not  
20 currently serve customers----a relic of original construction decisions, prior  
21 to purchase by a predecessor of Aqua. This inhibits our ability to monitor  
22 non-revenue water loss. The Company is currently isolating mains, where  
23 possible, to reduce the potential for water leaks and purchasing water that

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remains in un-utilized sections of pipe. Non-revenue water loss has dropped since undertaking these efforts. Additionally, as with the systems referenced above, Woodlake faces on-going DBP issues that require routine flushing. Mr. Junis' methodology ignores the reality of the operational experience and necessities and his prescriptive recommendation would deny recovery of necessary and prudently incurred costs to Aqua.

**City of Hendersonville – Rambling Ridge/Crystal Creek Heights** – This system serves 141 customers and four main breaks occurred during the test year. This system is being evaluated for prioritization under our main replacement program.

**Iredell Water – River Hill Heights** – This system serves 28 customers. It is an aging system. This system is also being evaluated for prioritization under our main replacement program. The last 12 months of data indicated non-revenue water loss at 4%, which is well below Mr. Junis' calculation of 15% water loss.

**Pittsboro - Chapel Ridge** – This system currently serves 375 customers. Customers are charged a higher county rate, for customers outside the town limits, that is double the city rate. The water is supplied by the Town of Pittsboro and purchased by Aqua for service to Aqua's customers in Chapel Ridge. In 2017, internal process of reviewing authorized consumption versus water losses detected increased non-revenue water loss. Follow-up investigation found multiple leaks, which were repaired. Later in the year on

1 June 28, 2017, a main break occurred leading into the system, resulting in  
2 additional non-revenue water.

3 On October 23, 2017, the Company requested a meeting with the Town of  
4 Pittsboro to discuss on-going DBP issues and non-revenue water. Upon  
5 further investigation, the Company discovered another leak in an  
6 abandoned portion of the subdivision, where a valve was left partially  
7 opened. Both issues were addressed. Thus, Aqua believes the current non-  
8 revenue water calculations are attributable to the on-going DBP issues. The  
9 Town has been supplying water which exceeds the maximum contaminant  
10 level ("MCL") for DBPs, which requires Aqua to perform additional flushing  
11 to maintain/work towards compliance with the DBP rule. The Company has  
12 had multiple discussions with the Town on this issue, with no resolution to  
13 date.

14 **Town of Spruce Pine - Swiss Pine Lake** – This system serves 66  
15 customers and is a rural system. Internal audit noticed an increase in non-  
16 revenue water. Upon investigation and discussion with the contract  
17 operator, it was discovered that the tank control valve became inoperable,  
18 leading to tank overflows. The Company investigated and made repairs to  
19 the tank.

20 **Q. DOES AQUA PROACTIVELY ATTEMPT TO ADDRESS WATER LOSS?**

21 **A.** Yes. The Company reviews purchased water calculations monthly. When  
22 discrepancies occur, the Operations personnel investigate to determine the  
23 source of any non-revenue water. Once identified, measures are

1 implemented to either repair or evaluate a capital project, and to proceed  
2 as necessary.

3 **Q. WHY DO YOU DISPUTE AS INCORRECT MR. JUNIS'S ASSUMPTION**  
4 **OF AN ACCEPTABLE WATER LOSS OF 15%?**

5 A. When Mr. Junis refers to his new standard of 15%, this is a straight  
6 calculation that simply compares total gallons purchased versus total  
7 gallons billed. I have given examples above of some of the many reasons  
8 that non-revenue water exists in a prudently run water company: treatment,  
9 leaks that are initially not detectable, main breaks, etc.

10 **Q. IN CALCULATING HIS PENALTY BASED ON WHAT YOU DESCRIBE**  
11 **AS A PRESCRIPTIVE APPROACH TO NON-REVENUE WATER**  
12 **EXPENSES, DOES MR. JUNIS CONSIDER IN HIS ANALYSIS AS AN**  
13 **ALTERNATIVE ANY OFFSETTING FINANCIAL IMPACTS OF**  
14 **INSTALLING TREATMENT ON SYSTEMS THAT HAVE DBP ISSUES OR**  
15 **REPLACING/REPAIRING INFRASTRUCTURE?**

16 A. Not that I can determine. It appears that he simply utilizes a straight  
17 calculation that compares total gallons purchased versus total gallons  
18 billed.

19 **Q. WHAT IS YOUR VIEW OF THE LIKELIHOOD THAT MR. JUNIS'**  
20 **CALCULATION COULD YIELD A REALISTIC, ACCURATE**  
21 **REFLECTION OF THE EXPENSE LEVEL THAT REFLECTS COST OF**  
22 **NON-REVENUE WATER?**

1 I do not believe Mr. Junis' methodology can accurately reflect the true costs  
2 of non-revenue water. My opinion is that it is unduly narrow and simplistic,  
3 it ignores the reality of the "real-life" operational reasons that some non-  
4 revenue water exists, and that it fails to balance the simple calculation  
5 against any consideration of the costs of eliminating (or even further  
6 reducing) the non-revenue water. I believe it would directly undermine the  
7 Company's opportunity to earn any authorized return that this Commission  
8 ultimately orders, and that it is unfair to deny the possibility of cost recovery  
9 for necessary expenses.

10 **Q. ARE THERE OTHER FACTORS MR. JUNIS SHOULD HAVE**  
11 **CONSIDERED BESIDES THE FLOWERS PLANTATION SYSTEM**  
12 **BEING "RELATIVELY NEW AND LEAK FREE"?**

13 **A.** Yes. While consideration of the age of the system is appropriate, it is not  
14 the only factor in determining an acceptable amount of non-revenue water  
15 loss. Other factors such as pressure changes from the water provider and  
16 weather can have a large impact on water loss. For example, during the  
17 test year, North Carolina experienced several natural disasters including  
18 Hurricane Matthew, record flooding, and extreme cold weather throughout  
19 the State. Each of these factors contributes to leaks and must be  
20 considered when calculating an appropriate amount of non-revenue water.  
21 Penalizing a Company for water losses caused by such factors is clearly  
22 unreasonable.

1 Q. YOU STATED *UNACCOUNTED FOR WATER* (“UAW”), UTILIZED BY  
 2 MR. JUNIS IN HIS CALCULATIONS, IS AN INAPPROPRIATE MEASURE  
 3 OF WATER LOSS. WHAT IS THE APPROPRIATE MEASURE?

4 A. “Since 2003, AWWA has recommended that water utilities, state agencies,  
 5 and drinking water stakeholders avoid use of the poorly defined and  
 6 imprecise term unaccounted-for-water (Kunkel et al. 2003). Stakeholders  
 7 should instead employ the term non-revenue water (NRW) and apply it as  
 8 specifically defined in Table 3-1” (See Table 1 below). (American Water  
 9 Works Association, 2016). The calculation for UAW was abandoned as a  
 10 standard and systems are encouraged to perform water audits and  
 11 calculate Non-Revenue Water. Again, the appropriate method for  
 12 monitoring water loss is provided in Table 1 below.

13 Table 1: Taken from AWWA Manual 36 Water Audits and Loss Control

Volume from Own Sources (corrected for known errors)	System Input Volume	Water Exported (corrected for known errors)	Billed Water Exported			Revenue Water
		Water Supplied	Authorized Consumption	Billed Authorized Consumption	Billed Metered Consumption Billed Unmetered Consumption	Revenue Water
Water Imported (corrected for known errors)			Water Losses	Unbilled Authorized Consumption	Unbilled Unmetered Consumption Unbilled Metered Consumption	Non-revenue Water
				Apparent Losses	Customer Metering Inaccuracies Unauthorized Consumption Systematic Data Handling Errors	
				Real Losses	Leakage on Transmission and Distribution Mains Leakage and Overflows at Utility's Storage Tanks	
					Leakage on Service Connections up to the point of Customer Metering	

14  
 15 Q. PLEASE FURTHER EXPLAIN AQUA'S NON-REVENUE WATER  
 16 REVIEW PROCESS.

1 A. The Company first evaluates Non-Revenue Water on a monthly basis by  
2 reviewing water purchased versus water billed, just as Mr. Junis has done.  
3 However, this is just the beginning of the investigation. The Company  
4 performs this evaluation and requires its Operations group to investigate  
5 and/or provide explanations for unbilled authorized consumption (e.g.  
6 flushing programs). If the water loss cannot be accounted for, the  
7 Operations group is required to investigate. This process is working and has  
8 produced positive results. For instance, one such investigation led to the  
9 discovery of the issues that account for Mr. Junis' testimony on the City of  
10 Asheville, which among others, is described above.

11 In addition, the Company performs water audits in accordance with the  
12 AWWA Manual 36 *Water Audits and Loss Control Programs*, specifically  
13 Chapter 9 "Considerations for Small Systems". The Company utilizes this  
14 manual to proactively address NRW through capital projects such as main  
15 replacements and the installation of AMI/AMR meters.<sup>1</sup> Except for Flowers  
16 Plantation, which Mr. Junis uses as his standard, each of the systems  
17 referenced in Mr. Junis' testimony is defined as a small system and meets  
18 the conditions provided by AWWA. As the Manual provides, systems should  
19 be evaluating authorized consumption versus water losses, both apparent  
20 and real. (*emphasis is mine*).

---

<sup>1</sup> AWWA Manual 36 lists AMR/AMI technology as a primary method for addressing apparent losses for small water utilities because it limits "systematic data handling errors in customer billing systems, customer metering inaccuracies, and unauthorized consumption....".

1 Q. IS FLUSHING CONSIDERED AN UNBILLED AUTHORIZED  
2 CONSUMPTION PER THE AWWA MANUAL ABOVE?

3 A. Yes. Therefore, flushing related to DBPs would be considered unbilled  
4 authorized consumption.

5 Q. YOU STATED MR. JUNIS FAILED TO CONSIDER WATER UTILIZED BY  
6 THE COMPANY TO COMPLY WITH DEQ REGULATIONS. PLEASE  
7 DESCRIBE HOW THE COMPANY USED WATER TO COMPLY WITH  
8 DEQ REGULATIONS.

9 A. As previously stated, Mr. Junis did not incorporate water utilized for system  
10 processes to maintain compliance with DEQ regulations. DEQ regulations  
11 require each chloraminated system is to perform an annual disinfection  
12 treatment to change chloramines to chlorine. During this process, utilities  
13 are required to flush their systems to distribute the chlorine and remove  
14 mineral deposits from the distribution system. Also, several of these  
15 purchased water systems exceed the DBP Rule because the purchase  
16 water purveyor supplies water that exceeds the regulatory standards. The  
17 Company is also required to minimize water age in its distribution system  
18 through flushing to maintain compliance with the regulations. Flushing  
19 volumes are based on DBP levels, system size and configuration. Outside  
20 of treatment (e.g. filters), the only available option for the Company is  
21 instituting a comprehensive flushing program beyond the annual  
22 requirement. The Company attempts to minimize the overall cost imposed  
23 on the customer through flushing rather than filtration, where possible. The

1 Company also performs special sampling and monitors the DBP levels it  
2 receives from the water purveyors. When problems are identified, the  
3 Company immediately notifies the water purveyor and requests its  
4 assistance in mitigating the issue.

5 **Q. WHAT IS THE EFFECT OF MR. JUNIS FAILING TO CONSIDER WATER**  
6 **UTILIZED BY THE COMPANY TO COMPLY WITH DEQ REGULATIONS?**

7 A. It is to ignore part of the reality of actually operating a water company in  
8 compliance with regulatory requirement and service obligations. In effect,  
9 Mr. Junis is imposing a penalty on the Company for instituting necessary,  
10 proactive operations for the protection of the consumer from primary  
11 contaminants. This limits the ability of the utility to operate in accordance  
12 with EPA and DEQ regulations, is not in the best interest of the customer,  
13 and would impermissibly restrict the Company's right to charge rates that  
14 are reflective of its actual, reasonable costs of providing service.

15 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING MR. JUNIS'**  
16 **RECOMMENDATION TO REDUCE EXPENSES BY \$73,670, BASED ON**  
17 **UNACCEPTABLE WATER LOSS?**

18 A. Obviously I dispute his recommendation on multiple levels. It does not  
19 reflect the reality of operational necessity, impermissibly denies Aqua  
20 recovery for necessary and prudent expenses, and ignores certain  
21 necessary obligations which support the health and well-being of our  
22 customers (regulatory compliance matters). Mr. Junis' analysis is clearly  
23 an extreme and inappropriate calculation of water loss. His narrow

1 calculations produced the substantial penalties he was apparently seeking,  
 2 but they do not reflect the current standard by which to calculate water loss.  
 3 Mr. Junis failed to investigate root causes and did not consider the  
 4 Company's proactive measures to address customer concerns and  
 5 regulatory requirements. Further, Mr. Junis failed to factor the costs  
 6 involved in any potential infrastructure improvements that may be  
 7 associated with further addressing the water loss issues. In summary, I  
 8 believe the severe penalties are inappropriate, unwarranted, not based on  
 9 sound analysis, and should be rejected by the Commission.

10 **Q. IF THE COMMISSION WOULD LIKE TO ADDRESS THIS ISSUE GOING**  
 11 **FORWARD, WHAT PATH WOULD YOU SUGGEST?**

12 A. I would recommend initiating a rulemaking, with the goal of incorporating  
 13 non-revenue water analysis and standards into the Commission's  
 14 regulations. Alternatively, the Commission could initiate and lead a less  
 15 formal effort wherein regulators and industry could work together to  
 16 formulate a policy that is transparent, fact-based clearly articulated, and  
 17 consistently applied.

18 **LAB TESTING EXPENSE**

19 **Q. DID YOU REVIEW THE TESTIMONY OF PUBLIC STAFF WITNESS**  
 20 **DARDEN IN REGARD TO THE COMPANY'S LAB TESTING**  
 21 **EXPENSES?**

22 A. I did.

23 **Q. WHAT WERE HER CONCLUSIONS AND RECOMMENDATIONS?**

1 A. Ms. Darden disagreed with the Company's use of per books amounts and  
 2 the manner of the Company's pro forma adjustments. She stated the  
 3 Company's calculations did not account for variations in the frequency with  
 4 which specific water tests must be performed. For example, she stated  
 5 several tests are only conducted every three, six, or nine years and  
 6 therefore should be annualized over those number of years. She  
 7 recommended several adjustments which appear on page 6 of her  
 8 testimony, lines 5-9.

9 **Q. DO YOU AGREE WITH THE ADJUSTMENTS MADE BY MS. DARDEN?**  
 10 **PLEASE EXPLAIN YOUR ANSWER.**

11 A. No, I do not. Ms. Darden began her inquiry by requesting in Engineering  
 12 Data Request ("EDR") 3 "...the minimum water system testing 'test type and  
 13 frequencies' as currently required by NCDEQ". This is referred to in her  
 14 testimony (page 5, lines 8-10) and in various follow up data requests. This  
 15 information that was requested does not provide the full picture, is  
 16 incomplete as requested, and does not provide a sufficient basis to warrant  
 17 the adjustments she made.

18 **Q. WHY DO YOU CONSIDER THE REQUEST FOR COMPLIANCE LAB**  
 19 **TESTING INFORMATION ONLY TO BE INCOMPLETE?**

20 A. It ignores other types of lab testing necessary to provide water service to  
 21 our customers. The information requested by the Public Staff in EDR 3 and  
 22 a subsequent follow-up request on August 3, 2018, only accounted for the  
 23 minimum compliance testing required by DEQ. Compliance sampling is a

1 process used to determine compliance with the rules and regulations at a  
2 prescribed moment in time. However, the intent of the rules and regulations  
3 is to maintain compliance for water utilities indefinitely, not just for the  
4 moment in time in which the compliance testing occurs.

5 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN COMPLIANCE AND**  
6 **OPERATIONAL TESTING.**

7 A. Compliance testing is performed at a prescribed interval as established by  
8 the regulations. Operational testing is utilized by the operator to determine  
9 treatment effectiveness and proactive identification of issues and is  
10 performed continuously based on the need and field judgment of the  
11 licensed operator, based upon his or her actual responsibility to run the  
12 system. Regulatory agencies do not establish operational testing  
13 requirements; rather, they expect that the utility and operator understand  
14 both the treatment methods employed and the necessity to evaluate options  
15 to ensure the delivery of drinking water that meets regulatory requirements.  
16 The agency will not define these requirements; however, compliance testing  
17 is defined and is a means by which the agency measures the effectiveness  
18 of the operator's operation of the system.

19 **Q. WHAT WAS AQUA'S ACTUAL LAB TESTING FEES FOR THE LAST**  
20 **THREE YEARS?**

21	A.	<u>Year</u>	<u>Annual Testing Expense (includes</u>
22			<u>operational + compliance testing)</u>
23			
24		2017	\$1,057,364
25		2016	\$ 988,032
26		2015	\$1,042,720

1 Q. UPON REVIEW, DID AQUA PROVIDE INFORMATION ON THE  
2 HISTORICAL LAB TESTING EXPERIENCE?

3 A. Yes. This information, which included compliance and operational lab  
4 testing, was included in the rate case application at Item #12B for water and  
5 wastewater. All the data provided in Item #12B demonstrate a higher lab  
6 testing fee than the Public Staff is recommending here.

7 Q. UPON REVIEW, DID MS. DARDEN EVER DIRECTLY CHALLENGE OR  
8 INQUIRE ABOUT OPERATIONAL TESTING IN THE DISCOVERY  
9 PROCESS?

10 A. Not to my knowledge. EDR 3 and follow-up request specifically asked for  
11 the minimum testing requirements per DEQ regulations and NPDES permits  
12 and invoices to support those costs. Aqua did provide a sampling of  
13 invoices which included both operational and compliance tests. EDR3  
14 omitted the operational testing requirements performed to efficiently and  
15 proactively operate a water and wastewater utility in accordance with  
16 regulatory standards and industry standards. Without regard to what was or  
17 should have been asked, the Company's focus here is on the fact that  
18 operational testing is critical, the Company is doing it appropriately, and the  
19 reasonable costs of it should be recoverable.

20 Q. PLEASE EXPLAIN WHY THIS ADDITIONAL OPERATIONAL TESTING  
21 IS IMPORTANT.

22 A. In the absence of such operational testing, a water utility is effectively  
23 operating the system based on complaints and regulatory violations

1 because the operators lack the knowledge to make operational  
 2 improvements to protect the consumer and environment. The Company  
 3 strongly supports its decisions to utilize sampling for proactive operation of  
 4 its water and wastewater utilities. Any suggestion to the contrary both  
 5 reflects a need for greater understanding of operations and omits  
 6 consideration of protection of the consumer or the environment.

7 **Q. CAN YOU PROVIDE SOME EXAMPLES OF THE COMPANY'S**  
 8 **CONTRACTUAL EXPENSE BASED ON CONSUMER AND**  
 9 **ENVIRONMENTAL PROTECTION EFFORTS?**

10 **A.** Yes. Some examples include:

- 11 • Special radionuclide, VOC/SOC, and iron and manganese samples  
 12 for monitoring filter efficiency and life expectancy. It is performed at  
 13 prescribed intervals to determine the rate of contaminant break  
 14 through on the filter media. It is also performed on systems that have  
 15 primary contaminant detections, where the Company is monitoring  
 16 the water quality to determine future treatment options. This  
 17 sampling is required to protect the consumer and water supply from  
 18 primary contaminants;
- 19 • Iron and manganese testing for wells with poly-phosphate chemical  
 20 treatment. Sampling is required to determine the chemical dose  
 21 calculations at its treatment facilities;
- 22 • Lead and copper evaluations;

- 1 • Wastewater treatment process control sampling to prevent  
2 unauthorized discharges to waters of the State;
- 3 • Follow up or increased monitoring that is required by EPA and DEQ  
4 regulations;
- 5 • EPA-required monitoring under the Unregulated Contaminant  
6 Monitoring Rule ("UCMR").

7 **Q. DO YOU AGREE WITH MS. DARDEN'S ADJUSTMENT ANNUALIZING**  
8 **TESTS CONDUCTED OVER 3, 6, AND 9 YEAR SCHEDULES?**

9 A. No. Tests not conducted on an annual schedule are already adjusted, pre-  
10 paid and amortized over a 3-year schedule, on in the case of UCMR, a 6-  
11 year schedule by the Company. The Company provided the invoices and  
12 charting of accounts to the Public Staff. Although the information was  
13 provided to the Public Staff, it was omitted from their calculations and we  
14 believe this is inappropriate.

15 **Q. DID YOU HAVE THE OPPORTUNITY TO REVIEW MS. DARDEN'S**  
16 **TESTIMONY CONCERNING THE COMPANY'S TESTING UPDATE**  
17 **EXPENSE?**

18 A. Yes.

19 **Q. WHAT WERE HER CONCLUSIONS AND RECOMMENDATIONS?**

20 A. Ms. Darden disagreed with the Company's requests for recovery of post  
21 test-year sampling required by DEQ for approximately 50 systems in the  
22 Aqua Central/Cary region. The Company annualized its costs for testing,  
23 which took place between January 2018 and June 2018. Ms. Darden

1 disagreed with this annualization, stating these expenses are not on-going  
2 expenses as DEQ Public Water Supply Section may decrease or stop  
3 requiring testing after September 2018.

4 **Q. DOES THE PUBLIC STAFF CORRECTLY UNDERSTAND THESE**  
5 **COSTS TO NOT BE CONTINUING EXPENSES?**

6 A. No. In 15 Regulation A NCAC 18C.1511 (Concentration of Iron), "A  
7 community water system which has an iron concentration in excess of 0.30  
8 mg/L shall provide treatment to control the water quality. Analysis of  
9 samples shall be made on an as needed basis determined by the  
10 Department." (*Berger Exhibit 1*) Additionally, Regulation 15 A NCAC 18C.  
11 1512 (Concentration of Manganese) states, "A community water system  
12 that has manganese concentration in excess of 0.05 mg/L shall provide  
13 treatment to control water quality. Analysis of samples shall be made on an  
14 as needed basis determined by the Department". (*Berger Exhibit 2*) The  
15 Department has determined sampling is required until the Company can  
16 demonstrate that installed treatment----either chemical or filtration, and/or  
17 operational improvements---is made that satisfies the regulation. This is on-  
18 going regulatory requirement without an established time-frame. There is  
19 certainly no basis on which to conclude that the processes will be  
20 discontinued after September 2018.

21 **Q. IS THE COMPANY CONDUCTING ANY TESTING REFLECTED IN ITS**  
22 **UPDATED TESTING EXPENSES IN ADDITION TO WHAT HAS BEEN**  
23 **REQUIRED BY DEQ?**

1 A. Yes. In September 2017, the Company met with representatives from the  
 2 Public Staff and DEQ to outline its plan to address iron and manganese in  
 3 community water systems throughout the state. The Secondary Water  
 4 Quality Plan is a proactive response by the Company to monitor existing  
 5 chemical treatment, improve operations, and institute a long-term program  
 6 to reduce consumer complaints, address customer concerns, and curtail  
 7 future Notices of Deficiency ("NODs"). We believe this is consistent with  
 8 the Company's efforts to improve water quality for customers and consistent  
 9 with this Commission's desire for the Company to achieve those  
 10 improvements.

11 **Q. WHAT DOES THIS PLAN REQUIRE?**

12 A. This plan is dependent upon water quality sampling to determine if chemical  
 13 treatment is effective through monitoring of its raw water supplies and entry  
 14 points. It is a long-term operational improvement program and success is  
 15 dependent upon sampling to proactively monitor systems where iron and  
 16 manganese concentrations are above the Secondary Maximum  
 17 Contaminant Levels ("sMCLs"). Long term sampling is obviously required  
 18 to effectively operate the wells and treatment devices.

19 **Q. DOES THE PUBLIC STAFF MAKE ANY RECOMMENDATIONS FOR  
 20 ADDITIONAL FUTURE TESTING TO WHICH YOU OBJECT?**

21 A. Yes. In the testimony provided by Mr. Junis, the Public Staff requests that  
 22 the Company provide bi-monthly written reports for eleven systems.  
 23 Specifically, at page 25 of his pre-filed Direct testimony, he requests that

1 "...summaries be provided that include the results of water laboratory  
2 analysis (including soluble and insoluble concentration levels of iron and  
3 manganese) to measure baseline concentration levels and the  
4 effectiveness of chemical sequestration treatment..."

5 Initially, Aqua submits that this level of reporting to the Public Staff is  
6 excessive and involves expenses (time, money, human resources) that do  
7 not support any articulated increased benefit in monitoring. Secondly, Aqua  
8 notes that if this recommendation is accepted by the Commission, it will  
9 require the Company to provide analytical data for approximately 150 wells  
10 at a monthly cost of \$31.50 sample, which is a monthly cost of  
11 approximately \$11,500. If the Commission determines that this testing and  
12 reporting protocol is actually useful and necessary, then the costs should  
13 be reflected in rates.

14 **Q. WHAT IS YOUR CONCLUSION ON MS. DARDEN'S**  
15 **RECOMMENDATIONS?**

16 A. Ms. Darden is simply mistaken when she concludes that this testing is not  
17 an ongoing cost. The required testing by DEQ is an ongoing regulatory  
18 measure with no existing time limitation. Secondly, the Public Staff has  
19 reviewed Secondary Water Quality Plan, which requires long term  
20 additional testing. If the Public Staff has objected to the testing described in  
21 the Plan, I am unaware of it. Moreover, Public Staff has also required us to  
22 demonstrate prudence when evaluating filtration and as a part of that, has  
23 required us to demonstrate the success of poly-phosphate treatment. The

1 only method to demonstrate the success of the poly-phosphate that I am  
2 aware of is through testing total and soluble iron and manganese levels on  
3 the raw water and post treatment. Furthermore, Mr. Junis himself has  
4 recommended additional testing, including bi-monthly written reports. In  
5 light of this information there is no doubt this testing represents an ongoing  
6 and material expense---one which will increase if Public Staff's  
7 recommendation is accepted.

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

9 **A. Yes.**

1 MS. SANFORD: The witness is available for  
2 cross.

3 COMMISSIONER BROWN-BLAND: All right.

4 MS. JOST: Good morning, Ms. Berger, my name  
5 is Megan Jost.

6 COMMISSIONER BROWN-BLAND: Did you have any  
7 cross?

8 MS. JOST: Pardon.

9 MS. TOWNSEND: The Attorney General --

10 MS. JOST: Oh, I'm sorry.

11 MS. TOWNSEND: -- has no questions.

12 (Laughter)

13 COMMISSIONER BROWN-BLAND: All right.

14 MS. JOST: We do have some questions.  
15 Again, my name is Megan Jost with the Public Staff  
16 Legal Division.

17 CROSS EXAMINATION BY MS. JOST:

18 Q I'd like to just ask you a question about  
19 something you just stated on the recording. You  
20 were aware before the meeting took place that  
21 there would be two Public Staff attorneys in  
22 attendance; is that correct?

23 A No. And I don't mean any disrespect to you. I  
24 didn't realize the position that you were in when

1 I invited you. So, no, I didn't know until  
2 shortly thereafter.

3 Q Did you know that Mr. Grantmyre was going to be  
4 in attendance?

5 A Yes, I did know Mr. Grantmyre had been invited,  
6 uh-huh.

7 Q And you are aware that he is an attorney,  
8 correct?

9 A Yes, I am.

10 Q All right. So you did have an opportunity then  
11 to either object to the presence of the attorney  
12 or to have an Aqua legal counsel present; is that  
13 correct?

14 A Yes, uh-huh.

15 Q All right. I'd like to ask you some questions on  
16 your rebuttal testimony on purchased water now.  
17 On page 3 of your testimony you indicate that you  
18 disagree with the majority of the Public Staff  
19 Witness Junis' adjustment for purchased water; is  
20 that correct?

21 A Yes, ma'am.

22 Q And you state that the reasons for your  
23 disagreement include what you characterize at  
24 lines 22 through 24 as *relying on unduly on an*

1           *analysis of the system serving Flowers Plantation*  
2           *as being relatively "new and leak free" to the*  
3           *exclusion of other important factors; is that*  
4           correct?

5       A     Yes.

6       Q     Can you please explain why you believe Witness  
7           Junis relied on his analysis of Flowers  
8           Plantation unduly?

9       A     I think that when you're looking at water loss  
10          calculations is that you've got to -- there's  
11          various other factors that are in play besides  
12          how new a system is. I believe in my rebuttal  
13          testimony at some point I mention Chapel Ridge.  
14          That is also a new system that's been plagued at  
15          particular times with water loss due to leaks.  
16          So my point there was to draw attention to the  
17          fact there's various different environmental  
18          factors, construction factors, et cetera, that  
19          contribute to water loss.

20      Q     Do you have a copy of Mr. Junis' direct testimony  
21          with you?

22      A     I do.

23      Q     Could you please turn to page 57?

24      A     Okay.

1 Q All right. And beginning on line 17, isn't  
2 Mr. Junis referring to Aqua's response to  
3 Engineering Data Request 13, Question 1, stating  
4 an overall purchased water loss of 13 percent?

5 A That's what's stated, yes.

6 Q And isn't it also true that he continues on to  
7 state that the 13 percent includes a surplus from  
8 the City of Lincolnton, and beginning on line 21  
9 that, and I quote, *Aqua buys approximately half*  
10 *of overall Aqua NC Water purchased water from*  
11 *Johnston County and sells that purchased water to*  
12 *customers in the Flowers Plantation development,*  
13 *a relatively new and leak-free distribution*  
14 *system?*

15 A Yes.

16 Q So, instead of relying on Johnston County water  
17 losses, the basis for his 15 percent (sic) water  
18 loss calculation, as you've asserted in your  
19 rebuttal testimony, isn't Witness Junis actually  
20 making the point that half of Aqua is overall  
21 Aqua NC Water purchased water comes from Johnston  
22 County and is sold to Flowers Plantation which  
23 has a 7 percent water loss rate, which lessens  
24 the effect of the much higher water loss rates

1 from some of Aqua's other systems?

2 A I would state that. I think the question though  
3 is the calculation on a system-by-systemwide.  
4 That's what I was primarily attempting to re- --  
5 to explain in my rebuttal testimony.

6 Q Okay. I'd like to move now to page 4 of your  
7 rebuttal testimony. There you provide background  
8 information on each of the systems for which  
9 Witness Junis made a purchased water adjustment;  
10 is that right?

11 A Yes, ma'am.

12 Q And in this background information you indicate  
13 that water loss from a number of systems was due  
14 at least in part to operational flushing to  
15 address Disinfection-By-Product or DBP issues; is  
16 that right?

17 A Yes.

18 MS. JOST: All right. At this point we  
19 would like to pass out three exhibits that have been  
20 premarked as Public Staff Berger Rebuttal Cross Exam  
21 Exhibits 1, 2, 3 -- 1, 2 and 3, respectively.

22 THE WITNESS: Thank you.

23 BY MS. JOST:

24 Q All right. And do you agree that Exhibit 1 is

1 the Public Staff Engineering Data Request 13,  
2 Question 1, and Aqua's Response.

3 A Yes.

4 Q All right. Do you agree that Question 1 requests  
5 that Aqua quote, provide a detailed explanation  
6 for and reconcile the unaccounted for purchased  
7 water supplied by the City of Asheville, the City  
8 of Concord, the City of Mount Airy, Davidson  
9 Water, Harnett County, Iredell Water, Town of  
10 Pittsboro and Town of Spruce Pines during the  
11 test year ending September 30, 2017.

12 COMMISSIONER BROWN-BLAND: All right. Just  
13 a moment. And I apologize because you've got a long  
14 question out there.

15 MS. JOST: Sure.

16 COMMISSIONER BROWN-BLAND: But these three  
17 exhibits passed out will be identified as they were  
18 premarked by the Public Staff.

19 MS. JOST: Thank you.

20 COMMISSIONER BROWN-BLAND: Public Staff  
21 Berger Rebuttal Cross Examination Exhibits 1, 2 and 3.

22 (WHEREUPON, Public Staff Berger  
23 Rebuttal Cross Examination

24 Exhibits 1, 2 and 3 are marked for

1 identification.)

2 COMMISSIONER BROWN-BLAND: And if you  
3 remember the question, I apologize.

4 MS. JOST: Sure.

5 THE WITNESS: I do. You're fine.

6 BY MS. JOST:

7 Q Okay. All right. On page 14 of your testimony  
8 at lines --

9 COMMISSIONER BROWN-BLAND: Did you answer  
10 the question?

11 THE WITNESS: I don't think she got to it.  
12 Did you?

13 BY MS. JOST:

14 Q Do you agree that that's what Question 1 states?

15 A Yes, ma'am.

16 Q So on page 14 of your testimony at lines 3  
17 through 5, you state Mr. -- quote, *Mr. Junis*  
18 *failed to investigate root causes of water loss*  
19 *and did not consider the Company's proactive*  
20 *measures to address customer concerns and*  
21 *regulatory requirements; is that right?*

22 A Can you tell me what page you're on? I'm sorry.

23 Q Sure. Page 14, lines 3 through 5.

24 A Yes.

1 Q All right. So do you not agree that Witness  
2 Junis requested -- well, his request for a  
3 detailed explanation for water loss is in  
4 Engineering Data Request 13, Question 1, that  
5 that was actually an investigation of the root  
6 causes of those losses?

7 A I can't speak to this specific EDR. I didn't  
8 prepare it. But from my opinion, yes, it does  
9 ask the question.

10 Q Okay. So do you -- you agree though that you  
11 stated in your testimony that he failed to do  
12 that and that was a basis for your disagreement  
13 with his adjustment?

14 A That he -- excuse me. Could you repeat the  
15 question?

16 Q Yes. You've stated on page 14, lines 3 through 5  
17 of your testimony that Mr. Junis failed to  
18 investigate the root causes of water loss. Given  
19 Engineering Data Request 13, Question 1, which we  
20 just went over, do you still believe that  
21 Mr. Junis failed to investigate?

22 A I think he asked specific questions regarding the  
23 accounting and cause but not the specific root  
24 cause in some instances.

1 Q So you -- it's your position that when he said  
2 "provide a detailed explanation for and reconcile  
3 the unaccounted for purchased water" that would  
4 not include the causes of the water losses?

5 A Yes, I guess -- yes and no. I'm not familiar  
6 with this EDR so rating it and looking at the  
7 actual prepared statements by staff, it appears  
8 to have come from just an accounting perspective  
9 so I'm not -- not up to speed with this. So, yes  
10 and no; I can see both points.

11 Q All right. Now, looking back at Exhibit 1, which  
12 is again the Company's response to Engineering  
13 Data Request 13, Question 1, does the portion of  
14 the response related to the Town of Pittsboro  
15 also refer to Aqua as seeking a credit from the  
16 Town for flushing?

17 A Yes.

18 Q Could you tell us what the status of that request  
19 is?

20 A No comment from the Town of Pittsboro; they have  
21 not replied.

22 Q Okay. So there's an outstanding request?

23 A Yes, they've -- they have not -- yeah, they've  
24 never replied to that comment or that request

1 that was provided to the Town in February and to  
2 date they have not replied.

3 Q Has Aqua followed up on the request?

4 A Multiple times, multiple meetings.

5 Q All right. Looking at -- okay, I'm sorry, back  
6 up. All right. Let's look again at Engineering  
7 Data Request 13, Question 1 and the response as a  
8 whole. Looking at that response, do you agree  
9 that there is no mention of DBP flushing with the  
10 exception of the Town of Pittsboro?

11 A Yes.

12 Q Now, subject to check, would you agree that Aqua  
13 filed its update in this case on August 20th of  
14 2018?

15 A Subject to check, yes.

16 Q And, subject to check, would you agree that Aqua  
17 did not include purchased water in its update?

18 A Subject to check.

19 Q Thank you. I'd like to look at Exhibit 2 now,  
20 and this is Public Staff Engineering Data Request  
21 53, question 3, and Aqua's response; is that  
22 right?

23 A Yes.

24 Q And the data request asks for an updated "Item 10

1 NC Purchased Water 093017" spreadsheet  
2 reconciling unaccounted for water and normalizing  
3 the purchased water expense; is that right?

4 A Yes.

5 Q And the response is, like the response to the EDR  
6 we just -- the Engineering Data Request 13 that  
7 we just looked at, contains a narrative for the  
8 various entities; is that right?

9 A Yes.

10 Q Do any of those narratives mention DBP flushing?

11 A Scanning through I don't see that it does, no.

12 Q Okay. Now, you filed your rebuttal testimony in  
13 this case on September 4th of 2018; is that  
14 right?

15 A Yes.

16 Q And as we mentioned earlier, in you rebuttal  
17 testimony you indicate that water loss from a  
18 number of systems was due at least in part to  
19 operational flushing to address DBP issues; is  
20 that right?

21 A Yes.

22 Q Isn't it correct that with the exception of the  
23 Town of Pittsboro, your rebuttal testimony is the  
24 first time that Aqua indicated that DBP flushing

1            contributed to its water loss, even though Aqua  
2            provided two responses to data requests on that  
3            issue?

4            A     Based on these, yes, I would agree; uh-huh.

5            Q     So wouldn't you also agree then that it would  
6            have been nearly impossible for Witness Junis to  
7            account for his extra flushing in his water loss  
8            analysis given that there was no indication that  
9            DBP flushing had occurred until you filed your  
10           rebuttal testimony?

11          A     It would have been difficult, yes.

12          Q     All right. I'd like to look now at Exhibit 3.  
13          And this is the Public Staff Engineering Data  
14          Request 58, and we have questions 4, 3, 5 and 7  
15          attached together?

16          A     Uh-huh (yes).

17          Q     Is that right?

18          A     Yes, ma'am.

19          Q     Okay. And is the subject of this data request  
20          Rebuttal Berger?

21          A     Yes.

22          Q     Would you please read the question that appears  
23          there next to the capital Q?

24          A     For question 4?

1 Q Yes.

2 A On page 5, lines 12 through 17, please provide a  
3 table of the 12-month rolling average of  
4 unaccounted for water loss during the three-year  
5 period ending June 2018, the dates, duration, and  
6 quantity of water flushed during the three-year  
7 period ending June 2018, and the Company's  
8 estimate of the necessary frequency and quantity  
9 of flushing on an ongoing annual basis.

10 Q And, subject to check, would you agree that page  
11 5, lines 12 through 17 of your testimony that are  
12 referenced in that question discuss Davidson  
13 Water including Aqua's increased flushing due to  
14 DBP issues?

15 A Yes, subject to check, I think the question for  
16 it had to cross, but yes.

17 Q All right. Now, could you please read the  
18 response next to the capital letter A there?

19 A Due to the timeline to satisfy this request, the  
20 Company is unable to provide historical data at  
21 this time. The Company cannot provide an  
22 accurate estimate of the amount of flushing  
23 required in the future. The flushing volume will  
24 be determined based on the levels of Disinfectant

1           *By-Products found in the source (purchased) water*  
2           *and our efforts to resolve the issue with the*  
3           *purveyor.*

4       Q     All right. Subject to check, would you agree  
5           that the Company also did not provide flushing  
6           data requested in Engineering Data Request 58,  
7           Questions 3, 5 and 7, which are attached?

8       A     Yes. That was due to the timeline in which this  
9           request made.

10      Q     Would you agree that Aqua in this case is seeking  
11           to recover purchased water expense for flushing  
12           that the Company has been unable to quantify  
13           either historically or on an estimated basis  
14           going forward?

15      A     Can you repeat that, please?

16      Q     Sure. Would you agree that Aqua is seeking to  
17           recover in this case purchased water expense for  
18           flushing that the Company has been unable to  
19           quantify either historically or on an estimated  
20           basis going forward?

21      A     I not necessarily would agree with that  
22           statement. I think we could have if given an  
23           opportunity in time. And then with regards to  
24           the future, it's very difficult to make an

1 estimation. We could attempt to but, once again,  
2 it's always just an estimate.

3 Q Your request to recover these expenses was filed  
4 this spring, correct?

5 A Yes, uh-huh.

6 Q And so in these more recent data requests from  
7 September you still were unable to quantify that,  
8 correct?

9 A I wasn't able to quantify it in September, no.

10 Q Okay. Thank you. I'd like to focus a little  
11 more now on the City of Asheville which you  
12 address in your testimony on page 4. Would you  
13 agree that the information regarding the City of  
14 Asheville system describes a leak and eventual  
15 capital water main replacement project to correct  
16 that leak?

17 A Yes.

18 Q Would you agree that Aqua had 74 percent water  
19 losses in the Asheville system for the test year?

20 A Yes.

21 Q Do you think it's reasonable for customers to pay  
22 74 percent -- for 74 percent water loss?

23 A No. But I think you have to look at the  
24 circumstances behind this specific leak and the

1 attempts the Company made to make the repair --  
2 or, one, to find the leak and then make the  
3 repair. Unfortunately, this happens in the  
4 utility industry. You have leaks so it's  
5 sometimes difficult to find them. But, yes, I  
6 understand your position.

7 Q So you'd agree that 74 is high?

8 A It is high but it's also one of those cases where  
9 you've got to look at the circumstances in a  
10 specific real world application of attempting to  
11 find the leak, make the repair, and then also the  
12 capital improvement that needed to be done to  
13 prevent this water loss in the future.

14 Q I'd like you to please turn to page 14 of your  
15 testimony now, lines 5 through 7. Do you agree  
16 that you state that "Mr. Junis failed to  
17 factor the costs involved in any potential  
18 infrastructure improvements that may be  
19 associated with further addressing the water loss  
20 issues"?

21 A Yes.

22 Q Are you aware that since the last rate case the  
23 Company has and will in the future be able to  
24 complete main replacements to address leaks?

1 A Yes.

2 Q Does the same hold true for main extensions to  
3 eliminate dead ends to help address DBP issues?

4 A I can't speak to that but, yes, subject to check.

5 Q And what about implementing treatment and  
6 installing filters to comply with water  
7 standards?

8 A Yes.

9 Q So all of these, would you agree, are eligible  
10 for recovery between rate cases through the WSIC  
11 mechanism?

12 A Yes. My statement was that I didn't see in his  
13 calculation that he applied that reasoning.

14 Q All right. At this point I'd like to move on to  
15 testing expense. So one of the criticisms you  
16 make in your rebuttal testimony of Witness,  
17 Public Staff Witness Darden's adjustments to lab  
18 testing expenses is that it ignores what you  
19 describe as other types of lab testing needed to  
20 provide water service to customers; is that  
21 right?

22 A Yes.

23 Q And when you say that are you referring to  
24 operational testing?

1 A Operational and process testing, yes.

2 Q Were you in the hearing room last Tuesday during  
3 the cross examination of Witness Darden?

4 A Yes.

5 Q And did you hear her state on redirect that she  
6 did not disagree with the Company's recovery of  
7 operational testing expenses, but that the  
8 tested -- or the expenses recovered needed to be  
9 reasonable?

10 A Yes, uh-huh.

11 Q You indicate in your testimony on page 17, lines  
12 3 through 5, that the Company included compliance  
13 and operational lab testing in its rate case  
14 application at Item 12b; is that correct?

15 A Yes.

16 Q Did the Company specify in the application what  
17 portion of that expense is attributable to  
18 compliance and what portion is attributable to  
19 operational testing?

20 A What we provided was, per her request, was a  
21 breakdown of all of our compliance sampling,  
22 which was provided, and the costs were -- the  
23 costs per test were also provided, then we  
24 provided actuals. So in my opinion, yes, we did

1 because a deduction from what we've actually  
2 spent minus what we've spent for compliance gives  
3 a balance that we apply towards that operational  
4 testing.

5 Q All right. In your rebuttal testimony on page  
6 16, lines 21 through 26, you provide figures for  
7 annual testing expense which includes operational  
8 and compliance testing for the years 2015 through  
9 2017; is that right?

10 A What page?

11 Q Page 16, lines 21 through 26.

12 A Okay. One second. Yes, I did.

13 MS. JOST: At this point we are going to  
14 pass out what has been premarked as Public Staff  
15 Berger Rebuttal Cross Exam Exhibit 4.

16 THE WITNESS: Thank you.

17 BY MS. JOST:

18 Q And this is the Public Staff Engineering Data  
19 Request 58, Question 10 and Aqua's response; is  
20 that right?

21 A Yes.

22 COMMISSIONER BROWN-BLAND: This document  
23 will be identified as it has been premarked Public  
24 Staff Berger Rebuttal Cross Examination Exhibit 4.

1 (WHEREUPON, Public Staff Berger  
2 Rebuttal Cross Examination Exhibit  
3 4 is marked for identification.)

4 BY MS. JOST:

5 Q Would you agree that the question on this data  
6 request requests that the annual testing expense  
7 data you provided for years 2015 through 2017 on  
8 page 16 of your rebuttal testimony be separated  
9 into the expense attributable to compliance  
10 testing and not attributable to operational  
11 testing?

12 A Yes. That's what the question was, uh-huh.

13 Q Could you please read your response?

14 A Based on the timeline provided for this request,  
15 the only available work paper we have at our  
16 disposal is attached and labeled Special &  
17 Compliance. It is an accounting of special and  
18 compliance samples for which a work order was  
19 assigned. Please note, work orders are not  
20 assigned for all compliance or operational  
21 testing.

22 Q So you just said that the information that was  
23 provided previously in the application could have  
24 been used to segregate the operational testing

1 and the compliance testing; is that right?

2 A Yes. The invoices actually spell out what the  
3 testing was and then also the cost. So that  
4 information was provided in the invoices.

5 Q So why is it then that you couldn't provide  
6 Ms. Darden with the information she requested?  
7 Why this caveat about the timeline?

8 A Well, what they were specifically asking for is a  
9 breakdown of all of our compliance testing for  
10 over a year. So -- and then they wanted it in  
11 a -- separated out line item by line item which  
12 would have essentially required me to go in and  
13 look at every one of our invoices, which are  
14 typically 150 to 250 pages per month and break it  
15 down in a matter of a day and a half.  
16 Unfortunately, due to prior engagements I wasn't  
17 able to satisfy their request. So what I did  
18 was -- we do have a work order system where the  
19 majority, a large majority of our samples go into  
20 and that's how it's assigned to our operators.  
21 So I had a report ran from that software package,  
22 and it took about seven hours to have the report  
23 ran, and provided all of the data from 2016 up  
24 until, I think it was August 31, 2018. And I

1 think it had over 20,000 entries in it so it  
2 provided at least some known documentation to  
3 support. But on a day and a half that's all I  
4 could do.

5 Q About what portion of the total did that report  
6 cover?

7 A I would say anywhere between 85 and 90 but it's  
8 been some time since I looked at it to be honest  
9 with you, but the majority is included in that  
10 report.

11 Q You would agree though that you have not provided  
12 the Public Staff with all of the testing  
13 expenses?

14 A No, we've provided the expenses.

15 Q With a break down. I'm sorry. You have not  
16 designated them as either operational or  
17 compliance.

18 A No. I wasn't asked until September the 5th.

19 Q All right. Would you agree that it's difficult  
20 for the Public Staff to determine, or anybody for  
21 that matter, to determine whether the costs Aqua  
22 seeks to recover are reasonable if they can't be  
23 quantified?

24 A I would agree. But we've been asked twice to

1 provide our sampling data information and not  
2 once did it include operational. So, if we would  
3 have been asked to provide the operational or the  
4 disparities between the costs that we indicated  
5 in the table versus -- versus just the compliance  
6 we could have done so, just not on such a short  
7 timeline.

8 Q But -- well, you would agree that Aqua is the  
9 party requesting recovery of these expenses,  
10 correct?

11 A Yes, we are.

12 Q Is Aqua currently tracking compliance and  
13 operational testing separately?

14 A To some degree. In the real world application,  
15 there are samples that are taken very, very  
16 quickly. In the instance that Mr. Grantmyre  
17 brought up a moment ago regarding total coliform  
18 testing, that's often done. We receive a  
19 notification from the lab. We have to take a  
20 sample very quickly that day. So, no, that  
21 information is tracked on our invoices. It's not  
22 tracked in a spreadsheet or our Siemens MES  
23 solution. But, overall, anywhere between 90 to  
24 95 percent is tracked. It's those one-offs that

1 are very difficult to quantify in certain cases.

2 Q All right. Please take a look at page 19 of your  
3 testimony, lines 9 through 11. And there you  
4 state that the tests that are not performed on an  
5 annual schedule are amortized over three years;  
6 is that correct?

7 A Yes.

8 Q And you also specify that UCMR testing is  
9 amortized over six years, correct?

10 A Yes.

11 Q Could you please tell us how other tests with  
12 six, nine -- or six year, nine year, and other  
13 frequencies are amortized in Aqua's application?

14 A I'm not the best one to answer this question.  
15 I'll take a stab. My understanding is we  
16 amortize it over three years with the -- all of  
17 our 3, 6, 9 is amortized over three years with  
18 the exception of the UCMR. But Mr. Gearhart is a  
19 better one to answer that than myself.

20 Q All right. Would you agree subject to check that  
21 the Public Staff asked for this information in  
22 Engineering Data Request 58, Question 11, and  
23 Aqua did not provide a response?

24 A Subject to check, yes.

1 Q I'd like to now discuss the testing update which  
2 relates to Notice of Deficiencies.

3 A Uh-huh (yes).

4 Q Now, you state on page 19 of your rebuttal  
5 testimony, lines 22 through 23, that the Company  
6 annualized the testing costs incurred between  
7 January 2018 and June 2018; is that right?

8 A Yes, it is.

9 Q And the Public Staff disagrees with this  
10 annualization because it believes the frequency  
11 with which these tests must be conducted will  
12 most likely decrease in the future; is that  
13 right?

14 A Yes, that's what they've stated.

15 Q Now, you state in your testimony on page 20 that  
16 the Public Staff is mistaken in its belief. And  
17 that pursuant to the State's rules regarding the  
18 concentration of iron and manganese DEQ  
19 determines the sampling frequencies required for  
20 these constituents and that requirement is  
21 ongoing; is that right?

22 A Yes, they are ongoing.

23 Q Could you please read 15 A NCAC 18C.1512, which  
24 is the rule regarding the concentration of

1 manganese, and that appears in your testimony at  
2 page 20, lines 10 through 14.

3 A Yes. A *community water system which has an iron*  
4 *concentration in excess of 0.30 mg/L (sic) shall*  
5 *provide treatment to control the water quality.*  
6 *Analysis of samples should be made on an*  
7 *as-needed basis as determined by the department.*

8 Q Thank you. Would you agree that there's nothing  
9 in the rule that you just read that states DEQ  
10 cannot amend its determination as to how  
11 frequently samples should be analyzed?

12 A Yes, I would agree, they can amend; uh-huh.

13 Q Do you also agree that in practice a utility  
14 makes the recommendation to DEQ as to what the  
15 testing frequency should be, and DEQ reviews that  
16 recommendation and either approves or disapproves  
17 it?

18 A That's correct.

19 MS. JOST: At this point we would like to  
20 pass out what has been premarked as Public Staff  
21 Berger Rebuttal Cross Exam Exhibits 5 and 6. Exhibit  
22 6 is a CD that contains excerpts --

23 COMMISSIONER BROWN-BLAND: Hold on just a  
24 minute.

1 MS. JOST: Oh, sure. All right. I think  
2 everybody has a copy now.

3 COMMISSIONER BROWN-BLAND: We have Exhibit  
4 5. So this is excerpts from Amanda Berger's  
5 recording --

6 MS. JOST: Correct.

7 COMMISSIONER BROWN-BLAND: -- from the  
8 August 29, 2018, Secondary Water Quality Meeting --

9 MS. JOST: That's right.

10 COMMISSIONER BROWN-BLAND: -- is marked as  
11 Public Staff Berger Rebuttal Cross Examination Exhibit  
12 5 and it will be so identified.

13 MS. JOST: Thank you.

14 (WHEREUPON, Public Staff Berger  
15 Rebuttal Cross Examination Exhibit  
16 5 is marked for identification.)

17 COMMISSIONER BROWN-BLAND: We do not have 6.

18 MS. JOST: Exhibit 6 is the CD that contains  
19 excerpts of the audio recording and we have passed --  
20 and this is the audio recording taken by Ms. Berger.

21 COMMISSIONER BROWN-BLAND: Well, 6 is -- I  
22 thought you were still addressing me. Six is the CD?

23 MS. JOST: It is a CD. And so we've  
24 provided copies to the court reporter, the A.G., Aqua

1 and Commission Staff --

2 COMMISSIONER BROWN-BLAND: All right. That  
3 will be identified as Public Staff Berger Rebuttal  
4 Cross Examination Exhibit 6.

5 MS. JOST: Okay. Thank you.

6 (WHEREUPON, Public Staff Berger  
7 Rebuttal Cross Examination Exhibit  
8 6 is marked for identification.)

9 MS. JOST: If you could just give us a  
10 moment, we are in the process of displaying Exhibit 5  
11 on the screen there.

12 And with the Commission's permission, we  
13 would like to go ahead and play the excerpts from the  
14 meeting, which are on Exhibit 6.

15 COMMISSIONER BROWN-BLAND: All right. Go  
16 ahead.

17 (Whereupon, the following is taken  
18 from an audio recording of Exhibit  
19 6 that was played during the  
20 hearing.)

21 SPEAKER 1: We are looking for a rational  
22 basis to be explained in the responses to the Notice  
23 of Deficiency and for it to -- so that each response  
24 should be a -- a growing explanation of what has taken

1 place to resolve the situation and an explanation of  
2 future steps. And that explanation of future steps,  
3 we fully expect it will be Aqua's recommendation as to  
4 what the future monitoring should be.

5 MS. JOST: Thank you.

6 BY MS. JOST:

7 Q Ms. Berger, does the transcript on Exhibit 5 of  
8 that first excerpt accurately reflect the  
9 recording that was just played?

10 A That minute of it, yes.

11 Q Okay. And the person who spoke there was Bob  
12 Midgett; is that right?

13 A Yes, ma'am.

14 Q And he is the operations branch head for the  
15 Public Water Supply Section of DEQ; is that  
16 right?

17 A Yes, he is.

18 Q Would you agree that in that excerpt that we just  
19 listened to, he states that Aqua and not the  
20 Public Water Supply Section should make a  
21 recommendation as to what future testing  
22 frequencies should be?

23 A That's what he stated in that minute.

24 Q And would you also agree that his statement

1 indicates that the testing frequency currently  
2 approved may change?

3 A Yes, he did.

4 Q All right.

5 At this time I would like to play  
6 the second except.

7 (Whereupon, the following is taken  
8 from an audio recording of Exhibit  
9 6 that was played during the  
10 hearing.)

11 SPEAKER 2: I think what we need to do is to  
12 look at it from an operational perspective, like Bob  
13 is saying, and as -- as we go through each one of  
14 these, where we see -- we see the trend we -- or we  
15 realize we've got enough, and we propose it.

16 SPEAKER 1: But as a -- as a generalized  
17 statement, I think that makes sense to me, to continue  
18 monthly through September with a -- in general, I  
19 would like for planning or budgetary purposes, I would  
20 anticipate then quarterly for the next year, and then  
21 we'll see after that. I mean, maybe you could start  
22 doing just -- if I -- if I looked at the data and it  
23 supported it I could see proposing, I'm going to do it  
24 annually.

1 BY MS. JOST:

2 Q All right. You were the first person who speaks  
3 in that excerpt; is that right?

4 A In that portion, yes.

5 Q And Mr. Midgette is the second, correct?

6 A Yes.

7 Q Do you agree that Mr. Midgette states in the  
8 excerpt we just listened to that he anticipates  
9 Aqua could reduce testing frequency from monthly  
10 to quarterly next year and possibly annually  
11 thereafter if the data support it?

12 A That's what he states but that's just a small  
13 expert (sic) of the entire conversation as a  
14 whole. Mr. Allen Hardy also rebuts Mr. Midgette  
15 later on, shortly thereafter that stating that we  
16 can propose it; however, it's up to him to  
17 determine if we -- if he approves it or not.

18 Q But you agree that he acknowledges that testing  
19 frequency could be reduced in the future?

20 A Yes, for NODs --

21 Q Yes.

22 A -- specifically not operational testing.

23 Q Thank you. Your rebuttal testimony in this case  
24 was filed on September 4th, six days after that

1 meeting that we just listened to, correct?

2 A Yes.

3 Q I'd like to refer you to pages 19 and 20 of that  
4 testimony.

5 A Okay.

6 Q And if you could look at, beginning at line 23 on  
7 page 19, now there and continuing through line 6  
8 on page 20, you disagree with Witness Darden's  
9 conclusion that the DEQ Public Water Supply  
10 Section may decrease or stop requiring testing  
11 after September 2018 and, therefore, NOD testing  
12 expenses are not ongoing expenses; is that right?

13 A Yes.

14 Q Given Mr. Midgette's testimony in the second --  
15 or his statement in the second excerpt that we  
16 just listened to, that he anticipates Aqua could  
17 reduce testing frequency from monthly to  
18 quarterly or even annually after September. Do  
19 you still disagree with Witness Darden?

20 A Yes, I do.

21 Q And why is that?

22 A Because the specific excerpt that you've listed  
23 here is a very small context -- or just expert  
24 (sic) of a much larger in three-hour conversation

1           regarding Secondary Water Quality sampling. And  
2           with that, he does make that recommendation on a  
3           specific case-by-case basis where we have the  
4           data that demonstrates that we have a resolution  
5           in place that, yes, we can propose; however, we  
6           don't have a resolution on all of our NODs, and  
7           we also still have 200 other systems out there  
8           that are either group one or group two that we  
9           need to utilize those funds to go out and  
10          proactively address our Secondary Water Quality  
11          issues. And that, I believe, we're all in  
12          agreement is what we intend to do with those  
13          additional expenses. So I agree with the fact  
14          that on a case-by-case basis he did state that we  
15          could propose differently. But, once again,  
16          that's not a blanket statement for all of our  
17          NODs.

18        Q    On page 20, lines 18 through 20 of your testimony  
19            you state, *there certainly is no basis on which*  
20            *to conclude that the process will be discontinued*  
21            *after September 2018.* And here we're talking  
22            about NOD testing, correct?

23        A    Yes. It hasn't concluded.

24        Q    Don't you think that Mr. Midgette's statement in

1 the second except that we just listened to is a  
2 basis on which to conclude that the process will  
3 be revised to require less frequent testing than  
4 Aqua is currently conducting?

5 A I think it's up to Aqua to propose it to DEQ and  
6 DEQ to review and either accept or deny.

7 MS. JOST: All right. I would move that the  
8 exhibits marked as Public Staff Berger Rebuttal Cross  
9 Exhibits 1 through 6 be entered into evidence.

10 COMMISSIONER BROWN-BLAND: Okay. Let's wait  
11 til we hear from -- on redirect.

12 MS. SANFORD: Okay. So the Public Staff is  
13 through, right?

14 MS. JOST: . I am.

15 MS. SANFORD: Okay. Thanks.

16 REDIRECT EXAMINATION BY MS. SANFORD:

17 Q So, Ms. Berger, let's start where you left off  
18 with Ms. Jost. This meeting of August the 29th  
19 is a meeting that you tried to get for a long  
20 time, right?

21 A Yes, ma'am.

22 Q Had you prior to that been in conversation with  
23 DEQ about reporting treatment -- the water  
24 quality issues?

1 A Yes.

2 Q Had you been in any with the Public Staff?

3 A Yes, I had.

4 Q These were ongoing conversations; is that  
5 correct?

6 A Ongoing and will be ongoing.

7 Q And will be ongoing. And in the meeting on the  
8 29th we've already established who was there and  
9 what the conversation was. Mr. Midgette and --  
10 or Midgette (pronounced midget), I'm not sure  
11 how -- I guess it varies how you say it between  
12 here and the Outer Banks. Mr. Midgette said in  
13 the portion that Ms. Jost quoted with respect to  
14 NODs, I think you said it was, he said, *as a*  
15 *generalized statement, I think it makes sense to*  
16 *me; right --*

17 A Yes.

18 Q -- to do this? And -- but Mr. Hardy -- in the  
19 course of just a conversation which you were all  
20 having, Mr. Hardy had a different view about what  
21 their view might be.

22 A Yeah. The context behind this specific  
23 conversation relates to -- just real quickly,  
24 Mr. Joe Pearce making a recommendation to reduce

1           sampling on some of our NOD sites where we -- we  
2           know we're going to be installing Greensand  
3           filtration, our sampling efforts have clearly  
4           indicated that that's the next course of action.  
5           However -- and from that we began a conversation  
6           regarding operational testing and applying those  
7           funds towards the next round that -- and in the  
8           course of this conversation, and it was stated  
9           numerous times, Aqua's goal is to be proactive.  
10          I don't want to continue to receive NODs from  
11          DEQ. I don't think anyone in this room does, the  
12          Public Staff included. So our goal is to -- as  
13          we work through NODs is to address those sites,  
14          determine the resolution, propose to DEQ and  
15          hopefully they will accept our suggestion, and  
16          then from that, take those monies that are  
17          allocated and now let's move on to the next  
18          system before we have a NOD. It's all about  
19          being proactive at this point.

20        Q     And did you not during that meeting express  
21              concern about the need -- your perception of the  
22              need to do operational sampling and the concern  
23              that if you didn't you might have compliance and  
24              NOV issues?

1 A Yes, there was two conversations regarding that.  
2 One, I believe Ms. Darden asked a question and  
3 Bob Midgette replied that he looks at iron and  
4 manganese no differently -- I'm paraphrasing  
5 here. He looks at iron and manganese no  
6 differently than any other course of treatment.  
7 You don't go install, you know, put chlorine in a  
8 surface water treatment plant or a well and then  
9 walk away and never check your chlorine. And  
10 that applies not only from just sampling for  
11 contaminants or sampling from a filter.

12 The second thing is there was some  
13 discussion regarding operational sampling. And,  
14 yes, I did speak up, that my concern is is that  
15 if this sampling is not ongoing we find ourselves  
16 in a position where -- yeah, we find ourselves in  
17 a complaint and NOV-based driven organization,  
18 and in follow-up conversations with Mr. Midgette  
19 he has expressed the same concern.

20 Q And didn't Mr. Grantmyre at that meeting indicate  
21 that the Public Staff has perhaps pushed - I'm  
22 not sure of the exact word - but encouraged or  
23 pushed, or something affirmative in that fashion,  
24 Aqua to do testing, soluble and insoluble?

1 A Yes.

2 Q It's the same kind of testing that Ms. Jost was  
3 talking to you about?

4 A Yes, uh-huh.

5 Q Okay. And I believe he -- did he indicate that  
6 kind of testing has been going on since the late  
7 '70's and the Public Staff favors that. I'm sure  
8 he meant an appropriate amount of it, but it was  
9 a positive statement about the need to do it; is  
10 that correct?

11 A Yes. He was very supportive.

12 Q And did Mr. Midgette indicate during this meeting  
13 that he didn't think they should prescribe the  
14 frequency and location; that's best done by the  
15 utility?

16 A Yes, several times. It's his opinion that where  
17 we sample and how much we sample should be based  
18 on the needs of the operator and the utility.

19 Q And so from that conversation he also made the  
20 comment as was quoted by Ms. Jost on the -- or on  
21 the film I think, that as a generalized statement  
22 he would consider a monthly or that sort of  
23 thing?

24 A Yes, on a case-by-case basis. And really it is

1 our responsibility, Aqua's responsibility to  
2 propose to reduce sampling in places where we  
3 know the next course of the action. But on that  
4 same token we need our operational sampling not  
5 only for Secondary Water Quality but primary  
6 contaminants. And so you -- you know, I don't  
7 know of a utility that can only run based on  
8 compliance sampling. The operational is the most  
9 critical point -- critical piece because it's  
10 what keeps you in compliance.

11 Q Ms. Berger, does management require discretion to  
12 sample and test systems as needed, in your  
13 professional opinion?

14 A Does Aqua management?

15 Q Yes. Do you need that discretion to determine?

16 A Absolutely.

17 Q Are you able to predict what this level of  
18 testing should be or is it greater than minimum  
19 DEQ-required testing for your operational  
20 purposes?

21 A Yes. It's -- the compliance sampling is the  
22 larger portion of our budget. Don't get me  
23 wrong, but operational, we do attempt as best as  
24 we can to schedule this out based on specific

1 needs, especially Secondary Water Quality, we do  
2 have some flexibility there. However, there's  
3 primary contaminants that pop every once in a  
4 while that we can't.

5 Q So can you tell me what level of lab testing  
6 expense you're requesting in this case as between  
7 test year or updated through 6/30/2018?

8 A Can I look at my notes?

9 Q Quickly. And if you don't know that's fine.

10 A It's somewhere. I have a large stack of papers.  
11 I'm sorry. So in this particular case the  
12 actuals through 6/30, we're asking for  
13 \$1,050,000.

14 Q Thank you. And your request for operational  
15 testing is -- it is -- because it's a primary  
16 expense related to your effort to deal with your  
17 water quality issues; is that correct?

18 A Yes.

19 Q Let's go a little -- back to a little earlier in  
20 your cross examination and I guess -- I guess  
21 I'll call this "the why didn't you, why didn't  
22 you just", with respect to various questions  
23 relating to your failure, or refusal, or  
24 whichever it was, to answer certain questions

1 that were requested of you on September the 5th,  
2 right?

3 A Yes.

4 Q One of those lines of questions had to do with  
5 the rolling average of unaccounted for water  
6 during the three-year period, and I think  
7 Ms. Jost said that your application was filed in  
8 the spring, right?

9 A Yes.

10 Q But the data request came September the 5th; is  
11 that right?

12 A Yes.

13 Q Was that the week before this hearing was to  
14 start?

15 A Yes.

16 Q Were you in the room yesterday to hear the  
17 tedious, long conversation that I pursued about  
18 Data Requests 58 through 62, when they came in,  
19 how many answers we gave?

20 A Yes. EDR58 was like, I think, 11 or 12  
21 questions.

22 Q You didn't have time to answer this question on  
23 September the 5th; is that the truth?

24 A Yes, that's the truth.

- 1 Q Give me one minute and perhaps I will be through.  
2 Asheville, quickly on Asheville,  
3 we've had a lot of conversation about that.  
4 Didn't Aqua in August revise its water loss --  
5 its purchased water expense for Asheville by  
6 reducing it almost \$13,000?
- 7 A I believe so.
- 8 Q Okay.
- 9 A Subject to check.
- 10 Q And so, therefore, the revised expense did not  
11 reflect the water loss at 74 or seventy --  
12 74 percent; is that correct?
- 13 A Yeah. Subject to check, uh-huh.
- 14 Q Is this Asheville -- is this a big system?
- 15 A It's 26 customers.
- 16 Q Twenty-six customers.
- 17 A It's very, very small.
- 18 Q And so the 74 percent is a high percentage but  
19 it's on a small customer base; is that correct?
- 20 A It wouldn't take a very small leak to make a big  
21 difference on water loss.
- 22 Q Did -- can you tell us quickly what the basis was  
23 for the water loss issue at the Asheville with  
24 the 24 or 26 customers?

1 A Like the cause?

2 Q Yeah, the reason.

3 A The previous owners of the system, or developer  
4 of the system, excuse me. The developer placed  
5 the line on rock, and it was an aging system, and  
6 over the course of time there was a leak on that  
7 particular line. Unfortunately because the line  
8 was placed directly on rock, it seeped down  
9 through the surface so the leak did not bubble up  
10 to the top. It made it very, very difficult for  
11 us to try to find it. It was through the course  
12 of a -- the actual replacement project that we  
13 determined and found where the leak was. Also,  
14 the type of pipe - there's technology that you  
15 can use that will help you find leaks. We can't  
16 use that technology on rock or on PVC pipe, so we  
17 tried, but we did fix it.

18 Q I'm going to go back to one -- actually, no, I'm  
19 not. I have no more questions.

20 A Okay.

21 COMMISSIONER BROWN-BLAND: Are there  
22 questions by the Commission?

23 (No response)

24 All right. Then we're near the end with

1 this witness.

2 The Public Staff's Berger Rebuttal Cross  
3 Examination Exhibits 1 through 6 will be received into  
4 evidence and the direct exhibit, Aqua Berger Exhibit  
5 1, which is the thumb drive will be received into  
6 evidence.

7 (WHEREUPON, Public Staff Berger  
8 Rebuttal Cross Examination  
9 Exhibits 1 through 6 are admitted  
10 into evidence.)

11 (WHEREUPON, Aqua Berger Exhibit 1  
12 is admitted into evidence.)

13 COMMISSIONER BROWN-BLAND: And, Ms. Sanford,  
14 could you clarify, that thumb drive, the contents of  
15 the thumb drive is the recording only and not a  
16 transcript --

17 MS. SANFORD: It is not a transcript. It is  
18 a recording only of the two hour and fifty minute  
19 meeting.

20 COMMISSIONER BROWN-BLAND: All right. So --  
21 and out of an abundance of caution from the beginning  
22 of this hearing through this moment, all the direct,  
23 redirect, cross and rebuttal exhibits that have been  
24 identified are received into evidence.

1           That brings us -- so we had a pending motion  
2 regarding this tape -- it was called a motion on  
3 confidentiality I believe, just for purposes of  
4 clearing up the record, the motion was allowed as  
5 objection was withdrawn.

6           I remind all the parties that an intervenor,  
7 another intervenor is in this case, Mr. Eric Galamb.

8           To address the record, we'll remain open to  
9 receive all the requested late-filed exhibits.

10           And the proposed orders in this matter shall  
11 be filed by close of business on Tuesday, October the  
12 23rd. That gives you 27 days from today.

13           I think --

14           MR. GRANTMYRE: Madam Chairperson, the  
15 Public Staff may -- just to alert you that in our  
16 proposed order may ask the Commission to take judicial  
17 notice of some of the Commission Orders surrounding of  
18 Carolina Water's history with the Commission in regard  
19 to contracts back in this time period. We may or may  
20 not, but I'm just -- you know, the Commission can take  
21 judicial notice of its Orders.

22           COMMISSIONER BROWN-BLAND: We'll deal with  
23 that when we see it.

24           Is there anything else that needs to be

1 dealt with as a procedural matter before we bring this  
2 to a close?

3 MS. SANFORD: No, ma'am, not from Aqua,  
4 other than to thank the Commission for its attendance  
5 and to thank our colleagues on the other side of the  
6 room for their passion and their hard work in this  
7 case. It's been a tough case for everybody and we  
8 appreciate everybody's efforts.

9 COMMISSIONER BROWN-BLAND: Thank you. I  
10 believe that we have gone on with this cases for  
11 approximately some 28 hours.

12 Thank you all for your participation. We've  
13 beat the horse dead. And we just hope that all  
14 that -- we hope and intend all that is for the good of  
15 the customers of this utility as well as for the  
16 utility. With that being said, we are adjourned.

17 And I forgot to say you're excused, but the  
18 witness is excused.

19 THE WITNESS: Thank you.

20 (The witness is excused)

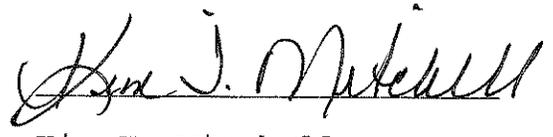
21 COMMISSIONER BROWN-BLAND: We are adjourned.

22 (WHEREUPON, the proceedings were adjourned.)  
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C E R T I F I C A T E

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



Kim T. Mitchell  
Court Reporter II