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May 1, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603

RE: *Application for Certificate of Public Convenience and Necessity and Registration Statement for ONSWC Chatham North, LLC in Chatham County NCUC Docket No. W-1300 Sub 55*
Application for Transfer of Public Utility Franchise and for Approval of Rates from Old North State Water Company to ONSWC- Chatham North, LLC NCUC Docket No. W-1320 Sub 0
Application for Transfer of Public Utility Franchise of Finch Creations dba Ferrington Utilities to ONSWC - Chatham North, LLC in Chatham Co. (Amended Purchaser NCUC Docket No. W-1320 Sub 2
Application for Transfer of Public Utility Franchise of Finch Creations dba Ferrington Utilities to ONSWC in Chatham Co. Waste Water Only NCUC Docket No. W-661 Sub 9

Dear Ms. Campbell:

On behalf of ONSWC - Chatham North, LLC, we herewith submit the **Supplemental Direct Testimony of John McDonald** in the above-referenced consolidated dockets.

Pursuant to Commission Order dated April 16, 2020 filed in M-100, Sub 158, the Company will not deliver copies of its testimony and exhibits to the Commission.

Should you have any questions concerning this testimony or exhibits attached thereto, please do not hesitate to contact me.

Sincerely,

/s/ Karen M. Kemerait

CC: All Parties of Record
Enclosures

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-1320, Sub 0
DOCKET NO. W-1300, Sub 55
DOCKET NO. W-1320, Sub 2
DOCKET NO. W-661, Sub 9**

SUPPLEMENTAL DIRECT TESTIMONY

OF

JOHN MCDONALD

May 1, 2020

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS AND YOUR
2 RELATIONSHIP WITH THE APPLICANT ONSWC – CHATHAM
3 NORTH, LLC (“CHATHAM NORTH”).

4 A. My name is John McDonald, and I am Vice-President and Secretary of
5 Chatham North. I am the sole member of Integra Water, LLC, which
6 currently has a majority ownership interest in Chatham North. My business
7 address is 3212 6th Avenue South, Suite 200, Birmingham, Alabama 35222,

8
9 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES WITH
10 REGARD TO THE PROJECT THAT IS THE SUBJECT OF THESE
11 DOCKETS.

12 A. I am responsible for providing and/or procuring financing for Chatham
13 North that will allow it to own, maintain, and expand the Briar Chapel
14 reclaimed water utility and the Fearington Village wastewater utility system
15 and for providing financial management for the merged enterprise.

16

17 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THESE DOCKETS?

18 A. No, I have not previously filed testimony in these dockets.

19

20 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT
21 TESTIMONY?

22 A. The purpose of my testimony is to provide information in response to
23 customer service issues raised by public witnesses in the January 14, 2020
24 hearing in Pittsboro, highlight some actions being planned and undertaken to

1 resolve the customer service issues, discuss some of the capital investment
2 plans to expand the Briar Chapel reclaimed water utility system, and address
3 other outstanding issues in the proceeding.
4

5 Q. WHAT IS THE COMMITMENT OF CHATHAM NORTH TO ADDRESS
6 AND RESOLVE THE CONCERNS AND COMPLAINTS OF THE BRIAR
7 CHAPEL RESIDENTS LIVING NEAR THE RECLAIMED WATER
8 TREATMENT PLANT REGARDING ODOR?

9 A. Chatham North is absolutely committed to addressing odor concerns arising
10 from the reclaimed water treatment plant, and has been investigating and
11 evaluating plans to ensure that odors are mitigated and contained within the
12 footprint of the plant property. Upon authorization and direction from the
13 North Carolina Utilities Commission (“Commission”), ONSWC is proposing
14 that it enclose the reclaimed water treatment plant within a commercial
15 greenhouse-type enclosure and install odor-scrubbing equipment as part of
16 the enclosure to mitigation and contain odors.
17

18 Q. PLEASE DESCRIBE IN MORE DETAIL THE PROPOSED ENCLOSURE
19 FOR THE RECLAIMED WATER TREATMENT PLANT?

20 A. As mentioned in Michael J. Myers’ Supplemental Direct Testimony, Chatham
21 North has obtained an engineering and cost estimate proposal for constructing
22 a commercial greenhouse-type enclosure that will contain odors from the
23 reclaimed water treatment plant. The greenhouse-type structure would enclose

1 the reclaimed water treatment plant, the aerated flow equalization basin,
2 screens, sludge holding tanks, anoxic chamber, and aeration basins. The
3 structure will contain louvered air inlets that will allow air to enter the interior
4 of, but not to escape from, the enclosure. Air scrubbing equipment and filters
5 will be incorporated as part of the enclosure to remove odors before air is then
6 exhausted through that equipment from within the enclosure to the outside.

7

8 Q. WHAT IS THE ESTIMATED COST TO ENCLOSE THE RECLAIMED
9 WATER TREATMENT PLANT?

10 A. Based upon the information we currently have, the estimated cost to enclose
11 the reclaimed water treatment plant is approximately \$1,535,000. ONSWC
12 will proceed with construction of the greenhouse-type enclosure upon
13 authorization from the Commission. The engineering and cost estimate
14 proposal is attached hereto as JM-Exhibit 1.

15

16 Q. WHAT WOULD BE THE LIFE EXPECTANCY OF SUCH AN
17 ENCLOSURE ?

18 A. Based upon information received from our engineers and manufacturers of this
19 type of enclosure, the life expectancy would be 25 years.

20

21 Q. WHY WOULD CHATHAM NORTH INCUR THE COST FOR THIS
22 CAPITAL IMPROVEMENT FOR THE BRIAR CHAPEL RECLAIMED
23 WATER TREATMENT PLANT?

1 A. If the Commission determines that – given the totality of the circumstances
2 arising from the location of the reclaimed water treatment plant in the Briar
3 Chapel Subdivision – the enclosure of the plant is necessary to mitigate off-
4 site impacts and would be used and useful in the operation of the utility, we
5 would follow that determination and proceed with enclosing the reclaimed
6 water treatment plant.

7

8 Q. APPROXIMATELY HOW LONG WOULD IT TAKE TO CONSTRUCT AN
9 ENCLOSURE OF THE FACILITY?

10 A. Following the date when a Commissioner order authorizing the enclosure
11 becomes final and non-appealable, we feel confident that engineering drawings
12 can be finalized, the enclosure can be purchased, a qualified contractor/installer
13 can be retained, and the enclosure can be constructed within eighteen months.

14

15 Q. WHAT OTHER CAPITAL IMPROVEMENTS AND EXPANSIONS DO
16 YOU ANTICIPATE WILL BE NEEDED AND WILL BE USED AND
17 USEFUL FOR THE RECLAIMED WATER TREATMENT PLANT AND
18 RECLAIMED WATER IRRIGATION SYSTEM IN BRIAR CHAPEL?

19 A. We understand that many additional residential units and commercial uses can
20 still be constructed within the area for the Briar Chapel community designated
21 by the Chatham County Compact Community Ordinance (CCO) and consistent
22 with Newland's current Conditional Use Permit (CUP) (i.e. without any
23 additional rezoning or CUP amendments). If the CCO area is expanded or the

1 CUP is amended to allow greater density, then these demands could increase;
2 but, assuming no change from the current by-right zoning entitlements
3 applicable to the Briar Chapel community, we anticipate that the allowed
4 development (including what has already been built), at completion, will
5 require reclaimed water treatment capacity of up to its permitted capacity.

6 The current, first phase, of the reclaimed water treatment plant -- that
7 was constructed at the time development of Briar Chapel began -- only has
8 capacity of 250,000 gpd. Therefore, the reclaimed water treatment plant will
9 have to be expanded. This was anticipated at the time that Newland received
10 its initial zoning entitlements for the Briar Chapel community and was the
11 reason why the reclaimed water treatment plant was permitted by the North
12 Carolina Department of Environment Quality (DEQ), Division of Water
13 Quality (DWQ) for 750,000 gpd.

14 Of course, the treated effluent from the facility will also need to be
15 disposed of, and there are stringent standards established by DWQ for the
16 designation of sufficient sprayfield areas for reclaimed water irrigation.

17

18 Q. WILL THE NEW MBR RECLAIMED WATER TREATMENT PLANT
19 EQUIPMENT DESCRIBED IN THE SUPPLEMENTAL TESTIMONY OF
20 MICHAEL J. MYERS ALSO BE ENCLOSED?

21 A. Yes, as discussed in detail in the Supplemental Testimony of Michael J. Myers,
22 Chatham North is proposing to accommodate the needed expansion of the
23 Briar Chapel reclaimed water utility with a state-of-the-art MBR reclaimed

1 water treatment plant. The use of membrane technology will allow the
2 treatment of greater daily flows still within the existing fenced area of the
3 current plant, so the current footprint of the Briar Chapel reclaimed water
4 treatment plant will not need to be enlarged. The new equipment that will
5 comprise the MBR plant will also be enclosed at the time of its construction
6 and installation.

7

8 Q. HOW WOULD THE MERGER WITH THE FEARRINGTON SYSTEM
9 AFFECT THE NEED FOR THOSE CAPITAL IMPROVEMENTS OR
10 EXPANSIONS?

11 A. The expansion to the Briar Chapel reclaimed water treatment plant discussed
12 in my previous answers will be needed regardless of whether the Fearington
13 Village system is merged with the Briar Chapel system. The issue is not
14 whether expansion of the Briar Chapel treatment facility will occur, but rather
15 whether the expansion will be sized to also accommodate the needs of the
16 Fearington Village community as well, the total costs of the expansion, and
17 the allocation and recovery of those costs over what size of customer base.

18 In regard to the Briar Chapel irrigation system, as discussed in the
19 Supplemental Testimony of both Lee Bowman and Michael J. Myers, a merger
20 of the two systems would allow some of the effluent from the combined
21 reclaimed water treatment plant to be discharged within the limits of the
22 Fearington Village system's NPDES permit. Use of the Fearington Village

1 NPDES permit might reduce the amount of irrigation sprayfield areas needed
2 in Briar Chapel.

3

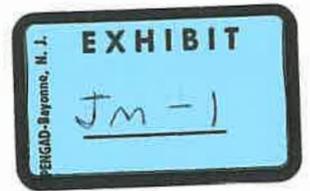
4 Q. IF THE FEARRINGTON VILLAGE WASTEWATER UTILITY SYSTEM
5 IS NOT COMBINED WITH THE BRIAR CHAPEL RECLAIMED WATER
6 UTILITY SYSTEM, WHAT WOULD BE THE FINANCIAL
7 CONSEQUENCES TO THE FEARRINGTON VILLAGE CUSTOMERS?

8 A. The Fearington Village wastewater treatment plant is in a deteriorated
9 physical condition due to age, and needs to be replaced. The Fearington
10 Village wastewater treatment plant's first two (2) 90,000 GPD wastewater
11 treatment plant phases were constructed in 1984, and the last 90,000 GPD
12 phase was constructed in 1995. The original plant is currently 35 years old,
13 and it has an expected life between 35 and 50 years. Not only will the
14 wastewater treatment plant need to be completely replaced as it is nearing the
15 end of its useful life, but the wastewater system requires material treatment
16 upgrades in order to meet upcoming nutrient management requirements for
17 discharge into the Jordan Lake watershed.

18 If Chatham North's transfer application is not approved, a new
19 Fearington Village wastewater treatment facility will have to be constructed.
20 The substantial cost for a new wastewater treatment plant would have to be
21 borne exclusively by the Fearington Village customers, which would
22 inevitably lead to some rate increase.

23

- 1 Q. DOES THIS COMPLETE YOUR TESTIMONY?
- 2 A. Yes, at this time. We thank the Commission for its attention to this matter.



Briar Chapel WWTP Enclosure Cost Estimate

Item		
1 Purchase & Ship Greenhouse (OH-NC)	\$	170,000.00
2 Install Greenhouse - General Contractor	\$	100,000.00
3 Engineer "Explosion Proof" System for inside Greenhouse	\$	65,000.00
4 Engineer Non-confined space air flow	\$	25,000.00
5 Purchase, ship, install, test and commission "Explosion Proof" Equipment 3 x 40 HP blowers with housing 2 x Stainless Steel Air Headers encircling aeration basins with drops and diffusers 2 x 15 HP suspended mixers for aeration basins 2 x 5 HP mixers for anoxic basins	\$	375,000.00
6 Purchase, ship, install, test and commission 5 x Scrubbers (@ ~\$106K each)	\$	600,000.00
7 Contengency - 15-20%	\$	200,000.00
Total	\$	1,535,000.00