

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

DOCKET NO. W-1320, Sub 0)
 DOCKET NO. W-1300, Sub 55)

In the Matter of)
 Application by ONSWC - Chatham)
 North, LLC, 4700 Homewood Court,)
 Suite 108, Raleigh, North Carolina)
 27609, and Old North State Water)
 Company, LLC, 4700 Homewood Court,)
 Suite 108, Raleigh, North Carolina)
 27609, for Authority to Transfer the Briar)
 Chapel Subdivision Wastewater System)
 and Franchise in Chatham County,)
 North Carolina, and Approval of Rates)

DOCKET NO. W-1320, SUB 2)
 DOCKET NO. W-661, SUB 9)

In the Matter of)
 Application by ONSWC - Chatham)
 North, LLC, 4700 Homewood Court,)
 Suite 108, Raleigh, North Carolina)
 27609, and Fitch Creations, Inc., d/b/a)
 Fearington Utilities, 2000 Fearington)
 Village Center, Pittsboro, North Carolina)
 27312, for Authority to Transfer the)
 Fearington Village Wastewater System)
 and Franchise in Chatham County,)
 North Carolina, and Approval of Rates)

TESTIMONY OF
 CHARLES JUNIS
 PUBLIC STAFF – NORTH
 CAROLINA UTILITIES
 COMMISSION

**ONSWC – CHATHAM NORTH, LLC
OLD NORTH STATE WATER COMPANY, LLC
DOCKET NO. W-1320 SUB 0
DOCKET NO. W-1300, SUB 55**

**ONSWC – CHATHAM NORTH, LLC
FITCH CREATIONS, INC., d/b/a FEARRINGTON UTILITIES
DOCKET NO. W-1320 SUB 2
DOCKET NO. W-661, SUB 9**

**TESTIMONY OF CHARLES JUNIS
ON BEHALF OF THE PUBLIC STAFF –
NORTH CAROLINA UTILITIES COMMISSION**

DECEMBER 20, 2019

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Charles Junis. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an
5 Engineer with the Water, Sewer, and Telephone Division of the
6 Public Staff – North Carolina Utilities Commission (Public Staff) and
7 represent the using and consuming public.

8 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

9 A. My qualifications and duties are included in Appendix A.

10 **Q. WHAT IS THE NATURE OF THE APPLICATIONS IN THIS**
11 **PROCEEDING?**

12 A. On March 14, 2019, in Docket Nos. W-1320, Sub 0 and W-1300,
13 Sub 55, ONSWC - Chatham North, LLC (Chatham North), and Old

1 North State Water Company, LLC (Old North State or ONSWC), filed
2 an application seeking authority to transfer to Chatham North, an
3 affiliate of Old North State, the Briar Chapel Subdivision wastewater
4 utility system assets and franchise in Chatham County, and for
5 approval of rates (BC Application).

6 On August 5, 2019, in Docket Nos. W-1320, Sub 2 and W-661,
7 Sub 9, Chatham North and Fitch Creations, Inc. d/b/a Fearrington
8 Utilities (Fitch Creations or FCI) filed an application seeking authority
9 to transfer to Chatham North, the Fearrington Village wastewater
10 utility system assets and franchise in Chatham County, and for
11 approval of rates (Fearrington Application).

12 **Q. BRIEFLY EXPLAIN THE SCOPE OF YOUR INVESTIGATION**
13 **REGARDING THESE TRANSFER APPLICATIONS.**

14 A. My areas of investigation in this proceeding have been the review of
15 the applications filed by Chatham North, Old North State and FCI
16 (Joint Applicants), a review of annual reports filed with the Public
17 Staff, a review of additional documentation provided in response to
18 written and verbal data requests, and a site visit.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
20 **PROCEEDING?**

21 A. The purpose of my testimony in this proceeding is to present the
22 Public Staff recommendations regarding the rates, level of expenses,

1 and amount of net plant in service proposed by the Joint Applicants
2 in support of their request to transfer the wastewater utility system
3 assets and franchises from Old North State to Chatham North and
4 from FCI to Chatham North. In addition, my testimony will provide the
5 Public Staff's comments pertaining to the applicable asset purchase
6 agreements.

7 **Q. HAS THE PUBLIC STAFF HAD THE OPPORTUNITY TO VISIT**
8 **AND TOUR THE EXISTING WASTEWATER TREATMENT**
9 **PLANTS?**

10 A. Yes. On December 17, 2019, the Public Staff visited and visually
11 inspected the Briar Chapel Wastewater Treatment Plant (BC
12 WWTP), the Fearington Village Wastewater Treatment Plant (FV
13 WWTP), the Briar Chapel SD East Lift Station (also referred to as the
14 Regional Pump Station) wet well, portions of the collection system,
15 and portions of the 14-inch influent force main and 12-inch effluent
16 force main between Fearington Village and Briar Chapel. Pictures
17 of major system components from the site visit are attached as **Junis**
18 **Exhibit 1.**

19 The BC WWTP, irrigation and non-conjunctive reclaimed water
20 utilization system is approved and operated under Permit No.
21 WQ0028552. The BC WWTP consists of a 250,000 gallon per day
22 (GPD) extended aeration wastewater treatment plant including dual

1 static screens for grit removal, a manually cleaned bar screen, a
2 75,400 gallon aerated flow equalization basin, two (2) 31,500 gallon
3 anoxic chambers, two (2) 189,000 gallon aeration basins, two (2)
4 31,500 gallon clarifiers, a 75,400 gallon sludge holding basin, a
5 10,730 gallon chlorine contact chamber, a 16,800 gallon mudwell,
6 two (2) 90 square foot tertiary filters, a 13,800 gallon clearwell, dual
7 banks of ultraviolet (UV) modules, and a 6,850 gallon dechlorination
8 chamber. The BC WWTP appeared to be adequately operated and
9 maintained and in good physical condition. The Briar Chapel
10 wastewater collection system is approved and operated under
11 Permit No. WQCS00372.

12 The FV WWTP is approved and operated under the National
13 Pollutant Discharge Elimination System (NPDES) Permit No.
14 NC0043559. The FV WWTP consists of a 270,000 gallon per day
15 (GPD) extended aeration wastewater treatment plant including flow
16 equalization basin, splitter box, three parallel 90,000 GPD
17 wastewater treatment trains, clarifiers, sludge holding, chlorine
18 disinfection, and dechlorination. The treated effluent is discharged
19 into an unnamed tributary of Bush Creek, a tributary of Jordan Lake.
20 The FV WWTP appeared to be adequately operated and maintained
21 and in a deteriorated physical condition due to age.

1 **Q. PLEASE DESCRIBE THE ENVIRONMENTAL COMPLIANCE**
2 **STATUS OF THE WASTEWATER SYSTEMS.**

3 A. The BC WWTP was issued a Notice of Violation (NOV) on
4 September 23, 2019, as a result of findings during a compliance
5 evaluation inspection on September 10, 2019. The NOV is attached
6 as **Junis Exhibit 2**. Old North State's response, dated October 22,
7 2019, to the NOV is attached as **Junis Exhibit 3**. The Public Staff is
8 unaware of a corresponding response by the North Carolina
9 Department of Environmental Quality (NCDEQ), Division of Water
10 Resources (DWR) to Old North State's response to the NOV. Based
11 on the nature and extent of the violations, the Public Staff believes
12 the issues can be appropriately resolved and compliance can be
13 reestablished by Old North State and Chatham North expeditiously.
14 The Public Staff will follow-up with DWR prior to the evidentiary
15 hearing and provide supplemental information as deemed
16 necessary. In addition, DWR held a community meeting with
17 residents of Briar Chapel on September 11, 2019. The meeting notes
18 are attached as **Junis Exhibit 4**. DWR addressed the operations and
19 maintenance of the BC WWTP, the roles and responsibilities of the
20 parties, summarized actions taken and to be taken by the parties,
21 and questions from residents.

22 The FV WWTP has received numerous NOV's, including six over the
23 past two years. Since 1999, DWR has assessed 14 civil penalties

1 totaling \$7,537 plus enforcement costs. A summary table of the
2 assessments is attached as **Junis Exhibit 5**. The transfer to
3 Chatham North, the associated improvements, and the retirement of
4 the FV WWTP should address these issues.

5 **Q. PLEASE DESCRIBE THE SERVICE AREAS.**

6 A. The Briar Chapel service area is located west of US-15 N/US-501 N
7 between Manns Chapel Road and Andrews Store Road. There are
8 currently 1,987 residential customers and 16 commercial customers,
9 equal to 78 residential equivalent units (REUs), in the Briar Chapel
10 Subdivision wastewater system service area.

11 The Fearington Village service area is located east of US-15 N/US-
12 501 N between Jack Bennett Road and Mt Gilead Church Road.
13 There are currently 1,383 residential customers and 6 commercial
14 customers, equal to 66 REUs, in the Fearington Village wastewater
15 system service area.

16 Chatham County provides the water utility service to Briar Chapel
17 and Fearington Village.

18 **Q. WHAT ARE THE PRESENT RATES AND PROPOSED RATES?**

19 A. Chatham North proposed to charge the present monthly flat rate
20 wastewater service charge of \$42.30 per residential equivalent unit
21 (REU) in the Briar Chapel service area, which the Commission
22 previously approved in Docket No. W-1300, Sub 9, and prior to that

1 in Docket No. W-1230, Sub 2. In addition, Chatham North requested
2 an increase in the connection fee per REU from \$1,500 to \$4,000.

3 Chatham North proposed to charge the present monthly flat rate
4 wastewater service charge of \$21.67 (or \$259.97 annually) per REU
5 in the Fearington Village service area, which the Commission
6 previously approved in Docket No. W-661, Sub 8.

7 **Q. HAVE YOU RECEIVED ANY CUSTOMER COMPLAINTS AS A**
8 **RESULT OF THE CUSTOMER NOTICE IN THIS PROCEEDING?**

9 A. The Public Staff has received two customer statements of position in
10 this proceeding that were filed in the proceeding dockets. Both
11 statements are from residents of Briar Chapel and describe concerns
12 about environmental compliance and interconnection with
13 Fearington Village.

14 **Q. WHAT ARE THE ANNUAL SERVICE REVENUES UNDER**
15 **PRESENT AND PROPOSED RATES?**

16 A. The annual wastewater service revenues are as follows:

1 Table 1

Customer Classification	Briar Chapel	Fearrington Village	Combined
Residential	1,967	1,383	3,350
Commercial, REU	78	66	144
Monthly Rate Per REU	\$42.30	\$21.67	
Service Revenues	\$1,038,042	\$376,798	\$1,414,840

2 **Q. HAVE YOU RECOMMENDED ANY ADJUSTMENTS TO**
3 **EXPENSES RELATED TO WASTEWATER OPERATIONS?**

4 A. No. The Company is not seeking an increase from the previously
5 Commission approved rates as part of the transfer proceeding and
6 the proposed improvements will significantly change the operating
7 expenses. The Public Staff expects there to be economies of scale
8 and consolidation as a result of the planned decommissioning of the
9 aged FV WWTP and expansion of the BC WWTP with a modern
10 membrane bioreactor (MBR) system. The expenses will be
11 appropriately reviewed and adjusted during a general rate case.

12 **Q. WHAT IS THE OLD NORTH STATE ORIGINAL COST NET**
13 **INVESTMENT IN THE BRIAR CHAPEL WASTEWATER UTILITY**
14 **SYSTEM?**

1 A. When Old North State acquired the Briar Chapel wastewater utility
2 system from Briar Chapel Utilities, LLC in 2015, the Commission
3 Order Approving Transfer, Granting Franchise, Approving Rates and
4 Requiring Customer Notice in Docket No. W-1300, Sub 9, dated April
5 20, 2015, (Transfer Order) stated in Finding of Fact 9.

6 “The rate base of the Briar Chapel sewer system at
7 the time of transfer is established at \$0.00, as ONSWC
8 is not paying a purchase price at closing.”

9 Finding of Fact 8 of the Transfer Order stated certain future
10 obligations of Old North State, and the developer NNP-Briar Chapel
11 LLC, including that Old North State will pay all costs for the
12 expansion of the existing 250,000 gpd Briar Chapel WWTP. Old
13 North State would also pay NNP-Briar Chapel LLC \$1,500 per REU
14 for each new connection which would be funded by the \$1,500 per
15 REU connection fee approved in the Schedule of Rates pursuant to
16 ordering paragraph 4.

17 The BC Application stated on page 5, as of October 31, 2018, Old
18 North State’s original cost net investment was \$206,018. The Asset
19 Purchase Agreement dated January 3, 2019, between Old North
20 State and Chatham North (Briar Chapel APA) attached as an exhibit
21 to the BC Application, states in paragraph 4 that the purchase price
22 for the Briar Chapel wastewater utility system is \$206,000, which
23 shows the intent to transfer the system at Old North State’s original

1 cost net investment. There has been additional depreciation since
2 October 31, 2018, and possibly some Old North State investment in
3 plant.

4 In the next general rate case for Chatham North, the Public Staff will
5 audit the Chatham North original plant net investment including the
6 dollar amount of Old North State's original cost net investment in the
7 Briar Chapel wastewater utility system at the closing of the transfer
8 to Chatham North. The Public Staff will not support any Briar Chapel
9 purchase price amount in rate base above the Old North State
10 original cost net investment at transfer.

11 **Q. HAVE YOU REVIEWED THE ASSET PURCHASE AMENDMENT**
12 **DATED JANUARY 4, 2019, EXECUTED BY OLD NORTH STATE**
13 **AND NNP-BRIAR CHAPEL, LLC (AP AMENDMENT), WHICH**
14 **WAS FILED WITH THE COMMISSION ON AUGUST 12, 2019, IN**
15 **DOCKET NO. W-1300, SUB 9, WHICH IS THE PROCEEDING**
16 **WHEREBY THE COMMISSION APPROVED THE TRANSFER OF**
17 **THE BRIAR CHAPEL WASTEWATER UTILITY SYSTEM TO OLD**
18 **NORTH STATE IN 2015?**

19 **A.** Yes, I have reviewed this AP Amendment which amended the Asset
20 Purchase Agreement dated October 31, 2014, between Old North
21 State and NNP-Briar Chapel, LLC for the transfer of the Briar Chapel
22 wastewater utility system to Old North State. Chatham North did not

1 execute this AP Amendment. However, should the Commission
2 approve the transfer of the Briar Chapel wastewater utility system to
3 Chatham North, the Public Staff expects all or portions of this AP
4 Amendment to be assigned by Old North State to Chatham North.

5 This AP Amendment has a lot of moving parts and deals extensively
6 with the components of the interconnection of the Fearington Village
7 wastewater collection and effluent disposal systems with the Briar
8 Chapel wastewater utility system. This AP Amendment outlines cost
9 sharing between Old North State and NNP-Briar Chapel, LLC,
10 including increased capacity for NNP-Briar Chapel LLC in the to be
11 expanded Briar Chapel WWTP, the to be constructed Regional
12 Pump Station on the east side of US Hwy 15-501, the new force main
13 from this Regional Pump Station to the Briar Chapel WWTP, and the
14 effluent main from the Briar Chapel WWTP to the Fearington Village
15 NPDES permit discharge point at the site of the to be
16 decommissioned FV WWTP.

17 The Public Staff is not able to audit all these construction costs as
18 the construction has not been completed. The Public Staff audit will
19 be performed in Chatham North's next general rate case. However,
20 the Public Staff will vigorously oppose liquidated damages paid for
21 construction deadlines not met, if any, as specified in AP Amendment

1 paragraph 1.3, being included in customer rates through inclusion in
2 rate base.

3 **Q. DOES THE PUBLIC STAFF RECOMMEND THE COMMISSION**
4 **NOT APPROVE THE AP AMENDMENT?**

5 A. The Public Staff for the reasons stated above recommends the
6 Commission NOT approve the AP Amendment. The Public Staff
7 believes that all the problematic issues described above can be
8 evaluated and litigated, if appropriate, in Chatham North's next
9 general rate case or a subsequent Commission proceeding.

10 **Q. WHAT IS THE PURCHASE PRICE STATED IN THE ASSET**
11 **PURCHASE AGREEMENT WITH EFFECTIVE DATE THE 22ND OF**
12 **(NOT LEGIBLE), 2017 BETWEEN OLD NORTH STATE AND**
13 **FITCH CREATIONS DBA FEARRINGTON UTILITIES**
14 **(FEARRINGTON VILLAGE APA) FOR THE FEARRINGTON**
15 **VILLAGE WASTEWATER UTILITY SYSTEM AND HAS THIS**
16 **FEARRINGTON VILLAGE APA BEEN ASSIGNED TO CHATHAM**
17 **NORTH?**

18 A. Yes, the Fearrington Village APA was assigned by Old North State
19 to Chatham North by Amendment to Asset Purchase Agreement
20 dated March 2019, and executed by Old North State, Chatham
21 North, and Fitch Creations, which was filed in Docket No. W-1320,
22 Sub 2, and Docket No. W-661, Sub 9 on August 5, 2019. Paragraph

1 I states that all of Old North State's rights and obligations under the
2 Fearington Village APA shall be assigned to Chatham North.

3 The Fearington Village APA states in paragraph 1.2 that the
4 purchase price for the Fearington Village wastewater utility system
5 shall be one dollar (\$1.00), payable at closing.

6 **Q. WHEN WAS THE LAST TIME THE COMMISSION RULED ON THE**
7 **FEARRINGTON UTILITIES FEARRINGTON VILLAGE ORIGINAL**
8 **COST NET INVESTMENT?**

9 A. The most recent general rate case order for Fearington Utilities was
10 dated December 22, 2009, in Docket No. W-661, Sub 6. Findings of
11 Fact Nos. 2 and 7 stated the original cost rate base as of the test
12 year ending December 31, 2008, was \$148,672. The affidavit filed
13 by Public Staff Accountant Laura Bradley on Bradley Exhibit 1,
14 Schedule 2-1 lists the plant in service costs and depreciation lives.
15 Only three plant items now have remaining depreciation being the
16 1995 wastewater treatment plant expansion, with the last \$5,241
17 annual depreciation ending in 2020, a small capital item with the last
18 annual depreciation of \$54 ending in 2021, and a John Deere diesel
19 generator set with the annual depreciation expense of \$2,238 ending
20 in 2026.

21 The Annual Reports filed by Fearington Utilities from 2011 through
22 2018 reflect limited investment in utility plant

1 **Q. HAS THE PUBLIC STAFF AUDITED THE FEARRINGTON**
2 **UTILITIES WASTEWATER UTILITY PLANT RECORDS**
3 **SUBSEQUENT TO THE 2009 GENERAL RATE CASE DOCKET**
4 **NO. W-661, SUB 6?**

5 A. No. The purchase price in the Fearington Village APA is \$1.00.
6 There are a number of future payment items in the Fearington
7 Village APA which the Public Staff believes are additional purchase
8 price considerations for the existing Fearington Village wastewater
9 utility system, and the Public Staff believes Chatham North will need
10 the Commission to approve acquisition adjustments for these future
11 payments to be included in rate base.

12 **Q. IF THE COMMISSION APPROVES THE TRANSFER OF THE**
13 **FEARRINGTON VILLAGE WASTEWATER UTILITY SYSTEM TO**
14 **CHATHAM NORTH, WHEN WILL CHATHAM NORTH PRESENT**
15 **TO THE COMMISSION THESE FUTURE PAYMENTS FOR**
16 **CONSIDERATION AS ACQUISITION ADJUSTMENTS?**

17 A. Chatham North has advised the Public Staff that Chatham North
18 believes the future payment issues can best be reviewed by the
19 Commission in Chatham North's next general rate case after all the
20 capital improvements interconnecting the Fearington Village and
21 Briar Chapel wastewater utility systems have been completed and
22 are in service. The Public Staff has agreed that the evidence in the
23 next Chatham North general rate case would present a clearer

1 picture to the Commission of the extent there are benefits to the Briar
2 Chapel and Fearington Village customers.

3 **Q. WILL BOTH THE BRIAR CHAPEL AND FEARRINGTON VILLAGE**
4 **CUSTOMERS BE INCLUDED IN THE NEXT CHATHAM NORTH**
5 **GENERAL RATE CASE?**

6 A. The date of filing of the next Chatham North general rate case will be
7 decided by Chatham North. The Briar Chapel and Fearington
8 Village customers will be served by the same Briar Chapel WWTP,
9 and the same effluent main utilizing the Fearington Village NPDES
10 permit. Whether there is one consolidated rate base and a single
11 wastewater monthly service rate schedule for both Briar Chapel and
12 Fearington Village will need to be decided in the next general rate
13 case.

14 **Q. BRIEFLY, DESCRIBE THE PROVISIONS IN THE FEARRINGTON**
15 **VILLAGE APA THAT THE PUBLIC STAFF BELIEVES TO BE**
16 **FUTURE PURCHASE PRICE PAYMENTS THAT WOULD**
17 **REQUIRE COMMISSION APPROVAL AS ACQUISITION**
18 **ADJUSTMENTS.**

19 A. I will briefly describe these future payments which the Public Staff
20 plans to oppose in Chatham North's next general rate case.

1 Lease

2 Rental payments of \$3,250 per month for four tracts being three
3 small pump station parcels and the Fearington Village WWTP site
4 to be converted by Chatham North into a major pump station. The
5 annual rental will be \$39,000 per year. At the end of seven years,
6 the rent paid will total \$273,000, at which time the rental payments
7 would increase based upon the consumer price index (CPI). At
8 the end of ten years, the rental payment will total \$390,000,
9 plus the CPI adjustment.

10 In addition, these four tracts are longstanding in-service components
11 of the existing Fearington Village wastewater utility system. The
12 acquisition by Chatham North in any normal utility system transfer
13 would include the conveyance to Chatham North of all four of these
14 tracts, without any monthly lease payments.

15 Connection Fees

16 Fearington Village APA paragraph 1.8 provides no connection fees
17 will be paid for the existing Fearington Village service area. The
18 Public Staff does not object to this provision as there are not
19 Commission approved connection fees in the existing Fearington
20 Utilities Schedule of Rates.

21 The Public Staff finds objectionable the provision in paragraph 1.8
22 that there will be no connection fees for property subsequently

1 acquired by Fitch Creations. The Public Staff believes this no
2 connection fee provision is a violation of N.C. Gen. Stat. § 62-160
3 being an undue preference, as all other future developments other
4 than by Fitch Creations will pay connection fees. The Public Staff will
5 litigate this issue in the future at such time as Fitch Creations plans
6 to add subsequently acquired property to the Fearington Village
7 service area.

8 Rates

9 Fearington Village APA paragraph 1.9 provides that Chatham North
10 shall not request authority to increase the rates for a period of at least
11 24 months after closing and the first request subsequent to that
12 period shall not exceed a 60 percent increase. The Public Staff finds
13 this provision objectionable if it prevents the Fearington Village and
14 Briar Chapel customers' rates from moving toward or becoming a
15 uniform rate in Chatham North's next general rate case or a
16 subsequent proceeding

17 Wastewater Treatment Plant Capacity

18 The Fearington Village APA states in paragraph 2.1 that Chatham
19 North reserves 270,000 gpd of WWTP capacity for Fitch Creations.
20 The Public Staff does not object to this provision as the existing
21 Fearington Village WWTP has 270,000 gpd of capacity.

1 The Public Staff finds objectionable the provision in paragraph 2.1
2 that Chatham North reserves WWTP capacity for property acquired
3 by Fitch Creations subsequent to the Fearington Village APA
4 Effective Date in 2017. This paragraph further states that Fitch
5 Creations may assign such reserved capacity and Chatham North
6 may not charge a connection or any analogous fees for the
7 connections served by this reserved capacity. The objectionable
8 issue is that Chatham North may not charge a connection fee or
9 analogous for the connections served by this reserved capacity.
10 If all other developers are paying for WWTP capacity, the Public
11 Staff believes this would be an undue preference in violation of
12 N.C. Gen. Stat. § 62-160.

13 Old North State and/or Chatham North responded to a Public Staff
14 Data Request that it is estimated this reserved capacity would be
15 approximately 100,000 gpd. The Public Staff considers this 100,000
16 gpd of reserved capacity without payment of connection fees or
17 analogous fees for the capacity to be additional purchase price to
18 Fitch Creations. The Public Staff plans to litigate this issue in
19 Chatham North's next general rate case including imputing capacity
20 and connection fees unless Chatham North is successful having the
21 Commission approve a full or partial acquisition adjustment.

22 Consent Area

1 The Fearington Village APA paragraph 2.2 provides that Fitch
2 Creations must approve the provision of wastewater utility service by
3 Chatham North to other developers in the Consent Area, which is
4 outside but nearby the existing Fearington Village service area. The
5 Public Staff believes this clause violates the Commission's
6 jurisdiction and police power to approve service areas for wastewater
7 certificates of public convenience and necessity, and recognize
8 contiguous extensions.

9 The Public Staff further finds objectionable the provision in
10 paragraph 2.2 that Fitch Creation's consent for service in the
11 Consent Area may include payment by Chatham North to Fitch
12 Creations for \$2,500 per connection, adjusted annually by the
13 Consumer Price Index. The Public Staff believes these \$2,500 per
14 connection payments are additional purchase price and should not
15 be included in future rate base unless the Commission approves an
16 acquisition adjustment for these \$2,500 per connection payments in
17 Chatham North's next general rate case or a subsequent
18 proceeding. In addition, the Public Staff believes the payment of
19 \$2,500 per connection is materially excessive and not reasonable
20 and prudent.

21 Extended Service Area (ESA)

1 The Fearington Village APA paragraph 2.2 also provides for an ESA
2 outside of both the Fearington Village service area and the nearby
3 Consent Area, for which Chatham North shall pay to Fitch Creations
4 \$2,500 per residential connection, \$2,500 per commercial REU, plus
5 a Consumer Price Index adjustment. The Public Staff believes this is
6 simply additional purchase price consideration, a materially
7 excessive amount per connection, not reasonable and prudent, and
8 not justified as an acquisition adjustment.

9 **Q. DOES THE PUBLIC STAFF RECOMMEND THE COMMISSION**
10 **NOT APPROVE THE FEARRINGTON VILLAGE APA?**

11 A. The Public Staff for the many reasons stated above recommends the
12 Commission NOT approve the Fearington Village APA. The Public
13 Staff believes that all the problematic issues described above can be
14 litigated in Chatham North's next general rate case or a subsequent
15 Commission proceeding.

16 **Q. DOES THE PUBLIC STAFF RECOMMEND THE COMMISSION**
17 **APPROVE THESE TRANSFERS?**

18 A. Yes. The BC WWTP is approaching capacity thresholds and there is
19 expected to be substantial continued growth in the Briar Chapel
20 service area that will necessitate expansion as preconceived in the
21 Briar Chapel APA. The FV WWTP is fastly approaching the need for
22 costly rehabilitation or, more likely, replacement. There is an

1 expected demand for wastewater utility service in the areas
2 contiguous to the Fearington Village service area. The transfer of
3 both of these systems to Chatham North and the plan to consolidate
4 the systems into one expanded BC WWTP should reduce the per
5 customer rate base and operating expenses to provide safe and
6 reliable wastewater utility service. The MBR technology, when
7 designed, constructed, operated, and maintained correctly, produces
8 higher quality effluent that can reduce nutrient loading rates to meet
9 stringent NPDES permit limits and/or delay the need for additional
10 irrigation areas. For these reasons, the Public Staff recommends the
11 Commission approve the transfers of the Briar Chapel and
12 Fearington Village wastewater systems to Chatham North.

13 **Q. WHAT IS YOUR RECOMMENDATION CONCERNING CHATHAM**
14 **NORTH'S PROPOSED RATES?**

15 A. The Public Staff recommends approval of the proposed monthly flat
16 rate wastewater service charges for Fearington Village and Briar
17 Chapel. The proposed rates are the same as the previously
18 Commission-approved rates. Chatham North will continue to operate
19 the BC WWTP and FV WWTP to serve the customers in the
20 respective service areas until the expansion of the BC WWTP and
21 interconnection projects are completed.

1 The Public Staff recommends approval of the Briar Chapel
2 connection fee of \$4,000. This will help offset the considerable
3 investment necessary to expand the BC WWTP to serve future
4 customers.

5 **Q. WHAT AMOUNT OF BOND DOES THE PUBLIC STAFF**
6 **RECOMMEND?**

7 A. The Public Staff recommends that Chatham North be required to
8 post a \$500,000 bond to comply with N.C. Gen. Stat. § 62-110.3.
9 This will be the first certificate of public convenience and necessity
10 the Commission has issued to Chatham North. Chatham North will
11 be serving 3,494 residential and commercial REUs and there is
12 significant projected growth in both the Briar Chapel and Fearington
13 Village service areas and surrounding property. Chatham North has
14 an aggressive capital plan totaling a combined \$6.8 million in 2018
15 and 2019 for the Regional Pump Station, influent force main, and
16 effluent force main, and over \$6.3 million in 2020 for the BC WWTP
17 expansion, MBR technology, and final interconnection.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes, it does.

Charles M. Junis

I graduated from North Carolina State University in 2011, earning a Bachelor of Science Degree in Civil Engineering. I have over 8 years of engineering experience, and since joining the Public Staff in April 2013, I have worked on utility rate case proceedings, new franchise and transfer applications, emergency operations, customer complaints, general rate cases, and other aspects of utility regulation. Prior to joining the Public Staff, I worked for Farnsworth Group, an engineering and architectural consulting firm. I am a licensed Professional Engineer in North Carolina.