

**NORTH CAROLINA UTILITIES COMMISSION  
RALEIGH**

Docket No. W-1141, Sub 8

Exceptions Due on or Before February 22, 2024

**NOTICE TO PARTIES**

Parties to the above proceeding may file exceptions to the report and Recommended Order hereto attached on or before the day shown above as provided in N.C. Gen. Stat. § 62-78. Exceptions, if any, must be filed with the North Carolina Utilities Commission, Raleigh, North Carolina, and a copy thereof mailed or delivered to each party of record, or to the attorney for such party, as shown by appearances noted. Each exception must be numbered and clearly and specifically stated in one paragraph without argument. The grounds for each exception must be stated in one or more paragraphs, immediately following the statement of the exception, and may include any argument, explanation, or citations the party filing same desires to make. In the event exceptions are filed, as herein provided, a time will be fixed for oral argument before the Commission upon the exceptions so filed, and due notice given to all parties of the time so fixed; provided, oral argument will be deemed waived unless written request is made therefore at the time exceptions are filed. If exceptions are not filed, as herein provided, the attached report and recommended decision will become final and effective on February 23, 2024, unless the Commission, upon its own initiative, with notice to parties of record modifies or changes said Order or decision or postpones the effective date thereof.

The report and Recommended Order attached shall be construed as tentative only until the same becomes final in the manner hereinabove set out.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1141, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by 904 Georgetown Treatment Plant, LLC, for Authority to Increase Rates for Sewer Utility Service in Sandpiper Bay Golf and Country Club in Brunswick County, North Carolina )	RECOMMENDED ORDER
)	GRANTING PARTIAL RATE
)	INCREASE AND REQUIRING
)	CUSTOMER NOTICE

HEARD: 3:00 p.m., Monday, November 13, 2023, in Commission Hearing Room 2115, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina

BEFORE: Freda H. Hilburn, Hearing Examiner

APPEARANCES:

For 904 Georgetown Treatment Plant, LLC:

Brady W. Allen  
Allen Law Offices, PLLC, 4030 Wake Forest Road, Suite 115,  
Raleigh, North Carolina, 27609

For the Using and Consuming Public:

William Creech, Staff Attorney, Public Staff - North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

HILBURN, HEARING EXAMINER: On July 7, 2023, in the above-captioned docket, 904 Georgetown Treatment Plant, LLC (Georgetown or Applicant) filed an application with the Commission seeking authority to increase its rates for providing sewer utility service in the Sandpiper Bay Golf and Country Club (Sandpiper Bay) in Brunswick County, North Carolina. The present sewer utility rates have been in effect since January 1, 2017, pursuant to the Commission's Order in Docket Nos. W-1141, Sub 6, and M-100, Sub 138, which resulted in a rate reduction due to a change in the State's corporate tax rate. The last rate increase for Georgetown was approved in 2007 in Docket No. W-1141, Sub 4. Also on July 7, 2023, Georgetown filed the prefiled direct testimony of Timothy P. Tilma, Manager of Georgetown, and Julie G. Perry, Principal Utility Consultant and Co-Owner of Peedin & Perry Consulting, LLC.

On July 31, 2023, the Commission issued an Order Establishing General Rate Case and Suspending Rates, which declared this proceeding to be a general rate case pursuant to N.C. Gen. Stat. § 62-137 and suspended the proposed new rates for 270 days pursuant to N.C. Gen. Stat. § 62-134.

On August 21, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). By the Scheduling Order, the Commission, among other things, established that a public witness hearing was scheduled on September 27, 2023, subject to cancellation if no significant protests were received; that an expert witness hearing was scheduled on Monday, November 13, 2023; that the Public Staff and intervenors, if any, were required to file their testimony on or before Tuesday, October 17, 2023; and that Georgetown was required to file its rebuttal testimony, if any, on or before November 1, 2023.

On August 29, 2023, Georgetown filed its certificate of service stating that the Notice to Customers was mailed or hand delivered as specified in the Scheduling Order.

On September 22, 2023, the Public Staff filed a motion to cancel the public witness hearing. In its motion, the Public Staff stated that only one of Georgetown's 795 customers submitted a statement of position and that the issues raised in the statement were well explained and capable of consideration on the merits by the Commission.

On September 22, 2023, the Commission issued an Order Canceling the Public Witness Hearing and Requiring Customer Notice.

On September 26, 2023, Georgetown filed its certificate of service indicating that all its customers had been served with notice of the cancellation of the public witness hearing.

On October 6, 2023, Georgetown filed its request for approval of an affiliate lease agreement.

On October 17, 2023, the Public Staff filed the direct testimony and exhibits of Public Staff witness Iris Morgan, Public Utilities Regulatory Analyst with the Public Staff's Accounting Division; the direct testimony and exhibit of Public Staff witness Evan M. Houser, Public Utilities Engineer with the Public Staff's Water, Sewer, and Telephone Division; and the notice of affidavit of John R. Hinton, Director of the Public Staff's Economic Research Division.

On November 1, 2023, the Applicant filed rebuttal testimony of Julie G. Perry, Principal Utility Consultant and Co-Owner of Peedin & Perry Consulting, LLC.

On November 6, 2023, the parties filed their list of witnesses and their estimates of cross-examination times for the expert witness hearing.

On November 9, 2023, the Applicant and the Public Staff filed a motion to excuse witnesses, waive cross-examination and admit testimony. The parties stated that they had agreed in principle to a settlement, and thereby waived their rights to cross-examine

witnesses; and requested that all filings made in the docket, including the prefiled direct testimony, rebuttal testimony, exhibits, and affidavits, be received into the record.

On November 13, 2023, the Hearing Examiner issued an Order Revising Time of Expert Witness Hearing and Allowing Filing of Stipulation and Supporting Testimony, changing the starting time of the expert witness hearing from 1:00 p.m. to 3:00 p.m.

On November 13, 2023, the Settlement Agreement and Stipulation (Stipulation) entered into on the same date, between the Public Staff and Georgetown (the Stipulating Parties), as well as the Joint Settlement Testimony of Iris Morgan and Evan M. Houser (Settlement Testimony) were filed. Georgetown did not file settlement testimony. There are no other parties to this proceeding.

The expert witness hearing was held on November 13, 2023, as scheduled. From the bench, the Hearing Examiner excused Georgetown's witnesses Tilma and Perry, and Public Staff witness Hinton from testifying at the expert witness hearing but required that Public Staff witnesses Houser and Morgan be presented as a panel to address the Hearing Examiner's questions on the Settlement Testimony. As agreed to by the Stipulating Parties in the Stipulation, the Application, all direct testimony and exhibits, the affidavit, and the rebuttal testimony and exhibit were admitted into evidence. After addressing the Hearing Examiner's questions, the Stipulation and the Settlement Testimony were also admitted into evidence.

On November 29, 2023, the Applicant filed a late-filed exhibit that incorporates two changes to the Effluent Easement and Irrigation Agreement that were agreed to by the Stipulating Parties in Section II (D) of the Stipulation.

On December 7, 2023, the Commission issued its Notice of Due Date of Proposed Orders and/or Briefs setting January 3, 2024, as the deadline for filing the parties' Joint Proposed Order.

On December 14, 2023, the Public Staff filed Public Staff Settlement Exhibit I and supporting schedules detailing the final revenue requirement as agreed to by the parties per the Settlement Testimony.

On December 28, 2023, the parties submitted their Joint Proposed Order for the Commission's consideration.

Based upon the foregoing, and the entire record in this matter, the Hearing Examiner makes the following.

### **FINDINGS OF FACT**

1. Georgetown is a public utility as defined in N.C. Gen. Stat. § 62-3(23) and is properly before the Commission pursuant to its application for an increase in rates and charges for sewer utility service under N.C.G.S. § 62-133.

2. The test year established for use in this proceeding is the 12-month period ended October 31, 2022.

3. Georgetown currently provides a monthly flat rate sewer utility service to 795 residential customers in Sandpiper Bay.

4. Georgetown's wastewater system consists of a wastewater treatment plant that sprays its treated effluent through a 5-zone irrigation system onto approximately 80 acres of land of the community's 9-hole Bay golf course. The treatment plant is a dual train treatment plant with an influent pump station, a manual bar screen, aerated equalization basin, dual train aeration basin with two biological reactors each using fine bubble aeration, a dual train clarification system with two clarifiers each, a sludge holding tank, three blowers, two gravity tertiary filters, and a chlorine contact chamber. The facility also includes an approximately 750,000-gallon 5-day upset pond and an approximately 750,000-gallon irrigation pond with a 1,000 gallons per minute duplex irrigation pump station.

5. Public Staff Settlement Exhibit I and supporting schedules presented the results of the Public Staff's investigation of the appropriate levels of operating revenue, expense, and investment in support of the recommended increase in sewer service revenues, and by settlement, has been agreed upon by both the parties.

6. The monthly flat rate sewer utility service presently charged by Georgetown and the proposed monthly flat sewer rate as agreed to by the parties are as follows:

	<u>Present</u>	<u>Proposed</u>
Residential Sewer Utility Service:	\$ 25.04	\$ 36.05

7. Georgetown's original cost rate base for use in this proceeding is \$146,845 consisting of plant in service of \$272,891, cash working capital of \$35,823, and average tax accruals of (\$948); less accumulated depreciation of \$160,921 updated through December 31, 2023, as shown on Public Staff Settlement Exhibit I, Schedule 2.

8. Georgetown's total annual operating revenues for use in this proceeding is \$237,281 under present rates and \$342,284 under the rates agreed to by the Stipulating Parties. Total annual operating revenues include \$137 in miscellaneous revenues, and (\$1,738) of uncollectibles.

9. The appropriate level of annual service revenues for use in this proceeding is \$238,882 under Georgetown's present rates and \$343,885 under the agreed upon proposed rates.

10. For purposes of this proceeding, the appropriate cost of service (total operating expenses, including regulatory fee and income taxes) is \$320,353. The level of operating revenue expenses requiring a return (total operating and maintenance expenses, depreciation expense, amortization expense, and taxes other than income taxes and regulatory fee) is \$313,306 and shown on Public Staff Settlement Exhibit I, Schedule 1.

11. The total rate case expense for this proceeding is \$45,539. It is reasonable and appropriate to amortize this expense over a period of four years, resulting in an annual rate case expense of \$11,385.

12. The appropriate level of depreciation and amortization expense for use in this proceeding is \$22,634.

13. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$437 and \$3,649, respectively.

14. It is reasonable and appropriate to calculate regulatory fees expense using the regulatory fee rate of 0.1475% effective July 1, 2023, pursuant to the Commission's June 30, 2023 Order issued in Docket No. M-100, Sub 142.

15. It is reasonable and appropriate to calculate state income taxes based on the statutory rate of 2.5% and federal income taxes based on the statutory rate of 21%.

16. The operating ratio method set forth in N.C.G.S. § 62-133.1, which allows a return on operating revenue deductions, is the proper method for determining Georgetown's revenue requirement for sewer operations in this proceeding.

17. The agreed upon proposed rates will produce an overall rate of return of 7.00% utilizing the operating ratio method. This return is not in excess of a reasonable level and, accordingly the agreed upon proposed rates are reasonable.

18. During the period from July 1, 2020, through October 10, 2023, the Public Staff Consumer Services Division did not receive any customer complaints related to Georgetown.

19. No Notices of Violations (NOVs) or civil penalties were identified between July 1, 2020, and October 1, 2023. The Georgetown sewer system was issued two Notices of Deficiency (NODs) by the North Carolina Department of Environmental Quality (DEQ). Both NODs were the result of an inspection conducted by DEQ on September 16, 2021. The first NOD, dated September 30, 2021, was for needed repairs to locks, a gate, and an audible alarm. At the time of the Public Staff's site visit on September 14, 2023, it appeared that each of the lift stations were locked. The second NOD, dated October 1, 2021, was due to lack of required plans and timetables to address four areas: (1) shutting down an aeration basin for repair and cleaning; (2) repairing and replacing the splitter box portion or entire bar screen structure; (3) repairing various components of the filter system; and (4) repairing the influent pump station along with the exposed electrical junction boxes. Georgetown witness Tilma, responded to the second NOD by letter on October 29, 2021. Witness Tilma provided plans to address the various components of the NOD and stated that the timetables for each was either the first or second quarter of 2022. Repairs were made in three months.

20. The affiliate lease agreement between the Applicant and Northstar Carolina Corporation is reasonable.

21. The effluent easement and irrigation agreement between the Applicant and Northstar Carolina Corporation, as stipulated to by Georgetown and the Public Staff, is reasonable.

22. Georgetown is providing adequate service to its customers.

23. The agreed upon rates are just and reasonable and should be approved.

WHEREUPON, the Hearing Examiner reaches the following

### **CONCLUSIONS**

The evidence for the foregoing findings of fact is contained in the Application filed in this docket; the testimony and exhibits of Public Staff witnesses Houser and Morgan; the affidavit of Public Staff witness Hinton; the testimony and exhibits of the Applicant's witnesses; the Stipulation; the affiliate Lease Agreement filed on October 6, 2023; the late-filed exhibits filed on November 29, 2023 and December 14, 2023; and the Commission records. Based upon the foregoing, the Hearing Examiner reaches the following conclusions pertaining to Georgetown's Application for a general rate increase.

In regard to the quality of service provided by Georgetown, Public Staff witness Houser states that, based upon the Public Staff's investigation, the information provided by the Applicant and DEQ, and the absence of significant customer complaints and customer service issues, the Public Staff concludes that Georgetown is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Hearing Examiner finds and concludes that the quality of sewer utility service provided by the Applicant to its customers is adequate.

Concerning affiliate relationships, Georgetown witness Tilma testified that North Star Carolina Corporation d/b/a Sandpiper Bay Golf and Country Club (Sandpiper Bay) is a wholly owned subsidiary of Matrix Development Company, Inc. (Matrix). He stated that Georgetown is owned by North Star Management, Inc, and North Star Management, Inc. is also a wholly owned subsidiary of Matrix.

Witness Tilma testified that Sandpiper Bay is a customer of Georgetown, and the offices of both companies, Sandpiper Bay and Georgetown, are in the Sandpiper Bay Clubhouse. He further testified that the Sandpiper Bay Golf Club has an agreement with Georgetown to use the treated water that the wastewater treatment plant produces. In the present docket, Georgetown filed two affiliate agreements for approval by the Commission pursuant to N.C.G.S. § 62-153(b): the Lease Agreement and the Effluent Easement and Irrigation Agreement. In Stipulation Paragraph C.(i), the Public Staff agreed to recommend that the Commission approve the Lease Agreement of \$1,100 per month as filed on October 6, 2023. In Stipulation Paragraph D.(i), the Stipulating Parties agreed that an annual effluent charge of \$19,403 is reasonable. The Stipulating Parties also agreed to request and recommend approval of the Effluent Easement and Irrigation Agreement with the two modifications set forth in Stipulation Paragraph D.(ii)1-2. On November 29, 2023, Georgetown filed as a late-filed exhibit the Effluent Easement and

Irrigation Agreement that incorporated the two changes agreed to by the parties in the Stipulation for approval by the Commission.

Based upon the entire record in this proceeding, the Hearing Examiner finds and concludes that Georgetown has sufficiently demonstrated the need to increase its rates for providing sewer utility service in its service areas in Brunswick County, North Carolina. The Hearing Examiner, therefore, concludes that the rates agreed upon by Georgetown and the Public Staff, and attached hereto as Appendix A, are just and reasonable and should be approved.

Further, the Hearing Examiner concludes that the two affiliate agreements, the Lease Agreement and the Effluent Easement and Irrigation Agreement, as modified in the Stipulation, should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the affiliate Lease Agreement filed on October 6, 2023, and the late-filed exhibits filed on November 29, 2023 and December 14, 2023, are hereby accepted into evidence;

2. That Georgetown is authorized to increase its rates for sewer utility service in the Sandpiper Bay Golf and Country Club in Brunswick County, North Carolina as reflected in the Schedule of Rates, attached hereto as Appendix A. These rates shall be effective for service rendered on and after the effective date of this Order;

3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138;

4. That the Lease Agreement between the Applicant and Northstar Carolina Corporation, filed on October 6, 2023, is hereby approved pursuant to N.C.G.S. § 62-153(b);

5. That the Effluent Easement and Irrigation Agreement between the Applicant and Northstar Carolina Corporation, filed on November 29, 2023, is hereby approved pursuant to N.C.G.S. § 62-153(b); and

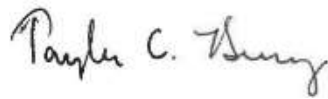


6. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered to all customers of Georgetown within 30 days of the effective date of this Order, and that Georgetown shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than 45 days after the effective date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of February, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Taylor C. Berry".

Taylor C. Berry, Deputy Clerk

SCHEDULE OF RATES

for

904 GEORGETOWN TREATMENT PLANT, LLC

for providing sewer utility service

in

SANDPIPER BAY GOLF AND COUNTRY CLUB

Brunswick County, North Carolina

<u>Monthly Flat Rate for Residential Service:</u>	\$ 36.05
<u>Connection Fee:</u>	\$1,675.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**NOTICE TO CUSTOMERS  
DOCKET NO. W-1141, SUB 8  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

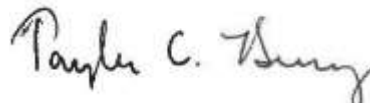
Notice is hereby given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to 904 Georgetown Treatment Plant, LLC. for providing sewer utility service in all its service areas in Brunswick County, North Carolina. The Commission has approved the following rates, effective for service rendered on and after the effective date of this notice:

<u>Monthly Flat Rate for Residential Service:</u>	\$ 36.05
<u>Connection Fee:</u>	\$1,675.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of February, 2024.

NORTH CAROLINA UTILITIES COMMISSION



Taylor C. Berry, Deputy Clerk

CERTIFICATE OF SERVICE

I, \_\_\_\_\_, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-1141, Sub 8, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_, 2024.

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Utility Company

The above named Applicant, \_\_\_\_\_, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated \_\_\_\_\_ in Docket No. W-1141, Sub 8.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Address

(SEAL) My Commission Expires: \_\_\_\_\_  
Date