

PLACE: Dobbs Building, Raleigh, North Carolina
DATE: Monday, September 24, 2018
TIME: 9:29 a.m. - 12:29 p.m.
DOCKET NO.: W-218, Sub 497
BEFORE: Commissioner ToNola D. Brown-Bland, Presiding
Chairman Edward S. Finley, Jr.
Commissioner Jerry C. Dockham
Commissioner James G. Patterson
Commissioner Lyons Gray
Commissioner Daniel G. Clodfelter
Commissioner Charlotte A. Mitchell

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.

VOLUME: 15



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IDENTIFIED/ADMITTED

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

COMMISSIONER BROWN-BLAND: Let's come to order and go back on the record. Good morning, everybody. We are here to pick up where we left off with the Aqua general rate increase matter. It was whispered in my ear "and to finish," but we will eventually finish. All good things do come to an end.

Mr. Grantmyre, the witness is with you on the cross of his rebuttal.

SHANNON BECKER,

having been previously duly sworn, was examined and testified as follows:

CONTINUED CROSS EXAMINATION BY MR. GRANTMYRE:

Q. Mr. Becker, you were asked about your district manager in the central district about what the Public Staff perceived as a high turnover rate.

Isn't it true THAT you had the same district manager in your western district for about 13 years, person named Lori Eisen (phonetic spelling)?

A. By district manager, I'm assuming you mean our area manager?

Q. Area manager.

A. She's been in the western area, but she's not

1 been the area manager there for -- I think it was after
2 I went to Virginia when she got promoted to be the area
3 manager.

4 Q. And when did you go to Virginia, 2013?

5 A. I'm not exactly sure when she got promoted,
6 but I went in 2012.

7 Q. And so she's been there for six years?

8 A. Approximately. Again, I don't know what year
9 she was promoted.

10 Q. And you would agree that only one customer
11 showed up from her district?

12 A. Two, but one was Belmont, wasn't really --

13 Q. And that had nothing to do with really Aqua,
14 correct?

15 A. That is correct.

16 Q. And you would also agree that your area
17 manager in Wilmington, who retired about a year or two
18 ago, he had been there about seven or eight years;
19 isn't that correct?

20 A. He'd been there quite a while.

21 Q. And there were no customer service complaints
22 at the hearing in Wilmington, correct?

23 A. I don't believe there were any customer
24 service complaints.

1 Q. Now, with regard to rate case expense, the
2 company has contested the five-year amortization.

3 Hasn't it been four and a half years since
4 the last rate case, the 363 rate case?

5 A. It has. This is the first time we've been
6 able to stay out that long, so it's been a --

7 Q. And those rate case expenses were amortized
8 over three years?

9 A. That's correct.

10 Q. But you're still collecting that money in
11 your revenue requirement, aren't you?

12 A. It is, but it still helps us stay out longer,
13 because it's offsetting other expenses that have
14 increased that are not updated as part of the revenue
15 requirement.

16 Q. Okay. But as far as the rate case expense,
17 you're over-recovering that one expense?

18 A. Over-recovering is a very strong word, I
19 don't -- yeah. In that very specific item, I would
20 agree.

21 Q. Now, are you aware of the treatment by the
22 Commission if it's a five-year amortization? Have you
23 ever studied that?

24 A. I'm sorry, what's the question?

1 Q. Okay. Let me rephrase the question.

2 If it was a five-year amortization of rate
3 case expense, and you were to come in in three years
4 instead of five years, are you aware that the remaining
5 two years are re-amortized and you, the Company,
6 actually gets every penny of the rate case expense, but
7 it's just spread out over more time?

8 A. Yeah. Every time it comes in, whatever the
9 balance that's left, goes into the new balance and gets
10 amortized out. The history's always been three years.
11 And I would say, just because we're now at four and a
12 half years, doesn't mean it'll be that long this time.
13 We are spending a lot of money.

14 Q. But is it -- and I'm sorry.

15 Isn't this the first case since the WSIC?
16 The WSIC was 363; that's when it was approved, correct?

17 A. That's correct.

18 Q. And when you were you pushing for the WSIC,
19 the WSIC was an initiative by Carolina -- by Aqua
20 North Carolina; is that correct?

21 A. It is.

22 Q. And when you were pushing the WSIC through
23 the legislature, one of the reasons given was it would
24 delay rate cases, wasn't it?

1 A. One of the benefits is quicker recovery of
2 the capital, and it does have the benefit of
3 potentially allowing you to stay out longer. I will
4 note that our three-year WSIC plan has a spending -- we
5 have about a \$27 million cap, which is 5 percent of the
6 revenues. That cap is anticipated to be spent in the
7 next three years. Once that is spent, we no longer
8 have WSIC-eligible projects that we can come in with.

9 Q. Now, on -- throughout your testimony, you
10 state that the Public Staff was basically negligent in
11 not alerting you to this uncollected CIAC earlier;
12 isn't that correct?

13 A. I wouldn't say the Public Staff was
14 negligent. I think there is a lot of issues that led
15 to it. First of all, you look at the contract terms, I
16 disagree with the Public Staff's position that it
17 should have been collected. I think it's based on the
18 capacity component of the charges, not necessarily
19 transmission. Not transmission at all. But I think
20 there were opportunities for a lot of people to see it.

21 In particular, I think, Mr. Grantmyre, you
22 were very familiar with the drafting of the rules and
23 the regulations in that contract. So if we were to be
24 collecting it, you would have been very aware as well.

1 So I think there is a lot of opportunities for a lot of
2 different people to see it, and it just was never
3 noticed or brought up.

4 Q. And you state -- I'm going jump around a
5 little bit -- on page 25 of your testimony, lines 10
6 through 12:

7 "To the best of my knowledge, Mr. Grantmyre
8 participated in all the referenced Aqua
9 general rate cases as an employee of the
10 Public Staff and never raised any issues."

11 And previously you said there had been four
12 rate cases by Aqua; is that correct?

13 A. Is it correct that I said that there were
14 four rate cases, or is it correct that I wrote that in
15 my testimony?

16 Q. Well, is it correct that you said that? Is
17 it correct you said there were four rate cases?

18 A. I don't know if I said there were four rate
19 cases or not. I know there were several.

20 Q. Okay.

21 MR. GRANTMYRE: Madam Chairperson, we
22 would hand out two exhibits. One is an order dated
23 January 29, 2008, in Sub 251. And I believe the
24 next cross examination exhibit is Public Staff

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1 Becker Cross Examination Exhibit Number 10. And
2 another order dated April 8, 2009, in Sub 274, and
3 we would ask that be identified as Public Staff
4 Becker Rebuttal Cross Examination Exhibit 11.

5 COMMISSIONER BROWN-BLAND: All right.
6 The order regarding the partial rate increase
7 requiring customer notice dated January 29, 2008,
8 is identified as Public Staff Becker Cross
9 Examination Exhibit 10 [sic]. And the order dated
10 in April is identified Public Staff Becker Rebuttal
11 Cross Examination Exhibit 11.

12 (Public Staff Becker Rebuttal Cross
13 Examination Exhibit Numbers 10 and 11
14 were marked for identification.)

15 BY MR. GRANTMYRE:

16 Q. Mr. Becker, did you ask any one of your six
17 lawyers to check and see the Commission records whether
18 Mr. Grantmyre participated in all of the referenced
19 general rate cases?

20 A. Not specifically.

21 Q. Well, Exhibit Number 10, which is the order
22 dated January 29, 2008, in the heading where it says,
23 In the matter of the highlighted portion, "All of the
24 Service Areas in Cumberland and Hoke Counties," you

1 would admit that that is your Brookwood and LaGrange
2 service area?

3 A. I would -- I would believe so, yes.

4 Q. And you would admit that that case did not
5 have anything to do with Flowers Plantation?

6 A. Since it's not in that territory, I would
7 assume that it did not.

8 Q. And if you look at the bottom of the page
9 where it has the attorney for the Public Staff, could
10 you please read the name of that attorney into the
11 record?

12 A. Tab Hunter.

13 Q. Now, do you see William Grantmyre's name on
14 that order?

15 A. I do not.

16 Q. Now, I turn you to page 20, and at the top,
17 the date is November 6, 2007.

18 And would you agree that this is the same
19 rate case, Sub 251?

20 A. I don't see a page 20. Oh, you labeled them
21 at the top here.

22 Q. Yeah. I'm sorry. The handwritten notes at
23 the top, I numbered the pages to facilitate review.

24 A. I'm sorry. So repeat the question, please.

1 Q. On page 20, would you agree that this is the
2 same case, that 251, and in the middle it talks about
3 Cumberland and Hoke Counties?

4 A. (Witness peruses document.)
5 I would agree.

6 Q. And could you read, towards the bottom, on
7 line 18, it talks -- names the Public Staff lawyer.
8 Could you read that into the record?

9 A. It says Tab Hunter. This is the Brookwood
10 case, though, right?

11 Q. Yes.

12 A. Which has nothing to do with Johnston County?

13 Q. Correct.

14 A. Okay.

15 Q. And you would agree, on page 21, line 19,
16 that has the night hearing, the 7:09 to 8:58, that on
17 line 19, the only lawyer stated is Tab Hunter?

18 A. That appears accurate.

19 Q. So it would appear, from the Commission
20 records, that William Grantmyre had no participation in
21 that case?

22 A. Do you list all attorneys who are involved?
23 Are all the five or six attorneys that are involved in
24 this case all listed here, typically?

1 Q. It is practice to list all that make an
2 appearance.

3 A. Okay. Then I would agree.

4 Q. The next one, which is Sub 274, Cross
5 Examination Exhibit 11, order dated April 8, 2009.

6 Now, would you agree that this is the first
7 general rate case filed by Aqua after acquiring Heater?

8 A. I'm assuming you checked that. I'm not sure
9 if that's the first one after, but subject to check.

10 Q. Now, I refer you to page 2.

11 In the middle of the page, could you read the
12 name of the Public Staff lawyer?

13 A. Elizabeth A. Denning.

14 Q. And on page 3, which is one of the night
15 hearings, could you read the Public Staff attorney on
16 line 21?

17 A. Elizabeth Denning Szafran.

18 Q. Now, on page 5, line -- between 20 and a
19 half, could you please read the name of the Public
20 Staff attorney?

21 A. I'm sorry. Could you repeat the reference?

22 Q. Page 5, line 20.

23 A. Well, Elizabeth Denning Szafran, staff
24 attorney.

1 Q. And that would be the February 3rd night
2 hearing -- or day hearing?

3 A. That's correct.

4 Q. And on page 6, would you please read the
5 Public Staff attorney at this Jonesville hearing on
6 December 8, 2008, on line 21?

7 A. Antoinette Wike.

8 Q. And on page 8, the Greensboro hearing on
9 December 9, can you please read the name of the
10 attorney on line 21?

11 A. Antoinette Wike.

12 Q. And on page 10, lines 19, for the Raleigh
13 night hearing on December 1st, can you please read the
14 name of the two Public Staff attorneys?

15 A. James Little and Elizabeth Denning Szafran.

16 Q. And if I were to represent to you that, on
17 pages 13, 15, 17, and 22, it lists the name of the
18 Public Staff attorneys, and it's either
19 Elizabeth Szafran, James Little, or Antoinette Wike,
20 and William Grantmyre's name never appears, and --

21 A. I would agree.

22 Q. I'm going to back up a little bit in your
23 testimony now. Now, you admit in your testimony, you
24 say you're not aware of -- on page 19, lines 16 through

1 18, you also say you're not aware of any construction
2 for Johnston County since 2006.

3 Has the Company sat down with Johnston County
4 and reviewed that?

5 A. We actually asked them, and I don't recall if
6 it's in that exact letter that came in in August to
7 Ruffin Poole, but we did ask them. There's been work
8 done on the plant, but there's not been an upgrade or a
9 capacity upgrade to the plant, from what we understand.

10 Q. Now, on page 19, line 21, you state Aqua did
11 not purchase the capacity from the county immediately.

12 Isn't it true that you waited 12 years from
13 the start of collecting capacity?

14 A. Are you referring to the Buffalo Creek side
15 only?

16 Q. Yes.

17 A. I don't know if it was 12 years. It was some
18 time period. But one of the challenging and very
19 intriguing things of this contract is you have two
20 separate sides that have contractual obligations to
21 charge two different rates. One based on what our
22 build rate is; one based on what we have to buy from
23 the county. Yet we have to serve the Buffalo Creek
24 side, which is what we are ultimately going to send

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1 over to the County. We have to serve them through our
2 existing plant. So they are, theoretically, using --
3 not in theoretically, they are actually using the
4 built-out plant that we built and owned.

5 So you have -- it's a very convoluted way, I
6 think, to handle this. Because that -- those people
7 are being served by our plant, and those people, you
8 think, then, should be paying for the capacity that
9 they are using.

10 Q. Well, the capacity in the plant, since you
11 did the expansion, is something like \$9.48 or
12 something, so.

13 A. 350. 350,000 gallons.

14 Q. Yes. Your latest expansion was -- you're
15 charging over \$9.

16 A. Probably \$9.47.

17 Q. So are you saying you should have been
18 collecting \$9.47 instead of \$6?

19 A. I'm not saying -- the contract doesn't allow
20 me to do that, but that would have been more logical.
21 Then the people down the road who needed the Buffalo
22 Creek -- I'm sorry, the people down the road who need
23 the Johnston County capacity should have then been
24 paying for that capacity at that time.

1 Q. Isn't it true that basically what happened
2 here is the Company held the CIAC as cost-free capital
3 and then took the risk of a price increase, and the
4 price increase occurred, and the Company is left with
5 the bogey between the \$8.48 and the \$6?

6 A. No.

7 Q. Okay. Now, at the bottom of page 20, line
8 19, you say that Mr. Junis imputes CIAC because he
9 believes the Company overpaid.

10 Doesn't the Public Staff testimony really say
11 that you did not under -- overpay, but that you
12 undercollected?

13 A. You could look at it different ways.
14 Overpaid, undercollected, underbilled. There are so
15 many different ways to look at this, and the accounting
16 treatment that's been proposed has impacts that are not
17 easily observable.

18 Q. Now, on page 21, line 11, you state in that
19 the initial capacity fee did not include the cost of
20 upgrades for the transmission system.

21 Now, the contract doesn't specifically say
22 that, it is basically the Company's interpretation that
23 it says that, but the Public Staff disagrees that the
24 capacity fee is not defined.

1 A. I don't think that's an interpretation at
2 all. I think it doesn't say it -- it does not mention
3 transmission fees as part of that capacity payment
4 anywhere.

5 Q. But when you pay the \$8.48, it included what
6 the County has decided is transmission capacity,
7 correct?

8 A. Correct.

9 Q. And you state, on page 15 and 16, that
10 transmission fees were to be recovered on a monthly
11 basis through usage charges.

12 Doesn't the contract say that the
13 transmission service fees are being collected that way?

14 A. I'd have to look at the contract to see what
15 it specifically stated for that.

16 MR. GRANTMYRE: We would ask that this
17 next exhibit be identified as Public Staff Becker
18 Rebuttal Cross Exam Exhibit 12.

19 COMMISSIONER BROWN-BLAND: All right.
20 The document just handed out is captioned "Central
21 Johnston County Regional Wastewater Treatment
22 Facility Improvement" will be -- we have it. We
23 have it - will be identified as Public Staff Becker
24 Rebuttal Cross Examination Exhibit 12.

1 (Public Staff Becker Rebuttal Cross
2 Examination Exhibit number 12 was marked
3 for identification.)

4 Q. Have you reviewed this previously?

5 A. This is my first time seeing it. I see that
6 you requested it and actually it was received from
7 Chandra Farmer on September 12th, which was after the
8 evidentiary hearing had started, so I --

9 Q. Was there any reason --

10 A. -- did not --

11 Q. I'm sorry.

12 Was there any reason that Aqua could not have
13 requested and received a similar document?

14 A. We did ask them if there were any capacity
15 upgrades since 2006, and there were none. These appear
16 to be projects of maintenance repair, maybe some
17 modifications. But we did ask them, we just weren't
18 provided a compiled list.

19 Q. Well, did you ask for a complete list or just
20 when was the last major upgrade?

21 A. I do not recall -- actually, I was not the
22 person who asked for it, so I do not know that
23 specifically.

24 Q. And you would agree that item number 7,

1 biosolids facilities expansion, that is an expansion?

2 A. That does appear to say that, yes.

3 Q. The biosolids -- number 11, biosolids
4 maintenance building, maintenance storage building
5 construction, isn't that an expansion if they
6 destructed a building?

7 A. That's not a capacity expansion, no. That
8 would be a project.

9 Q. Well, it was construction at the plant, which
10 costs money.

11 A. They added a structure, I would agree to
12 that.

13 Q. And you would agree, on the second page is a
14 series of e-mails, the bottom from William Grantmyre to
15 Chandra Farmer?

16 A. Yes.

17 Q. Could you please read that e-mail into the
18 record?

19 A. I'm sorry. Which one, the highlighted one?

20 Q. The bottom one that starts out, "Chandra,
21 could you or Tim Broom provide."

22 A. "Could you or Tim Broome provide a brief
23 summary of the major upgrades, renovations, and
24 expansions to the Johnston County wastewater treatment

1 plant from 2002 to date. It does not need to be
2 detailed or comprehensive as the Public Staff would
3 simply like an outline of the approximate year and
4 brief description on the upgrades, renovations, and/or
5 expansions. It is not necessary to provide cost data.
6 If there is a history from an engineering study, that
7 would be great."

8 Q. And further up the page, she responded on
9 September 12th. Could you read that -- her response
10 beginning with Mr. Grantmyre?

11 A. "Mr. Grantmyre" -- I'm sorry, from
12 Chandra Farmer, September 12th.

13 "Mr. Grantmyre, in response to your request,
14 please find attached a summary of the
15 Johnston County wastewater treatment plant
16 projects from 2002 to date. Please let me
17 know if you have any questions or need
18 additional information."

19 Q. Now, under your argument that the entire
20 \$2,000,925 of CIAC should be applied to the Johnston
21 County capacity that you purchased for \$2.15 million, I
22 believe the number is, the 250 gallons, that is the
23 entire amount of capacity fees you've collected for the
24 Buffalo Creek side; is that correct?

1 A. I'm sorry, was there a reference?

2 Q. On page 17. I'm sorry, page 22, line 17.

3 A. (Witness peruses document.)

4 And can you repeat the question now?

5 Q. There you're saying that you've collected
6 \$2,925,000 in capacity fees, and Aqua's argument is
7 that the entire amount of CIAC should be applied in
8 this case; is that correct?

9 A. That's correct.

10 Q. But you've collected or sold 333,000 gallons
11 of capacity; isn't that correct?

12 A. Based on the stated DEQ book numbers, but the
13 flow for those same units that we sold the
14 333,000 gallons to is less than 230,000. So the actual
15 building and utilizing the capacity in strategically
16 building and timing when you need that capacity is
17 based on actual flow. It does not have anything to do
18 with the book numbers that were sold, that 333 that
19 you're referencing.

20 Q. But developers have paid for 83,000 gallons
21 of capacity and you have no -- under your argument,
22 there's no CIAC left to offset it; isn't that correct?

23 A. Those lots are using the capacity that was
24 purchased, or will be using it.

1 Q. Now, on page 23 of your testimony, you talk
2 about numerous discussions with the Public Staff over
3 the years. This is on line 10.

4 Isn't it true that, in none of these
5 discussions was it ever discussed the amount -- the
6 dollar amount of capacity fees?

7 A. I cannot -- I do not know. I was not here
8 for those discussions. I just know that there were
9 many contacts over the years talking about the general
10 issue.

11 Q. But you do admit that, in April of 2018, you
12 presented to the Public Staff, as we said, that the
13 capacity fee payment per gallon was \$8.48?

14 A. We did that as a comparative to showing that
15 we could potentially save the customers a lot of money
16 by buying in advance of any rate increase. The focus
17 was not on the \$8.48. The breakout of transmission
18 versus capacity and all that history had not been --
19 that was not the premise of why we approached the
20 Public Staff and asked for this collaborative effort to
21 be able to save the customer some money. It turned
22 around on us.

23 After that review, when we found out that the
24 Public Staff was then coming back to recommend that not

1 only would we not be supported moving forward to do
2 that advanced purchase, but there was going to be an
3 attempt to impute CIAC.

4 Q. Well, didn't the Public Staff write you a
5 letter encouraging you to buy the gallons?

6 A. They wrote me a letter to buy as much
7 quantity of capacity as we had received. Very vague.
8 It did not specifically say the 333 gallons. It said
9 use the CIAC that we received. Well, I had received
10 \$2 million --

11 Q. That's it.

12 A. Excuse me.

13 Q. I'm sorry. Go ahead.

14 A. I had received \$2 million -- we had received
15 \$2 million of CIAC on the books for Buffalo Creek. It
16 was \$2 million and change. I don't know exactly what
17 the number was. So we actually -- we needed about
18 250,000 gallons, we had to buy in 25,000 gallon
19 increments. We actually ended up buying 2.12, or
20 \$2,120,000 worth of capacity.

21 So at the time, the usage of gallons, if
22 that's what the Public Staff was referring to, I would
23 say that the Public Staff was then asking me to buy and
24 spend another \$600- and, I think, 25,000 on capacity

1 that was not needed. If I would have bought 333,000
2 gallons, I don't need that. That would be imprudent
3 for me to do.

4 Q. The Public Staff did not say you had to
5 purchase 333, they said should purchase gallons,
6 shouldn't you?

7 A. Right. But didn't you just refer that the
8 gallons that we had received on the books, according to
9 Public Staff, was 333,000 gallons?

10 Q. Yes. But we -- the Public Staff letter did
11 not dictate to you or state to you a specific number of
12 gallons.

13 A. Exactly. And we referred to CIAC as the
14 contributions in aid of capital, which is a dollar
15 amount.

16 Q. Now, you will admit that, if Aqua had
17 constantly kept in touch with Johnston County, the
18 issue of capacity fees would not be so -- as you say on
19 page 24, line 2, you say it's complicated; is that
20 true?

21 I mean, if you had kept up every time you
22 collected CIAC for a capacity fee, you had discussed it
23 with the County, you would have been up to date on
24 that, on the capacity fees, wouldn't you?

1 A. Right. We would have negotiated a rate at
2 the time we would have actually submitted whatever it
3 was that we collected.

4 Q. Now, the Public Staff never told you not to
5 speak to the County, did they?

6 A. Well, you didn't want to meet with us and
7 jointly meet with the County. I'm not sure what you're
8 referring to specifically.

9 Q. Well, when we said that, hadn't we already
10 met with you three times?

11 A. But at the end of this, there was obviously
12 still a considerable amount of confusion. And we had
13 asked the Public Staff if you'd like to jointly meet
14 with the County so we can all be at the same table and
15 get the same responses. Because, apparently, there is
16 some confusion -- maybe in interpretation, but there is
17 some confusion with the other three parties, not even
18 including Becky Flowers, who is the developer.

19 Q. And at the time we refused to meet with you
20 and the County, isn't it true that Aqua had represented
21 to the Public Staff, on at least two or three
22 occasions, that the price increase would go into effect
23 July 1, and the Public Staff, independent of Aqua,
24 found out that wasn't true?

1 A. When we met in April, we had indicated we
2 were unsure as to when the -- and this -- I'm very
3 clear on this, that we were unsure. We did not know,
4 which is why we were trying to get a response by
5 May 31st, so we could not miss the window of time
6 before any rate increase did go into effect. We later
7 found out that they had a board meeting, and I think
8 they voted to put it into effect as of July 1st,
9 whatever the new rates were.

10 Q. But in June of 2018, you told the Public
11 Staff again that a price increase was imminent, which
12 was not true; isn't that correct?

13 A. No. At that time, we absolutely thought, in
14 having discussions with the County, that there was a
15 rate increase going to come. They had, I think,
16 900,000 gallons of capacity left or something of that
17 nature, and they were looking at doing their next plant
18 expansion. We had not known. The only reason we came
19 in was because we were concerned that there was going
20 to be a significant price increase based on the next
21 upgrade or build-out of their plant. We had no idea
22 what that was. We estimated the 18, and we had
23 discussions with the Public Staff saying, well, it
24 could be 15, it could be 20. We used 18 as a

1 placeholder. There was a lot of theoreticals.

2 And you know, we purposely didn't go to
3 Johnston County up front with the -- with our idea,
4 because we wanted to make sure the Public Staff was on
5 board. Because if we were going to be buying 500,000
6 gallons of their capacity, we did not want them to
7 advance the due date or the date that that new rate
8 would be effective.

9 We were wholeheartedly going into this. We
10 would not have benefitted. The Company would not have
11 benefitted. This would have been a sole potential
12 attempt to keep rates down for the customers.

13 Q. Now, you were -- weren't you in the room when
14 it was testified earlier by Chuck Junis that he and
15 Lindsay Darden (phonetic spelling) went to see Johnston
16 County, Tim Broome and Chandra Farmer, in late
17 June of 2018 and were told that the price increase
18 would not occur until sometime in 2019?

19 A. I don't recall the -- I know that they went
20 to visit them, and there may have been some
21 conversations about the price increase. We did find
22 out around that same time -- again, after we had
23 already gone down this path and we started doing all
24 the discovery and reviews of the history, we did find

1 out that they were willing to honor the quote that they
2 had provided to us earlier.

3 Q. But the price increase, why is it that the
4 Public Staff has to find out from Johnston County
5 rather than Aqua give accurate information as to when a
6 major price increase is going to occur?

7 A. Why is it -- I'm sorry, could you repeat that
8 question?

9 Q. Why is it necessary -- why can't Aqua find
10 out when a price increase is rather than the Public
11 Staff?

12 A. We were, that's why we had initiated this
13 discussion. When we were looking at building versus
14 buying, then we started going down the path of buying
15 the capacity from Johnston County, we had an engineer
16 and our director of business development go out and
17 talk to the County. And that's when they had indicated
18 that there was going to be a price increase. They did
19 not know exactly what it was. They talked about they
20 were starting to do their engineering work, but they
21 cannot dictate when the board approves the effective
22 date of a price increase.

23 Q. Well, the price increase wouldn't occur until
24 they did the major plant renovations or expansion;

1 isn't that correct?

2 A. I can't put myself in their shoes as to when
3 they're able to put forth a price increase.

4 Q. Now, on page 24, lines 4 through 6, you talk
5 about it's inappropriate to use management by hindsight
6 to impose significant penalty against Aqua by imputing
7 CIAC that was never collected.

8 Now, you keep using the word "penalty"
9 throughout your testimony, but isn't it a penalty on
10 the public -- on the using and consuming public for
11 them to have to absorb rate increases because the
12 Company failed to collect CIAC which they were supposed
13 to do?

14 A. Well, we didn't fail to collect any CIAC.

15 Q. On the Buffalo Creek pump station?

16 A. On the -- on the -- what is it?

17 Q. Buffalo Creek pump station.

18 A. You're talking about the Buffalo Creek pump
19 station. Can you repeat the question? I was going on
20 the capacity piece.

21 Q. Okay. I'm sorry. We're kind of switching.
22 Really it's both. Undercollecting on the capacity fees
23 and not collecting anything on the Buffalo Creek pump
24 station and force main. You talk about it's

1 inappropriate to use management by hindsight to impose
2 a significant penalty against Aqua by imputing CIAC
3 that was never collected.

4 Now, isn't it true that, if the CIAC is not
5 imputed, it becomes a penalty against the customers
6 which had no involvement whatsoever in any of these
7 transactions?

8 A. I think there was a lot of opportunity, and I
9 talk about this management by hindsight. We're living
10 and working in and making decisions based on
11 information that's in front of us at the time that's
12 available. There was lots of opportunities for
13 different parties: Public Staff, Commission, Aqua, in
14 our filings. I will admit that that was -- appears to
15 be an error. When we -- when the handoff between the
16 management teams happened, it just -- it didn't make it
17 into the new contracts. If it was handled differently
18 up front, there's a lot of ifs.

19 It's a lot easier, though, to look back now,
20 15 years later, almost 15 years later, and say, well,
21 this is what you should have done, this is what you
22 would have done. There's a lot of material that can be
23 reviewed. But I'll also say there's a lot of material
24 that I don't think is available anymore, whether it was

1 handwritten notes or just conversations that were had.

2 We're trying to make decisions now based on
3 partial information that happened 13 years ago. It's
4 incomplete. It's obviously extremely complicated. So
5 to go back after we've had all this time to review, I
6 just don't think it's appropriate to go back and do
7 that.

8 Q. Well, you will agree that the paragraph
9 dealing with the Buffalo Creek pump station and force
10 main recovery is not complicated at all, it's just that
11 Aqua never collected the fees?

12 A. I disagree with that. The original amount
13 that Mr. Junis attempted to impute was for over 500
14 and -- I can't remember what the numbers were --
15 \$505,000, based on the calculation. Thankfully, one of
16 my senior accountants, Susan Willburn (phonetic
17 spelling), was going through her files and came up with
18 an old e-mail, I believe to you, Mr. Grantmyre, that we
19 shared. And it showed the breakout of the
20 interconnection agreement and how that was going to be
21 displayed, and there were certain items that were
22 removed from there.

23 Until that came up, I wouldn't have known
24 what the right amount was, and Mr. Junis didn't either.

1 We're finding new information, and who knows, and we're
2 probably unlikely to find all the information that
3 could really lead us as to the reasons as to who knows
4 if there wasn't another agreement that was made, a
5 verbal agreement. I don't know. But it's very
6 complicated. We're relying on information that's
7 available that I think is incomplete as well.

8 Q. Isn't the first information that Mr. Junis
9 used supplied by Aqua, and then later, you changed the
10 numbers, and that was why it was changed?

11 A. I think we provided a list of the costs for
12 that interconnection, if I remember correctly, yes.
13 But it wasn't a calculation showing how much the amount
14 to be charged was.

15 Q. And had you charged it appropriately when it
16 was supposed to be charged, you would have known what
17 the amount was, wouldn't you?

18 A. Well, I think you answered your question.
19 Yes. If we had charged it appropriately, we would have
20 known.

21 Q. Now, on page 24, lines 15 and 16, you say,
22 "Yet neither of these provisions was included in
23 Heater's tariff."

24 And that is correct, isn't it?

1 A. Yes.

2 Q. Then you go on to say, "Had those provisions
3 been included in the tariff, it would have been less
4 likely that the recovery of the pump station and force
5 main would have been overlooked after the management
6 changes at Heater Aqua; is that correct?

7 A. That's correct.

8 Q. Now, you're aware that many times cash CIAC,
9 other than tap fees, connection fees are not included
10 in the tariffs; is that correct? I'll give you some --

11 A. There are some in there, right.

12 Q. I will give you some examples. Cash CIAC for
13 force main extensions.

14 You have contracts that the developer pays
15 cash CIAC, correct?

16 A. Right. For the contract, yeah.

17 Q. Then there's cash CIAC for production
18 facilities where a developer is paying you cash in lieu
19 of paying for production for providing a well; is that
20 correct?

21 A. I'm not aware of any specific circumstances,
22 but I assume so. It sounds reasonable.

23 Q. Well, recently, within the last six months or
24 so, hasn't the Public Staff approached Aqua and told

1 Aqua that putting cash CIAC instead of production for
2 the Bayleaf system that is short on water, or
3 historically short of on water, is not reasonable and
4 prudent, and the Public Staff would oppose that if it
5 is not discontinued?

6 A. I wasn't part of that conversation, but we
7 would only sell capacity if it was determined to be
8 excess capacity. And in that case, we have frozen new
9 developments in the north Raleigh area.

10 Q. After the Public Staff spoke to you about it?

11 A. I froze development in North Raleigh area, I
12 think, early last year.

13 Q. What do you mean? Did you freeze all
14 development or just --

15 A. New contracts. I have to honor my contracts
16 that are already -- been initiated.

17 Q. Okay. You froze those where they could
18 buy -- pay for capacity and not provide it, correct?

19 A. That's correct.

20 Q. But if the developer did have water capacity
21 or drilled a well and provided the water, you would --
22 Aqua's still dealing with those contracts?

23 A. If they provided the source water that was
24 plentiful to cover their development, yes.

1 Q. And sometimes you have joint projects, say,
2 to build a lift station or a pump station or -- isn't
3 that cash CIAC that never shows up in tariffs?

4 A. I'm not following the question.

5 Q. We're talking about cash CIAC that a company
6 receives dealing with a developer --

7 A. Right.

8 Q. -- that never shows up in a tariff.

9 And isn't an example of one of those types is
10 when there's a joint building of a lift station or pump
11 station and the developer contributes either all or a
12 dollar amount percentage of that pump station?

13 A. And if they don't -- so if they don't own the
14 capacity -- "they," meaning if that developer who built
15 it doesn't own the capacity -- and they contribute it
16 to us, I could charge contributions and capital to
17 somebody else to use that, which benefits the consumer.
18 Is that what you're referring to?

19 Q. No. I'm talking about you have a contract,
20 and a lift station is purchased or constructed, and in
21 your negotiations with the developer, it was agreed
22 that Aqua pay 40 percent and the developer pay
23 60 percent. These type contracts.

24 Now, that is a cash CIAC payment; isn't it?

1 A. If we're building -- first of all, I'm not
2 aware of any contracts where we do 40/60 or we're doing
3 the building. It's usually we give guidance to the
4 developer who will build it and then contribute it to
5 us. If there is another recent contract where we've
6 built it, I think that's the reason you have the excess
7 capacity adjustments for some of those plants, right?
8 Where we went in and contributed for the full amount of
9 the plant up front. I don't think we do that much
10 more.

11 Q. That's correct. Okay.

12 And also cash CIAC not in your tariff, you
13 have instances where there's an interconnection and the
14 developer pays the cash CIAC for Aqua to do an
15 interconnection; isn't that correct?

16 A. I'm not familiar with any of -- any contracts
17 where we're doing the work and then the developer is
18 paying us. There may be, but I'm just not familiar
19 with them if there are.

20 Q. At the bottom of page 25, line 20, you talk
21 about adjust rate base and impute fictionalized CIAC.

22 Isn't the word "fictionalized" a
23 misstatement? Shouldn't it just simply say
24 "uncollected CIAC"?

1 A. No. We do not agree with the Public Staff's
2 opinion that we should have been collecting that
3 transmission component. If it's not part of the
4 agreement, it shouldn't be collected. Maybe
5 "fictionalized" is the wrong word. Probably a little
6 too strong of a word, but it would be inappropriate for
7 the Public Staff to impute, to attempt to propose to
8 impute CIAC.

9 MR. GRANTMYRE: We would ask that this
10 next letter be identified as Public Staff
11 Redirect -- Becker Rebuttal Cross Examination
12 Exhibit 13.

13 COMMISSIONER BROWN-BLAND: All right.
14 This exhibit, dated June 19, 2018, on Public Staff
15 letterhead, will be identified as Public Staff
16 Becker Rebuttal Cross Examination Exhibit 13.

17 (Public Staff Becker Rebuttal Cross
18 Examination Exhibit Number 13 was marked
19 for identification.)

20 BY MR. GRANTMYRE:

21 Q. And could you please -- you would agree that
22 this is the letter that you were referring to earlier?

23 A. The letter where the Public Staff
24 recommends --

1 Q. You purchase capacity.

2 A. Yes. That is correct.

3 Q. And it says, "Dear Mr. Becker," and it's from
4 Charles Junis?

5 A. Correct.

6 Q. Could you please read the -- read it into the
7 record?

8 A. The whole letter?

9 Q. Yes, please.

10 A. "Dear Mr. Becker, regarding Johnston County
11 wastewater capacity. I am writing in
12 response to Aqua's inquiry regarding the
13 Public Staff's position on whether Aqua
14 should purchase wastewater capacity from
15 Johnston County, and if so, how much and
16 when. Aqua brought this issue to the Public
17 Staff's attention during a meeting on
18 April 20, 2018, and it and the related issues
19 of the Flowers Plantation development and
20 Aqua's infrastructure and options to expand
21 its wastewater treatment capacity were
22 further discussed at subsequent meetings on
23 May 23rd and June 14th.

24 "It is the Public Staff's opinion that it

1 would be prudent for Aqua to purchase from
2 the County, wastewater treatment and
3 transmission capacity in the same quantity
4 rounded up to the nearest

5 25,000-gallon-per-day increment for which
6 Aqua has received contribution in aid of
7 construction payments from developers.

8 "In addition, it is the Public Staff's
9 opinion that it would be prudent for Aqua to
10 attempt to renegotiate its contract with
11 developer Rebecca Flowers, developer, such
12 that Aqua will purchase additional capacity
13 from the County at the rate of \$8.48 per
14 gallon per day, and the developer and any
15 secondary developer will pay Aqua CIAC at the
16 same rate along with carrying costs incurred
17 on amounts extended for Aqua's purchase of
18 capacity prior to receipt of payment from the
19 developer.

20 "Aqua should negotiate with the developer to
21 recovery its carrying costs for the capacity
22 of purchases now to serve future customers.
23 Such an arrangement would likely be less
24 costly to developers than what they would pay

1 under the current agreement between Aqua and
2 the developer.

3 "That agreement provides that the developer
4 and secondary developers pay Aqua the
5 County's then current bulk wastewater
6 capacity fee. And it is the Public Staff's
7 opinion that the County's capacity will
8 likely materially increase over time."

9 Q. Now, with respect to renegotiating the
10 contract that we suggested, basically would you agree
11 that the intent of that suggestion was to lock in the
12 \$8.48 price before the price went up to \$15 or \$18 a
13 gallon sometime in 2019 when they let the contracts or
14 got the bids for the plant, the 4-million-gallon-a-day
15 plant that they're going to build?

16 A. I was looking at the intent as more of just
17 negotiate the contract to get a -- to lock in a lower
18 price. Whether it's \$8.48, we can't control, but
19 that's a negotiated rate.

20 Q. Now, you -- you got a flow reduction to
21 180 gallons a day per three-bedroom house with a
22 minimum of 180 gallons a day for a two-bedroom house,
23 and you filed for a reconciliation whereby it would be
24 applied backwards to all your prior permits; is that

1 correct?

2 A. Whether it's applied backwards or not, it's
3 at 180, and we would be reconciling the whole plants.
4 So DEQ has the current records of what the actual flow
5 going through the plant is. I don't have all the
6 definitions of what the reconciliation really means,
7 other than I know that it's a paper filing with DEQ
8 based on current flows.

9 MR. GRANTMYRE: We would ask that this
10 Public Staff Becker Rebuttal Cross Examination
11 Exhibit be marked 14. The Public Staff did put
12 handwritten notes on the pages up to page 20 at
13 what would be the top right-hand corner.

14 COMMISSIONER BROWN-BLAND: All right.
15 This exhibit, when it is looked at horizontally,
16 has Lawson in the top left-hand corner, will be
17 identified as Public Staff Becker Rebuttal Cross
18 Examination Exhibit 14.

19 (Public Staff Becker Rebuttal Cross
20 Examination Exhibit Number 14 was marked
21 for identification.)

22 BY MR. GRANTMYRE:

23 Q. Now, you recognize this as your Lawson
24 general ledger journal entries?

1 A. It looks similar to one, yes.

2 Q. And you recognize this as being filed with
3 Aqua's W-1 requirements in this case?

4 A. I don't know how to confirm that.

5 Q. Can you please look at the -- where it says,
6 on the right, "journal entry line description"? If you
7 could -- you ARE -- you're still an accountant, even
8 though your CPA license is on sabbatical, okay?

9 A. I understand accounting very well, yes.

10 Q. Okay. If you look down there, would you
11 agree that in nowhere on those journal entries do you
12 list any cash CIAC for capacity, either water or
13 wastewater capacity fees?

14 A. (Witness peruses document.)

15 I'm sorry, Mr. Grantmyre, I know the
16 description is here, but I don't know what that
17 represents behind, you know, what the details --

18 Q. If you will go to page 4, and it's
19 highlighted. You see "engineering main services."

20 Now, none of those are capacity fees, are
21 they?

22 A. You said it's highlighted?

23 Q. Yours is not high -- okay, I'm sorry.

24 A. I do see in the center there under

1 description, engineering main services, \$42,244 in
2 total.

3 Q. And then on the next page, page 5, sewer
4 mains, manholes, services, and it comes out to \$90,216?

5 A. I see that, yes.

6 Q. Now, if you go back to page 1, towards the
7 bottom, the middle bottom, it says developers' cost
8 certification, \$42,244 for water, and that matches what
9 was on page 4?

10 A. I would agree, yes.

11 Q. And the same thing for the sewer, the \$90,216
12 matches what is on page 5?

13 A. I would agree, yes.

14 Q. So, basically, on the journal entries you're
15 filing with the W-1, you are not listing the capacity
16 fees paid?

17 A. Yeah. I believe this is the -- this is the
18 journal entry that's used to record the contributions
19 that come from the developer, the property
20 contributions.

21 Q. But doesn't the W-1 require all contributions
22 and not just property contributions?

23 A. I don't know if the W-1 has that requirement.

24 Q. And will you accept, subject to check,

1 without going through all these examples here, that the
2 patent is the same, it only reflects property CIAC and
3 doesn't reflect any capacity fees? Accept subject to
4 check?

5 A. I would accept, subject to check, yes.

6 MR. GRANTMYRE: We would -- I'm going to
7 hand out to facilitate Public Staff Junis -- Public
8 Staff Junis Exhibit 19 and 18. In case some of us
9 can't find it, we'll give it again.

10 BY MR. GRANTMYRE:

11 Q. Now, you agree on -- the second page is Junis
12 Exhibit 18, and it's a document given to you by
13 Johnston County dated January 10, 2018, correct?

14 A. Yes.

15 Q. And total option number 2 towards the bottom
16 is \$8.48?

17 A. Yes.

18 Q. And in your testimony, you talk about, to
19 your knowledge, they had not constructed any of the
20 transmission facilities; did you not?

21 A. I believe so, yes.

22 Q. And there's an asterisk, estimated cost,
23 \$2.06 next to the asterisk?

24 A. Yes.

1 Q. But there is no asterisk above the others,
2 the \$0.42, the \$0.37, and the \$0.29?

3 A. I agree.

4 Q. So would you assume from this that those
5 transmission facilities had already been constructed as
6 of January 10, 2018?

7 A. I would agree that those components are
8 likely already in use in their collection system.

9 Q. And without going through detail, doesn't the
10 July 11, 2018, letter basically say the same thing?

11 A. As?

12 Q. That the transmission facilities, the three,
13 had already been constructed? There is no asterisk
14 next to those three?

15 A. Yes. Except for the 12 inch, yes.

16 Q. And, again, they say total capacity fee is
17 \$8.48, correct?

18 A. They do. Just enough to point, that \$5.34
19 does say based on 2006 expansion, and it refers
20 specifically in this total fee of \$8.48 on the
21 components in all the options. Total transmission is
22 one component. WWTP capacity, which is how it's
23 referred to in the contract, is referred to as the
24 second component.

1 MR. GRANTMYRE: We would ask this next
2 exhibit be identified as Public Staff Becker
3 Cross-Examination Exhibit Number 15.

4 THE WITNESS: I'm sorry, the letter that
5 was just handed out, what exhibit number was that?
6 That was 14?

7 Q. No. That was Public Staff Junis exhibit to
8 his testimony, 18 and 19.

9 A. Oh, so that's -- okay.

10 Q. Yeah. It's just -- we've already talked
11 about that earlier. We didn't want to make it another
12 exhibit.

13 A. Thank you.

14 COMMISSIONER BROWN-BLAND: All right.
15 At this time, the Aqua Johnston County wastewater
16 capacity fees and construction exhibit will be
17 identified as Public Staff Becker Cross Exam
18 Exhibit 15 [sic].

19 (Public Staff Becker Rebuttal Cross
20 Examination Exhibit Number 15 was marked
21 for identification.)

22 BY MR. GRANTMYRE:

23 Q. Now, the good news is we're getting to the
24 end, so we're trying to summarize here.

1 Now, you agree that this is a timeline with
2 some dates here of the capacity fee dispute, correct?

3 A. That's what it appears to be, yes.

4 Q. And the 550 was May of 2002?

5 A. Yes. May, yes.

6 Q. And subsequent to that, Johnston County, as
7 we showed it under early exhibit, expanded the
8 wastewater treatment plant from 5 million gallons to
9 7 million gallons a day?

10 A. I believe that was -- yes, I believe that.

11 Q. And then there was a later expansion in 2006
12 from 7 million gallons a day to 9.5 million gallons a
13 day?

14 A. Right.

15 Q. And in April of 2018, the PowerPoint
16 presentation by Aqua to the Public Staff had \$8.48 --
17 \$8.48 gallons per day?

18 A. Correct.

19 Q. And then, in June, you paid the \$8.48?

20 A. That's correct.

21 Q. And it was in May of 2018 that the Public
22 Staff advised that it was our opinion you
23 undercollected; isn't that correct?

24 A. It was in that meeting when we were told

1 this, yes.

2 Q. Now, could you give an explanation, if the
3 capacity fee in 2002 was \$5.50, how does it get to
4 \$5.34 16 years later with two plant expansions, in
5 that, in general, the costs of construction increase
6 over time?

7 A. Yeah. I can't explain the timeline that they
8 have in here. The \$5.50 doesn't seem to have any
9 support, as I mentioned before. I don't think we're
10 seeing the complete record of what existed prior to
11 2005, or even some documents possibly after. The
12 \$5.50, nobody can support that. Nobody seems to know
13 where that comes from, including Johnston County when
14 we asked them.

15 It did move up to \$6 per gallon within that
16 same year after we sold, I think, one development at
17 \$5.50. It went to \$6. We do not know how it went to
18 \$6 or what was included in that. All I'm doing and
19 what we're doing now is going back and trying to
20 recreate and rebuild a big Lego structure with a lot of
21 missing Legos.

22 The -- looking at the agreement the way it
23 stands, it's pretty clear that the costs are supposed
24 to be based on the wastewater treatment plant capacity

1 by the County, which are being based on actual costs of
2 future upgrades. When we spoke with Chandra and Tim --
3 Chandra, I think her name was Coates, and I think it's
4 new, now Farmer -- and Tim Broome, they could not
5 account for the increases or what was actually involved
6 in that \$5.50.

7 So for me to speculate now and to, again, try
8 to rebuild this in hindsight, without being there and
9 looking at the information that was available at that
10 time, it's just -- we're trying to piecemeal something
11 and create facts that we don't know if we have the
12 right facts. So I can't speculate.

13 Q. But didn't he tell you, Tim Broome, that the
14 \$5.50 included the capacity -- the capacity fee
15 included the transmission upgrades?

16 A. I believe that's what Mr. Junis had said when
17 he testified, or maybe you had said it, Mr. Grantmyre,
18 but our folks on our team who had met with Tim and
19 Chandra, I think three different times, it was not
20 clear. There was no confidence that he knew, from our
21 understanding, interpretation of what he was saying, he
22 did not know what went into that \$5.50. That's what I
23 mentioned. Nobody knows where that \$5.50 came from.
24 And that includes the County. They can't back it up.

1 And when we asked them for their upgrades in
2 the Ruffin Poole e-mail recently that Chandra had
3 drafted to Ruffin, she had indicated that that base
4 fee, there -- it was -- it's been the same for a long,
5 long period of time. And the only update that they
6 made was one, I think, in 2009 or something like that
7 for inflation.

8 Q. Now, also in your testimony, you talk about
9 the 2.12 million gallons that you paid -- or dollars
10 that you paid to the County for the 250,000 gallons.

11 You admit that that is not currently used and
12 useful and will not be used and useful until the
13 connection is made to the County and you have the
14 engineering certification that is complete?

15 A. Well, I am advised, and as it's in my
16 testimony, the definition of "used and useful" could
17 also include that, since it's going to be used and
18 purposeful within the next several months. It's very
19 definitive.

20 Q. Well, the test year ended June 30, 2017,
21 correct? Or 2018, that was the update?

22 A. The update was through that period. The
23 evidentiary hearing is still obviously going on. We
24 won't have an order probably until October, maybe

1 November, I don't know. But if you look at my
2 testimony -- this might take a bit to locate, but I do
3 have -- bear with me for just a moment.

4 (Witness peruses document.)

5 On page 26 of 52, the question under line 1,
6 "Do you agree with Mr. Junis' proposal to remove
7 \$2.12 million from plant in service because it views it
8 not to be used and useful?"

9 Again, that's where I had indicated that
10 these costs may be included in rate base because
11 capacity will be used within a reasonable time frame
12 after the close of our evidentiary hearing.

13 So I think there's a possible -- possibility
14 that, because this is known, it's measurable, we
15 already acquired it, it's going to be used in Q1 of
16 '19, that's pretty near term.

17 Q. But you don't know when in 2019, other than
18 you say quarter one sometime?

19 A. Well, the engineering's already been
20 completed for the interconnection, the capacity has
21 already been purchased. Once that interconnection is
22 completed, which is not a lengthy project, other
23 than -- take, you know, six months or so, so it will be
24 first part of 2019.

1 Q. But it has not been permitted yet by DWR, has
2 it?

3 A. The collection line?

4 Q. The interconnection has not been permitted by
5 DWR?

6 A. We have the -- I'm not going to try to convey
7 the engineering terms. I know that we've got the
8 engineering approvals to move forward.

9 Q. When did you get them?

10 A. I want to say a couple of weeks ago.

11 Q. Isn't it true you've only submitted them, and
12 you don't have them yet?

13 A. I know that our engineers came to me and were
14 very excited that we got the approval to move forward.
15 I don't exactly know what that constituted, but it's a
16 live project.

17 Q. Now, have you ever heard the matching concept
18 that you're supposed to match revenues to plant?

19 A. Would that apply to CIAC too?

20 Q. Well --

21 A. I apologize. I shouldn't have asked a
22 question. Yes, I have.

23 Q. And if you got to include plant being built
24 or put in service six months after the test year,

1 shouldn't you include revenues for customer growth for
2 the same six months so that you have a matching of
3 revenues with the plant?

4 A. This is capacity that's going to be used for
5 the -- well, actually, we can get by with -- grossed up
6 now, yes, I would agree with that.

7 Q. Now, also you have a contract pending with
8 the East School Road subdivision which has been renamed
9 something, you know?

10 A. Sure.

11 Q. And that permit to construct the facilities
12 was issued by DENR in early 2018; are you aware of
13 that?

14 A. I'm not familiar with the school
15 construction.

16 Q. And there's got to be about \$400,000 of CIAC
17 for capacity fees on wastewater in that contract; are
18 you aware of that?

19 A. From the school?

20 Q. No, from the developer. The subdivision is
21 on East School Road. It is a residential subdivision
22 in Flowers Plantation. But if you're going to extend
23 and allow this plant as used and useful, shouldn't we
24 also bring in that \$400,000 plus of CIAC if you're

1 basically extending the time period?

2 A. No. I believe the school's capacity is --

3 Q. No, no, no, not the school.

4 A. -- covered --

5 Q. This is not the school. This is a
6 residential subdivision. The initial contract called
7 it the East School Road project.

8 A. Okay.

9 Q. It's --

10 A. It's not a school.

11 Q. It's -- no. It's -- looks like townhomes,
12 and it's near the Neuse River. But the point is, there
13 is going to be approximately \$421,000 of wastewater
14 capacity fees collected as CIAC. And it may have
15 already been collected by y'all, we don't know. It
16 wasn't a month ago.

17 If you're going to extend and bring in -- you
18 know, go into the first quarter of 2019, shouldn't we
19 also bring in this \$421,000 of CIAC when it's
20 collected?

21 A. I don't know if I could answer that question.
22 Should we bring it in? To rate base, to offset?

23 Q. Yes.

24 A. Yes.

1 Q. Now, you asked for a deferral at the bottom
2 of -- on page 27.

3 Isn't it the Commission's -- if you know
4 this -- the Commission's policy that they don't issue
5 deferrals unless there's a significant revenue impact?

6 A. I'm sorry. So repeat the question about the
7 deferral I mention where?

8 Q. Are you -- do you agree it is the
9 Commission's policy not to approve deferrals unless
10 there is a significant revenue impact to the utility?

11 A. A deferral for what?

12 Q. Didn't you ask for an accounting deferral?

13 A. On capacity if it's considered an asset held
14 for future use?

15 Q. Yes.

16 A. Yes.

17 Q. And the question was, are you aware that it's
18 been -- one of the criteria the Commission uses on
19 deferrals is what is the revenue impact if there is not
20 a deferral?

21 A. I was not aware of the Commission's
22 requirement that that's one of the things that they
23 look at. This was a request very similar to what we
24 brought to you in April, because we knew it's not a

1 normal request to have deferred accounting or
2 capacity -- or recovery of carrying costs. That's what
3 makes this challenging is we were going to be buying an
4 asset that may not be used right away but for the
5 advantage of the consumer.

6 Q. Now, at the top of page 28, you talk about
7 that the customers have not been hurt by the
8 undercollection of CIAC either in capacity fees or the
9 pump station, the noncollection for that.

10 Is it your statement that, if a developer
11 gets a really good deal on purchasing land or in his
12 development costs, that he always passed those cost
13 savings on to the customers rather than just sell
14 whatever he is developed, whether it be land or houses,
15 based upon what the developer feels is the fair market
16 price?

17 A. Well, I could tell you, when I worked for
18 Pulte Homes as the controller and I used to do my
19 analysis for new developments, that we would calculate
20 what the costs of the lots were. And that would
21 include capacity fees, connection fees, whatever it
22 might be that's in there. You bill the lot cost and
23 then we would do the markup based on the total of that.

24 Q. But if, in fact, it is in an area that is a

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1 hot development area, and after you do your cost markup
2 you come up to \$250,000 per house, but all the other
3 developers in the area are selling similar houses or
4 almost identical for \$300,000, wouldn't the company
5 increase to \$300,000 or close to it to be at market
6 rather than just a markup percent?

7 A. They very well might do that. I just know
8 that this is how we did it or how I did it. We knew
9 what the cost was, the cost basis, and determined
10 whatever markup was. If the going rate was a 30
11 percent markup or 50 or 100 percent, I didn't make
12 those decisions. But the foundation of the cost of the
13 basis of that lot was utilized to determine the sales
14 price.

15 MR. GRANTMYRE: We would ask that this
16 exhibit be identified as Public Staff Becker Cross
17 Exam 16.

18 COMMISSIONER BROWN-BLAND: All right.
19 This document being handed out that starts off
20 captioned "Johnston County capacity fees collected"
21 will be identified as Public Staff Becker Cross
22 Examination Exhibit 16 [sic].

23 (Public Staff Becker Rebuttal Cross
24 Examination Exhibit Number 16 was marked

1 for identification.)

2 BY MR. GRANTMYRE:

3 Q. Now, can you please read the bold type?

4 A. "Johnston County capacity fees collected and
5 Buffalo Creek pump and force main CIAC construction
6 reimbursements not collected subsequent to the update
7 cutoff of October 31, 2013 in Aqua's last general rate
8 case, Docket Number W-218, Sub 363."

9 Q. Now, you were in the room when
10 Chairman Finley was asking Public Staff engineer
11 Charles Junis about amounts collected subsequent to the
12 last rate case?

13 A. I was.

14 Q. And will you accept, subject to check, that
15 the Johnston County capacity fees, the total collected
16 from developer is the \$2,000,925 which is in your
17 testimony?

18 A. I would.

19 Q. And would you accept, subject to check, that
20 it says less collected prior to October 31, 2013, which
21 was the cutoff date in the last rate case, that it
22 would be \$751,545?

23 A. Subject to check, yes.

24 Q. And that the balance subsequent to that

1 cutoff date would be the \$1,249,380?

2 A. Yes.

3 Q. And would you accept, subject to check --
4 now, the -- I'll read into the record the next
5 grouping, Buffalo Creek pump station CIAC not collected
6 subsequent to October 31, 2013.

7 And would you agree, subject to check, that
8 there had been 993.6 single-family residential
9 equivalents times the \$220.41 per SFRE, and that would
10 be the uncollected CIAC of 2,000 -- I'm sorry \$218,999
11 subsequent to October 31st, subject to check?

12 A. So just to clarify, that was the amount that
13 was not collected prior to October 31st, '13?

14 Q. No. This is subsequent -- this is subsequent
15 to October 31. This is the number --

16 A. Since then?

17 Q. Yeah.

18 A. I guess I would agree with that, subject to
19 check, yes.

20 Q. Okay. I know this is going to disappoint
21 you, but we're about at the end of Johnston County.

22 A. Very disappointed.

23 Q. And I'm going to ask you a question --

24 COMMISSIONER BROWN-BLAND:

1 Mr. Grantmyre, are you about at the end or you
2 got --

3 MR. GRANTMYRE: Yes. This is only going
4 to take less than a minute.

5 COMMISSIONER BROWN-BLAND: Then you'll
6 be done?

7 MR. GRANTMYRE: No. With Johnston
8 County.

9 COMMISSIONER BROWN-BLAND: With Johnston
10 County. How much more before you're done, quite a
11 bit?

12 MR. GRANTMYRE: I have quite a bit.
13 It'll go a lot quicker --

14 COMMISSIONER BROWN-BLAND: When you
15 finish with Johnston County, we're going to take a
16 15-minute break.

17 MR. GRANTMYRE: Okay.

18 BY MR. GRANTMYRE:

19 Q. Now, earlier I mentioned that I've got a
20 solution or a suggestion to go forward to avoid having
21 all this fun again on another time. And would you
22 agree or not -- whether you agree or not, the Public
23 Staff is going to put in our proposed orders. But on
24 any contract that a water or wastewater utility brings

1 to the Commission for a certificate of public
2 convenience and necessity, or a continuous extension,
3 that the Commission require, in an ordering paragraph,
4 if that contract has cash CIAC, that will not be
5 included in the tariff, that post-closing within
6 30 days of the closing date, that company must file a
7 report with the Commission outlining all the contract
8 provisions for cash CIAC identifying the paragraph; and
9 then also in the report, outlining and stating that the
10 company has complied with collecting the cash CIAC,
11 stating the date you've collected, how you collected
12 it, the amount you collected, and how it was
13 calculated. And this would be filed in the Commission
14 records in the docket so that everyone would have
15 access to it on a go-forward basis, and we would not
16 have this fun in the future.

17 MS. SANFORD: Commissioner Brown-Bland,
18 if I might object, just for purposes of
19 clarification, that was a very long --

20 THE WITNESS: I was going to ask him to
21 repeat the question.

22 COMMISSIONER BROWN-BLAND: I was going
23 to say, Mr. Grantmyre, that was the record for a
24 run-on question. I learned about run-on sentences.

1 MR. GRANTMYRE: It was a good question,
2 though.

3 MS. SANFORD: And we're very interested
4 in the question, but I just --

5 MR. GRANTMYRE: We'll let the record
6 speak to itself.

7 MS. SANFORD: Well, he's got to answer.

8 COMMISSIONER BROWN-BLAND: If he's
9 unclear and can't answer -- well, I'll just say
10 this. I sustain her objection, because it's in --
11 there are several pieces to it, and I would imagine
12 he --

13 MR. GRANTMYRE: Well, I'm just --

14 THE WITNESS: If I could just make a --
15 I'm not going to be able to answer that, because
16 there was a lot of content in that, specifically,
17 other than we are referring to this Johnston County
18 contract. This is the only contract that we have
19 like this. We don't -- we're not in the middle of
20 any other contract -- I'm sorry. No other contract
21 has the utility in the middle collecting from the
22 developer and then buying other places and
23 requiring it and dictating it. There are so many
24 terms here. This contract is so unique, to put

1 something that's a broad rule, if there's a
2 benefit, the Commission sees it as a benefit, we'll
3 regulate it, you know, we need to hear it, whatever
4 that might be. But to go about and impose
5 something around this one very, very challenging
6 contract and issue, that might be a little bit
7 overkill, I would say, in my opinion.

8 MS. SANFORD: Commissioner Brown-Bland,
9 I'm sorry, all I wanted to ask was whether there
10 could be a copy this given to the witness or
11 whether it could be reread. And just so that we
12 can all hear it again and he can see it.

13 CHAIRMAN FINLEY: I think he said he was
14 going to put it in his proposed order. I don't
15 think we need to debate that now. I think he needs
16 to put it in his proposed order and the Commission
17 can react to that. I've got some thoughts on this
18 whole line of questioning I want to clear up with
19 Mr. --

20 COMMISSIONER BROWN-BLAND: Let's get
21 back to order. When we get to the Commission's
22 questions, we can hear all that.

23 BY MR. GRANTMYRE:

24 Q. Now, just very quickly, you've got about over

1 700 water systems, don't you? And about 60 wastewater
2 systems, 59?

3 A. Correct.

4 Q. And every one of those has at least one or
5 more developer contracts?

6 A. Yes.

7 Q. And some, say, Bayleaf have 100 or 100-plus
8 developer contracts?

9 A. Possibly.

10 Q. Now, do you think that, as a former
11 accountant, that the Public Staff has the capacity to
12 audit every one of those contracts in every rate case
13 to see if you're collecting the appropriate cash CIAC?

14 A. I can't speak to the how the Public Staff
15 does their performance of audits. I don't know if they
16 have the capacity or not.

17 MR. GRANTMYRE: We have no more
18 questions on Johnston County.

19 COMMISSIONER BROWN-BLAND: All right.
20 We'll take a break and come back on the record
21 11:05.

22 (At this time, a recess was taken from
23 10:51 to 11:06.)

24 COMMISSIONER BROWN-BLAND: Let's come

1 back to order. Mr. Grantmyre, you may resume.

2 BY MR. GRANTMYRE:

3 Q. Yes. We are going to move on to excess
4 capacity.

5 To your knowledge, has the Commission ever
6 approved deferred accounting on plant for Aqua?

7 A. Not to my knowledge.

8 Q. And you will admit, when Aqua installs plant,
9 that plant is depreciating and deteriorating due to age
10 even if it's deferred?

11 A. That's correct.

12 MR. GRANTMYRE: And we would hand out
13 two exhibits. We'd ask that they be marked as
14 Public Staff Becker Cross Examination Exhibit
15 Number 17, which is the chart with cost, and Number
16 18 deals with Cannonsgate.

17 COMMISSIONER BROWN-BLAND: All right.
18 The exhibit that deals with the cost that has a
19 chart on it is identified as Public Staff Becker
20 Cross Examination Exhibit Number 17 [sic]. And the
21 exhibit dealing -- exhibit that says Aqua
22 North Carolina uniform rate wastewater is
23 identified as Public Staff Becker Cross Examination
24 Exhibit 18 [sic].

1 (Public Staff Becker Rebuttal Cross
2 Examination Exhibit Numbers 17 and 18
3 were marked for identification.)

4 BY MR. GRANTMYRE:

5 Q. Now, with respect to Exhibit 17, the list of
6 structures and improvements, will you agree that this
7 is a list of post test year plant capital expenditures
8 by Aqua in this rate case?

9 A. I'm sorry. I think I misread. This one is
10 17 or 18?

11 Q. 17. I'm sorry.

12 A. That's my fault.

13 (Witness peruses document.)

14 They do all appear to be post test year
15 additions, yes.

16 Q. And you agree that the total is
17 \$1.249 million, as stated at the bottom?

18 A. I would agree.

19 Q. Now, moving on to Number 18, do you agree
20 that the information Aqua provided the Public Staff,
21 subject to check, is that the total capacity in the
22 Cannonsgate wastewater treatment plant is
23 250,000 gallons per day?

24 A. I'm sorry, that's the permitting capacity?

1 Q. Yes.

2 A. Subject to check, yes.

3 Q. And that information provided showed that, as
4 of June 2018, at the end of the test year, there were
5 27 occupied REUs at Cannonsgate?

6 A. Subject to check, yes.

7 Q. And times 400 gallons per day per REU, that
8 would be 10,800 gallons per day?

9 A. Subject to check, yes.

10 Q. Which would leave us with excess capacity of
11 95.7 percent, dividing the 10,800 by the 250,000,
12 subject to check?

13 A. Assuming that's a similar calculation of how
14 excess capacity was calculated previously, yes.

15 Q. Now, you agree that the Public Staff did not
16 recommend an excess capacity adjustment for
17 Cannonsgate; is that correct?

18 A. I don't believe that's one of the
19 adjustments, no. Or correct.

20 Q. And didn't the Public Staff explain to you
21 that, as Aqua did not pay for the initial construction
22 of the wastewater treatment plant, that was the reason
23 why the Public Staff did not recommend an overbill
24 plant adjustment?

1 A. I believe, in discussions with yourself, we
2 have had that in the past, and that's consistent with
3 my request that these are even post upgrades. They're
4 not part of the initial capacity build-out, and that's
5 why I'm requesting a different treatment here. These
6 are upgrades afterwards to benefit the customers that
7 are required.

8 Q. Well, as Cannonsgate, Aqua did not pay any of
9 the initial construction costs, they did not -- would
10 you agree they did not assume any of the developer's
11 risk of subdivision build-out?

12 A. The plant was fully donated and contributed,
13 yes.

14 Q. Now, you agree, would you not, on item number
15 3 at the bottom, subject to check, that the plant --
16 the wastewater treatment plant was constructed in 2005?

17 A. I would agree with that.

18 Q. And these replacements and renovations were
19 made due to deterioration and depreciation with age,
20 even though, as we could see, there aren't that many
21 customers; is that correct?

22 A. That these upgrades or these --

23 Q. Yes.

24 A. -- were all because of depreciation?

1 Q. And deterioration.

2 A. I don't know if that's the case or not.
3 There may have been some nutrient requirements. I'm
4 just not positive what they were for.

5 Q. But this is a land application system, isn't
6 it?

7 A. I believe Cannonsgate is.

8 Q. Because it's on the Bogue Sound, and you
9 don't have a discharge permit to go into the sound, do
10 you?

11 A. I'll take your word for it on that.

12 MR. GRANTMYRE: We would hand out this
13 next exhibit that we would ask be identified as
14 Public Staff Becker Rebuttal Cross Exam Exhibit 19.
15 Madam Chair, we have numbered this at the top
16 right-hand corner so we could move quickly through
17 the exhibit handwritten numbers, and the Public
18 Staff has highlighted certain portions to help us
19 move through it quickly.

20 COMMISSIONER BROWN-BLAND: Let me say
21 for the record that this morning, the exhibits that
22 have been identified, I'm not certain that I
23 included in there that they were rebuttal, that
24 this was Public Staff Becker Rebuttal Cross

1 Examination. So that is added to the
2 identification of those for purposes of keeping
3 this record straight. And this current exhibit
4 just passed out is identified as Public Staff
5 Becker Rebuttal Cross Examination Exhibit 19.

6 (Public Staff Becker Rebuttal Cross
7 Examination Exhibit Number 19 was marked
8 for identification.)

9 BY MR. GRANTMYRE:

10 Q. Now, I know you were not with the Company in
11 2005 when this was filed, but I would represent to you
12 that this was the application for the transfer of the
13 Carolina Meadows wastewater system to Aqua
14 North Carolina filed in June of -- June 28, 2005.

15 Would you accept that, subject to check?

16 A. Yes, I would.

17 Q. And you see, on page 4, that -- I'm sorry,
18 line 4, page 1, that the purchaser is Aqua
19 North Carolina, Inc.?

20 A. Yes.

21 Q. And it was not Heater Utilities, Inc. as
22 discussed by your attorney the other day; is that
23 correct?

24 A. It does show the purchaser as Aqua

1 North Carolina, Inc.

2 Q. And on page -- I'm sorry, line 9, the
3 president, can you read his name?

4 A. Neil Phillips.

5 Q. I refer you to page 4, line 14.

6 Can you please read into the record what it
7 has there, the highlighted portion?

8 A. Line 14 says, "Capacity of Company sewage
9 treatment plant, gallons per day, 180,000 gallons per
10 day, and see number 33 below."

11 Q. And we would move on to page 6, at the top,
12 where it is line 33. Could you please read that into
13 the record?

14 A. "See attached contract regarding expansion to
15 350,000 gallons per day."

16 Q. And line 34, would you agree, says, "See
17 docket number W-1118, Sub 1"?

18 A. Yes.

19 Q. And, of course, that is in the Commission's
20 record, but would you agree, subject to check, that it
21 was the most recent contiguous extension by Chatham
22 Water Reclamation Company, LLC, which was the water
23 utility?

24 A. Subject to check, yes.

1 Q. Now, on page 11, the signature line, line
2 12 -- and, actually, it's hard to read his signature,
3 but would you agree that the verification line 13 says
4 Dane L. Vincent?

5 A. I'm sorry, you said page 11?

6 Q. I'm sorry. Line 12 -- page 12, line 13.

7 A. Page 12 on the document or page 12 on your --

8 Q. I'm sorry. Of my numbers, because --

9 A. Your numbers?

10 Q. Yeah. We're going by our numbers, because we
11 have numbered documents.

12 A. Okay. So your numbered page 12, line --

13 Q. 13.

14 A. -- 13, says Dane L. Vincent.

15 Q. Now, on page 14, would you agree that this
16 seems to be the cover page of the asset purchase
17 agreement?

18 A. It looks like one, yes.

19 Q. And it's dated May 12, 2005?

20 A. It is.

21 Q. And again, it's Chatham Water Reclamation
22 Company and Aqua North Carolina?

23 A. Correct.

24 Q. And on page 15, in the middle of the page, it

1 refers to previous dockets, Docket Number W-1118, Sub 0
2 and Sub 1?

3 A. That appears correct, or it is correct, yes.

4 Q. And if the Public Staff represented to you
5 that Docket Number W-1118, Sub 0 was the original
6 franchise, would you accept that, subject to check?

7 A. For Aqua America? For Aqua North Carolina?

8 Q. No. That would be the original franchise for
9 Chatham Water Reclamation Company.

10 A. I would agree with that, subject to check.

11 Q. Now, on page 24 -- if you'll go to page 24.

12 Now, you agree that Aqua North Carolina was
13 the buyer here, correct?

14 A. Yes.

15 Q. Could you please read the highlighted section
16 on subparagraph H?

17 A. "Buyer will pay and construct a replacement
18 or upgraded plant with a treatment capacity of 350,000
19 gallons per day in accordance with plans and
20 specifications and a construction schedule to be
21 approved by seller and Carolina prior to closing,
22 provided, however, that the parties agree that buyer
23 will begin construction of a replacement or upgraded
24 plant with a treatment capacity of 350,000 gallons per

1 day not later than 45 days after the closing date,
2 unless construction schedule approved by the seller and
3 Carolina provides otherwise."

4 Q. Now, isn't this where Aqua North Carolina
5 assumed the responsibility to expand the plant from
6 180,000 gallons a day to 350,000 gallons a day? And I
7 could refer you back to --

8 A. I was just checking, yes.

9 Q. -- page 4 that said 180,000.

10 A. That does appear correct.

11 Q. Now, if we go to page 30, again, will you
12 agree again Neil Phillips signed this as president and
13 not William Grantmyre?

14 A. I do confirm that.

15 Q. Now, up top, Chatham Water Reclamation
16 Company, and it has by.

17 Could you please read who the two bys are?

18 A. Chatham Water Reclamation Company, LLC, by
19 Governors Club Limited Partnership, manager; by
20 Governors Club Development Corporation, general
21 partner.

22 Q. Now, are you aware that Governors -- these
23 two entities were the developers of the land that was
24 transferred and the ongoing subdivisions at -- that

1 were part of this transaction?

2 A. I'm sorry, can you repeat the question? Am I
3 aware --

4 Q. Are you aware that these were the -- these
5 two entities were the developers of the land that was
6 already developed and was in the process of being
7 developed that this wastewater utility was to serve?

8 A. Possibly. I was not aware.

9 Q. And are you aware that this same group of two
10 entities were the developer and owner of the wastewater
11 utility at Governors Club, which Aqua also purchased in
12 a similar transaction -- in another transaction?

13 A. I was not aware of that. I don't know if it
14 was similar or not, but I was not aware.

15 Q. Now, one reason that I'm aware of this
16 development background is I would represent to you that
17 I represented the Governors Club wastewater utility in
18 its last general rate case give or take in 2004.

19 Will you accept that, subject to check?

20 A. I would accept that.

21 Q. And you -- would you accept that there was a
22 zealous consumer advocate attorney representing the
23 property owner's association that undertook a ferocious
24 cross examination of my star witness, Dane Vincent, who

1 was a certified public accountant and was representing
2 the -- speaking for the Company?

3 A. I don't think I should comment on the zealous
4 or other adjectives that may have been used there. I
5 was not aware.

6 Q. And were you aware that Ed Finley, as the
7 zealous consumer advocate, did everything he could in
8 that case to cut my witness' throat, tear his heart
9 out, throw his body on the floor and then stomp all
10 over it?

11 A. I had no idea.

12 Q. And --

13 CHAIRMAN FINLEY: You said attempt. You
14 didn't say he succeeded.

15 MR. GRANTMYRE: Well, came close.

16 COMMISSIONER BROWN-BLAND: Come on,
17 let's keep it going.

18 BY MR. GRANTMYRE:

19 Q. And we could point out, on page 41, this is
20 the Carolina Meadows, the other section of the
21 transfer.

22 Will you accept that?

23 A. The other section. I would accept it if
24 you're saying so.

1 Q. It's the other -- it's the large customer
2 group that has the continuing care retirement community
3 in Chapel Hill.

4 A. Subject to check, yes.

5 Q. And on page 50, will you read into the
6 record, paragraph G?

7 A. "Buyer will pay for and construct a
8 replacement for an upgraded plant with a treatment
9 capacity of 350,000 gallons per day in accordance with
10 plans and specifications in a construction schedule to
11 be approved by seller and Chatham prior to closing."

12 Q. So you would agree that this clause also
13 obligated Aqua North Carolina to build the expansion of
14 the plant for the development from 180 to 350?

15 A. Does this section -- are we now on Carolina
16 Meadows? Is that what you're --

17 Q. Well, I would represent to you, subject to
18 check, there's only one wastewater treatment plant, and
19 both Carolina Meadows and the Chatham Water Reclamation
20 Company both fed into that one same plant. In other
21 words, you had two developer contracts.

22 A. Okay. So this is a repeat term of what we
23 went through earlier?

24 Q. Yes. Yes.

1 A. If it's the exact same term, then I would
2 agree with that.

3 Q. Now, you have asked for a deferral in this
4 case, but why should the customers pay for a deferral
5 when Aqua undertook expanding this plant for the
6 benefit of developers and assumed the risk?

7 A. Well, I asked for the deferral, and
8 significantly just some kind of accounting treatment
9 that would accommodate where Aqua doesn't continually
10 spend \$3 but can only recover one of them. In this
11 case here where we have the 30 percent for the three
12 plants and then the one specific with Carolina Meadows
13 in having the upgrade being a post test year,
14 \$1.7 million, we're effectively spending \$1.7 million
15 and are only going to be allowed to recover this -- has
16 very little or no growth on this system. So you can
17 almost assume that 30 percent is going to be there for
18 the rest of ever. But every future dollar we spend,
19 I'll only be able to recover \$0.70. There's no
20 incentive for my company, other than meeting the
21 environmental regulations that we're required to meet,
22 but every dollar I spend, I'm going to lose and write
23 off almost \$0.30 of every dollar.

24 And so when we have situations like this

1 where we can come and maybe not just this one isolated
2 incident, but to be able to invest in other areas in
3 North Carolina and some -- even help out with some of
4 these systems, depending on what their contract said,
5 these are unique as well, but the incentive to invest,
6 and maintain, and to meet regulatory regulations is --
7 there is a disincentive as a result of this treatment.
8 Just look for some kind of common -- some kind of
9 acceptable treatment where we're not losing a third of
10 everything we spend.

11 Q. But you are obligated under your DWR issued
12 permits and the Commission rules to be in compliance
13 with both the Commission rules and your DWR permits,
14 aren't you?

15 A. Yes, we are.

16 Q. We're going to move on to your 811 contract
17 now.

18 A. Oh, the USIC.

19 Q. I believe it's on page 35.

20 A. Yes.

21 Q. Now, the Public Staff did not make an
22 adjustment to disallow this contract or any part of it,
23 and you -- or they reduced it from your application
24 based upon the actual locates in, what, May and June?

1 A. That's right.

2 Q. And the Company agreed to that, so we're
3 agreed on that. The only disagreement is the cost
4 savings, and we won't go through that again.

5 But how many -- didn't you file either in a
6 data request that you only did locates for about 2,400
7 that you -- of the requested ones, about 10 percent?

8 A. It was about 10 percent of those work orders
9 that were completed, correct. And that was -- I don't
10 know what the time period was. It was a one-year time
11 period, I believe, from --

12 Q. It was test year.

13 A. It was, okay.

14 Q. Okay. And the One Call 811, or whatever the
15 name of the group is, brought some -- a complaint or
16 charges -- I don't know how to call it correctly,
17 because we don't have access to the document, so I
18 haven't seen them -- against a number of your operators
19 for not complying with the 811 rules, the One Call 811
20 rules, correct?

21 A. There were vendor -- several vendor
22 complaints for not responding to certain work orders
23 through 811, yes.

24 Q. When you say "vendor," you're talking about a

1 contractor who called in for a locate and Aqua did not
2 do the locate, correct?

3 A. That's correct.

4 Q. And could you please explain to the
5 Commission what a locate -- what they do out there in
6 the field on a locate? They paint?

7 A. Sure. So the locate comes in from a
8 residence who calls requesting the locate, and all
9 utilities respond. We have to provide a -- I think
10 it's 18 inches on either side. We identify where our
11 lines might be in that area that they're planning on
12 doing whatever work they may be doing. So we send out
13 somebody to mark the lines. And I believe it's 18
14 inches on either side of the line. So you mark it, and
15 then they know that there's something below that and to
16 be careful.

17 Q. Now, if you have a call that comes in to mark
18 the lines and Aqua does not go out and mark the lines,
19 the contractor is then -- would you agree, is not
20 aware, then, that your lines are located there?

21 A. That's possible, yes.

22 Q. Well, if it hadn't been marked, how would he
23 know it's there, then?

24 A. Well, I agree.

1 Q. Okay. Now, these contractors that ask for
2 marking of the lines, they're digging, aren't they?

3 A. Usually. They can call for various reasons.
4 I -- they need to know where the gas line, the electric
5 line, telephone lines, and the water and sewer lines
6 are applicable.

7 Q. These are all underground lines?

8 A. They are, yes.

9 Q. So the contractor cannot visually see the
10 lines, he -- unless they're marked, he doesn't know
11 where they are; would that be correct?

12 A. That would be correct.

13 Q. And how many times during the test year did a
14 contractor come in and cut your lines, either your
15 water mains or your customer service lines, because of
16 Aqua's failure to mark?

17 A. I don't have that calculation as to how many
18 were cut or -- because we didn't mark. I don't know
19 that number.

20 Q. But if you marked about 2,400 and that was
21 10 percent, then you would accept that give or take
22 24,000 calls were placed, and that would leave about
23 21,000 times that Aqua did not mark the lines; is that
24 correct?

1 A. That would be correct. There is a geofencing
2 tool that can be used or is used to minimize where they
3 want to dig. So it's -- you're correct in the fact
4 that we did not respond to marking all those other
5 lines, but it doesn't mean that they would have been
6 cut.

7 Q. Well, I --

8 A. You may not -- the person may not be going
9 anywhere near it. And depending on how close that
10 geofencing is, we could be marking something and, you
11 know, they're doing something in their back yard but we
12 have to go out and do it anyway.

13 Q. Now, but Aqua in this case, you don't
14 identify in your accounting or in your business model
15 how many times your lines have been cut because of
16 failure to mark?

17 A. Because we do not know. We don't have that
18 information.

19 Q. But you would accept, then, that it's very
20 possible there were occasions where your lines were cut
21 because you failed to mark?

22 A. Absolutely.

23 Q. And that would be expenses in the case, or
24 capital items for either -- if you capitalize the

1 repair, or replacement, or it increased your expenses,
2 because once your lines are cut, you have to go fix it;
3 is that correct?

4 A. That's typically the case. And if you don't
5 mind if I comment, even when we do go and mark those
6 lines, why we got USIC involved, that's the contract --
7 the third-party contractor we are utilizing now, most
8 of our lines are PVC. They don't have any kind of
9 metal tracking, metal tape, or anything like that is
10 installed with them. So even when we go out and mark
11 them, unless we actually dig, we just use an
12 approximation. So the accuracy of whether we actually
13 marked them or not was fairly loose.

14 So it was a high volume. And that's one of
15 the reasons we did go out to the professional marking
16 company who does mostly gas, and electric, and water,
17 and wastewater lines, and we asked them to do this
18 service for us because it's not something that we were
19 handling very well or being able to handle the volume
20 of.

21 Q. And you will agree that the Public Staff --
22 first of all, you will agree that the Public Staff has
23 not criticized hiring this locate company; is that
24 correct?

1 A. That's correct.

2 Q. And you will agree that the Public Staff
3 attempted, in a number of data requests, for the
4 Company to quantify the cost savings in labor costs
5 since you had to go out for 24 -- 2,400 locates, asked
6 you to quantify the cost savings, which the Company
7 refused to do?

8 A. I don't know if "refused" was the right word.
9 You asked us to do the analysis, and instead of asking
10 us for the details, asking us to do the analysis for
11 it. Again, this -- the adjustment relates to trying to
12 eliminate 50 percent of four head count, which is not
13 real. Those people are being utilized to do other
14 services and improving our customer service. But with
15 regards to that response, refused is not appropriate or
16 accurate.

17 Q. But in any event, you did not provide any
18 cost savings; is that correct?

19 A. There is no true cost savings from doing this
20 outside. They're doing work that we were not fully
21 doing in the past, so it's incremental.

22 Q. But they're also doing the work that you did
23 do in the past also?

24 A. Well, for 10 percent, but we didn't eliminate

1 those four people who -- which is what the proposed
2 adjustment is trying to do. I can't terminate a half
3 person. I'm utilizing those other people for other
4 things.

5 Q. Now, with your consumption adjustment
6 mechanism, you will agree that Aqua was the one -- the
7 company that sponsored or got that legislation
8 introduced in the General Assembly, correct?

9 A. This past session, two sessions, yes.

10 Q. And you do agree it is not passed -- it was
11 not passed?

12 A. It passed the House, it did not pass the
13 Senate; that's correct.

14 Q. Now, we're going to move on to
15 communications. And I know you'll be happy to learn
16 this is the last exhibit.

17 A. Thank you.

18 MR. GRANTMYRE: We would request that
19 this be identified as Public Staff Rebuttal -- I'm
20 sorry, Public Staff Becker Rebuttal Cross Exam
21 Exhibit 20. Again, the markings at the top
22 right-hand corner are Public Staff's markings to
23 help us move through this.

24 COMMISSIONER BROWN-BLAND: This document

1 begins with "Dear Aqua customer," and it will be so
2 identified as Public Staff Becker Rebuttal Cross
3 Examination Exhibit 20.

4 (Public Staff Becker Rebuttal Cross
5 Examination Exhibit Number 20 was marked
6 for identification.)

7 BY MR. GRANTMYRE:

8 Q. And you recognize the person -- I know you
9 hadn't looked through all of it, yet you -- if you want
10 to thumb through it, go ahead.

11 A. I'm familiar with the communications.

12 Q. And you recognize this first one, "Dear
13 Aqua," this was sent -- and where it has central Cary
14 area, that appears to be an Aqua person -- an unnamed
15 Aqua person's writing?

16 A. Yes.

17 Q. Okay. And you recognize this handwriting?

18 A. Oh, actually, I do not.

19 Q. Okay. Okay. But you will agree that
20 identical letters were sent to Cary -- central Cary,
21 Denver, and Kernersville on three, Fayetteville on
22 five, and Wilmington on seven. The only difference
23 being what's highlighted, the amount that was spent on
24 that system in capital improvements, correct?

1 A. And the bullets below are particular to the
2 region that it was sent to.

3 Q. Okay. I see. Okay. And this was sent -- I
4 believe the first group went out in -- somewhere in
5 February of 2018, correct?

6 A. It was earlier in the year. I don't know
7 exactly what the dates were that they were sent. This
8 was the first delivery of the communications plan.

9 Q. And they were sent about prior to filing your
10 general rate case on March 7, 2018?

11 A. I believe so.

12 Q. And in the Company's application, did the
13 Company designate all the expenses for this
14 communication as rate case expense?

15 A. Yes, we did.

16 Q. And you understand the Public Staff's
17 adjustment was that this was not rate case expense, and
18 the Public Staff recommended that these costs -- half
19 of the -- only half of these costs be allowed, and they
20 be amortized over three years without a return; is that
21 correct?

22 A. I think we all discussed and agreed that 50
23 percent would be allowed, yes.

24 Q. As an expense, yeah?

1 A. Correct.

2 Q. And then you have, on page 9, Brayton Park
3 that was sent in June prior to the June 25 customer
4 hearing?

5 A. Page 9?

6 Q. Yes.

7 A. I do see that this is the letter to Brayton
8 Park.

9 Q. And as you see in there, for Brayton Park in
10 the middle, can you read what it says for Brayton Park?

11 A. If you don't mind, let me just refresh my
12 memory on this.

13 (Witness peruses document.)

14 Okay. I'm sorry. Read the highlighted
15 section?

16 Q. Yeah. Yes.

17 A. "For Brayton Park, the rates you pay have
18 gone toward repair and improvements including
19 installation of a new water filter to address naturally
20 occurring iron and manganese and improve water quality,
21 increase tank cleaning to address naturally occurring
22 iron and manganese and improve water quality."

23 Q. Now, you would agree that it would be not --
24 it's not necessary, you have the in-house talent to add

1 that Brayton Park section, don't you, the wording?

2 A. Yeah. I'm sure we could have come up with
3 some wording here.

4 Q. But on a go-forward basis, updates such as
5 Brayton Park, it would not be necessary for you to have
6 the page group, correct?

7 A. Well, it depends. I mean, we are looking at
8 modifying -- I don't want to send out templates, the
9 same template, you know, time after time. There's
10 water quality -- I'm sorry. There's water filter
11 installation letters that we're developing to provide
12 in advance of constructions, and then post-construction
13 to inform those specific communities, like in this case
14 here Brayton Park, of the details. That would include
15 a different kind of formatting.

16 So I can't say as if we would be able to do
17 everything going forward. We brought them in to help
18 with communications, templates, they did our survey to
19 understand what customers want to see, how they want to
20 see it, where they want to see it and how often. So we
21 would still continue to need to use the PageGroup or
22 similar public relations firm who helps with that kind
23 of thing.

24 Q. But your contract with the PageGroup was not

1 to exceed \$57,000 contract, isn't that correct?

2 A. I believe it was. As an introductory, yes.

3 Q. And the next page, 11, you have a letter to
4 Brandon Station, Stillwater Landing, Stonehenge,
5 Wildwood Green, and you would agree that that was the
6 group -- that water system last September or
7 October of 2017 was the one where you had the extended
8 or several-day water outage?

9 A. In Stonehenge?

10 Q. Yes.

11 A. Yes.

12 Q. Could you please read the highlighted -- and
13 you would agree that the rest of this letter, other
14 than what's highlighted, is basically identical to the
15 Brayton Park letter?

16 A. Yes. A lot of what the communication plan
17 does is it's driving customers to the website, which is
18 on the very back page there. And it's advertising our
19 water quality plan and initiative as well as providing
20 other relevant updates throughout this time. So we did
21 give them that initiative to run that process.

22 Q. And the --

23 A. So it is similar, but that's because we
24 intended it to be similar.

1 Q. Now, what -- the highlighted portion in the
2 middle of the page, on a go-forward basis, don't you
3 have people at Aqua that could write the same
4 highlighted portion?

5 A. I don't know if it would be the same or not.
6 They are very familiar with what -- again, the survey
7 results showed how people want to hear, what they want
8 to hear, how often. I don't think that this probably
9 took them very long to do, but I know I didn't have to
10 do it while I was in the middle of my rate case doing
11 other things.

12 Q. Now, part of -- part of their contract was to
13 provide -- design a website for you, correct?

14 A. That's correct.

15 Q. And they've already done that, haven't they?

16 A. It's an ongoing -- the initial framework has
17 been established and it's live. We'll continuously
18 update or we plan to continuously update it.

19 Q. So do you think the same amount would be
20 necessary for a website update as creating one from
21 scratch the first time?

22 A. I would think not.

23 Q. And pages 13 and 14 -- I'm sorry, there are
24 two pages 13. Pages 13 and 14 were other materials

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1 that were prepared by the PageGroup; is that correct?

2 A. I would have to check on that, but I would
3 think so.

4 Q. I would represent, where it keeps going page
5 13, that that's a lawyer's oops, and it should be --
6 shouldn't be here. But page 14 should be the last
7 page.

8 And do you agree the gist of the Public
9 Staff's adjustment is that, although the PageGroup was
10 needed initially to get this communications program up
11 and going, that it was not an ongoing project at the
12 same cost going forward?

13 A. Specifically for that project, it wouldn't be
14 ongoing at the same cost, but our use of PageGroup and
15 other communications groups, there is -- we are trying
16 to improve our communications, not temper it down. We
17 need to get out there in front of people, and whether
18 it's in this NC water quality website, or whether it's
19 letters, or whether there's some other form, we would
20 use communications professionals to help us design,
21 tailor, install, implement lots of things. So I can't
22 say as if the same cost would be applied to this
23 specific project, but it would be applied to other
24 projects that we want to do.

1 Q. Well, this total cost that you had was
2 \$133,000 a year; isn't that correct?

3 A. That was our initial estimate, correct.

4 Q. And you have -- you changed in your testimony
5 saying that half of it should be in rate case expense
6 and the other half should be ongoing whereby you
7 recover the \$67,000 every year as an ongoing expense,
8 correct?

9 A. Yeah. I think the initial application that
10 we filed did not have any communications expenses or
11 costs incorporated. When we did our budget last year,
12 that was before we were doing this initiative with the
13 water quality communication plan. We didn't put it in
14 there. I will respectfully say that this probably was
15 more in line with being an annual communications
16 expense versus an actual rate case expense. That's why
17 we had the difference in the testimony. This should be
18 something that is in our annual expense to benefit the
19 customer so we could provide awareness. Having it as a
20 rate case expense is probably not the correct
21 characterization of it.

22 Q. Well, I believe the testimony of the Public
23 Staff said this was self-promotional to some extent.

24 And do you agree that the effect of these

1 letters sent during the rate case may have been to
2 discourage customers to come to the hearings to
3 testify?

4 A. Not at all.

5 Q. And the Public Staff basically is taking one
6 half of this expense and amortized it over three years,
7 and not included it in rate case expense. So,
8 basically, the Public Staff's adjustment allows, give
9 or take, \$22,000 a year for communications.

10 Don't you believe that is adequate for
11 outside consultations now that you already have your
12 website, you have some of these preliminary or
13 communication tools on page 13 or 14?

14 A. So the question was do I think that that's
15 adequate. First, I think the updated numbers that we
16 provided to the Public Staff was more along \$83,000,
17 somewhere in \$80,000 down from the 133. So it's that
18 amount divided by three. I will say that's subject to
19 check. That's going from recollection. So it's much
20 less than the 22 that you just conveyed.

21 But again, we are trying to provide improved
22 communications, provide awareness, and any way we can
23 do that is better than what we have done in the past.
24 I actually would like to put -- I'd like to have

1 somebody here in state full-time handling public
2 relations. You know the water quality problems that we
3 have, they're pervasive. We have right now my
4 operations team, my supervisors, and my area managers,
5 and my director of ops, and my compliance manager, they
6 all attend HOA meetings at the request of residents.
7 There's 750 systems. I don't have the bandwidth to be
8 able to do that and I -- it's probably not right for me
9 to ask my operations team to spend their evenings, when
10 they're on call already, to be doing all that. It
11 would be very beneficial, I think, not to the -- well,
12 to the Company, because it would be able to provide
13 awareness, but to the customers to be able to have some
14 resource, some line item expense that I can utilize
15 that's in rates and recovering rates to provide that
16 awareness, and that coverage, and knowledge, especially
17 where we have these water quality issues.

18 Q. The expenses you gave the Public Staff,
19 the -- the whatever, the 133 or the 83, that included
20 mailing expenses, correct?

21 A. That did, correct.

22 Q. Now, on a go-forward basis, on the world of
23 technology, wouldn't the mailing expenses be eliminated
24 with your ability to text, to e-mail, to do bill

1 inserts, all of which do not include first class mail
2 postage?

3 A. No, actually. We like to -- and again, this
4 is -- there's different people who want to see things
5 in different forms. For sure, the electronic formats
6 are less expensive, but just like we send out the
7 direct mailings for the notice of the hearings, we do
8 that in paper. The same weight isn't always given to
9 materials that come from companies. When it's
10 electronic form, they may not see it in electronic, a
11 text goes away. But we're using all these forms.

12 In fact, one of the communications
13 initiatives has the people who sign up on the water
14 quality website are receiving -- I think we've had two
15 now, little pamphlets, kind of short informationals go
16 out. And those are sent out electronically through
17 e-mail.

18 So we're just using all forms, but I think
19 it's important to put the levity into certain messages.
20 You want to send them something direct targeted,
21 concise, and hopefully graphically pleasing so they'll
22 actually read it.

23 Q. Well, aren't pages 13 and 14 items that you
24 sent out to the customers on two separate electronic

1 communications?

2 A. I'm not -- I believe the one on 14 is the
3 quarterly, or is the newsletter. That was one of the
4 two that we had sent out electronically. But yes,
5 those are -- they appear to be the electronic ones.
6 Those were not direct mail.

7 Q. Now, just to clarify your position, is it
8 your position still that these costs should be rate
9 case expense, or are you now asking that they be
10 considered just operating expenses?

11 A. Well, the update period is over, so I -- you
12 know, I feel like we've made a mistake in not including
13 it as an operating expense. Since it's not in the
14 application, it's not requested for, I don't know what
15 the leniency is to get that recovered as an operating
16 expense. So the fact that we have it in as a rate
17 case, and it's going to be amortized over three years,
18 and it'll come out to, I guess, \$12,000-ish a year, if
19 that's what we have to accept, that's what we have to
20 accept.

21 But as far as the principal of utilizing the
22 PageGroup and incurring more -- additional costs to
23 provide awareness, we're going to far exceed the
24 \$12,000 whether we get it recovered or not.

1 Q. But you want the \$83,000 amortized over three
2 years, correct? Whether it be rate case -- you want
3 \$40,000 as an ongoing regular expense and then you want
4 the other \$41,000 considered rate case expense and
5 amortized over three years, correct?

6 A. Well, if we could amortize the full amount of
7 the \$80,000-ish, that would be 25, \$26,000 a year.
8 It's much better and would help us recover the
9 communications cost that we're probably going to easily
10 exceed. That's much above the 10 or 12,000 that would
11 come out of the 50 percent.

12 Q. But you would agree that the Commission has
13 the authority, if it so decides, to take the \$83,000
14 and just amortize it over three years as an operating
15 expense, thereby giving you approximately \$28,000 a
16 year in ongoing communications?

17 A. I would agree that they have that authority,
18 yes.

19 Q. And one last question, the -- one of the
20 first data requests the Public Staff sent to the
21 Company was for all the data responses to be ongoing
22 and updated as additional information became available.

23 Would you agree that the Company did not
24 provide updates unless the Public Staff specifically

1 sent a follow-up data request?

2 A. I don't know if I would wholly agree with
3 that. Those data requests are very extensive, went to
4 very -- to several different people. I can't say as if
5 there weren't any updates provided for all of them. I
6 don't know that.

7 Q. Thank you.

8 MR. GRANTMYRE: I have no further
9 questions.

10 COMMISSIONER BROWN-BLAND: Redirect.

11 MS. SANFORD: Thank you,
12 Commissioner Brown-Bland. Mr. Becker, it's 11:55.
13 This portion of the hearing ends at 12:30. I had
14 hoped to get you on and off and leave time for the
15 Commissioners. We're going to go as quickly as we
16 can, but just to note that, in 35 minutes, we're
17 through here.

18 REDIRECT EXAMINATION BY MS. SANFORD:

19 Q. Let me --

20 A. I think that was a hint that I have to give
21 short answers.

22 Q. To you and to me. Let me try to go -- not in
23 any particular order, I guess this is going to be.
24 Starting with the line of questions today having to do

1 with whether Mr. Grantmyre actually participated in the
2 last four rate cases, which were Subs 251, 274, 319,
3 and 363.

4 Mr. Grantmyre indicated that he had not been
5 in all of those cases, and you accept that; is that
6 correct?

7 A. I don't know that to be --

8 Q. You don't know that?

9 A. Yeah, I don't know for sure.

10 Q. And it's possible that your attorneys
11 misadvised you on which ones he was in.

12 The -- but Mr. Grantmyre was at the Public
13 Staff during that period of time; is that correct?

14 A. Yes.

15 Q. And Mr. Grantmyre is extremely knowledgeable
16 about the operations of your company; is that correct?

17 A. Absolutely. And to the -- there is a
18 tremendous benefit that Mr. Grantmyre offers with a lot
19 of history that we don't or I don't have.

20 Q. That's right.

21 And to a more central point here, it is true
22 that Aqua had four rate cases during the period of time
23 involved?

24 A. Correct.

1 Q. Okay. And there was opportunity, during that
2 time, for examination of all sorts of issues, some that
3 were examined, and then perhaps in the case of Johnston
4 County some that weren't examined; is that correct?

5 A. That's correct.

6 Q. Let's try to go back to Friday, back in time.
7 With respect to the Company's obligation to share with
8 the Public Staff, some DEQ reports -- I will remind you
9 that Mr. Grantmyre asked you about the obligation that
10 was embodied in paragraph Number 12, ordering paragraph
11 12 of the Commission's order in W-218, Sub 363 that was
12 issued around May 2nd of 2014 and was at page 88.

13 You were generally speaking to provide -- to
14 convey conversations, reports and recommendations of
15 what was then DENR to the Public Staff about your water
16 quality concerns; is that correct?

17 A. That is correct.

18 Q. And tell us again when you came back from
19 Virginia?

20 A. I started up back in North Carolina
21 August 2000 -- in '16.

22 Q. '16.

23 And after you returned sometime in 2016,
24 Mr. Grantmyre brought to your attention this provision,

1 didn't he?

2 A. Several months afterwards, yes.

3 Q. And that was a courtesy, wasn't it?

4 A. We were just talking, and I don't know how it
5 came up. It came up, and he mentioned it, and I didn't
6 know and immediately turned around and addressed it.

7 Q. But that was a courtesy from Mr. Grantmyre,
8 wasn't it?

9 A. It absolutely was.

10 Q. And appreciated by the Company?

11 A. (No audible response.)

12 Q. Do you know if either during your tenure
13 here, which, I guess, was pretty short at that period
14 of time, or were you able to determine whether anybody
15 else in the Company had heard from the Public Staff
16 about the obligation to file these reports?

17 A. No. When I brought it up internally, that
18 was not something that we were aware of or had been
19 mentioned previously.

20 Q. But it was your obligation to know to do
21 that?

22 A. Absolutely.

23 Q. And "you" in the sense of Aqua.

24 So is it reasonable to conclude, or do you

1 have a basis to conclude that perhaps both you and the
2 Public Staff missed it prior to that conversation?

3 A. I would agree.

4 Q. Again, it was your obligation to comply?

5 A. It was absolutely our obligation to -- we're
6 regulated, it was our responsibility to provide.

7 Q. And when reminded, you filed the DEQ -- you
8 filed the ones you had already filed and you have
9 subsequently filed the quarterly reports with the
10 Public -- or shared it with the Public Staff; is that
11 correct?

12 A. That's correct, yes.

13 Q. Thank you. Let's talk about EDR Number 62.
14 It was a good bit of conversation about that and it
15 contains, I think, at questions 7 and 8, the questions
16 regarding your personnel. Mr. Grantmyre and you talked
17 a long time about that.

18 Do you remember it?

19 A. I do.

20 Q. And there's been a good bit of conversation
21 in this room characterized in terms of your failure to
22 comply with data requests or your failure to update or
23 your refusal to do same; is that correct?

24 A. That's correct.

1 Q. Do you agree with this characterization of
2 your response to the discovery process?

3 A. I don't. The -- we were in a rate case, so
4 we are responsible to provide data. The Public Staff's
5 requirement is to audit us. But I will say the
6 expansive nature, the volume, the delay in starting
7 with the discovery from the get-go, and then I don't
8 think -- the last several weeks prior to the
9 evidentiary hearing as we received their testimony, and
10 then we were to provide our rebuttal in that 10 days,
11 we started doing settlement discussions and
12 negotiations which were very, very time consuming;
13 weekends, evenings.

14 So we had my team, which included my local
15 team as well as corporate out-of-town or out-of-state
16 folks in Ohio, even, in our tax site, pulled together
17 to try to address as much as we could as fast as we
18 could while we were still responsible for putting
19 together all these other requirements or prepping for
20 the evidentiary hearing.

21 So I think our team actually did a very good
22 job with the volume that came through. And also the
23 broad nature of the requests, provide all, provide this
24 analysis, provide -- there was a lot of general

1 requests that were made that were very vague and broad
2 that required extensive work to try to pull up and
3 respond to.

4 Q. With the Commission's indulgence, and
5 assuming that it's not an objectionable thing to
6 request, let me ask you to look at those boxes that
7 have black notebooks on the table behind us.

8 Are you personally aware that those boxes
9 represent the responses to data requests in this case?

10 A. I am.

11 Q. And who's involved in the preparation of
12 these data requests?

13 A. My whole team. My accounting team. But
14 usually, it's my targeted operational folks, my --
15 Dean Gearhart (phonetic spelling) who has testified
16 here, but encompasses my whole team to pull together
17 the responses necessary to meet those needs and dates.

18 Q. Including your field personnel?

19 A. It depends on what the questions are. We
20 have corporate -- we have other state personnel pulling
21 things, corporate personnel, communications, my
22 accounting team, my operations team, and quite a bit in
23 the operations team.

24 Q. So you think your response has been good?

1 A. I would say it's been exemplary.

2 Q. Was it perfect?

3 A. Absolutely not.

4 Q. Did responses change over the course of the
5 proceeding as either the Public Staff or you evaluated,
6 or re-evaluated, or dug into things more?

7 A. Sure. It's -- you know, I used to audit, so
8 things come up and you need more information about
9 this, and it's kind of a living process. So, you know,
10 as we get more information, we provide it. As they get
11 more information, they'll request more information to
12 get clarity. So, you know, there are some things that
13 we may not have provided that they may have taken
14 several times to request.

15 Q. And as you said, some of the data requests
16 were -- I don't want to put a word in your mouth, I
17 can't remember the word you used, my word would be
18 "sweeping," they were broad; is that correct? Asking
19 for all communications over a period of time?

20 A. Generic, yes.

21 Q. Going back to 2005 in some cases?

22 A. In particular, some cases went way back and
23 were very intensive to try to respond to.

24 Q. All right. So let's stick with this one

1 exhibit, this EDR-62, which I believe was Becker Cross
2 Examination Exhibit Number 4 from the Public Staff, the
3 one you were discussing with Mr. Grantmyre last week.

4 Can you tell us when it was dated?

5 A. Exhibit -- what is this, Exhibit 4?

6 Q. Cross Examination Exhibit Number 4.

7 A. (Witness peruses document.)

8 I don't know if I have a copy of that
9 exhibit.

10 Q. Would you accept, subject to check, that it
11 was dated Thursday, September 6th at 1:39 p.m.?

12 A. I would, yes.

13 Q. And let's get some context to this as we
14 address why you didn't answer questions 7 and 8.

15 That was, and subject to check, I think two
16 days after your rebuttal testimony was filed; is that
17 correct?

18 A. Correct.

19 Q. The day or the day after the Public Staff's
20 supplemental testimony was filed?

21 A. On the 5th, yes.

22 Q. The day before your supplemental rebuttal was
23 filed?

24 A. That's correct.

1 Q. And four days before your hearing was to
2 start?

3 A. That is accurate.

4 Q. And it was the 62nd engineering data request
5 consisting of eight subparts; is that correct?

6 A. I believe so, yes.

7 Q. And on Wednesday, the day before, after
8 4 p.m. on Wednesday the 5th, you had received
9 engineering data requests 58 through 61 from Mr. Junis;
10 is that correct?

11 A. I believe that is accurate.

12 Q. Consisting for EDR-58 of 12 subparts?

13 A. I believe that's correct.

14 Q. EDR-59 of 13 subparts?

15 A. Subject to check, yes.

16 Q. 60 of three subparts?

17 A. Yes.

18 Q. 61 of one subpart?

19 A. Subject to check, yes.

20 Q. And then on Thursday, you received EDR-62
21 consisting of eight subparts?

22 A. That's correct.

23 Q. Can you tell us when these responses were
24 provided by Ms. Robin Lambeth (phonetic spelling) to

1 the Public Staff?

2 A. I don't think I have all the dates.

3 Q. I'm going to ask you to accept some things
4 subject to check and in the interest of speed.

5 By 10:17 a.m. on the 7th, that was a Friday,
6 Ms. Lambeth provided the response to Number 61
7 consisting of one Word document and one Excel
8 spreadsheet; is that correct?

9 A. Subject to check, yes.

10 Q. By 11:02 on the same day, she provided the
11 response to Number 60 consisting of one Word document
12 and 5 Excel sheets, correct?

13 A. Subject to check, correct.

14 Q. By 3:50 on the same day, Friday, Ms. Lambeth
15 provided Mr. Junis the response to Number 62, which is
16 the one principally in discussion, objecting to
17 questions 7 and 8; is that correct?

18 A. That is accurate, yes.

19 Q. She submitted one PDF and one Excel
20 spreadsheet; is that right?

21 A. Subject to check, yes.

22 Q. By 3:55 on the 7th, she provided to
23 Mr. Junis, the response to EDR-58 consisting of nine
24 Word documents, four PDFs, and three Excel

1 spreadsheets; is that correct?

2 A. She reminds me, yes.

3 Q. Yes, I'm sure she does. Further conversation
4 to be had here.

5 And this is on the 7th responding, in the
6 instance of 58 through 61, to requests that came in on
7 the afternoon of the 5th; is that correct?

8 A. Subject to check, yes.

9 Q. By 4:00 on the 7th, this is the last one,
10 Ms. Lambeth provided to Mr. Junis the response to EDR
11 59 consisting of 13 Word documents, 7 PDFs and 3 Excel
12 spreadsheets; is that correct?

13 A. Subject to check, yes.

14 Q. And you were in the week before your rate
15 case with the various filings that we had discussed,
16 correct?

17 A. Correct.

18 Q. The recognition having come to you that the
19 nature of this case was different than your prior cases
20 which had been settled; is that correct?

21 A. That's is correct.

22 Q. That recognition included; A, the fact that
23 you weren't going to settle?

24 A. That's what we had learned, yes.

1 Q. And that you had, in a short period of time,
2 to deal with -- just after the Public Staff's testimony
3 was filed, to deal with discussion of matters in the
4 testimony, attempts to settle, as you and the Public
5 Staff did on some matters?

6 A. That's correct.

7 Q. Preparation of your rebuttal?

8 A. That's correct.

9 Q. And preparation for a fully-litigated case?

10 A. That is correct.

11 Q. In which your Company has been accused of
12 mismanagement in some particulars; is that correct?

13 A. Yeah. I think in Mr. Junis' testimony, he
14 mentioned several times how we mismanaged.

15 Q. And so in recognition of this, you -- and the
16 record, I guess, will show when it is, or the bills
17 will show -- you retained additional legal counsel on
18 the advice of your existing regulatory counsel; is that
19 correct?

20 A. We did, yes.

21 Q. Okay. So you don't have any internal
22 regulatory attorneys, do you?

23 A. We do not. We have some -- Kim Joyce, who
24 provides guidance from a regulatory perspective, yes.

1 But we do not have attorneys.

2 Q. And you don't have -- specifically charged to
3 do this and only this, you don't have an internal
4 regulatory workforce that just deals with your
5 regulatory obligations to this Commission; is that
6 correct?

7 A. We do not. We use the same staff that we use
8 to manage and operate every day.

9 Q. And they deal with your regulatory
10 obligations, which you can see that you certainly have
11 to this Commission as well as to DENR, now DEQ?

12 A. Responses, reports, yes.

13 Q. And probably to some other environmental
14 agencies; is that correct?

15 A. There is a lot of reporting and requirements.

16 Q. We'll leave it with DEQ.

17 And you make a lot of filings with this
18 Commission, don't you?

19 A. We do.

20 Q. And it's your job to do that?

21 A. We are regulated. That's -- we are a
22 regulated industry. I would expect that that's what we
23 are supposed to do.

24 Q. That's right.

1 A. Rightfully so, but we do make a
2 considerable --

3 Q. And the Commission's docket -- I have some
4 documents which I'll spare us all conversation about,
5 but the Commission's docket will reflect the number,
6 the nature, the size of the filings that you make in
7 the course of any year, and certainly in the course of
8 the test year up until this hearing?

9 A. Yes, it will.

10 Q. Okay. So this data request, Number 62
11 requesting that you provide some specific information
12 from your human resources department, came in on a
13 Wednesday afternoon in the context that I just
14 described and was a thing about which Mr. Grantmyre
15 reminded us, and here I'll have to yield to somebody
16 else's recollection, perhaps on Friday, but certainly
17 on Sunday afternoon, with an e-mail to Mr. Bennink and
18 myself; is that correct?

19 A. That is correct, yes.

20 Q. Was the office response to that consistently
21 to object to it for relevance?

22 A. It was.

23 Q. And are you aware whether the Public Staff
24 ever made a motion to compel?

1 A. I'm not aware.

2 Q. Okay. All right. We're going to leave that.

3 And --

4 A. If I might add to that, those questions 7 and
5 8 were regarding the personnel that we spoke with
6 yesterday --

7 Q. Yes.

8 A. -- which I believe the answers were pretty
9 well known by the Public Staff as we discussed.

10 Q. But nonetheless, this wasn't some willful or
11 antagonistic refusal to go find the information, was
12 it?

13 A. No. At this time, it was bandwidth. We --
14 they asked for specific dates and times, and that would
15 have had to gone through HR.

16 Q. Right. Let's turn to the Price Waterhouse
17 and Ernst and -- I guess they were Ernst & Whinney at
18 the time. There were some questions from Mr. Grantmyre
19 about audits and why Aqua's prior auditor, I believe it
20 was Ernst & Whinney, but whoever it was, Price
21 Waterhouse or Ernst & Whinney, why they didn't review
22 and focus on the Flowers Plantation developer
23 agreements.

24 Do you remember that?

1 A. I do.

2 Q. He noted that you had filed around 50, I
3 believe; is that correct?

4 A. I believe it was 50 or 51.

5 Q. And you filed them with the Commission?

6 A. That's correct.

7 Q. Over a period of years?

8 A. That's correct.

9 Q. I believe Mr. Grantmyre, in the course of
10 questioning you, indicated that PW had many
11 opportunities to make a selective review of the
12 contracts; is that correct?

13 A. That's what he indicated, yes.

14 Q. Is it the Company's position in this case, or
15 their assertion in this case, that the Public Staff
16 also had an equal number of opportunities to analyze
17 those developer agreements; is that correct?

18 A. That is correct.

19 Q. That is not said in any way to indicate that
20 the Company's responsibility is offloaded to the Public
21 Staff, correct?

22 A. No, not at all.

23 Q. It is simply to say there was a regulatory
24 opportunity based upon filings publicly made to review

1 these transactions either in a rate case or outside of
2 a rate case?

3 A. That's accurate.

4 Q. Because they're filed with the clerk?

5 A. That's correct.

6 Q. Okay. We're going to move now to Johnston
7 County, and I want to ask you actually some specific
8 questions first, and then I'll move to some general
9 ones.

10 Mr. Grantmyre mentioned that Aqua had
11 initiated several meetings with the Public Staff to
12 discuss how much capacity to buy; is that correct?

13 A. That's correct, yes.

14 Q. And I think we've established in here, we've
15 seen on the record -- I actually had a redirect
16 exhibit, but Mr. Grantmyre beat me to it -- this
17 June 19, 2018, letter was the Public Staff's effort to
18 provide you some guidance.

19 Is that how you would view it with respect to
20 this capacity purchase issue?

21 A. I would agree with that, yes.

22 Q. How did you -- how would you characterize the
23 advice?

24 A. Well, we talked, as I mentioned a little bit

1 earlier when Mr. Grantmyre was crossing me, the letter
2 came in and recommended that we buy as much capacity as
3 CIAC as we had received. There is specific wordings in
4 there, but it was taken by me that, well, we had
5 \$2 million of CIAC -- I think that was on the record, I
6 was \$2,900,000-something -- that we had received from
7 Buffalo Creek. And that was approximately amount of
8 money that would have cost to buy 250,000 gallons of
9 capacity from Johnston County. And we have to buy in
10 25,000-gallon increments. So we bought 2,120,000
11 gallons. I'm sorry, dollars of capacity.

12 Q. Now, is it correct, in this case, that the
13 Public Staff is proposing that the full \$2.1 million of
14 the purchase price be considered an asset held for
15 future use?

16 A. That is what's proposed by the Public Staff,
17 and that would eliminate our ability to recover any of
18 that amount.

19 Q. So my next question was tell us what that
20 means. Did you just tell me what that means?

21 A. I think I did.

22 Q. So this amount would be removed from rate
23 base?

24 A. It would be remove from rate base.

1 Q. No recovery of the asset or the carrying
2 costs?

3 A. Not in this case.

4 Q. Since you collected about \$2 million of CIAC
5 already recorded on your books, wouldn't that just
6 about fully offset the 250,000 gallons of your
7 \$2,120,000 purchase from Johnston County and result in
8 no negative impact to Aqua?

9 A. It would if the full \$2 million of CIAC, and
10 that's C-I-A-C. If the full \$2 million of CIAC was
11 associated with the asset that we bought, that 2 should
12 have been removed and put into assets held for future
13 use, because we basically took that money and bought
14 the asset with it. So it's -- it's a complete -- it
15 would have been a complete offset.

16 The way that the Public Staff proposes their
17 adjustment, though, is they're calculating the amount
18 of corresponding CIAC to be only \$1,497,000. So that's
19 what they're recommending that they pull off and offset
20 my \$2,120,000 asset. And that's -- so that leaves
21 about \$600,000 net that would be off balance sheet, not
22 earning. They're agreeing to remove that \$1,497,000 to
23 associate with that. But it's also leaving \$500,000 of
24 CIAC that's been collected, previously recorded on the

1 books there to offset other assets unrelated that would
2 otherwise be earnable assets.

3 So it doesn't show up in the adjustments, but
4 it has an impact of removing \$500,000, because that's
5 the amount that's left. \$2 million of CIAC collected,
6 they're going to move off \$1,497,000, so about \$500,000
7 would be left to stay on the books, offsetting assets
8 that it doesn't relate to.

9 Q. So what does that mean to your revenue
10 requirement?

11 A. Approximately \$50,000 annually just for that
12 piece of it. And then the \$600,000 that's off balance
13 sheet, we wouldn't be able to collect on that either,
14 that's about \$60,000 in addition.

15 Q. I think you spoke to this, but I want to be
16 sure that we have this on the record.

17 Is this revenue requirement impact identified
18 by a Public Staff proposed adjustment, per se?

19 A. No. Because of the way it's being
20 proposed -- and I use this term smokescreen. Because
21 of the handling and taking the \$2.12 million off the
22 books and putting off as this asset held for future
23 use, it has these alternative impacts that you don't
24 see in an adjustment. The easiest thing would be to

1 leave the \$2.1 million on the books, and then the full
2 \$2 million of CIAC that's been collected basically
3 offsets it.

4 Q. Will the 250,000 gallons of capacity
5 purchased allow you to serve all of the Buffalo Creek
6 lots that have already been paid?

7 A. Yes. The 250,000 gallons -- so we've
8 received, and it's in my Table 2 on page 18. I've done
9 a calculation to re-rate all of the sold capacity for
10 Buffalo Creek, and that amount of capacity totals
11 \$259,000 -- or 259,000 gallons using the current plant
12 re-rating of 180 gallons per day.

13 However, it should be noted that we own this
14 capacity. The 180 gallons per day when you've got to
15 do capacity upgrades, DEQ used them to give you the --
16 I think Mr. Junis spoke about before, the 80 and
17 90 percent rule. They -- DEQ kind of gives you notice,
18 hey, you're getting to 80 percent of your capacity, you
19 need to build more. Or what's your plan is what they
20 ask for. If I'm not going to build any more, you don't
21 stop at 80 percent. But the 180 is as low as DEQ will
22 go.

23 The actual flow -- and we just did our plant
24 re-rating to 180, so we had to run these numbers

1 last -- I think it was in 2017, is -- the actual flow
2 from each of these lots is about 115 gallons per day.
3 I have a ton of capacity that's serving all the
4 customers I've sold to already.

5 So to answer your question, the 250 that I
6 just bought, will it serve the Buffalo Creek customers
7 that I've sold this capacity to? Absolutely. And
8 more.

9 Q. How much wastewater treatment plant capacity
10 does Aqua now own to serve the Flowers Plantation
11 development?

12 A. So we have 350,000 gallons built, that's in
13 the Neuse Colony plant, and then we have the 250. So
14 600,000 gallons.

15 Q. So this 600,000 gallons of Aqua capacity will
16 serve all current lots; is that correct?

17 A. Oh, absolutely, yes.

18 Q. And you would be able to continue to sell
19 capacity and collect additional CIAC; is that correct?

20 A. We would, yeah. The re-rating of the -- the
21 re-rating of the plant allows us to sell unused
22 capacity. So we can sell it beyond what was stated as
23 sold on the books. So again, in my tables, and the
24 Public Staff's position is we sold it at 360, and 240,

1 and 180, whatever the rating was at that time. Well,
2 when it comes down to it at the end of the day, I own
3 the plant. Or I don't personally, but Aqua owns the
4 plant, and, in fact, most of that -- actually, all of
5 that plant, I don't even own it, the customer owns it.
6 The customer has already contributed enough CIAC -- or
7 the developers have contributed enough CIAC to pay
8 fully for the plant that's in the ground, the
9 350,000 gallons, excuse me.

10 And we are -- and as I mentioned, we
11 collected \$2 million of CIAC that just bought the
12 250,000 gallons for those customers. That plant has
13 been fully paid for -- just about fully paid for by the
14 developers already, and I still have access that I can
15 sell off and I'll continue to sell.

16 Q. So this re-rating of the plant to 180 gallons
17 per unit from 360, does this benefit the customer and
18 reduce rates ultimately?

19 A. It does. The gallonage cost that you're
20 going to collect from 360 or two lots split at 180,
21 because they're only using 180, so I can -- it will end
22 up being the same amount of CIAC at the end, but I now
23 have more customers on. If I have more customers on,
24 those customers can share -- it dilutes the fixed

1 costs, if you will. It actually dilutes the rates.
2 There's actually a decrease in rates by having more
3 customers. That's why growth is good. Not just for
4 Aqua, but growth is good for the customers as well.

5 Q. And so who will pay Aqua for future capacity
6 needs?

7 A. The future lots that are sold. We buy
8 capacity or we build capacity as it's needed to serve
9 the flows that are there today and in a short time in
10 the future as we project it. When I go buy that next
11 250,000 gallons of capacity, I have 500,000 gallons I'm
12 obligated to committed to buy with Johnston County,
13 bought 250. The next 250 will be purchased at a time
14 to serve the customers when those lots close or are
15 developed.

16 Q. Does the Public Staff's proposed treatment
17 affect Aqua only in this rate case?

18 A. No. With the way the Public Staff has
19 proposed it by moving the \$2.12 million to the assets
20 held for future use, when that does get brought onto
21 the books and is considered used and useful, absent my
22 argument earlier, but when that's brought on, they're
23 assuming that I undercharged and then want to impute
24 CIAC. So they haven't imputed the CIAC for that part

1 that's off the books right now, but when that gets
2 brought onto the books, I estimated it was about
3 \$600,000 of additional CIAC that they would attempt to
4 impute.

5 Q. And can you quantify the extent to which
6 that's an annual revenue impact for Aqua?

7 A. For that one piece, it's about \$0.10 on the
8 dollar in general, so -- for an asset. The revenue
9 requirement for an asset is about \$0.10 on the dollar.
10 So that would be about \$60,000 in annual revenue
11 requirement that would be imputed.

12 Q. In the June 19th Public Staff letter to Aqua,
13 was it your understanding that the Public Staff was
14 recommending that Aqua purchase the amount of gallons
15 and not necessarily a focus on the dollars that say you
16 collected per -- that they say you collected per the
17 books?

18 A. And that's exactly it. That's what I've been
19 saying, is we kind of -- maybe we generalize. I
20 mentioned CIAC is contributions in aid of capital.
21 It's a payment that's a dollar amount. We bought as
22 much capacity as CIAC we received, and that's what we
23 did. We bought 250,000 gallons of CIAC at \$2,120,000
24 which is very close to the \$2,000,997, I think, that we

1 had received, or 925.

2 Q. So if you did -- so was this a request to
3 Aqua, or suggestion to Aqua to buy an asset for which
4 you could not totally recover and for which you will be
5 able to collect CIAC in the future?

6 A. So if we took the other side, I assumed they
7 meant the CIAC contributions, the dollars, but if they
8 meant the quantity of CIAC that we received, again, in
9 my Table 2 on page 18 of my rebuttal, the Public Staff
10 is saying I collected 333,000 gallons of CIAC, and I
11 only bought 250.

12 If they were, in that letter, saying I should
13 buy as much CIAC as we've collected, then they're now
14 saying that I should have actually bought an
15 additional, what is that, 80,250? An additional
16 80,000 gallons of capacity at an additional \$8, so it's
17 another \$640,000, for which, then, they were just going
18 to turn around and impute more CIAC, so it's
19 effectively -- it's just a write-off.

20 But that would be an advanced purchase of the
21 CIAC that we did not receive money for, or
22 contributions for, that would be assumed to be asset
23 held for future use and sit on our side books kind of
24 like good will and not earn anything on it. And we

1 would be paying the carrying costs for that additional
2 \$600,000. "We" meaning Aqua would exclusively.

3 Q. And we have you purchasing capacity that you
4 don't need right now; is that correct?

5 A. When we're running a business, you build or
6 you buy based on the capacity that you need or it is in
7 the foreseeable future. And that's part of the problem
8 with this contract is it's requesting you to --
9 basically, to end up as a neutral position back in 2005
10 to buy capacity that I still don't need.

11 Q. Do you agree with the Public Staff's
12 characterization of your -- of Aqua's administration of
13 this contract and all things flowing from it as being
14 imprudent?

15 A. Absolutely not. I think that we've prudently
16 managed the way we -- a utility should operate. We --
17 as I just said, we buy capacity, we build capacity as
18 it's needed or when it's needed in the foreseeable
19 future. Trying to manage to the terms of this contract
20 retroactively, I can see where there's confusion.
21 There's a lot of complexity to it. But when it comes
22 down to it, it's as simple as you build or buy when you
23 need it, and you don't hold an asset that's just going
24 to sit out here for no benefit.

1 MS. SANFORD: Commissioner Brown-Bland,
2 I am not going to finish by 12:30. I'll be close,
3 but not close enough to ask you to stay, because I
4 understand you have other commitments. I don't
5 have much more, but this would be a good stopping
6 place, and I project I can finish in between 10 and
7 15 minutes in the morning.

8 COMMISSIONER BROWN-BLAND: Very good.
9 Just to make the use of a couple of minutes here,
10 the Commissioner would request from the Public
11 Staff -- I would normally do this at the end, but
12 we need every minute to get this case done. We
13 would request from the Public Staff the provision
14 on the calculation of the adjustments, revenue
15 requirements and rates, and we would ask you to
16 provide to our Commission staff and to any other
17 party who requests it, the Excel files used by the
18 Public Staff witnesses Henry Cooper, Boswell, and
19 Junis to calculate the pro forma adjustments, the
20 revenue requirements, and the rates in each of
21 Aqua's five rate divisions. Is that good?
22 Commissioner Clodfelter?

23 COMMISSIONER CLODFELTER: Thank you,
24 Madam Chairman. I would like to ask too if the

1 Company would be willing to submit a late-filed
2 exhibit of any documentation that shows DEQ
3 approval of the interconnection that Mr. Becker
4 referred to in his cross examination by
5 Mr. Grantmyre. Interconnection for the new
6 capacity purchase of Johnston County. If there is
7 documentation of that and it's not just an oral
8 statement, if the Company would file as a
9 late-filed exhibit, that documentation, I would
10 appreciate it.

11 THE WITNESS: I'm sorry.

12 Commissioner Clodfelter, the most recent one I was
13 referring to?

14 COMMISSIONER CLODFELTER: The one that
15 you referred to that occurred about two weeks ago.

16 THE WITNESS: Yes.

17 MS. SANFORD: And I have one more
18 question, if I might. Is this room to be in use
19 this afternoon?

20 COMMISSIONER BROWN-BLAND: Yes.

21 MS. SANFORD: This has to do with
22 whether I have to clean up.

23 COMMISSIONER BROWN-BLAND: This room
24 will be in use.

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MS. SANFORD: Thank you.

COMMISSIONER BROWN-BLAND: Perhaps unfortunately, but it will be. All right. We will finish this up tomorrow. That's an order. No, I'm just kidding. We will finish this up tomorrow, and we will return here at 9:00 in the morning. We stand in recess.

(The hearing was adjourned at 12:29 p.m. and set to reconvene at 9:00 a.m. on Tuesday, September 25, 2018.)

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CERTIFICATE OF REPORTER

STATE OF NORTH CAROLINA)
COUNTY OF WAKE)

I, Joann Bunze, RPR, the officer before whom the foregoing hearing was taken, do hereby certify that the witnesses whose testimony appears in the foregoing hearing were duly sworn; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to this; and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

This the 26th day of September, 2018.

Joann Bunze



JOANN BUNZE, RPR

Notary Public #200707300112