

1 PLACE: Macon County Courthouse,  
2 Franklin, North Carolina

3 DATE: August 15, 2017

4 DOCKET NO.: W-390, Sub 13

5 TIME IN SESSION: 7:03 P.M. TO 9:35 P.M.

6 BEFORE: Commissioner ToNola D. Brown-Bland, Presiding  
7 Commissioner Lyons Gray  
8 Commissioner Daniel Clodfelter  
9  
10

11 Show Cause Hearing  
12  
13

14 IN THE MATTER OF:

15 Request by Public Staff for Appointment of  
16 Carolina Water Service, Inc. of North Carolina  
17 as Emergency Operator of the Riverbend Estates  
18 Water System in Macon County, North Carolina  
19

20 VOLUME 1  
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**AUG 29 2017**

Clerk's Office  
N.C. Utilities Commission

1    A P P E A R A N C E S:

2

3    FOR RIVERBEND ESTATES WATER SYSTEM, INC.:

4    Stuart D. Sloan, Esq.

5    Sloan & VanHook, PLLC

6    111 Heritage Hollow Drive

7    Franklin, North Carolina 28734

8

9

10    FOR THE USING AND CONSUMING PUBLIC:

11    William E. Grantmyre, Esq.

12    Public Staff

13    North Carolina Utilities Commission

14    4326 Mail Service Center

15    Raleigh, North Carolina 27699-4300

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

2 COMMISSIONER BROWN-BLAND: Good evening. Let's  
3 come to order and go on the record.

4 I am Commissioner Tonola D. Brown-Bland, the  
5 presiding commissioner for this hearing, and with me this  
6 evening are Commissioners Lyons Gray and Daniel G.  
7 Clodfelter.

8 I now call for hearing Docket Number W-390, Sub  
9 13, In the Matter of Request by Public Staff for  
10 Appointment of Carolina Water Service, Inc. of North  
11 Carolina As Emergency Operator of the Riverbend Estates  
12 Water System in Macon County, North Carolina.

13 On May 9th, 2017, the Public Staff filed a  
14 petition pursuant to G.S. 62-116(b) and G.S.62-118(b)  
15 requesting the Commission issue an order declaring an  
16 emergency, appointing Carolina Water Service, Inc. of  
17 North Carolina, also known as CWS, as the emergency  
18 operator and approving an emergency rate increase on a  
19 provisional basis for the water system serving Riverbend  
20 Estates in Macon County, North Carolina.

21 On May 16, 2017, the Commission issued an Order  
22 Appointing Emergency Operator, Approving Increased Rates,  
23 and Requiring Customer Notice. This order appointed CWS  
24 as emergency operator of the Riverbend Estates Water

1 System effective May 16, 2017.

2 On May 31st, 2017, CWS filed a Certificate of  
3 Service and a Revised Certificate of Service on June 1st,  
4 2017, verifying the provision of customer notice of  
5 appointment of CWS as the emergency operator for  
6 Riverbend Estates Water System, or for short sometimes  
7 referred to as REWS, or R-E-W-S, and also verifying the  
8 schedule of rates was a part of that notice to customers.

9 On July 10th, 2017, the Commission issued an  
10 Order Scheduling a Show Cause Hearing for this date,  
11 Tuesday, August 15, 2017, at this time and this place.

12 This order requires REWS and Ronald L. Hardegree to  
13 appear before the Commission to show cause why it and he  
14 should not be subject to the sanctions provided by  
15 Statute G.S. 62-310, et al., including monetary penalties  
16 for abandoning its and his obligation to provide water  
17 utility service in the franchise territory without first  
18 securing the Commission's consent as required by General  
19 Statute 62-118 and/or for failing to comply with the  
20 terms and conditions of Commission Rule R7-3.

21 On July 12, 2017, numerous consumer statements  
22 of position were filed, and on July 20th, 2017, CWS filed  
23 a Certificate of Service of customer notice.

24 On July 27th, 2017, CWS filed REWS's second

1 quarter report per the Commission's Order of May 16,  
2 2017.

3 And on August the 11th, 2017, the Public Staff  
4 filed the testimony and exhibits of witness Charles M.  
5 Junis.

6 Pursuant to General Statute 138A-15(e), I  
7 remind the members of the Commission of our duty to avoid  
8 conflicts of interest and inquire at this time as to  
9 whether any of the Commission has any known conflict of  
10 interest with respect to this docket?

11 (No response.)

12 COMMISSIONER BROWN-BLAND: Let the record  
13 reflect that no conflicts were identified.

14 I now call upon counsel for the parties to  
15 announce their appearance for the record, and I'll begin  
16 with Public Staff.

17 MR. GRANTMYRE: Public Staff. My name is  
18 William Grantmyre. I am a staff attorney with the Public  
19 Staff. We represent the using and consuming public. And  
20 with me is Public Staff Utilities Engineer Charles Junis  
21 who is with our Water Division, and he is a registered,  
22 professional engineer. Thank you.

23 COMMISSIONER BROWN-BLAND: Thank you, Mr.  
24 Grantmyre.

1 MR. SLOAN: Good evening. My name is Stuart  
2 Sloan, and I'm serving as the attorney for Riverbend  
3 Estates Water System, Inc., and I have with me Mr. Ronald  
4 Hardegree who is the sole shareholder of the Company.

5 COMMISSIONER BROWN-BLAND: All right. Thank  
6 you for being here. Glad you're here.

7 All right. Are there any preliminary matters  
8 that you wish the Commission to address before we get  
9 into the hearing?

10 MR. GRANTMYRE: No. Just one thing, who we  
11 would call first is Charles Junis, and then we would have  
12 customers testify. And nine people have signed up, and  
13 that may cut down. Some may not decide to testify. But  
14 to date, nine have signed up, so we'll see what happens.  
15 So we would call Charles Junis now.

16 COMMISSIONER BROWN-BLAND: All right. Before  
17 he comes around, Mr. Sloan, are you -- you'll be calling  
18 a witness --

19 MR. SLOAN: Yes.

20 COMMISSIONER BROWN-BLAND: -- or witnesses?

21 MR. SLOAN: Yes. We'll be calling Mr.  
22 Hardegree and possibly another witness who we have on  
23 call when it's our time to go, and we would ask that we'd  
24 reserve a brief period of time before our witnesses to

1 make an opening statement or a summary of what we will be  
2 presenting.

3 COMMISSIONER BROWN-BLAND: All right. That's  
4 permissible. All right, Mr. Grantmyre. The case is with  
5 you.

6 CHARLES JUNIS; Being first duly sworn,

7 Testified as follows:

8 COMMISSIONER BROWN-BLAND: Mr. Junis, you'll  
9 want to speak up so that everyone can hear you.

10 THE WITNESS: I will do my best.

11 COMMISSIONER BROWN-BLAND: All right. Thank  
12 you.

13 DIRECT EXAMINATION BY MR. GRANTMYRE:

14 Q Can you please state your name.

15 A My name is Charles Junis.

16 Q And by whom are you employed?

17 A The Public Staff of the North Carolina Utility  
18 Commission.

19 Q Now, did you cause to be filed in this case on  
20 August 11, 2017 prefiled testimony consisting of 28 pages  
21 of testimony with 13 page -- with 13 exhibits attached to  
22 it?

23 A That is correct, sir.

24 Q Now, if I asked you to -- those same questions

1     that are in your prefiled testimony today, would your  
2     answers be the same?

3             A     That is correct.

4             MR. GRANTMYRE: Madam Chairperson, I would  
5     request that his testimony be copied into the record as  
6     if given orally and that the exhibits be identified.

7             COMMISSIONER BROWN-BLAND: That motion will be  
8     allowed, there being no objections.

9             MR. SLOAN: No objection.

10            COMMISSIONER BROWN-BLAND: The testimony will  
11    be received and copied into the record word for word as  
12    if given orally from the witness stand, and the exhibits  
13    will be identified as they were when filed.

14                         (Whereupon, the prefiled testimony  
15                         of Charles M. Junis was copied into  
16                         the record as if given orally from  
17                         the stand.)

18

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**RIVERBEND ESTATES WATER SYSTEM, INC.  
DOCKET NO. W-390, SUB 13**

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

**August 11, 2017**

1 Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS  
2 ADDRESS, AND PRESENT POSITION.

3 A. My name is Charles Junis. My business address is 430 North Salisbury  
4 Street, Dobbs Building, Raleigh, North Carolina. I am a Utilities Engineer  
5 with the Public Staff's Water, Sewer, and Communications Division.

6  
7 Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE  
8 RELATING TO YOUR PRESENT POSITION WITH THE PUBLIC STAFF.

9 A. I am a graduate of North Carolina State University, having earned a  
10 Bachelor of Science Degree in Civil Engineering. I have approximately 6  
11 years of environmental and civil engineering experience. I am a licensed  
12 Professional Engineer in the State of North Carolina. Since joining the  
13 Public Staff in April of 2013, I have presented recommendations in rate  
14 increase proceedings, new franchise and transfer applications, and other  
15 matters relating to water, wastewater, and communications utility regulation  
16 before the Commission.

1 Q. **WHAT ARE YOUR DUTIES IN YOUR PRESENT POSITION?**

2 A. My duties with the Public Staff are to monitor the operations of regulated  
3 water and wastewater utilities with regard to rates and service. Included in  
4 these duties are field investigations to review, evaluate, and recommend  
5 changes, when needed, in the design, construction, and operations of  
6 regulated water and wastewater utilities; presentation of expert testimony in  
7 formal hearings; and presentation of information, data, and  
8 recommendations to the Commission.

9

10 Q. **PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION IN THIS**  
11 **CASE.**

12 A. On July 10, 2017, The North Carolina Utilities Commission (Commission)  
13 issued an Order Scheduling Show Cause Hearing. Ordering Paragraphs 2,  
14 3, and 5, state the following:

15 "2. That REWS and Ronald L. Hardegree shall appear  
16 before the Commission on that date and at that time to provide  
17 evidence to rebut the prima facie conclusion reached by the  
18 Commission that, for all intents and purposes, REWS and/or  
19 Ronald L Hardegree abandoned its/his obligation to furnish  
20 water utility service to its customers without first securing the  
21 consent of the Commission as required by G.S. 62-118, that  
22 REWS has failed to comply with the terms and conditions of  
23 Commission Rule R7-3, and that these actions violate certain

1 provisions of the Public Utilities Act, the Commission's rules,  
2 regulations and orders and the explicit and implicit terms and  
3 conditions included in the certificate of public convenience  
4 and necessity which the Commission awarded to REWS  
5 and/or Ronald L. Hardegree.

6 3. That REWS and Ronald L. Hardegree shall appear  
7 before the Commission on that date and at that time to show  
8 cause why it/he should not be subject to the sanctions  
9 provided by statute G.S. 62-310 et al, including monetary  
10 penalties for abandoning its/his obligation to provide water  
11 utility service in REWS' franchised territory without first  
12 securing the Commission's consent as required by G.S. 62-  
13 118 and/or for failing to comply with the terms and conditions  
14 of Commission Rule R7-3.

15 5. That the Public Staff shall participate in the hearing  
16 on behalf of the Using and Consuming Public."  
17

18 My areas of investigation in this proceeding have been to assist the Public  
19 Staff Accounting and Legal Divisions in reviewing company records and to  
20 coordinate with the North Carolina Department of Environmental Quality,  
21 Public Water Supply Section (PWSS), and compile documentation related  
22 to the compliance of REWS.

1 Q. PLEASE DESCRIBE THE SERVICE AREA AND WATER SYSTEM.

2 A. The system serves approximately 136 connections in Riverbend Estates  
3 Subdivision in Macon County. Carolina Water Service, Inc. of North  
4 Carolina (Carolina Water), was appointed as emergency operator (EO) of  
5 the Riverbend Estates water utility system by Commission Order dated May  
6 16, 2017, in Docket No. W-390, Sub 13.

7

8 Q. PLEASE SUMMARIZE THE HISTORY OF THE SYSTEM UP TO THE  
9 SHOW CAUSE HEARING.

10 A. On February 22, 1973, in Docket No. W-390, Sub 0, the Commission issued  
11 a Show Cause Order to Calvin Henson, the original developer of the  
12 Riverbend Estates Subdivision, for failure to obtain a franchise for the  
13 Riverbend Estates water utility system in Macon County. Subsequently,  
14 Calvin Henson did file an application for a certificate of public convenience  
15 and necessity in Docket No. W-390, Sub 1, and on April 1, 1974, the  
16 Commission issued an Order Dismissing Show Cause Order.

17

18 The Commission by Order dated July 9, 1974, in Docket No. W-390,  
19 Sub 1, required additional information to support the franchise application  
20 filed by Riverbend Estates, Inc. T/A Riverbend Estates Water System,  
21 Finding of Fact No. 2 stated:

22 "2. The water system in Riverbend Estates as it  
23 now exists does not meet the Standards of the Division of

1 Health Services. The Applicant has not received approval of  
2 its water system plans from the State Division of Health  
3 Services."

4  
5 The Commission issued Order Granting Temporary Operating Authority to  
6 Riverbend Estates, Inc., T/A Riverbend Estates Water System dated  
7 December 4, 1974, which ordered the applicant to complete system  
8 improvements to bring the water system up to Division of Health Service  
9 (DHS) standards.

10

11 The Commission in Docket No. W-390, Sub 2, by Order dated  
12 September 15, 1978, approved the transfer of the Riverbend Estates water  
13 system to Sportsland, Inc. T/A Riverbend Estates Water System  
14 (Sportsland) and also granted Sportsland temporary operating authority.  
15 Sportsland obtained the water system as part of the purchase of Riverbend  
16 Estates Subdivision.

17

18 By order dated December 10, 1982, in Docket No. W-390, Sub 4, the  
19 Commission approved the transfer of the water system from Sportsland to  
20 Riverbend Water System, Inc., whose President was Albert Rudisill, who  
21 operated a local pump service and well supply business and had previously  
22 made improvements to the water system for Sportsland. The system was  
23 experiencing excessive iron in a new well and engineering plans for the

1 system improvements made by Sportsland had not been submitted for  
2 approval to the North Carolina Department of Human Resources.  
3 Riverbend Water System, Inc., was granted temporary operating authority  
4 and Riverbend Water System, Inc., was ordered to

5  
6 "proceed with measures to correct the excessive iron problem  
7 and obtain approval of the Riverbend Estates Water System  
8 from the Department of Human Resources."  
9

10 On February 25, 1987, in Docket No. W-390, Sub 5, the Commission issued  
11 an order in the complaint proceeding filed by a customer alleging the water  
12 system was rundown and in need of immediate repair, that there were  
13 frequent service interruptions, that the water quality was poor due to a high  
14 iron content, and that Riverbend Water System, Inc., had not made the  
15 system corrections ordered by the Commission in Docket No. W-390, Sub  
16 4. In addition, Albert Rudisill, the President of Riverbend Water System,  
17 Inc., had moved to Florida, and it had been difficult for customers to contact  
18 him when problems were encountered. The water system still had not  
19 received DHS approval even though the Commission's Order dated  
20 December 10, 1982, required upgrading so that the water system would  
21 satisfy DHS standards. The only DHS approval was for the original system  
22 approved to serve only 28 connections, but in 1987 the system was serving  
23 90 connections. No plans had been approved by DHS since the

1 Commission's December 10, 1982 Order, in Docket No. W-390, Sub 4, nor  
2 had the iron problem been corrected.

3  
4 The Hearing Examiner's Order dated February 25, 1987, ordered  
5 Riverbend Water System, Inc., to

- 6 a. obtain DHS plan approval and construct system
- 7 improvements to comply with the DHS approved plans;
- 8 b. provide the local qualified operator authority to repair
- 9 or replace broken water lines and pumps to avoid pressure
- 10 problems or loss of water to customers;
- 11 c. provide adequate storage capacity, well yield, water
- 12 quality, and flushing to remove accumulated iron deposits in
- 13 the mains; and
- 14 d. there be no new service connections until authorized
- 15 by DHS.

16  
17 6. On October 7, 1987, in Docket No. W-390, Sub 6, the Commission  
18 issued Order Approving Stock Transfer approving Albert Rudisill  
19 transferring his 100% of the stock in Riverbend Water System, Inc., 50% to  
20 Ronald L. Hardegree, and 50% to Geraldine M. Hardegree (Hardegrees).  
21 The Hardegrees stated they would make the improvements as required in  
22 the February 25, 1987, Order as follows:

- 1 a. Have engineers update as-built plans and get them
- 2 approved by DHS;
- 3 b. Filter the high yield well for iron or drill another well if
- 4 iron filtering cannot feasibly be done;
- 5 c. Install 20,000 gallons more storage (in addition to the
- 6 current 20,000 gallons);
- 7 d. Install new main as needed (as engineer
- 8 recommends);
- 9 e. Provide 24 hour service man and truck using Rudisill
- 10 Pump Service or other qualified sub-contractors having
- 11 specialty equipment that would not be feasible for the
- 12 Hardegrees to own (when needed); and
- 13 f. Meter all customers.

14  
15 7.a. Riverbend Water System, Inc., filed a general rate case in 1989,  
16 being Docket No. W-390, Sub 8. The Hearing Examiner in the Order dated  
17 April 24, 1989, stated in finding of fact no. 5 that

18 "The Company is presently providing adequate service to its  
19 customers."

20 b. Andy Lee, the Director of the Public Staff Water Division, testified  
21 that the Hardegrees had completed all the Commission required  
22 improvements in the Order dated October 7, 1987, with the exception of  
23 metering all the customers. Andy Lee testified

1 "As built plans specifying improvements have been submitted  
2 and approved by the Department of Health Services (DHS).  
3 The high yield well has been recased and berm filters have  
4 been installed to remove excess iron. An additional 20,000  
5 gallons of ground storage has been added bringing the total  
6 storage to 40,000 gallons. New mains have been installed to  
7 tie all wells directly to the storage tanks. A new electrical  
8 control system has been installed to operate and control the  
9 well and filtering system more efficiently. Twenty-four hour  
10 service is being provided. Five meters have been installed  
11 leaving 92 meters to be installed. At the end of the test year  
12 period, September 30, 1988, the Hardegrees had invested  
13 \$41,781 in capital for improvements to the system."

14  
15 In the general rate case Order dated July 9, 1998, Docket No. W-390,  
16 Sub 9, Hearing Examiner Stallings found in finding of fact no. 2 that  
17 Riverbend Water System, Inc., was providing adequate service. However,  
18 customers testified that at certain times their water was red or brown. Andy  
19 Lee outlined in his affidavit how improved filter operations and distribution  
20 system flushing could improve the water quality. Andy Lee stated that the  
21 Hardegrees had installed well filters and began flushing the system, both of  
22 which had improved the water quality.

1 In the next general rate case in Docket No. W-390, Sub 10, with hearing  
2 held on July 23, 2002, several customers testified they had experienced  
3 episodes of brown or discolored water coming from their faucets and other  
4 plumbing fixtures. Riverbend Water System, Inc., had installed an iron  
5 removal filter and was flushing the distribution system monthly. Hearing  
6 Examiner Stallings found in the Order dated September 12, 2002, in finding  
7 of fact no. 14

8  
9 "The water utility system serving Riverbend Estates  
10 Subdivision is compliant with the NC Department of  
11 Environment and Natural Resources Division of  
12 Environmental Health, and the Applicant is providing  
13 adequate water utility service. However, customers are  
14 continuing to experience slugs of brown water on a periodic  
15 basis, primarily the result of sediment build-up in the  
16 distribution mains. The Company should investigate and  
17 report to the Commission on the practicability, effectiveness  
18 and cost of remedying this problem through each of the  
19 following approaches; (1) sequestration; (2) scouring or  
20 cleaning the mains; and (3) purchasing water from the Town  
21 of Franklin."

1 In the summer of 2012, the Town of Franklin bulk purchased water  
2 interconnection was completed and the Town of Franklin began to sell bulk  
3 metered water to the Riverbend Estates water system. Prior to the  
4 interconnection, the customers continued to experience discolored water  
5 and staining from iron. In addition, the wells had struggled to meet the  
6 demand. The Hardegrees had transferred the water system to a newly  
7 formed corporation Riverbend Estates Water System, Inc. (REWS), in  
8 which the Hardegrees owned 100% of the stock.

9  
10 The Order Granting Franchise, Granting Partial Rate Increase and  
11 Requiring Customer Notice dated February 26, 2013, in Docket No. W-390,  
12 Sub 11, granted a certificate of public convenience and necessity to REWS  
13 and a rate increase to include the expenses relating to purchased bulk water  
14 from the Town of Franklin. No customers protested the applied for increase.  
15 The Commission approved the metered rates as follows:

16	Monthly base charge, zero usage:	\$19.52
17	Usage charge, per 1,000 gallons:	\$5.00

18  
19 The annual purchased water expense included in this rate case was  
20 \$40,228, based upon average residential customer usage of 4,200 gallons  
21 per month, plus 10% water loss, and the Town of Franklin's water usage  
22 rate of \$5.00 per 1,000 gallons, plus a monthly base charge for a four-inch  
23 water meter of \$440.

1 Beginning in August 2015, REWS only made partial purchased bulk water  
 2 payments each month to the Town of Franklin. The past due balances  
 3 increased monthly, with only a few exceptions. As of June 10, 2016, REWS  
 4 was indebted to the Town of Franklin in the amount of \$13,995 of which  
 5 \$11,347 was past due. Mrs. Hardegree executed a payment agreement  
 6 with the Town of Franklin dated June 10, 2016, with an agreed upon  
 7 payment plan to pay the current bill each month plus \$500 each week of the  
 8 arrearage. However, REWS did not comply with the agreement.

9  
 10 The Commission approved rates for REWS were reduced by Order dated  
 11 October 13, 2015, Docket No. W-390, Sub 12, for the repeal of the gross  
 12 receipts tax, by Order dated May 26, 2016, Docket No. W-390, Sub 12, for  
 13 the reduction to 4% of the North Carolina corporate income tax rate, and by  
 14 Order dated December 12, 2016, in Docket No. W-390, Sub 12, for the  
 15 reduction in the North Carolina corporate income tax rate to 3%. The  
 16 Commission approved rates for REWS were:

17 Metered Monthly Rates (Residential Service)

18	Base charge, zero usage	\$18.67
19	Usage charge, per 1,000 gallons	\$ 4.79

20  
 21 The average monthly residential customer water bill was \$38.79 based  
 22 upon the REWS tax reduced rates and the 4,200 gallons average monthly

1 consumption from the most recent REWS general rate case decided in  
2 2013.

3

4 The bulk water rate, effective July 1, 2016, the Town of Franklin charged  
5 REWS was a monthly base charge \$589.70, which included 24,000 gallons  
6 minimum, and usage charge per 1,000 gallons of \$6.60. The Public Staff  
7 Water Division on multiple occasions advised and provided instructions with  
8 a sample filing to Ronald Hardegree for the filing of a purchased water pass  
9 through rate increase. However, REWS has not filed for a pass through.

10

11 By letter dated October 10, 2016, attached as Junis Exhibit 1, the Town of  
12 Franklin advised Mr. and Mrs. Hardegree that they owed the town \$27,987,  
13 and the bulk water would be disconnected if the account was not paid in full  
14 by November 10, 2016. The Town of Franklin's bulk water is the only water  
15 source for the Riverbend Estates water system as the wells were  
16 disconnected in the summer of 2012.

17

18 REWS sent to the 131 residential customers a letter dated  
19 October 31, 2016, and attached as Junis Exhibit 2, stating that the company  
20 was at risk of closing in the next 30 days. The letter stated customers  
21 should make arrangements to start a personal account with the Town of  
22 Franklin, and if that is not an option, to drill a water well for their residences.

1 Carolina Water's appointment as EO was effective May 16, 2017. The  
2 Commission approved provisional rates as follows:

3 Metered Rates (Residential Service)

4 Monthly base charge, zero usage \$35.00

5 Usage charge, per 1,000 gallons \$11.95

6 In addition, the Commission's Order Appointing Emergency Operator and  
7 Approving Increased Rates ordered:

8 "5. That the following items of information shall be  
9 provided to Carolina Water within three business days of the  
10 effective date of the emergency operator appointment:

11 a. Customer information for each residence  
12 connected to the water system, containing at a minimum,  
13 customer name, service address, billing address, contact  
14 phone numbers (home and work), and billing records.

15 6. That the following items of information shall be  
16 provided to Carolina Water within ten business days of the  
17 effective date of the emergency operator appointment:

18 a. Copy of the water system plans and  
19 specifications.

20 b. Copies of all monitoring reports and evaluations  
21 completed by Riverbend Estates Water System, Inc., or its  
22 certified operator for the past 24 months.

1 c. The names, addresses, and telephone number  
2 of all vendors providing materials and supplies for the water  
3 system operations.

4 d. Copies of all 2015 and 2016 property tax bills.

5 e. Copies of all 2016 and 2017 purchased bulk  
6 water bills from the Town of Franklin."  
7

8 Pertaining to REWS' compliance with the Ordering paragraphs 5a. and 6a.-

9 e., the Public Staff has made the following findings:

10 Due date May 19, 2017

11 5a. Customer information, including name, billing address, and some  
12 phone numbers and e-mail addresses were provided by REWS' counsel on  
13 May 15, 2017. The customer list included the open balance on each  
14 customer account, the outstanding balances total \$11,677.70 and the  
15 account credits total \$348.09. The net open balance totals \$ \$11,329.61.  
16 Approximately 60% of the accounts have an open balance less than \$50.00  
17 while 11% exceed \$200.00, and the average water bill based on the tax  
18 reduced rates and 4,200 gallons of usage was \$38.79. The customer list  
19 was generated by REWS on May 8, 2017 and likely includes bills issued in  
20 April but not the majority of payments associated with those bills. Detailed  
21 billing records that include monthly consumption, bill amount, and payment  
22 history have not been provided as required by Commission Order and

1 specifically requested by the Public Staff via e-mail dated May 3, 2017,  
2 enclosed as Junis Exhibit 3.

3  
4 Due date May 30, 2017

5 6a. A system map was provided to Carolina Water on June 29, 2017.

6 6b. Laboratory testing results from approximately 2015 through 2017 for  
7 Total Coliform, E. coli, lead, copper, total trihalomethanes, and haloacetic  
8 acids were provided to Carolina Water on June 29, 2017.

9 6c. Vendor name, address, and phone number information was provided  
10 to Carolina Water for Ferguson Enterprises Inc., plumbing, HVAC, and  
11 building supply company, and City Plumbing, plumbing supply company, on  
12 June 29, 2017.

13 6d. Copies of all 2015 and 2016 property tax bills were provided to  
14 Carolina Water on June 29, 2017.

15 6e. Copies of all 2016 and 2017, with exception to September 2016,  
16 October 2016, and June 2017, purchased bulk water bills from the Town of  
17 Franklin were provided to Carolina Water on June 29, 2017.

18  
19 Based on review of copies of bills received from REWS and an account  
20 register from the Town of Franklin, the Public Staff has calculated an  
21 updated amount of \$53,821.28, which has been billed to REWS prior to  
22 Carolina Water becoming the emergency operator on May 16, 2017.

1 With the 4% increased bulk water rate, effective July 1, 2017, the Town of  
2 Franklin charges to Carolina Water are a monthly base charge \$613.29,  
3 which includes 24,000 gallons minimum, and usage charge per 1,000  
4 gallons of \$6.86.

5

6 Q. **HAVE YOU PERSONALLY SPOKEN TO MR. HARDEGREE PRIOR TO**  
7 **THE EMERGENCY OPERATOR PETITION?**

8 A. I have spoken to Mr. Hardegree on multiple occasions. On the following  
9 occasions, I individually spoke with Mr. Hardegree and documented the  
10 conversation in a call log or with written notes:

11

12 On August 11, 2015, I received a call from Mr. Hardegree and he was  
13 inquiring about if and how he could charge the customers a security deposit.  
14 In addition, he mentioned cut off or discontinuance of service for non-  
15 payment. I sent an e-mail later that day as follow-up and clarification, which  
16 I have enclosed as Junis Exhibit 4. In summary of the e-mail, I informed  
17 him of the pertinent Commission Rules, attached them for his reference,  
18 and reminded him that the most recent Commission approved schedule of  
19 rates states that bills are considered past due 30 days after the billing date.

20

21 On May 20, 2016, I received a call from Mr. Hardegree and he expressed  
22 concerns about losing money and how he could return to utilizing his wells.  
23 Unfamiliar with the history or details of the system at the time, I told him that

1 typically there is a reason those wells were made inactive or  
2 decommissioned and the initial permitting and testing would likely be costly.  
3 There would also be the cost to treat and/or filter the wells if the reason was  
4 water quality. There would be the cost of additional wells if the reason was  
5 lack of production. To address any increase in the cost of purchased water,  
6 I referred him to G.S. 62-133.11. and provided Docket No. W-218, Sub 428  
7 as an exemplary pass-through petition. Mr. Hardegree indicated he would  
8 need his wife to call me back since she was "smarter" and would likely draft  
9 the petition. I left Mr. Hardegree with my phone number and assured him  
10 that I would be happy to assist her. I did not receive a follow-up  
11 communication from Mrs. Hardegree.

12  
13 **Q. WHAT HAS CAROLINA WATER DONE TO ADDRESS UNACCOUNTED**  
14 **FOR WATER?**

15 **A.** Carolina Water replaced a leaking 2" valve along Czonka Lane on May 19,  
16 2017, the invoice from Black Oak Maintenance and Repair LLC is enclosed  
17 as Junis Exhibit 5. In addition, Matchpoint Inc. submitted to Cavanaugh &  
18 Associates a Leak Detection Survey. The stated objective of the survey  
19 was to "provide some preliminary indication of the integrity of the distribution  
20 piping network, specifically identifying any breaks or leaks that have yet to  
21 surface, known as "unreported" leakage." The survey identified one  
22 confirmed leaking fitting on the distribution mains and a suspected leak on

1 a customer service after the meter, which were estimated to be leaking at a  
2 combined 0.25 gallons per minute or 10,950 gallons per month.

3

4 Q. HAS THE PUBLIC STAFF RECEIVED ANY CUSTOMER COMPLAINTS?

5 A. As of August 8, 2017, the Public Staff has received approximately 33  
6 customer complaints, which were filed with the Chief Clerk and are  
7 generally in opposition to the magnitude of the rate increase and that REWS  
8 should be held responsible for the arrearage to the Town.

9

10 Q. DID REWS AND MR. HARDEGREE AS THE PRESIDENT AND SOLE  
11 SHAREHOLDER OF REWS, ABANDON THE RIVERBEND ESTATES  
12 WATER UTILITY SYSTEM WITHOUT COMMISSION APPROVAL AS  
13 REQUIRED BY G.S. 62-118(a)?

14 A. Yes, neither REWS nor Mr. Hardegree applied to the Commission for  
15 permission to abandon this water system. The Commission has not issued  
16 an order authorizing the abandonment of the Riverbend Estates water  
17 system.

18

19 By letter dated October 10, 2016 (Junis Exhibit 1), the Town of Franklin  
20 advised Mr. and Mrs. Hardegree that they owed the town \$27,987, and the  
21 bulk water would be disconnected if the account was not paid in full by  
22 November 10, 2016. The Town of Franklin's bulk water is the only water

1 source for the Riverbend Estates water system as the wells were  
2 disconnected in the summer of 2012.

3  
4 Public Staff Attorney William Grantmyre spoke with Summer Woodard,  
5 Franklin Town Manager on November 7, 2016, and informed Ms. Woodard  
6 that the Public Staff would request the Commission appoint an emergency  
7 operator (EO) pursuant to G.S. 62-118(b) and that the EO would assume  
8 all operations and responsibilities for the Riverbend Estates water system,  
9 including payment of all Town of Franklin purchased water bills.

10  
11 The Public Staff believes the failure by REWS and Mr. Hardegree to pay  
12 the Town of Franklin's purchased water bills was an abandonment of the  
13 franchise service responsibilities creating an emergency as all the  
14 residential customers were in imminent danger of losing all water service  
15 through discontinuance by the Town of Franklin for non-payment of the bulk  
16 purchased water.

17  
18 The Public Staff contacted Mr. Hardegree on approximately 10 occasions,  
19 subsequent to Mr. Hardegree's letter, dated October 31, 2016 (Junis Exhibit  
20 2), to customers, attempting to obtain customer consumption information in  
21 order to calculate EO customer rates to recommend for Commission  
22 approval to ensure the revenues would be adequate for the EO to pay the  
23 operating expenses.

1 Mr. Hardegree informed me that his wife did all the customer billing, and I  
2 would need to get the information from her. Mrs. Hardegree never would  
3 return my approximately 6 calls and never did provide the customer  
4 consumption billing information. The failure to provide this information  
5 constituted a violation of Commission Rule R7-3(a). Finally, on May 4,  
6 2017, the Public Staff received 12 non-consecutive months of customer  
7 meter reading papers sent by the REWS attorney Stuart Sloan. As the  
8 meter reading papers did not contain a full twelve months, the Public Staff  
9 used the 2013 REWS general rate case customer consumption information  
10 to calculate the Public Staff recommended EO rates.

11

12 Q. **WHEN DID REWS AND MR. HARDEGREE COMPLETELY ABANDON**  
13 **THE SERVICE TO THE RESIDENTIAL CUSTOMERS?**

14 A. Neither REWS nor Mr. Hardegree made any payments to the Town of  
15 Franklin subsequent to February 21, 2017. The Town of Franklin's bulk  
16 water is the only water source for the Riverbend Estates water system.  
17 Subsequently, the following purchased bulk water bills were sent by the  
18 Town of Franklin:

<u>Bill Date</u>	<u>Current Bill Amount</u>	<u>Total Amount Due</u>
February 22, 2017	\$5,341	\$37,340
March 22, 2017	\$5,222	\$42,562
April 21, 2017	\$4,433	\$46,995
May 22, 2017	\$6,554	\$53,649

1 During that same period the Public Staff estimates that REWS billed the  
2 residential customers approximately \$19,000, **but did not make any**  
3 **payments to the Town of Franklin.** The Public Staff recommends the  
4 Commission rule that the REWS abandonment was effective on February  
5 22, 2017. The Town of Franklin purchased water bills and REWS payments  
6 from January 2016 through July 2017 have been summarized in a table,  
7 shown on Junis Exhibit 6, as well as the bills dated May 22, 2017, and  
8 June 22, 2017.

9  
10 Q. **DID REWS AND MR. HARDEGREE VIOLATE G.S. 62-118(b)**  
11 **ABANDONING SERVICE CREATING AN EMERGENCY AND THE**  
12 **IMMINENT DANGER OF THE RIVERBEND ESTATES WATER**  
13 **CUSTOMERS LOSING ALL WATER SERVICE?**

14 A. Yes, the complete failure to pay anything to the Town of Franklin  
15 subsequent to February 21, 2017, created the imminent discontinuance for  
16 non-payment by the Town of Franklin of the bulk purchased water, the only  
17 water source. The process of the Public Staff preparing the petition to the  
18 Commission for the appointment of an EO, enabled the customers to  
19 continue to receive water service.

20

21 Q. **WHAT PENALTY DOES THE PUBLIC STAFF RECOMMEND?**

22 A. The Public Staff recommends that the Commission order Mr. Hardegree  
23 and REWS, jointly and severally, to pay a penalty pursuant to G.S. 62-310,

1 of \$1,000 per day for each day from the last payment to the Town of Franklin  
2 on February 21, 2017, until the Commission appointment of the emergency  
3 operator on May 16, 2017, being a total of \$84,000 for the 84 days.

4  
5 Mr. Hardegree is the President and sole owner of REWS, and upon advice  
6 of counsel REWS has not complied with the requirements of the North  
7 Carolina Business Corporation Act. REWS has not filed the required annual  
8 report with the North Carolina Secretary of State subsequent to REWS'  
9 annual report for the fiscal year ending September 30, 2013, as shown on  
10 Junis Exhibit 7. The Public Staff does not believe that REWS has held the  
11 required annual shareholder meetings. In addition, the previously  
12 described approximately \$19,000 billed to customers has apparently been  
13 misapplied as these funds have not been utilized for the payment of the  
14 Town of Franklin bulk purchased water bills.

15  
16 The misapplication of this approximately \$19,000 billed to customers is a  
17 material contributing factor to this willful abandonment.

18  
19 Q. WHAT IS THE AMOUNT OF PURCHASED BULK WATER EXPENSE  
20 OWED BY REWS TO THE TOWN OF FRANKLIN ON MAY 16, 2017, THE  
21 EFFECTIVE DATE OF THE EMERGENCY OPERATOR APPOINTMENT?

22 A. The purchased water total was \$53,821.28.

1 Q. WILL THE PENALTIES TOTALING \$84,000 BE PAID TO THE TOWN OF  
2 FRANKLIN?

3 A. No. The penalties described in G.S. 62-310, would not be payable to the  
4 Town of Franklin.

5

6 Q. HAS THE PUBLIC STAFF CONSIDERED AN ALTERNATIVE  
7 RECONCILIATION OF THE VIOLATIONS?

8 A. Yes. In lieu of payment of the recommended \$84,000 penalties, the Public  
9 Staff recommends the Commission allow Mr. Hardegree 30 days from the  
10 date of the hearing, August 15, 2017, to pay the \$53,821.28 owed to the  
11 Town of Franklin. If the balance has not been paid by the close of business  
12 on September 14, 2017, the Commission should apply to a Superior Court  
13 judge for enforcement of the \$84,000 penalties.

14

15 Q. WHAT LAND PARCELS ARE COMPONENTS OF THE RIVERBEND  
16 ESTATES WATER SYSTEM?

17 A. Prior to 2013, the water source was wells. There are five real property  
18 parcels which to the best of the Public Staff's knowledge were utilized for  
19 well production and/or storage. These five parcels are listed by the Macon  
20 County Property Tax Office to Riverbend Water System, Inc., the company  
21 owned by Ronald Hardegree and his wife Geraldine Hardegree, and  
22 granted the Riverbend Estates water system franchise in 1987, Docket No.  
23 W-390, Sub 6, Order dated October 7, 1987. These five real property

1 parcels are shown on Junis Exhibit 8. The total combined property tax  
2 assessed value is \$74,660.

3

4 Q. DOES RIVERBEND WATER SYSTEM, INC., STILL EXIST?

5 A. No, the corporation was administratively dissolved by the North Carolina  
6 Secretary of State on December 1, 1993, as shown on Junis Exhibit 9.

7

8 Q. HAVE THE FIVE PARCELS BEEN TRANSFERRED TO REWS?

9 A. The Public Staff's online search of the Macon County Register of Deeds  
10 records does not reveal a transfer to REWS, as shown on Junis Exhibit 10.

11

12 Q. HAS THE PUBLIC STAFF'S REGISTER OF DEEDS RECORDS SEARCH  
13 REVEALED MORTGAGES OR DEED OF TRUST ON THESE  
14 PROPERTIES?

15 A. The Public Staff found none.

16

17 Q. IS RONALD HARDEGREE AN EXPERIENCED BUSINESS PERSON?

18 A. I have only spoken with Ronald Hardegree on the telephone and have not  
19 researched his entire business history. The Public Staff did search online  
20 the Macon County Register of Deeds for Ronald Hardegree, and Junis  
21 Exhibit 11 is the printout which reflects numerous real property transactions  
22 as grantor on deeds, grantee on deeds, and grantor on deeds of trust. Mr.

1 Hardegree appears to be experienced in Macon County land transactions  
2 including financing with deeds of trust.  
3

4 Q. WHAT IS THE MOST RECENT DEED OF TRUST EXECUTED BY  
5 RONALD HARDEGREE AND WIFE SHIRLEY DIANE HARDEGREE?

6 A. There is an Equity Line of Credit Deed of Trust dated February 19, 2016,  
7 recorded on March 3, 2016, in Deed Book 2335 page 2342, Macon County  
8 Register of Deeds, as shown on Junis Exhibit 12. The lender is TD Bank,  
9 N.A., the maximum obligation limit is \$220,000 as stated in paragraph no.  
10 3, and the property secured is a 1.42 acre tract, being the property  
11 conveyed to Ronald L. Hardegree by deed recorded on January 31, 1984,  
12 in Deed Book 0-15 page 87, Macon County Register of Deeds.  
13

14 Q. DOES THE PUBLIC STAFF KNOW WHAT AMOUNTS RONALD  
15 HARDEGREE HAS OBTAINED ON THIS EQUITY LINE OF CREDIT?

16 A. No, we do not have access to that information.  
17

18 Q. DOES THE PUBLIC STAFF KNOW WHY MR. HARDEGREE DID NOT  
19 UTILIZE THIS EQUITY LINE OF CREDIT TO PAY THE TOWN OF  
20 FRANKLIN WATER BILLS?

21

22 A. The Public Staff does not know. However, as shown on Junis Exhibit 1, the  
23 amount due to the Town of Franklin on the deed of trust recording date was

1       \$17,971. A total of \$12,741 was paid to the Town of Franklin prior to the  
2       March 22, 2016, billing date. However, at no time after that payment, did  
3       REWS or Mr. Hardegree pay all the Town of Franklin current monthly bills  
4       and the arrearages increased each month.

5  
6       The Public Staff believes this \$220,000 Equity Line of Credit provided  
7       Ronald Hardegree with adequate access to funds for a loan to REWS or  
8       equity infusions to REWS. Mr. Hardegree's willful failure to provide the  
9       necessary funds is a material contributing factor of the abandonment.

10

11    Q.    **HAS THE PUBLIC STAFF RESEARCHED RONALD HARDEGREE'S**  
12       **PERSONAL ASSETS?**

13    A.    The Public Staff searched the online records of the Macon County Property  
14       Tax Office. The Public Staff found one parcel listed to Ronald L. Hardegree,  
15       Sr., on McClure Mill Road with an assessed value of \$218,550, two parcels  
16       listed to Ronald L. Hardegree, Sr., and Geraldine Hardegree (now  
17       deceased), one being on Fire House Road with an assessed value of  
18       \$271,890, and one described as two lots on Coweeta Lands with an  
19       assessed value of \$96,690. These three parcels have a combined  
20       assessed value of \$587,130.

21

22       In addition, there is one parcel listed to Ronald Hardegree and wife Diane  
23       Hardegree, described as 1.40 acres Coweeta, with a property tax assessed

1 value of \$120,270. These four tax real property parcels are shown on Junis  
2 Exhibit 13.

3

4 The Public Staff believes Ronald Hardegree has had adequate access to  
5 funds in order to pay the Town of Franklin. Mr. Hardegree's willful failure to  
6 do so, is a material contributing factor to the abandonment.

7

8 Q. DOES THE PUBLIC STAFF RECOMMEND THAT THE COMMISSION  
9 ORDER RONALD HARDEGREE AND REWS FILE DOCUMENTATION  
10 WITH THE COMMISSION?

11 A. Yes, the Public Staff recommends that the Commission order Mr.  
12 Hardegree and REWS to file with the Commission on or before September  
13 14, 2017, the following:

14 a. Customer billing and payment records for each month January 2016  
15 through May 2017

16 b. Copies of all REWS bank statements for each month January 2016  
17 through May 2017, including all REWS cancelled checks.

18

19 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

20 A. Yes, it does.

1 (Whereupon, Junis Exhibits 1 through  
2 13 were identified as premarked.)

3 BY MR. GRANTMYRE:

4 Q Do you have a summary of your testimony?

5 A Yes, I do.

6 Q Will you please proceed?

7 MR. GRANTMYRE: His summary is lengthy because  
8 many of the customers have not read his testimony and we  
9 wanted them to hear key parts of the testimony, so he's  
10 going to read it into -- his summary now.

11 A All right. Since it's a big crowd we're going  
12 to turn around, and I'm going to speak as loudly as  
13 possible, too, so the Commissioners can hear. They do  
14 have a copy of my summary, so they can kind of read  
15 along.

16 My name is Charles Junis. I'm a Utilities  
17 Engineer with the Public Staff's Water, Sewer, and  
18 Communications Division. I am a licensed professional  
19 engineer in the State of North Carolina. My areas of  
20 investigation in this proceeding have been to assist the  
21 Public Staff Accounting and Legal Divisions in reviewing  
22 Company records and to coordinate with the North Carolina  
23 Department of Environmental Quality, Public Water Supply  
24 Section, herein referred to as PWSS, and compile

1 documentation related to the compliance of Riverbend  
2 Estates Water System, Inc. I have described my  
3 investigation, findings, and recommendations in detail  
4 within my prefiled testimony dated August 11, 2017.

5 On July 10th, 2017, The North Carolina  
6 Utilities Commission, herein referenced as Commission,  
7 issued an Order Scheduling Show Cause Hearing. Ordering  
8 Paragraphs 2, 3, and 5, state the following: "2. That  
9 REWS and Ronald L. Hardegree" --

10 Q Now, REWS, can you identify who that is?

11 A I apologize. REWS is Riverbend Estates Water  
12 System, Inc. I'm going to refer to that a lot.

13 Q And that is the water company that Ronald  
14 Hardegree is the sole owner of --

15 A That is correct.

16 Q -- sole shareholder? Okay. Please proceed.

17 A All right. So back to in quotes number 2,  
18 "That REWS and Ronald L. Hardegree shall appear before  
19 the Commission on that date and at that time to provide  
20 evidence to rebut the prima facie conclusion reached by  
21 the Commission that, for all intents and purposes, REWS  
22 and/or Ronald L Hardegree abandoned its/his obligation  
23 to furnish water utility service to its customers without  
24 first securing consent of the Commission as required by

1 G.S. 62-118, that REWS has failed to comply with the  
2 terms and conditions of Commission Rule R7-3, and that  
3 these actions violate certain provisions of the Public  
4 Utilities Act, the Commission's rules, regulations, and  
5 orders, and the explicit and implicit terms and  
6 conditions included in the certificate of public  
7 convenience and necessity which the Commission awarded to  
8 REWS and/or Ronald L. Hardegree. 3. That REWS and Ronald  
9 L. Hardegree shall appear before the Commission on that  
10 date and at that time to show cause why it/he should not  
11 be subject to the sanctions provided by statute G.S. 62-  
12 310, et al., including monetary penalties for abandoning  
13 its/his obligation to provide water utility service in  
14 REWS's franchise territory without first securing the  
15 Commission's consent as required by G.S. 62-118 and/or  
16 for failing to comply with the terms and conditions of  
17 Commission Rule R7-3. 5. That the Public Staff shall  
18 participate in the hearing on behalf of the Using and  
19 Consuming Public." Close parentheses, or I'm sorry, close  
20 quotes.

21 The system serves --

22 Q Now, what you were just reading, that was from  
23 the Commission Order establishing this hearing?

24 A That's correct. That's why we're here.

1           The system serves approximately 136 connections  
2   in Riverbend Estates Subdivision in Macon County.  
3   Carolina Water Service, Inc. of North Carolina, herein  
4   referenced as Carolina Water, was appointed as emergency  
5   operator -- I'm going to refer to that as EO -- of the  
6   Riverbend Estates water utility system by Commission  
7   Order dated May 16th, 2017, in Docket No. W-390, Sub 13.

8           The history of the water system and its  
9   ownership has been detailed in my prefiled testimony on  
10  pages 4, line 10, through page 17, line 4. For context,  
11  the following are the highlights of the history with  
12  significant relevance to this proceeding: On February  
13  22nd, 1973, in Docket No. W-390, Sub 0, the Commission  
14  issued a Show Cause Order to Calvin Henson, the original  
15  developer of the Riverbend Estates Subdivision, for  
16  failure to obtain a franchise for the Riverbend Estates  
17  water utility system in Macon County. Subsequently,  
18  Calvin Henson did file an application for a certificate  
19  of public convenience and necessity in Docket No. W-390,  
20  Sub 1, and on April 1st, 1974, the Commission issued an  
21  Order Dismissing Show Cause Order.

22           The Commission issued Order Granting Temporary  
23  Operating Authority to Riverbend Estates, Inc., T/A  
24  Riverbend Estates Water System, dated December 4th, 1974,

1    which ordered the Applicant to complete system  
2    improvements to bring the water system up to Division of  
3    Health Service -- future reference DHS -- standards.

4           Q     Now, just for clarification, what that says is  
5    that the system, as installed by this Calvin Henson, was  
6    not to DHS standards, and the Commission ordered the  
7    system to be brought up to standards; is that correct?

8           A     That's correct.

9           Q     Okay. Please proceed.

10          A     By order dated December 10th, 1982, in Docket  
11    No. W-390, Sub 4, the Commission approved the transfer of  
12    the water system from Sportsland to Riverbend Water  
13    System, Inc., whose President was Albert Rudisill, who  
14    operated a local pump service and well supply business  
15    and had previously made improvements to the water system  
16    for Sportsland.

17                On February 25, 1987, in Docket No.     W-390,  
18    Sub 5, the Commission issued an order in the complaint  
19    proceeding filed by a customer alleging the water system  
20    was run down and in need of immediate repair, and there  
21    were frequent service interruptions, that the water  
22    quality was poor due to a high iron content, and that the  
23    Riverbend Water System, Inc., had not made the system  
24    corrections ordered by the Commission in Docket No.

1 W-390, Sub 4. In addition, Albert Rudisill, the  
2 President of Riverbend Water System, Inc., had moved to  
3 Florida, and it had been difficult for customers to  
4 contact him when problems were encountered.

5 On October 7th, 1987, in Docket No. W-390, Sub  
6 6, the Commission issued Order Approving Stock Transfer  
7 -- I'm sorry -- the Commission issued Order Approving  
8 Stock Transfer, approving Albert Rudisill transferring  
9 his 100% of the stock in Riverbend Water System, Inc.,  
10 50% to Ronald L. Hardegree, and 50% to Geraldine M.  
11 Hardegree, hereby referenced as the Hardegrees. The  
12 Hardegrees stated they would make the improvements as  
13 required in the February 25, 1987, Order as follows: a,  
14 Have engineers update as-built plans and get them  
15 approved by DHS; b, Filter the high yield well for iron  
16 or drill another well if iron filtering cannot feasibly  
17 be done; c, Install 20,000 gallons more storage, in  
18 addition to the current 20,000 gallons.

19 Q Now, you were out there today and inspected the  
20 system, and you observed the storage tanks out there, did  
21 you not?

22 A That is correct.

23 Q So it appears the 20,000 gallons more storage  
24 was installed?

1           A     That is how it appears.

2           Q     Okay. Please proceed.

3           A     d, Install new main as needed, as an engineer  
4 recommends; e, Provide 24-hour service man and truck  
5 using Rudisill Pump Service or other qualified  
6 subcontractors having specialty equipment that would not  
7 be feasible for the Hardegrees to own, when needed; and  
8 f, Meter all customers.

9                     Riverbend Water System, Inc., filed a general  
10 rate case in 1989, being Docket No. W-390, Sub 8. Andy  
11 Lee, the Director of the Public Staff Water Division at  
12 the time, testified that the -- that the Hardegrees had  
13 completed all of the Commission required improvements in  
14 the Order dated October 7, 1987, with the exception of  
15 metering all customers.

16          Q     So it was in October of '87 that the Hardegrees  
17 acquired the -- or February -- February 25, '87 when they  
18 acquired the water system, and by October they had  
19 completed the improvements, based on your testimony?

20          A     That is correct.

21          Q     With the exception of the meters.

22          A     That is correct. .

23          Q     Okay. Please proceed.

24          A     All right. In the next general rate case in

1 Docket No. W-390, Sub 10, with hearing held on July 23rd,  
2 2002, several customers testified they had experienced  
3 episodes of brown or discolored water coming from their  
4 faucets and other plumbing fixtures. Riverbend Water  
5 System, Inc. had installed an iron removal filter and was  
6 flushing the distribution system monthly. Hearing  
7 Examiner Stallings found in the Order dated September  
8 12th, 2002, in the Finding of Fact no. 14:

9 "The water utility system serving Riverbend  
10 Estates Subdivision is compliant with the NC Department  
11 of Environment and Natural Resources Division of  
12 Environmental Health, and the Applicant is providing  
13 adequate water utility service. However, customers are  
14 continuing to experience slugs of brown water on a  
15 periodic basis, primarily the result of sediment build-up  
16 in the distribution mains. The Company should  
17 investigate and report to the Commission on the  
18 practicability, effectiveness, and cost of remedying this  
19 problem through each of the following approaches: (1)  
20 sequestration; (2) scouring or cleaning the mains; and  
21 (3) purchasing water from the Town of Franklin."

22 In the summer of 2012, the Town of Franklin  
23 bulk purchased water interconnection was completed and  
24 the Town of Franklin began to sell bulk metered water to

1 Riverbend Estates water system. Prior to the  
2 interconnection, the customers continued to experience  
3 discolored water and staining from iron. In addition,  
4 the wells had struggled to meet the demand. The  
5 Hardegrees had transferred the water system to a newly  
6 formed corporation, Riverbend Estates Water System, Inc.,  
7 as we talked about, herein referred to as R-E-W-S or  
8 REWS, in which the Hardegrees owned 100% of the stock.

9 Q Now, that is the Company that is here before us  
10 today, the Riverbend Estates Water System, Inc., that you  
11 referred to as REWS?

12 A That is correct. And Mr. Hardegree is the sole  
13 owner.

14 Q Okay. Please proceed.

15 A The Order Granting Franchise, Granting Partial  
16 Rate Increase, and Requiring Customer Notice, dated  
17 February 26, 2013, in Docket No. W-390, Sub 11, granted a  
18 certificate of public convenience and necessity to REWS  
19 and a rate increase to include the expenses relating to  
20 purchased bulk water from the Town of Franklin. No  
21 customers protested the applied for increase.

22 The Commission approved the metered rates as  
23 follows: Monthly base charge with zero usage of \$19.52,  
24 usage charge per 1,000 gallons of \$5.00.

1           The annual purchased water expense included in  
2   this rate case was forty thousand dollars -- \$40,228,  
3   based upon average residential customer usage of 4,200  
4   gallons per month, plus 10,000 -- sorry -- plus 10% water  
5   loss, and the Town of Franklin's water usage rate of  
6   \$5.00 per 1,000 gallons, plus a monthly base charge for a  
7   four-inch water meter of \$440.

8           Beginning in August 2015, REWS only made  
9   partial purchased bulk water payments each month to the  
10   Town of Franklin. The past due balances increased  
11   monthly, with only a few exceptions.

12           On May 20th, 2016, I received a call from Mr.  
13   Hardegree, and he expressed concerns about losing money  
14   and how he could return to utilizing his wells.  
15   Unfamiliar with the extensive history or details of the  
16   system at the time, I told him that typically there is a  
17   reason those wells were made inactive or decommissioned,  
18   and the initial permitting and testing would likely be  
19   costly. There would also be the cost to treat and/or  
20   filter the wells if the reason was water quality. There  
21   would be the cost of additional wells if the reason was  
22   lack of production. To address any increase in the cost  
23   of purchased water, I referred him to G.S. 62-133.11 and  
24   provided Docket No. W-218, Sub 428, as an exemplary pass-

1 through petition. Mr. Hardegree indicated he would need  
2 his wife to call me back since she was "smarter" and  
3 would likely draft the petition. I left Mr. Hardegree  
4 with my phone number and assured him that I would be  
5 happy to assist her. I did not receive a follow-up -- I  
6 did not receive a follow-up communication from Mrs.  
7 Hardegree.

8 Q Can you briefly explain what a pass-through is?

9 A So the idea of a pass-through is when the  
10 supplier of water/sewer increase -- increases their  
11 rates, then a private utility like Mr. Hardegree could  
12 apply to have that increase passed through into their  
13 rates. That way, they're recovering the expenses that  
14 they're incurring. So let's say the Town of Franklin  
15 raised their rate from \$5 to \$6 per 1,000 gallons, he  
16 would be allowed to increase his usage rate by that  
17 dollar so then he's being made whole, too. So it's just  
18 an accounting thing in terms of his expenses.

19 Q Okay. Please proceed. And that's a fairly --  
20 a very simple procedure?

21 A Very simple. The Commission is actually held  
22 to either approve, deny, or approve with modifications  
23 within 60 days unless there's extenuating circumstances,  
24 but it's usually a quick process.

1 Q Okay. Please proceed with your summary.

2 A As of June 10th, 2016, REWS was indebted to the  
3 Town of Franklin in the amount of \$13,995, of which  
4 \$11,347 was past due. Mrs. Hardegree executed a payment  
5 agreement with the Town of Franklin dated June 10th,  
6 2016, with an agreed-upon payment plan to pay the current  
7 bill each month, plus \$500 each week of the arrearage.  
8 However, REWS did not comply with the agreement.

9 The Commission-approved rates for REWS were  
10 reduced by Order dated October 13th, 2015, Docket No.  
11 W-390, Sub 12, for the repeal of the gross receipts tax  
12 by Order dated May 26, 2016, Docket No. W-390, Sub 12,  
13 for the reduction to 4% of the North Carolina corporate  
14 income tax, and by Order dated December 12, 2016 in  
15 Docket No. W-390, Sub 12, for the reduction in the North  
16 Carolina corporate income tax rate to 3%.

17 Q And one point of clarification, these  
18 reductions in rates ordered by the Commission, these are  
19 based on repeals of taxes or lowering of taxes by the  
20 North Carolina General Assembly, and these reductions  
21 applied to every water company in the state regulated by  
22 the Utility Commission. It did not just single out REWS.  
23 Is that correct?

24 A That is correct.

1 Q Okay. Please proceed with your summary.

2 A The Commission-approved rates for REWS were  
3 monthly -- metered monthly rates, residential service,  
4 base charge with zero usage of \$18.67, a usage charge per  
5 1,000 gallons of \$4.79.

6 The average monthly residential customer water  
7 bill was \$38.79 based upon the REWS tax-reduced rates and  
8 the 4,200 gallons average monthly consumption from the  
9 most recent REWS general rate case decided in 2013.

10 Q Now, just a point of clarification, you were  
11 not with the Public Staff during the general rate case of  
12 2013; is that correct?

13 A That is correct, I did not work on that case.

14 Q And your first contact with this system was  
15 when Mr. Hardegree called you on May 20 of 2016?

16 A That is correct.

17 Q Okay. Please proceed.

18 A The bulk water rate, effective July 1, 2016,  
19 the Town of Franklin charged REWS was a monthly base  
20 charge of \$589.70, which included 24,000 gallons minimum,  
21 and usage rate per 1,000 gallons of \$6.60. The Public  
22 Staff Water Division on multiple occasions advised and  
23 provided instructions with a sample filing to Ronald  
24 Hardegree for the filing of a purchased water pass-

1 through rate increase. However, REWS has not filed for a  
2 pass-through. By letter dated October 10, 2016 (see  
3 Junis Exhibit 1) --

4 Q When you say "Junis Exhibit 1," that's the  
5 exhibit attached to your testimony --

6 A That --

7 Q -- that's prefiled?

8 A That is correct.

9 Q Okay. Please proceed.

10 A The Town of Franklin advised Mr. and Mrs.  
11 Hardegree that they owed the Town \$27,987, and the bulk  
12 water would be disconnected if the account was not paid  
13 in full by November 10th, 2016. The Town of Franklin's  
14 bulk water is the only water source for the Riverbend  
15 Estates Water System, as the wells were disconnected in  
16 the summer of 2012.

17 REWS sent to the 131 residential customers at  
18 the time a letter dated October 31st, 2016 (see Junis  
19 Exhibit 2), stating that the Company was at risk of  
20 closing in the next 30 days. The letter stated that  
21 customers should make arrangements to start a personal  
22 account with the Town of Franklin, and if that is not an  
23 option, to drill a water well for their residences.

24 I want to make a point of clarification here

1     that the Town of Franklin has no interest in acquiring  
2     the distribution system, so setting up a personal account  
3     was not a realistic option, and also drilling a personal  
4     well may not have been an option for all the customers  
5     based on setback requirements and other factors. So  
6     those two solutions were not necessarily real options for  
7     the residents.

8           Q     You say "setback requirements," that would be  
9     based upon Macon County requirements for distances  
10    between septic tanks and --

11           A     Correct.

12           Q     -- residential wells --

13           A     Correct.

14           Q     -- and other setback requirements. Please  
15    proceed.

16           A     Carolina Water's appointment as EO was  
17    effective May 16th, 2017. The Commission approved  
18    provisional rates as follows: Metered rates (residential  
19    service), monthly base charge, zero usage, \$35.00, usage  
20    charge per 1,000 gallons \$11.95.

21                   In addition, the Commission's Order Appointing  
22    Emergency Operator and Approving Increased Rates ordered:  
23    "5. That the following items of information shall be  
24    provided to Carolina Water within three business days of

1 the effective date of the emergency operator appointment:  
2 a, Customer information for each residence connected to  
3 the water system, containing at a minimum customer name,  
4 service address, billing address, contact phone numbers  
5 (home and work), and billing records. 6, That the  
6 following items of information shall be provided to  
7 Carolina Water within 10 business days of the effective  
8 date of the emergency operator appointment: a, Copy of  
9 the water system plans and specifications; b, Copies of  
10 all monitoring reports and evaluations completed by  
11 Riverbend Estates Water System, Inc. or its certified  
12 operator for the past 24 months; c, The names, addresses,  
13 and telephone number of all vendors providing materials  
14 and supplies for the water system operations; d, Copies  
15 of all 2015 and 2016 property tax bills; e, Copies of all  
16 2016 and 2017 purchased bulk water bills from the Town of  
17 Franklin."

18           Pertaining to REWS' compliance with the  
19 Ordering paragraphs 5a and 6a through e, the Public Staff  
20 has made the following findings: Due date of May 19th,  
21 2017, 5a. Customer information, including name, billing  
22 address, and some phone numbers and email addresses were  
23 provided by REWS' counsel on May 15th, 2017. The  
24 customer list included the open balance on each customer

1 account. The outstanding balances total \$11,677.70 and  
2 the accounting credits total \$348.09. The net open  
3 balance totals \$11,329.61. Approximately 60% of the  
4 accounts have an open balance less than \$50.00, while 11%  
5 exceed \$200.00, and the average water bill based on the  
6 tax reduced rates and 4,200 gallons of usage was \$38.79.  
7 The customer list was generated by REWS on May 8th, 2017,  
8 and likely includes bills issued in April, but not the  
9 majority of payments associated with those bills.  
10 Detailed billing records that include monthly  
11 consumption, bill amount, and payment history have not  
12 been provided as required by Commission Order and  
13 specifically requested by the Public Staff via email  
14 dated May 3rd, 2017 (Junis Exhibit 3).

15 Q Now, the customer billing records, isn't that  
16 important so if the customer contests the amount that  
17 supposedly is owed by the customer, Carolina Water, as  
18 the emergency operator, would have the ability to review  
19 with that customer what's been billed in the past and  
20 payments?

21 A That's correct.

22 Q And you actually had a conversation with one of  
23 the customers here today to that effect?

24 A That is -- that is correct.

1 Q Okay. Please proceed.

2 A Due date May 30th, 2017, 6a, A system map was  
3 provided to Carolina Water on June 29th, 2017. 6b  
4 through 6d, The information was materially provided. 6e,  
5 Copies of all 2016 and 2017, with exception to September  
6 2016, October 2016, and June 2017, purchased bulk water  
7 bills from the Town of Franklin were provided to Carolina  
8 Water on June 29, 2017. The information provided, as  
9 ordered by paragraphs 6a through e, was provided 30 days  
10 after the due date set by the Commission.

11 Q Now, back up just a little bit. When you talk  
12 about the Commission approved the rates for the emergency  
13 operator as provisional rates, can you explain what  
14 provisional rates mean?

15 A So provisional rates are temporary. This is  
16 while Carolina Water operates as an emergency operator.  
17 They are also subject to true-up, so if their expenses  
18 are less, there may be an opportunity for refunds if they  
19 over-collected. And, again, they're -- they're  
20 temporary.

21 Q But the -- they are required to bill the  
22 Commission-approved provisional rates, correct?

23 A That is correct. You are required to bill the  
24 Commission-approved rates, no less, no more, unless they

1 are changed with Commission approval.

2 Q Okay. Please proceed.

3 A With the 4% increased bulk water rate effective  
4 July 1, 2017, the Town of Franklin charges to Carolina  
5 Water are a monthly base charge of \$613.29, which  
6 includes 24,000 gallons minimum, and usage charge per  
7 1,000 gallons of \$6.86.

8 Q Now, as a point of clarification, when they  
9 first started, when REWS first started purchasing bulk  
10 water, the charge was \$5 per 1,000 gallons, but effective  
11 July 1, 2017 it's up to \$6.86?

12 A That's correct.

13 Q Now, they are charged the outside commercial  
14 rate by the Town of Franklin?

15 A That is correct.

16 Q Okay. Please proceed.

17 A Based on review of copies of bills received  
18 from REWS and an account register from the Town of  
19 Franklin, the Public Staff has calculated an updated  
20 amount of \$53,821.28, which has been billed to REWS prior  
21 to Carolina Water becoming the emergency operator on May  
22 16th, 2017.

23 Since becoming the EO, Carolina Water replaced  
24 a leaking 2-inch valve along -- I believe it's Czonka

1 Lane, on May 19, 2017. The invoice from Black Oak  
2 Maintenance and Repair, LLC is attached to my prefiled  
3 testimony as Junis Exhibit 5. In addition, Matchpoint,  
4 Inc. submitted to Cavanaugh & Associates a Leak Detection  
5 Survey. The stated objective of the survey was to  
6 "provide some preliminary indication of the integrity of  
7 the distribution piping network, specifically identifying  
8 any breaks or leaks that have yet to surface, known as  
9 'unreported leakage.'" The survey identified one  
10 confirmed leaking fitting on the distribution mains and a  
11 suspected leak on a customer service after the meter  
12 which were estimated to be leaking at a combined 0.25  
13 gallons per minute or 10,950 gallons per month.

14 Customer complaints. As of August 11, 2017,  
15 the Public Staff has received approximately 33 written  
16 customer complaints which were filed with the Chief Clerk  
17 and are generally in opposition to the magnitude of the  
18 provisional rate increase and that REWS should be held  
19 responsible --

20 (Interruption in proceedings.)

21 A All right. I apologize for the length here,  
22 but we have to get it on the record.

23 -- and that REWS should be held responsible for  
24 the arrearage to the Town. I have spoken to another

1 three customers on the phone concerning the provisional  
2 rates and how long those rates will be effective. In  
3 addition, on April 28, 2017, a customer called Consumer  
4 Services, and I followed up immediately concerning a  
5 water service outage.

6 Compliance. The Public Staff believes that  
7 REWS and Mr. Hardegree, as the President and sole  
8 shareholder of REWS, has abandoned the Riverbend Estates  
9 Water Utility System -- I apologize, all right -- has  
10 abandoned the Riverbend Estates Water Utility System  
11 without Commission approval as required by G.S. 62-  
12 118(a). Neither REWS nor Mr. Hardegree applied to the  
13 Commission for permission to abandon this water system.  
14 The Commission has not issued an order authorizing the  
15 abandonment of the Riverbend Estates water system.

16 By letter dated October 10th, 2016 (Junis  
17 Exhibit 1), the Town of Franklin advised Mr. and Mrs.  
18 Hardegree that they owed the town \$27,987, and the bulk  
19 water would be disconnected if the account was not paid  
20 in full by November 10, 2016. The Town of Franklin's  
21 bulk water is the only water source for Riverbend  
22 Estates, as the wells were disconnected in the summer of  
23 2012.

24 Public Staff Attorney William Grantmyre spoke

1 with Summer Woodward (sic), Franklin Town Manager, on  
2 November 7, 2016, and informed Ms. Woodard that the  
3 Public Staff would request the Commission appoint an  
4 emergency operator pursuant to G.S. 62-118(b), and that  
5 the EO would assume all operations and responsibilities  
6 for the Riverbend Estates Water System, including payment  
7 of all Town of Franklin purchased water bills.

8           The Public Staff contacted Mr. Hardegree on  
9 approximately 10 occasions subsequent to Mr. Hardegree's  
10 letter dated October 31st, 2016 (Junis Exhibit 2), to  
11 customers, attempting to obtain customer consumption  
12 information in order to calculate EO customer rates to  
13 recommend for Commission approval to ensure the revenues  
14 would be adequate for the EO to pay the operating  
15 expenses. Mr. Hardegree informed me that his wife did  
16 all the customer billing, and I would need to get the  
17 information from her. Mrs. Hardegree would -- Mrs.  
18 Hardegree never would return my approximately six calls  
19 and never did provide the customer consumption billing  
20 information.

21           Q     Can you again clarify why that information was  
22 important and why the Public Staff needed it?

23           A     Again, that's -- that's important for setting  
24 the provisional emergency operator rates because if the

1 -- if the usage assumption is incorrect, you could  
2 artificially inflate or deflate the rates which would  
3 impact the emergency operator. So if you assume that the  
4 usage is too low, that increases the actual per-unit  
5 cost. And so then if consumption is actually higher than  
6 that, you would be paying significantly too much, then it  
7 could work the opposite way.

8 Q Okay. Please proceed with your summary.

9 A The failure to provide this information  
10 constituted a violation of Commission Rule R7-3(a).  
11 Finally, on May 4th, 2017, the Public Staff received 12  
12 nonconsecutive months of customer meter reading papers  
13 sent by the REWS attorney Stuart Sloan. As the meter  
14 reading papers did not contain a full consecutive 12  
15 months, the Public Staff used the 2013 REWS general rate  
16 case customer consumption information to calculate the  
17 Public Staff recommended EO rates.

18 The Public Staff believes the failure by REWS  
19 and Mr. Hardegree to pay the Town of Franklin's purchased  
20 water bills was an abandonment of the franchise service  
21 responsibilities, creating an emergency, as all the  
22 residential customers were in imminent danger of losing  
23 all water service through discontinuance by the Town of  
24 Franklin for nonpayment of the bulk purchased water.

1 Neither REWS nor Mr. Hardegree made any payments to the  
2 Town of Franklin subsequent to February 21st, 2017. The  
3 Town of Franklin's bulk water is the only source for the  
4 Riverbend Estates Water System. During the service  
5 period dated February 22, 2017 through May 22, 2017, the  
6 Public Staff estimates that REWS billed the residential  
7 customers approximately \$19,000, but did not  
8 make any payments to the Town of Franklin.

9 The Public Staff recommends the Commission rule  
10 that the REWS abandonment was effective on February 22nd,  
11 2017. The Town of Franklin purchased water bills and  
12 REWS payments from January 2016 through July 2017 have  
13 been summarized in a table, as well as the bills dated  
14 May 22nd, 2017, and June 22nd, 2017 (see Junis Exhibit  
15 6).

16 Q And that's, again, attached to your testimony?

17 A That is correct.

18 Q Okay. Please proceed.

19 A The complete failure to pay anything to the  
20 Town of Franklin subsequent to February 21st, 2017,  
21 violated G.S. 62-118(b) by creating the imminent  
22 discontinuance for nonpayment by the Town of Franklin of  
23 the bulk purchased water, the only water source. The  
24 process of the Public Staff preparing the petition to the

1 Commission for the appointment of an EO enabled the  
2 customers to continue to receive water service.

3           The Public Staff recommends that the  
4 Commission order Mr. Hardegree and REWS, jointly and  
5 severally, to pay a penalty pursuant to G.S. 62-310, of  
6 \$1,000 per day for each day from the last payment to the  
7 Town of Franklin on February 21st, 2017, until the  
8 Commission appointment of the emergency operator on May  
9 16th, 2017, being a total of \$84,000 for the 84 days.  
10 The penalties described in G.S. 62-310, would not be  
11 payable to the Town of Franklin."

12           Q     Now, is it your understanding that in North  
13 Carolina law G.S. 62-310, that requires it not be paid,  
14 it goes to a different source; is that correct?

15           A     That is what I've been told. That's my  
16 understanding.

17           Q     Okay. And the Commission has no jurisdiction  
18 on that, as you know?

19           A     That is my understanding.

20           Q     Go ahead. Please proceed.

21           A     Mr. Hardegree is the President and sole owner  
22 of REWS, and upon advice of counsel, REWS has not  
23 complied with the requirements of the North Carolina  
24 Business Corporation Act. REWS has not filed the

1 required annual report with the North Carolina Secretary  
2 of State subsequent to REWS' annual report for the fiscal  
3 year ending September 30th, 2013, as shown on Junis  
4 Exhibit 7. The Public Staff does not believe that REWS  
5 has held the required annual shareholder meetings. In  
6 addition, the previously described approximately \$19,000  
7 billed to customers has apparently been misapplied, as  
8 these funds have not been utilized for the payment of the  
9 Town of Franklin bulk purchased water bills. The  
10 misapplication of this approximately \$19,000 billed to  
11 customers is a material contributing factor to this  
12 willful abandonment.

13 In lieu of the payment of the recommended  
14 \$84,000 penalties, the Public Staff recommends the  
15 Commission allow Mr. Hardegree 30 days from the date of  
16 the hearing, August 15th, 2017, to pay the total  
17 purchased bulk water expense billed to REWS until May 16,  
18 2017, of \$53,821.28 owed to the Town of Franklin. If the  
19 balance has not been paid by the close of business on  
20 September 14th, 2017, the Commission should apply to a  
21 Superior Court judge for enforcement of the \$84,000  
22 penalties.

23 Q So what you're doing there, the Public Staff is  
24 recommending that he pay the \$53,821 to the Town of

1 Franklin on or before September 14th, and if so, then  
2 there should not be the \$84,000 in penalties. Is that  
3 your recommendation?

4 A That is correct.

5 Q That would be the Public Staff recommendation.

6 A That is --

7 Q Okay. Please proceed.

8 A Real Property and Assets. Prior to 2013, the  
9 water source was wells. There are five real property  
10 parcels which, to the best of the Public Staff's  
11 knowledge, were utilized for well production and/or  
12 storage. These five parcels are listed by the Macon  
13 County Property Tax Office to Riverbend Water System,  
14 Inc., the company owned by Ronald Hardegree and his wife  
15 Geraldine Hardegree, and granted the Riverbend Estates  
16 Water System franchise in 1987, Docket No. W-390, Sub 6,  
17 Order dated October 7th, 1987. These five real property  
18 parcels are shown on Junis Exhibit 8. The total combined  
19 property tax assessed value is \$74,660. The corporation,  
20 Riverbend Water System, Inc., was administratively  
21 dissolved by the North Carolina Secretary of State on  
22 December 1st, 1993, as shown on Junis Exhibit 9. The  
23 Public Staff's online search of the Macon County Register  
24 of Deeds records does not reveal a transfer to REWS, as

1 shown on Junis Exhibit 10.

2 I have only spoken with Ronald Hardegree on  
3 the phone -- telephone and have not researched his entire  
4 business history. The Public Staff did search online the  
5 Macon County Register of Deeds for Ronald Hardegree, and  
6 Junis Exhibit 11 is the printout which reflects numerous  
7 real property transactions as grantor on deeds, grantee  
8 on deeds, and grantor on deeds of trust. Mr. Hardegree  
9 appears to be experienced in Macon County land  
10 transactions, including financing with deeds of trust.  
11 The most recent deed of trust executed by Ronald and  
12 Diane Hardegree is an Equity Line of Credit Deed of Trust  
13 dated February 19th, 2016, recorded on May 3rd -- or I'm  
14 sorry -- March 3rd, 2016, in Deed Book 2335, page 2342,  
15 Macon County Register of Deeds, as shown on Junis Exhibit  
16 12. The lender is TD Bank, N.A. The maximum obligation  
17 limit is \$220,000, as stated in paragraph number 3, and  
18 the property secured is a 1.42 acre tract, being the  
19 property conveyed to Ronald L. Hardegree by deed recorded  
20 on January 31st, 1984, in Deed Book 0-15, page 87, Macon  
21 County Register of Deeds. The Public Staff does not have  
22 access to the amounts obtained on this equity line of  
23 credit. The Public --

24 Q Okay. So although the line of credit based on

1 the deed of trust is \$220,000, the public records do not  
2 show what amount, if any, was drawn on the line of  
3 credit; is that correct?

4 A That's correct.

5 Q Okay. Please proceed.

6 A The Public Staff does not know why Mr.  
7 Hardegree did not utilize this equity line of credit to  
8 pay the Town of Franklin's bills. The amount due to the  
9 Town of Franklin, as shown on Junis Exhibit 1, on the  
10 deed of trust recording date was \$17,971. A total of  
11 \$12,741 was paid to the Town of Franklin prior to the  
12 March 22nd, 2016 billing date. However, at no time after  
13 that payment did REWS or Mr. Hardegree pay all the Town  
14 of Franklin current monthly bills. As a result of the  
15 incomplete payments, the arrearages increased each month.  
16 The Public Staff believes this \$220,000 Equity Line of  
17 Credit provided Ronald Hardegree with adequate access to  
18 funds for a loan to REWS or equity infusions to REWS.  
19 Mr. Hardegree's willful failure to provide the necessary  
20 funds is a material contributing factor of the  
21 abandonment. We're almost there.

22 The Public Staff searched the online records of  
23 the Macon County Property Tax Office for real property  
24 owned by Mr. Hardegree. The Public Staff found one

1 parcel listed to Ronald L. Hardegree, Sr., on McClure  
2 Mill Road with an assessed value of \$218,550, two parcels  
3 listed to Ronald L. Hardegree, Sr. and Geraldine  
4 Hardegree, now deceased, one being on Fire House Road  
5 with an assessed value of \$271,890, and one described as  
6 two lots on -- I apologize for the pronunciation --  
7 Coweeta Lands with an assessed value of \$96,690. These  
8 three parcels have a combined assessed value of \$587,130.  
9 In addition, there is one parcel listed to Ronald  
10 Hardegree and wife Diane Hardegree, described as 1.40  
11 acres Coweeta, with a property tax assessed value of  
12 \$120,270. These four tax real property parcels are shown  
13 on Junis Exhibit 13. The Public Staff believes Ronald  
14 Hardegree has had adequate access to funds in order to  
15 pay the Town of Franklin. Mr. Hardegree's willful  
16 failure to do so is a material contributing factor to the  
17 abandonment.

18 Q Now, backing up just a minute, with regard to  
19 the equity -- the deed of trust, the Public Staff did not  
20 -- did we or did we not find any cancellation of that  
21 deed of trust?

22 A We did not find a cancellation of that deed of  
23 trust.

24 Q Okay. Please proceed.

1           A     Request for Additional REWS Documents. The  
2     Public Staff recommends that the Commission order Mr.  
3     Hardegree and REWS to file with the Commission on or  
4     before September 14th, 2017, the following: a, Customer  
5     billing and payment records for each month January 2016  
6     through May 2017; b, Copies of all REWS bank statements  
7     for each month January 2016 through May 2017, including  
8     all REWS cancelled checks.

9           This would conclude my testimony summary.

10          Q     Okay. Now, those two recommendations right at  
11     the end, that was in addition to the Public Staff  
12     recommendation of the \$84,000 penalty; is that correct?

13          A     That is correct.

14          Q     And the Public Staff still stands by if Mr.  
15     Hardegree were to pay the \$53,000 plus on or before  
16     September 14th, that the Commission not assess the  
17     \$84,000 penalty; is that correct?

18          A     That is correct.

19          Q     Okay.

20               MR. GRANTMYRE: We -- he's available for cross  
21     examination.

22               COMMISSIONER BROWN-BLAND: Mr. Sloan.

23     CROSS EXAMINATION BY MR. SLOAN:

24          Q     Mr. Junis, my name is Stuart Sloan. I'm

1 representing Mr. Hardegree.

2 COMMISSIONER GRAY: Mr. Sloan, could you speak  
3 up, please?

4 MR. SLOAN: Sure.

5 Q My name is Stuart Sloan. I'm representing the  
6 Riverbend Estates Water System, Inc.

7 You mentioned that you recommended that Mr.  
8 Hardegree be jointly and severally liable for the  
9 penalties you've recommended. On what basis in the law,  
10 whether Chapter 62 or some other basis, do you have that  
11 he would have personal liability in this case?

12 A That's a Public Staff recommendation, and I as  
13 an engineer would not have that basis.

14 Q Do you have any facts that you'd like to give  
15 that would demonstrate that he should have personal  
16 liability in this situation?

17 A I would say as sole owner of the utility, he  
18 should be held responsible. That's my personal opinion.

19 Q So based on the fact that he's simply the sole  
20 owner, that's the only fact that you have here today?

21 MR. GRANTMYRE: I would object. This is a  
22 legal opinion, and he's not qualified as a legal expert.  
23 The Public Staff plans to address that, the piercing of  
24 the corporate veil, in our proposed order and possibly in

1 a brief, also. But we feel we've established the fact --

2 COMMISSIONER BROWN-BLAND: Mr. Sloan --

3 MR. GRANTMYRE: -- we've established the facts.

4 COMMISSIONER BROWN-BLAND: -- if you want to  
5 ask him about specific facts that he might know, if you  
6 can draw them out that way, you can.

7 MR. SLOAN: I think I have. He's --

8 COMMISSIONER BROWN-BLAND: He can only testify  
9 to his knowledge. Beyond that, on a legal question, I  
10 would sustain that objection.

11 MR. SLOAN: I'm satisfied with his answer to  
12 the prior question.

13 Q Are you -- you mentioned that Mr. Hardegree  
14 willfully failed to pay. What are the facts that you  
15 have to demonstrate that he had an intention not to pay  
16 this bill?

17 A I think that boils down to the approximately  
18 \$19,000 collected after February 2017 -- 22nd, 2017.

19 Q Okay. So how did you calculate the \$19,000?

20 A That's making a usage assumption and then that  
21 number of days.

22 Q So you don't have any evidence here today that  
23 he actually collected the money?

24 A We do not have evidence today, and that's

1 because that information was not provided as ordered by  
2 the Commission.

3 Q So I'll refer to your testimony on page 22,  
4 "...the Public Staff estimates..." And this is an  
5 estimate, but you don't have any basis in fact?

6 A That's correct.

7 Q Now, you've talked about provision 62-310, it's  
8 relating to the penalty provision.

9 A Yes, sir.

10 Q Do you happen to have a copy of that?

11 A I believe I do.

12 Q I just have one copy of that. Sorry. In that  
13 -- in that law it says that "...a public utility which  
14 violates any of the provisions of this chapter or refuses  
15 to conform to any order..." What evidence do you have  
16 that Mr. Hardegree refused?

17 A All right. Can we -- can you repeat that? I'm  
18 sorry, I was trying to get it in front of me.

19 Q Okay. Sure. I'll get a little more specific.  
20 You've testified that 30 days -- the emergency operator  
21 order was entered and that Mr. Hardegree was required --  
22 actually, the Company was required to deliver certain  
23 records, and there was a period of time to deliver some  
24 records and a period of time to deliver other records.

1 And so are you contending that this -- that the failure  
2 to deliver -- the failure to deliver those records for  
3 that order implicates this penalty provision?

4 A I believe that is part of the argument because  
5 there was no request for extensions of time to deliver  
6 those documents.

7 Q But it says that if he refuses. Do you have  
8 anything in the facts or that you heard from Mr.  
9 Hardegree that he had refused or would refuse to do that?

10 A We spoke with Mr. and Mrs. Hardegree. We were  
11 told that they were going to provide that information.  
12 They did not, and I would consider that a refusal.

13 Q So if he was -- if he was unable to provide it,  
14 what if he didn't actually have the record, would that be  
15 a refusal?

16 A If he was unable, he should have indicated that  
17 he was unable.

18 Q But you don't have any evidence today whether  
19 he's able or unable?

20 A We were informed that he was able because he  
21 said he was going to provide it and did not.

22 Q Who informed you of that?

23 A When we spoke to Mr. and Mrs. Hardegree on the  
24 phone, they said they would -- they would share their

1     QuickBooks records. I would assume that would include  
2     billing, their collections, and their expenses. Any  
3     business should keep accounting records. And that's part  
4     of R17-3.

5           Q     When did they tell you that?

6           A     I have the phone conversation. Let me find it.  
7     May 17th, 2017.

8           Q     You're referring to an exhibit?

9           A     No. I'm referring to my personal notes.

10          Q     Did you ever give any written request to the  
11     Company or the Hardegrees to provide any of the  
12     information that you've asked for in your testimony?

13          A     Okay. My email dated May 3rd, 2017, submitted  
14     as Junis Exhibit 3. I asked for names and mailing  
15     address of each customer, service location of each  
16     customer, one-year billing history of each customer,  
17     including gallons billed, and any amounts a customer  
18     currently owes. I would -- I feel that applies, and that  
19     would be documentation either in support or opposed to  
20     the \$19,000 estimate.

21          Q     Under -- under this written request number 1,  
22     did they provide names and mailing address for each  
23     customer?

24          A     They provided names and I believe mailing

1 addresses.

2 Q Number 2, did they provide a service location  
3 for each of the customers?

4 A If that's the mailing address, but I wouldn't  
5 consider that the service location. We never -- I never  
6 personally saw a map of service locations. I would  
7 consider service location where is that line on the  
8 property, where is the meter on that property?

9 Q And number 3, one-year billing history for each  
10 customer, did you receive that?

11 A That was incomplete, if I am remembering  
12 correctly from my testimony.

13 (Power interruption.)

14 THE WITNESS: Well, that's a twist.

15 A So as it relates to ordering paragraph 5a, I go  
16 into detail not only in my testimony, but also in the  
17 summary that the detailed billing records that include  
18 monthly consumption, bill amount, and payment history  
19 have not been provided, as required by Commission order  
20 and specifically requested in my email.

21 Q Any other written -- did you provide any other  
22 written -- and I'm specifically interested in any written  
23 request prior to this date, May 3rd, 2017?

24 A No.

1           Q     You've -- you've alleged that Riverbend, REWS,  
2     abandoned the water system. Can you review again what  
3     particular facts you're pointing to that show  
4     abandonment?

5           A     Without going into my summary and my detailed  
6     testimony again, I think the -- the main points are not  
7     paying the Town of Franklin since February 21st, 2017,  
8     were taking in payments from customers since that date,  
9     but not making a payment, and also not completely making  
10    payments to the town since the \$12,000 payment. And I  
11    can reference --

12          Q     So it centers around paying the Town of  
13    Franklin?

14          A     That's a significant portion. The other  
15    significant portion is these detailed records are  
16    required to be held by the Company and should be able to  
17    be accessed by the Public Staff and the Commission at --  
18    upon request.

19          Q     Did you ever request -- well, we'll get to that  
20    in a minute, but we're talking about abandonment. On the  
21    payment issue, what if the Company wasn't able to pay?  
22    Would that -- would that change your opinion about  
23    abandonment?

24          A     I -- I don't think it would change the argument

1 of abandonment. It may change the Public Staff's  
2 recommendation for a penalty or a course of action to  
3 resolve the issue.

4 MR. SLOAN: I'm going to show the witness -- I  
5 have from my composite exhibit some pages in the back.  
6 I'd like the witness to review these. Mr. Grantmyre, I  
7 can point these out to you.

8 MR. GRANTMYRE: Sure.

9 MR. SLOAN: Right in the back. It's check 57,  
10 58, and 60.

11 MR. GRANTMYRE: Okay.

12 COMMISSIONER BROWN-BLAND: Mr. Sloan, let's  
13 identify it for the record. It's a composite exhibit  
14 which is a book?

15 MR. SLOAN: Yes. For the record, I've prepared  
16 a composite exhibit that I've handed to Mr. Grantmyre.  
17 And I have two copies I can hand to the Commission if  
18 you'd like to follow along. Apologize for not having a  
19 third copy.

20 COMMISSIONER BROWN-BLAND: So I need to  
21 identify this for the record. This is a notebook, three-  
22 ring binder. The front page says "Riverbend Estate Water  
23 System" with a table of contents with four new rate items  
24 listed. And the booklet has four tabs. So if you speak

1 about pieces you pulled out, you need to identify where  
2 they are here. This notebook, taken together, will be  
3 identified as REWS Hardegree Exhibit Number 1.

4 (Whereupon, REWS Hardegree Exhibit 1  
5 was marked for identification.)

6 BY MR. SLOAN:

7 Q Mr. Junis, I'm going to the back of this book.  
8 It's a collection of checks of Riverbend Estates Water  
9 System, Inc., and it's what you've asked for in your --in  
10 your order we're providing here today. It's every check  
11 within the time period that you've asked for. And so I'm  
12 pulling out -- in the back of the book there are check  
13 numbers 1258, 1260, and 1257. I'd like for you to look  
14 at those for a minute.

15 MR. SLOAN: May I approach the witness?

16 COMMISSIONER BROWN-BLAND: You may, but could  
17 you just one more time, and while the Commissioner has  
18 the book, could you just identify for him where you found  
19 the page?

20 MR. SLOAN: Yes. Check numbers 1257, 58, and  
21 60.

22 MR. GRANTMYRE: They're the last three checks  
23 or four checks -- three of the last four checks in the  
24 book.

1           MR. SLOAN: With your permission, I'd like to  
2 approach the witness, if I may.

3           Q     These checks, I'll refer to number 1260. Mr.  
4 Junis, do you know the identity of EAS, the payee there  
5 in that check? Just off the top of your head?

6           A     Not off the top of my head.

7           Q     Okay. If I told you it was a water testing  
8 company, and it says in the remitter, "Testing thru 3-  
9 17," would you agree with me?

10          A     That is what it says.

11          Q     Would you agree that it's a water testing  
12 company?

13          A     Was that one of the two vendors provided?

14          Q     It was.

15          A     Okay. Yeah. I just didn't remember off the  
16 top of my head.

17          Q     And the date on that check, what's the date on  
18 that check?

19          A     It is dated June 6, 2017.

20          Q     And then on check number 1258, we're going  
21 backwards here, we have a check to Mr. Chris Brock. And  
22 in the subject line it says "Meter reading." And then on  
23 1257, and the date on that check, the date -- I'm sorry,  
24 the date on 1258 is April 30th, 2017. And then on 1257,

1 we have a check to Jeffrey Hooper, April 28th, 2017. And  
2 it says, "Work at Riverbend (Leak)."

3 Now -- now, do these checks -- would you --  
4 would your change your opinion of abandonment if these  
5 checks represented work being done at the time those  
6 checks were written or work being paid for or being done  
7 on the dates of those checks? Would you change your  
8 opinion that the -- that the water system was abandoned  
9 by Mr. Hardegree?

10 A This information would be considered, but I  
11 think the conclusion would still be abandonment since the  
12 Town of Franklin was threatening discontinuance of  
13 service, which would mean zero water for these 131 to 136  
14 customers.

15 Q Okay. So let's talk about the Town of  
16 Franklin.

17 MR. SLOAN: If I may approach the -- and take  
18 back the exhibit.

19 A Yeah.

20 Q The Town of Franklin, are you aware of any  
21 conversations between Riverbend Estates Water System and  
22 the Town of Franklin?

23 A Besides the agreement?

24 Q Yes.

1           A     I'm not personally familiar with their  
2     discussions between those two parties.

3           Q     You testified that in November of 2016, the  
4     town -- I think it was one of your exhibits, too, also  
5     where the town said they would -- the water would be shut  
6     off after a certain period of time. Are you aware of any  
7     conversations or resolutions that the Company had with  
8     the Town of Franklin after that date?

9           A     Okay. So can you refer to the -- you're  
10'   referring to my testimony?

11          Q     Yes, I am.

12          A     Can you refer to the page so that I --

13          Q     You can go to Exhibit 1, Junis Exhibit 1.

14          A     Correct. I thought you were talking like  
15   personal conversations, I'm thinking either in person or  
16   on the phone. I wasn't referring to a specific document.

17          Q     I didn't restrict it. It could have been  
18   any --

19          A     So that was my misunderstanding of what you  
20   were referring to in terms of conversations.

21          Q     Okay. And if I told you that the Riverbend  
22   Estates Water System and the Town of Franklin had spoken  
23   and come to an arrangement, would you have any reason to  
24   disagree with me?

1           A     In terms of a payment agreement, I would not  
2     disagree that they had this arrangement.  However, they  
3     were not fulfilling it based on the records we have.

4           Q     Did you ever -- after this date, this is  
5     October 10, 2016 --

6           A     Correct.

7           Q     -- did the Town of Franklin ever approach you  
8     or the Public Staff or the Commission and again state  
9     that the water was in imminent threat of being shut off?

10          A     It's my understanding that Mr. Grantmyre spoke  
11     to the Town of Franklin and that was discussed.

12          Q     You don't know about those dates or when that  
13     was?

14          A     I mean, we didn't -- we didn't file the  
15     petition to appoint an emergency operator until I believe  
16     it was May -- I want to get the exact date for you -- I  
17     believe it was May 2nd, but if you want to give me enough  
18     time, I can find it, but we -- the Public Staff -- okay.  
19     I'm mixing up dates and years.  Okay.

20                No.  2017, that was May 2017 when we appointed  
21     emergency operator.  We -- the Public Staff was having  
22     conversations with the Town of Franklin up to that point.  
23     We got the billing ledger, which was part of the evidence  
24     submitted in terms of the summary that payments were not

1     happening after the February 26 -- the 25th --

2           Q     Did you have any assurances from the town that  
3     they would not be shutting the water off?

4           A     When we came to them with a solution that we  
5     were going to appoint Carolina Water emergency operator  
6     and discussed a payment plan, that in November, Carolina  
7     Water was going to start paying, I believe it's \$1500 a  
8     month to pay down the arrearage, they made assurances  
9     that water service would not be disconnected.

10          Q     So if the imminent threat and the nonpayment  
11     were the cause of your abandonment, now that we  
12     established the town had assured that the water would not  
13     be shut off, we've also established that Mr. Hardegree  
14     was still fixing leaks, does that change your opinion yet  
15     that the water system was abandoned, still abandoned?

16          A     No, because Carolina Water solved that problem,  
17     and Carolina Water can request at any time to be relieved  
18     of their duties as emergency operator, which would then  
19     put us right back in an emergency situation and an  
20     abandonment because the Town of Franklin could cut off  
21     service.

22                   MR. HARDEGREE: We should be notified of that.

23                   MR. SLOAN: You'll get a chance in a minute.

24          Q     Did you ever send a notice, a written notice,

1 to Riverbend Estates Water System that you would be  
2 seeking penalties of \$1,000 a day?

3 A We did not besides my prefiled testimony.

4 Q And did you ever send a notice -- because  
5 you're seeking personal liability in this case with Mr.  
6 Hardegree, did you ever send a notice to him personally  
7 that he would be subject to \$1,000 a day penalties, any  
8 written notice whatsoever?

9 A Not to my knowledge, besides my prefiled  
10 testimony which was served to all parties to this case.

11 Q Why was it that you couldn't trust the meter  
12 reading sheets that were provided to you in response to  
13 the emergency operator order that showed consumption  
14 rates? Why did you have to rely back on 2012, 2013?

15 A It was not 12 consecutive months. We also were  
16 unsure were those meters functioning properly, so we  
17 don't know if that data was accurate. So there's a  
18 number of factors there.

19 Q So even if Mr. Hardegree had provided every  
20 month, you still would have doubted the information? You  
21 still would have used the old data so that it really --  
22 well, it didn't matter that he didn't provide the data?

23 A Not necessarily. If we had complete data, we  
24 would assess would this be representative or would this

1 be the best available information. So is old data better  
2 than potentially inaccurate new data? Was the old data  
3 potentially inaccurate? We would have to weigh other  
4 factors there and make a decision.

5 Q Did you ever ask to physically come and inspect  
6 the records of the water system?

7 A I actually volunteered to drive to Riverbend  
8 Estates' offices and inspect the documents, and that's a  
9 five-hour drive from Raleigh.

10 Q And didn't you receive assurances from me that  
11 that would be available to you?

12 A You -- we did receive assurances from you.  
13 However, you had went to the offices and indicated that  
14 the records were hard to find, they may not exist, and  
15 that you were going to do your best to get us what we  
16 needed in terms of that.

17 Q So as it relates to Chapter 62-34 relating to  
18 investigating companies under its control, and 62-51,  
19 inspecting books and records, are you saying that the  
20 difficulty of finding records or the messiness of the  
21 office was relevant in that -- in that case?

22 A I would say those records were not readily  
23 available, and also it was indicated to us that there was  
24 a laptop with electronic records which were locked and we

1 would not have access to.

2 Q But -- but you are testifying here today that  
3 the office was available to you?

4 A It was. However, we were verbally deterred  
5 from going to the office, I will say.

6 Q You've done some real estate research on Mr.  
7 Hardegree. I want to ask you about the deed of trust.  
8 You've mentioned this in your testimony about a deed of  
9 trust from TD Bank, N.A.

10 A That's correct.

11 Q And you -- what was the purpose of Mr.  
12 Hardegree taking that loan out?

13 A It's an equity line of credit, and I don't know  
14 what the purpose was of that document.

15 Q Yet you -- yet you think that he should have  
16 paid those proceeds to the water system?

17 A We -- the purpose of including that document is  
18 to show that he has financial maneuverability to  
19 potentially make that payment.

20 Q Do you know where the money that was funded  
21 from that loan, where it went?

22 A We do not, and we clearly state we do not know  
23 how much was taken out of that balance, if any, or the  
24 purpose.

1           Q    And you also testified, I think, to a question  
2   that that deed of trust has not been satisfied. Is that  
3   -- was that accurate?

4           A    That is correct. We saw no record filed with  
5   the Register of Deeds that indicates that that was  
6   satisfied.

7           Q    I'm going to refer to your Exhibit Number 11,  
8   Junis Exhibit Number 11, page 1 of 5. It's a printout  
9   from our Register of Deeds. And do you know -- do you  
10   have it in front of you? Okay.

11          A    Yeah.

12          Q    Do you know the first item, line item there is  
13   dated March 28th, 2016, do you know what that entry  
14   represents?

15          A    The first entry?

16          Q    Yes.

17          A    So the Public Staff works as a team, and my  
18   attorney reviewed that document.

19          Q    It's actually cancellation of a deed of trust.  
20   It refers back to C33/1649 which you have there down on  
21   June 17th, 2009. And if you go down there about one,  
22   two, three, four, fifth from the top you'll see it says  
23   DT, 1.42 acres.

24          A    Correct.

1           Q     If I told you that the funds from that equity  
2     line deed of trust went to pay off a prior loan, would  
3     you have any reason to disagree with me based on these  
4     records?

5           A     I do not believe so, but I --

6           Q     And if those funds were used to pay off that  
7     loan, how do you know there were funds available that Mr.  
8     Hardegree had that should have been paid to the Town of  
9     Franklin?

10          A     We're clearly saying that -- we did not state  
11     that that deed of trust was funds available to pay it.  
12     We said that it was the potential to. We said we don't  
13     know how much was taken out and we don't know what it was  
14     for.

15          Q     So it's sort of speculative, kind of like the  
16     19,000?

17          A     That is correct. We're trying to build a  
18     history from the limited documents available to show  
19     financial maneuverability of Mr. Hardegree.

20          Q     Sitting here today, do you know whether or not  
21     Mr. Hardegree comingled any of his personal funds with  
22     Company funds?

23          A     I do not know that for a fact.

24          Q     You know what that means, comingle?

1 A Yes.

2 Q I just -- just checking.

3 A So if I told you that Mr. Hardegree continued  
4 to have leaks repaired in March, April, May and Ju---  
5 March, April, and May of 2017, continued to inspect and  
6 read meters, that wouldn't change your opinion that he  
7 had intentionally abandoned the water system?

8 A I would say it's a factor to consider.  
9 However, based on what I know right now and the limited  
10 information you're providing on those events, the  
11 conclusion would still be that he abandoned that system.

12 MR. SLOAN: No further questions, Commissioner.

13 MR. GRANTMYRE: I have some brief redirect.

14 COMMISSIONER BROWN-BLAND: Mr. Grantmyre, if  
15 you'd come up.

16 (Off-the-record discussion.)

17 COMMISSIONER BROWN-BLAND: Let's come back on  
18 the record. Mr. Grantmyre, redirect.

19 REDIRECT EXAMINATION BY MR. GRANTMYRE:

20 Q Mr. Junis, we talked about the 19,000 that you  
21 had in your testimony that you estimated REWS billed for  
22 those four months. Do you remember that?

23 A That is correct.

24 Q And the attorney for REWS said that was

1 speculative; is that correct?

2 A As I remember, yes.

3 Q Okay. Now, you had asked the Company for those  
4 records and they did not provide them to you; is that  
5 correct?

6 A That's correct.

7 Q Now, had they provided the actual records, they  
8 would not be speculative?

9 A That is correct.

10 Q And isn't it a requirement that the Company  
11 provide records of their billing upon request from the  
12 Public Staff or the Commission?

13 A That is correct.

14 Q Now, you remember the calculation that was  
15 done, you reviewed the calculation that was done to come  
16 up with the estimated \$19,000?

17 A That is correct.

18 Q Do you have that in front of you?

19 A I do.

20 Q Can you basically explain briefly how that  
21 calculation was done?

22 A So what we did is we took the amount that the  
23 -- the consumption, total consumption that the Town of  
24 Franklin billed to REWS. We took that and we multiplied

1 it by 60 percent. This is basically assuming that there  
2 -- we made an assumption previous to in our petition that  
3 we anticipated there was significant leaks, unaccounted  
4 for water. That was 40 percent. So that's why we went  
5 with 60 percent for this multiplication to reach an  
6 estimated gallons billed to the customers of REWS. And  
7 then we -- we basically took that usage, multiplied it by  
8 the commodity charge or the usage rate that they're  
9 approved for, and got the consumption portion of what  
10 would have been billed. And then we took the number of  
11 customers times the base charge and you get an amount.  
12 So you have the base charge and the commodity amount, and  
13 we added those together for the months of February,  
14 March, April, and May. And that's how we came up with  
15 the approximately -- we rounded. Our number came up to  
16 be \$18,976. We rounded up to 19,000.

17 Q We would request -- and is this, that's a  
18 photocopy, but this is the actual work paper?

19 A That is correct.

20 MR. GRANTMYRE: We would request that this be  
21 identified as Junis Redirect Exhibit 1.

22 COMMISSIONER BROWN-BLAND: It will be so  
23 identified.

24 (Whereupon, Junis Redirect Exhibit 1

1                               was marked for identification.)

2       BY MR. GRANTMYRE:

3           Q       Now, with respect to the records that were kept  
4       at the office of REWS, you were told, were you not, that  
5       the computer there that had the billing records was  
6       password protected?

7           A       That is correct.

8           Q       And you did not -- and you were not provided  
9       access to the password; is that correct?

10          A       That is correct.

11          Q       So, therefore, without the password, you could  
12       not get the records on the computer?

13          A       That is correct.

14          Q       Okay.

15               MR. GRANTMYRE: We have no further questions.

16               COMMISSIONER BROWN-BLAND: All right. We're  
17       going to take a 15-minute recess and come back, and we'll  
18       begin, Mr. Junis -- we'll start with questions from the  
19       Commission.

20               (Recess taken from 8:28 p.m. to 8:45 p.m.)

21               COMMISSIONER BROWN-BLAND: All right. We're  
22       coming back on the record, please. Let's come to order.  
23       Lieutenant Wishine (ph.) has assured me that things  
24       should come back to normal here soon, but in the event

1     that that might not happen, it just means we need to be  
2     more efficient, so here we go. Let's come back on the  
3     record, and Mr. Junis is still on the witness stand. Are  
4     there questions from the Commissioners? Commissioner  
5     Clodfelter.

6     EXAMINATION BY COMMISSIONER CLODFELTER:

7           Q     Mr. Junis, do you have your prefiled testimony  
8     there?

9           A     Yes, I do.

10          Q     On Exhibit 6, I just want to know who prepared  
11     that. Did you prepare it, did the Town of Franklin  
12     prepare it, or did Riverbend Estates Water Systems?

13          A     I prepared this. I -- I summarized the  
14     information available to us.

15          Q     What was the source of the information that  
16     that exhibit was prepared from?

17          A     So that was some of the town bills provided by  
18     REWS, and then we also got basically an account ledger  
19     from the Town of Franklin.

20          Q     And you -- and you prepared this exhibit by  
21     comparing it to that account ledger?

22          A     That is correct.

23          Q     Mr. Junis, I did not see in your prefiled  
24     testimony, maybe I missed it, but I'm just curious, of

1 the total arrearage that's owed to the Town of Franklin,  
2 have you made any attempt to calculate how much of that  
3 is attributable to the difference in the usage rate  
4 charge by the Town of Franklin for the Company and the  
5 usage rate billed to the customers?

6 A We did not do that, but it could be relatively  
7 easily done.

8 Q I would be interested in knowing that  
9 information.

10 A Okay.

11 MR. GRANTMYRE: We would be glad to file a  
12 late-filed exhibit on that.

13 COMMISSIONER CLODFELTER: I'd like to know.

14 Q Mr. Junis, in 2013, according to your prefiled  
15 testimony, the franchise was granted to Riverbend Estates  
16 Water Systems, the current Respondent, and what I can't  
17 tell from the materials is was Mr. Hardegree or Mrs.  
18 Hardegree, were they personally named as co-franchisees  
19 or not? Was the sole franchisee the Company or were they  
20 named as co-franchisees individually?

21 A It's my understanding the Company, with the  
22 knowledge that they held the entirety of the stock.

23 Q The Company was the sole franchisee?

24 A That's correct.

1 COMMISSIONER CLODFELTER: That's all I have.

2 COMMISSIONER BROWN-BLAND: Commissioner Gray?

3 COMMISSIONER GRAY: No questions at this time.

4 EXAMINATION BY COMMISSIONER BROWN-BLAND:

5 Q Mr. Junis, on page 11, lines 6 through 8 of  
6 your prefiled testimony, you state that the Hardegrees  
7 had transferred the water system from Riverbend Water  
8 Systems, Inc. to a newly formed corporation, Riverbend  
9 Estates Water Systems, in which the Hardegrees owned 100  
10 percent stock. Is that -- do I have that right?

11 A That's right.

12 Q If you know, what was the date of the transfer?

13 A I don't know the date off the top of my head.  
14 And I will make a point since you asked that question, to  
15 reiterate that the utility land is still in the name of  
16 RWS or Riverbend Water System, Inc., and it was not  
17 transferred, as required by the Commission, to Riverbend  
18 Estates Water System, Inc.

19 COMMISSIONER BROWN-BLAND: Just -- just a  
20 second.

21 (Off-the-record discussion.)

22 COMMISSIONER BROWN-BLAND: All right. Excuse  
23 us for that. This is not the ordinary course of  
24 activity. Back on the record.

1 BY COMMISSIONER BROWN-BLAND:

2 Q So you were testifying that the ownership is  
3 still in the Riverbend Water Systems, not Riverbend  
4 Estates, as far as you know?

5 A That's correct.

6 Q Okay. And were the Hardegrees 100 percent  
7 owners of the stock in the Riverbend Water Systems?

8 A That's correct.

9 Q And before this transfer and renaming, did the  
10 Hardegrees, to your knowledge, seek or receive Commission  
11 approval for the transfer?

12 A It's my understanding that they did receive a  
13 certificate of public convenience and authority in Docket  
14 No. W-397, 11.

15 Q What year was that?

16 A That was February 26, 2013.

17 Q On page 12 of your prefiled testimony, you  
18 state, "Beginning in August 2015, REWS only made partial  
19 purchased bulk water payments each month to the Town of  
20 Franklin." Did Mr. Hardegree, in any -- in any  
21 communications that you had, offer any explanations as to  
22 why the payments were only partial?

23 A My understanding, and that's based on the  
24 telephone conversation I had with him, is that he was

1 basically struggling to make money, but I don't know the  
2 reason why so I offered the solution of you should  
3 probably file a pass-through because you're a purchased  
4 water system, but I don't know the exact contributing  
5 factors.

6 Q You indicated that you offered him some types  
7 of examples of how to come to the Commission and get the  
8 pass-through, correct?

9 A That's correct.

10 Q And you also testified there was no follow-up  
11 to do that?

12 A That's correct.

13 Q Was a reason ever given as to why they didn't  
14 come back or did that say they would come back?

15 A I was told that Mrs. Hardegree would contact me  
16 because she handles the billing. She's the one that  
17 would be more likely to actually handle the filing and  
18 would ask questions that would facilitate that filing.  
19 However, she -- she never reached out. And I had given  
20 contact information, and clearly Mr. Hardegree could get  
21 ahold of me.

22 Q Do you consider that REWS and Mr. Hardegree  
23 have been cooperative in trying to help you get the  
24 financial records that the Public Staff was seeking?

1           A     The ones that --

2           Q     Characterize it as being cooperative?

3           A     The ones we received we felt were cooperative.  
4     However, the ones we have not received we feel is not  
5     cooperative. I mean, to say that a computer is locked,  
6     but there's a person -- Mrs. Hardegree knows that  
7     password, that information should be able to be provided  
8     and it wasn't, so I would call that non-cooperative.

9           Q     What other efforts are you aware of that the  
10    Public Staff made to get the financial information?

11          A     I mean, we -- we spoke personally to Mr. Sloan,  
12    Mr. and Mrs. Hardegree on the phone. Clearly, we went  
13    the path of contacting the Town of Franklin to get  
14    information. We sent an official email to try to get the  
15    information. It was in our -- in our petition. So I  
16    think we made a concerted effort to -- to get it.

17          Q     Did the Town of Franklin provide you some  
18    information?

19          A     I mean, they can't provide individual customer,  
20    but they did provide a billing ledger, which we provided  
21    a summary, so like the total of payments since the prior  
22    bill, that's actually a sum of -- at least typically a  
23    sum of multiple smaller incremental payments.

24          Q     Did you have an opinion as to whether it would

1 have been worth your time to visit the Hardegree's office  
2 once you had been in communications with them to get --  
3 in order to get the financial information?

4 A It was my understanding that the Company office  
5 within their personal household was disorganized, that  
6 the computer had a lot of the records, but could not be  
7 accessed because of the password issue. So I would say I  
8 was deterred from going, attempting to get those records  
9 in person.

10 Q Did you ever inform Mr. Hardegree that -- that  
11 he nor REWS could abandon the obligation to provide  
12 utility service to customers without the Commission's  
13 prior approval?

14 A Yes. As soon as we were provided the -- the  
15 letter that he sent his customers, I believe that was  
16 October 31st -- that's one of my exhibits -- yeah, the  
17 Exhibit 2, when we got ahold of that, we talked to Mr.  
18 Hardegree specifically and said you can't do that. It's  
19 his responsibility to provide service, and that those  
20 options really weren't feasible for these customers.

21 Q And that was Junis Exhibit 2?

22 A Junis Exhibit 2 was the letter that he sent to  
23 his customers -- that REWS sent to their customers, but  
24 as soon as we found out about that and got ahold of it,

1 we started reaching out to the town and we reached out to  
2 Mr. Hardegree.

3 Q And referring back to that letter from Mr.  
4 Hardegree to customers, the letter also offered a third  
5 option that the -- that the customers somehow secure and  
6 operate the systems themselves?

7 A That's correct. He suggests, and I'll quote  
8 it, "REWS is for sale at \$69,900 if you as a community  
9 would like to purchase the water system."

10 Q Did anyone follow up on that option, to your  
11 knowledge?

12 A It's my understanding that no customers  
13 actively sought that solution, obviously, because it's a  
14 large sum of money. However, the Public Staff has tried  
15 to facilitate the sale of the system to numerous other  
16 privately-held utilities that are regulated by the  
17 Commission.

18 Q Mr. Junis, do you know how old the system is?

19 A I mean, it dates back to, I believe, the late  
20 '70s, so that puts it at almost 40 years old.

21 Q As I understand it, there was a show cause in  
22 1973 around this same system --

23 A Correct. So even --

24 Q -- from your testimony --

1 A Yes, that's correct.

2 Q And -- but do we know how -- so the show cause  
3 was because the system had been operating without being  
4 certificated by the Commission?

5 A That's correct.

6 Q Do we know how long it had been operating  
7 before the show cause issue?

8 A I do not know that off the top of my head. We  
9 may have records within that original case.

10 Q And on page 12 of your direct testimony, line  
11 5, "The representative, Mrs. Hardegree," would that be  
12 Mrs. Diane Hardegree?

13 A Yes. At that time that would be Mrs. Diane  
14 Hardegree, his current wife.

15 Q On page 16 of your direct there on line 9,  
16 there's reference there to vendors, or actually that --  
17 beginning on line 5 there's reference to vendors and  
18 suppliers and those kind of entities, correct?

19 A That's correct.

20 Q And do you know if the suppliers at this point  
21 in time, if they have accounts receivable owed them  
22 related to this system?

23 A I do not know that for a fact.

24 Q Now, we talked about a payment plan that Mrs.

1 Hardegree signed --

2 A That's --

3 Q -- with the Town of Franklin, I believe?

4 A Yes.

5 Q Was -- was it just one payment plan or did I  
6 read somewhere at different points in time she had signed  
7 maybe another?

8 A I'm only aware of the one that was that they  
9 were going to pay the bills, plus the \$500 a week to pay  
10 off the arrearage. I wouldn't be surprised if there  
11 wasn't other arrangements because typically if you've  
12 basically failed to meet the first arrangement, you're  
13 going to try to set up another, and then if you do it  
14 again, maybe you're given another try, but at some point  
15 that provider reaches a point where they won't go any  
16 further and that's --

17 Q But you're not sure on your own knowledge or  
18 you don't have a recollection at this time?

19 A I don't have personal knowledge to that.

20 Q All right. Do you know whether the customers  
21 continued to make monthly payments on their water bills  
22 after Mr. Hardegree stopped paying the town, which was  
23 February 21st or 22nd?

24 A Yes, I do. I actually tonight saw -- I mean,

1 people are paying their bills, and I actually have a  
2 discrepancy in terms of the balances that REWS reported  
3 to Carolina Water and then Carolina Water tried to bill  
4 for, so they're basically being billed twice for the same  
5 usage.

6 Q Did customers continue to pay Mr. Hardegree  
7 after February 22nd?

8 A Yes.

9 Q And for how long did they continue to pay?

10 A Up until they started receiving bills from  
11 Carolina Water.

12 Q And once they received bills from Carolina  
13 Water, they no longer --

14 A That's my understanding. I don't know for a  
15 fact because we don't -- we don't have those records, but  
16 that would be my understanding.

17 Q Mr. Sloan asked you about a check that I  
18 believe was dated June 2016?

19 A Yes. It was June 6, 2017.

20 Q Could you tell from review of that check when  
21 service had been delivered that was being paid for with  
22 that check?

23 A The note in the bottom left-hand corner I  
24 believe indicated it was for testing services provided in

1 March 2017 by EAS.

2 Q Prior to appointment of the emergency operator?

3 A Correct. And we could verify that with the lab  
4 results we received as part of the Commission's ordering  
5 paragraphs. I don't have that information available  
6 right now, though.

7 Q To your knowledge, has CWS made payments to the  
8 Town of Franklin?

9 A It's -- it's my understanding -- or I don't  
10 know for a fact that they have.

11 Q You don't know whether they've made any  
12 payments to the Town of Franklin since they've been  
13 emergency operator?

14 A I don't know that for a fact.

15 Q All right.

16 A Now, there are customer -- there are Company  
17 representatives here that could speak to that.

18 Q Now, can you shed any light or explain your  
19 thinking or what you know about lines 18 through 20 on  
20 page 15 of your direct testimony? There you indicate  
21 that the customer list was generated on May 8th and  
22 likely included bills issued in April, but not the  
23 payments associated with those bills. Can you add  
24 anything?

1           A     The reason I came to that conclusion is that a  
2     majority, and let me -- a majority of the accounts had a  
3     balance. Let me see here. Yeah. I mean, there were  
4     seven pages in terms of the account balances. Only one  
5     month had no accounts with a credit, so I believe people  
6     were paying. Now, based on the number of accounts below  
7     \$50 and since the average bill was \$38.79, that would  
8     make my assumption that that is either one month's bill  
9     that's sitting out there and so likely they haven't paid,  
10    because you would assume that a majority of customers are  
11    paying their bill every month. And so when 60 percent  
12    are under \$50, but 40 percent are over \$50, that suggests  
13    to me that likely the payments were not received for that  
14    month that was billed out for it to be so many balances.

15          Q     All right. And earlier you testified with  
16    regard to leaks or leaks that had been confirmed, that  
17    there was a leak, and I believe you said customer service  
18    after the meter. Can you explain?

19          A     A leak after the meter would be water that goes  
20    to that meter and is measured and they would be billed  
21    for it, but then it leaks and it's not consumed.  
22    Typically, a utility, if it's -- they're going to notify  
23    that customer when they find that. If they go out and  
24    read a meter and it's spinning rapidly when they're out

1    there, they're going to make a note of that. And if  
2    usage is out of the ordinary, they might contact the  
3    customer and say that we think you may have a leak, so...

4           Q     Now, the recommended penalty of \$84,000, that  
5    penalty would be imposed as a punitive measure? Is that  
6    your understanding?

7           A     That's my understanding.

8           Q     There's a civil penalty, correct?

9           A     That's my understanding.

10          Q     But the proposal that the Public Staff was  
11   trying to work with is if he pays the 53,000 that is owed  
12   to the town, and that's 53,000 and some odd dollars  
13   that's owed to the town, that the penalties would not be  
14   pursued; is that correct?

15          A     Yes. So the punitive penalties could not be  
16   used to pay that balance, and so it's the lesser of two  
17   evils. Do you want to pay the fine or do you want to pay  
18   the town which then solves -- solves the problem for  
19   these customers?

20          Q     And so what happens if he pays -- what happens  
21   with respect to the customers if the 53,000 and some odd  
22   dollars is paid to the town by Mr. Hardegree?

23          A     I think that provides stability for their water  
24   service and it also puts us kind of at ground zero to

1 where you're potentially not in an emergency situation  
2 and a traditional transfer could be pursued because,  
3 clearly, Mr. Hardegree does not want to operate Riverbend  
4 Estates Water System anymore.

5 Q Well, from your testimony tonight we do not  
6 know as of tonight whether CWS has made payments to the  
7 Town of Franklin, but we know they've been ordered to at  
8 various points.

9 A That's correct.

10 Q They'll make payments on the current bill per  
11 the order, correct?

12 A That is correct.

13 Q And they will eventually make payments on  
14 arrearage?

15 A In November they would be required to make  
16 payments towards the arrearage.

17 Q And so recognizing that you're an engineer --  
18 you might not be able to answer; I think my question was  
19 a little bit more of an accounting question -- will that  
20 \$53,000 some odd dollars, if it's paid by Mr. Hardegree,  
21 go to the direct benefit of the customers, if you know?

22 A I say yes because if we get to November and CWS  
23 has to -- or Carolina Water has to pay the Town of  
24 Franklin on that arrearage, we then potentially have to

1 reevaluate the provisional rates and there may be an  
2 additional emergency increase.

3 Q All right.

4 A Okay. Sorry. Go ahead.

5 COMMISSIONER BROWN-BLAND: And Mr. Grantmyre,  
6 if necessary, will supply a late-filed exhibit?

7 MR. GRANTMYRE: On exactly what?

8 COMMISSIONER BROWN-BLAND: On the accounting  
9 process, should there --

10 MR. GRANTMYRE: Yes. Yes, I would.

11 COMMISSIONER BROWN-BLAND: And only if  
12 necessary. It doesn't come into play, I suppose, if  
13 there's -- if there's no possibility of getting this  
14 payment. I'll leave that up to you. Questions on  
15 Commission's questions?

16 MR. GRANTMYRE: Who goes first? Is it me or --

17 COMMISSIONER BROWN-BLAND: Mr. Sloan.

18 EXAMINATION BY MR. SLOAN:

19 Q You mentioned that there was a conversation  
20 with Mr. Hardegree after the October 31st letter that he  
21 sent out, and that you said you can't do that, basically,  
22 you can't tell them they have to get wells to take over  
23 the system. How did he respond to you?

24 A I don't -- I don't recall his exact response.

1 I mean, I'm a consumer advocate. I'm not actual  
2 authority over him, but I told -- informed him that  
3 according to Commission rules he can't do that, and  
4 that's why I said, you know, there are other options.

5 Q Did he show a willingness to consider what you  
6 were saying and the --

7 A Well, that --

8 Q -- options that you were putting forward?

9 A It presented the idea of would you consider  
10 selling the system, and I think he was at least semi-  
11 amenable to that, but without any details.

12 Q Did you talk about an emergency operator at  
13 that time?

14 A I don't know if at that the first conversation,  
15 but eventually it led to that conversation.

16 Q When -- was it shortly after that October 31st  
17 conversation --

18 A I believe --

19 Q -- that you talked about an emergency operator?

20 A I believe so.

21 Q And was he agreeable to the emergency operator?

22 A He was.

23 Q Did he, in fact, say let's do that?

24 A Yeah.

1 Q Did he consent to it?

2 A He consented to it.

3 Q Back in November time frame?

4 A That -- that ballpark sounds about right.

5 Q Exhibit Number -- Exhibit -- your Exhibit  
6 Number 3 and Number 4, I believe you referred to them as  
7 official emails. Any confirmation that the Hardegrees  
8 received these emails? Do you have any confirmation?

9 A So I only have confirmation that I didn't  
10 receive a kickback because I tried different email  
11 addresses, and so like I had used Riverbend -- I believe  
12 it was RiverbendEstatesWaterSystem@gmail.com and I got a  
13 kickback, and I believe there's another iteration, but  
14 with this iteration for my official exhibits, I did not  
15 receive a kickback that it was undeliverable.

16 Q Did you receive a reply from them from that  
17 email?

18 A I do not believe so.

19 Q And when you -- in your written testimony you  
20 testified about leaving messages with both Mr. and Mrs.  
21 Hardegree?

22 A I always spoke to Mr. Hardegree. I never spoke  
23 to Mrs. Hardegree except for a conference call with  
24 yourself, Mrs. Hardegree, and Mr. Hardegree.

1 Q Did you leave her --

2 COMMISSIONER BROWN-BLAND: Mr. Sloan, tie --  
3 tie this to the Commission's questions. This is  
4 questions on Commission's questions.

5 MR. SLOAN: No -- no further questions.

6 MR. GRANTMYRE: I have two brief questions.

7 EXAMINATION BY MR. GRANTMYRE:

8 Q You were talking about River (sic) Water  
9 System, Inc. that got the franchise in 1987, correct, and  
10 Mr. and Mrs. Hardegree, Geraldine Hardegree and Ronald  
11 Hardegree, were the sole owners?

12 A Yes. That was Riverbend Water System, Inc.

13 Q And your Exhibit 9 in your testimony shows that  
14 that company was administratively dissolved by the  
15 Secretary of State December 1, 1993?

16 A That is correct.

17 Q And you don't venture a legal opinion, not  
18 being a lawyer, as to what the title to that real estate  
19 then moved to upon the dissolution of the corporation?

20 A That is correct.

21 Q Okay. Now, when the franchise was granted in  
22 2013 to Riverbend Estates Water System, Inc, that is the  
23 difference is the word "Estates" with a new corporation,  
24 isn't it a responsibility of a franchised water company

1 to own or control the assets of the -- of the utility  
2 system?

3 A That is correct.

4 Q And so when this emergency operator and show  
5 cause rose, that's the first time the Public Staff  
6 realized that we -- that that transfer had never been  
7 made to Riverbend Estates Water System, Inc.?

8 A That is correct.

9 Q Now, with regard to the -- what effect if he  
10 pays the \$53,000, the Public Staff, in setting and  
11 recommending these rates, included a piece for  
12 unaccounted for water in the recommended rates, and we  
13 included in the recommendation a piece for the water  
14 audit to discover what, if any, leaks there were in the  
15 systems?

16 A That's correct.

17 Q So if, in fact, he does pay the \$53,000 to the  
18 town, that could result in a rate reduction for the  
19 customers?

20 A That would be true, because if Carolina Water  
21 has addressed leaks, that's going to decrease your  
22 unaccounted for water which would bring down the  
23 purchased water expense, which would be then lower than  
24 the assumptions that were used for the provisional rates.

1 So, yes, the opportunity for a decrease would be --  
2 there's potential.

3 MR. GRANTMYRE: We have no further questions.

4 COMMISSIONER BROWN-BLAND: All right.

5 MR. GRANTMYRE: We would move that his prefiled  
6 testimony be entered into evidence and his exhibits be  
7 entered into evidence, and Junis Redirect Exhibit 1 be  
8 entered into evidence.

9 COMMISSIONER BROWN-BLAND: His testimony has  
10 been received into evidence, and his Exhibits 1 through  
11 13, I believe --

12 THE WITNESS: Yes. That's correct.

13 COMMISSIONER BROWN-BLAND: -- will be received  
14 into evidence. And Junis Redirect Exhibit 1 also will be  
15 received into evidence unless there's an objection.

16 MR. SLOAN: There is an objection, Commission.  
17 A lot of this is hearsay. I'd ask you to not consider  
18 the testimony if it's hearsay or if it's speculative as  
19 we have demonstrated in cross. We don't have the Town of  
20 Franklin here. We have some bills from the Town of  
21 Franklin with no authenticity on some of those records,  
22 pictures from the website, real estate records without  
23 authentication. So we do have quite a few objections. I  
24 don't want to take up the time of the Commission. If we

1 may brief those and reserve that objection and brief  
2 those later.

3 COMMISSIONER BROWN-BLAND: You may -- you may  
4 brief those, but the Commission will receive them for  
5 whatever value they have, and we will take into  
6 consideration your arguments in brief.

7 MR. SLOAN: Okay. Thank you.

8 COMMISSIONER BROWN-BLAND: And the objection  
9 will be preserved.

10 (Whereupon, Junis Exhibits 1 through  
11 13 and Junis Redirect Exhibit 1 were  
12 admitted into evidence.)

13 COMMISSIONER BROWN-BLAND: All right. Then Mr.  
14 Junis, you're excused.

15 THE WITNESS: Thank you.

16 (Witness excused.)

17 COMMISSIONER BROWN-BLAND: Can I see counsel up  
18 here?

19 (Off-the-record discussion.)

20 COMMISSIONER BROWN-BLAND: Ladies and  
21 gentlemen. Do you have information?

22 MR. JUNIS: You guys clearly understand we're  
23 going to have lights for hours. The generator will cover  
24 the lights, but the likelihood that we get full power,

1 it's not going to happen, not soon.

2 COMMISSIONER BROWN-BLAND: As you can tell,  
3 we're having difficulties with power, and the whole  
4 building, we're on a -- we're on a generator, and the  
5 generator is not able to carry the whole building,  
6 including the air conditioning. And so we're in a  
7 dilemma because we've traveled here to be sure that we  
8 were near you so that you could participate fully in this  
9 hearing, and we want you to have that opportunity.  
10 You've taken the time to come out. But we're concerned  
11 that it won't be safe because when these lights go, we  
12 will -- it will be complete darkness, as you've witnessed  
13 before. So we're going to continue this hearing to a  
14 date unspecified at this point because we'll have to go  
15 back and coordinate it with our scheduler and get this  
16 same panel of Commissioners back and bring Mr. Hardegree  
17 back. Ma'am, I see your hand up there?

18 MS. CURRY: Can I please testify? I think with  
19 documentation I can speak on behalf of a lot of people  
20 that have the same experiences I do.

21 COMMISSIONER BROWN-BLAND: Mr. Grantmyre -- and  
22 we were discussing that option, and I'm willing. I don't  
23 want anyone to feel like they were denied their  
24 opportunity. We can go. Mr. Sloan has no objections to

1 hearing from the customer?

2 MR. GRANTMYRE: Yeah. It is agreed that this  
3 young lady can speak for the group, and then you all can  
4 just affirm what she said, because she's prepared a lot  
5 and she has the testimony and she's ready to go.

6 UNIDENTIFIED MALE: Well, excuse me. Is there  
7 going to be another meeting? Are we going to come back?

8 MR. GRANTMYRE: There will be another meeting or  
9 -- unless something unless it's resolved.

10 COMMISSIONER BROWN-BLAND: There will be  
11 another meeting unless the matter is resolved.

12 MR. GRANTMYRE: As long as it's resolved. Like  
13 I said, we would like for this young lady -- they're all  
14 here. She's ready to go. And then after that we could  
15 continue it to the next time, whenever that -- whenever  
16 that is.

17 COMMISSIONER BROWN-BLAND: Agreeable to --

18 MR. SLOAN: It is agreeable.

19 COMMISSIONER BROWN-BLAND: All right. One more  
20 -- one more witness.

21 MS. CURRY: Should I stand here?

22 MR. GRANTMYRE: No, no. You need to come up and  
23 be sworn.

24 COMMISSIONER BROWN-BLAND: Come up.

1 BETH CURRY; Being first duly sworn,

2 Testified as follows:

3 DIRECT EXAMINATION BY MR. GRANTMYRE:

4 Q Please state your name.

5 A My name is Beth Curry, and I live at 222  
6 Cszonka Road in Riverbend Estates. I moved to the area  
7 at the end of July 2014. We knew that we were going to  
8 purchase a home and would be closing on August 15th,  
9 2014. August 1st we established service with Riverbend  
10 Estates Water System. I have my first bill dated from  
11 August 2nd, 2014 to September 1st, 2014. I have all the  
12 bills except one that I've received since I've been a  
13 paying customer. So I --

14 COMMISSIONER BROWN-BLAND: Ms. Curry?

15 THE WITNESS: Yes.

16 COMMISSIONER BROWN-BLAND: I know that the  
17 circumstances in this room just aren't normal, but slow  
18 down to be sure the court reporter can catch everything.

19 THE WITNESS: Okay.

20 A I started paying for service in August of 2014,  
21 and we have the bills to establish that. I came home  
22 from school -- I was a teacher at the time, and I have  
23 three sons. We came home from school in October of 2014  
24 and found that our water had been cut off, even though

1 I'd been paying the bills. I called Mr. Hardegree and  
2 asked him why, and he said he had received a call from  
3 the owner in Florida and said that to stop billing them  
4 because they were no longer the owners. I informed Mr.  
5 Hardegree that I had been paying the bill for that  
6 resident since August and we had always paid our bills  
7 and he said, okay, and he told me how to turn the water  
8 back on. So I then went out there and turned the water  
9 back on for myself. So that was -- again, we'd been  
10 there less than two months, and that was the start of  
11 many problems.

12 I contacted Catherine Ferguson, the previous  
13 owner of our house. Again, we closed in August of 2015.  
14 They continued to get billed two months afterwards, even  
15 though I was being billed as well. They were paying Mr.  
16 Hardegree and I was paying Mr. Hardegree for the house at  
17 222 Cszonka Road.

18 Service continued. I do have the bills that we  
19 received. Normally when I receive a bill, say, it was  
20 for \$38.50, I would pay it for \$39. I would round up for  
21 my checkbook keeping purposes to an even dollar amount.  
22 There were many instances where I had paid over and was  
23 not given credit for it. There were times where we would  
24 go two months at a time and not get a bill, and I thought

1 from maybe at work, being busy, my kids coming home from  
2 school, maybe I missed a bill. So even though I hadn't  
3 received a bill, I would go ahead and pay an estimate.  
4 Well, then later on when we would get paid for -- get  
5 billed for two months, it would show that I was billed  
6 for those two months, but even though he had cashed my  
7 check, that amount was not applied to my account. There  
8 were multiple times where that happened.

9           There was a time in -- I'll fast-forward to  
10 July 2015, we did not receive a bill, but we received a  
11 letter basically stating that nobody had read the meters  
12 so we're just going to ask you to volunteer to pay \$53.69  
13 whether or not you used that much.

14           There were other times, like I said, where my  
15 check cleared the bank, but was not applied to my  
16 account. And starting last summer of 2016, July 2016, I  
17 started having a balance forward of \$100 that he never  
18 substantiated. I sent him copies of my previous  
19 statements, my cleared checks from the bank, and said I  
20 have already paid all of my bills, where is this balance  
21 forward coming from? He never substantiated it, still  
22 continued to show it as a past bill that was due, and  
23 threatened to cut off service.

24           I, in December of 2016, made a file with the

1 Better Business Bureau. March 2017, the Better Business  
2 Bureau said Mr. Hardegree never responded to them, was  
3 the case closed, and I told them, I said, "He's never  
4 responded to me, either."

5 He continued to bill me, I continued to pay,  
6 and that's what these will show. The last bill that I  
7 received was for two months, and it came to a total of  
8 \$109.27. I paid it on May 1st, yeah, May 1st of 2017.  
9 It cleared the bank on June 12, 2017. So he had it over  
10 a month. However, when the billing was given to Carolina  
11 Utilities, Inc., they showed that I still owed that  
12 amount, even though I had paid Mr. Hardegree that amount.

13 There have been many times where -- that he's,  
14 just again, demonstrated complete business incompetence  
15 towards me and other customers. The house behind me at  
16 176 Cszonka Road has been lived in since February of this  
17 year. The people living there have never received a  
18 water bill.

19 In October of this year there was a water leak  
20 in the road. It was not billed to me. It was not at my  
21 house. It was in the road. I called Mr. Hardegree and  
22 told him about it. He came and saw it that day and said,  
23 "Well, it wasn't leaking that much water," it was just a  
24 little puddle, he would take care of it later. And so a

1 week later he came and that was repaired. And to me,  
2 that just demonstrates that -- that shows incompetence,  
3 to let even a small leak go continuously for that length  
4 of time.

5 I would say that a lot of us can demonstrate  
6 how we have paid our bills, but the account, it's not  
7 been applied to our account. And now that it's had to go  
8 into an emergency situation, my water bill went from  
9 being in the 50s to now 114.83 a month. As a family of  
10 five that lives on an income of about 41,000 a year,  
11 having to pay \$115 for a water bill is an economic  
12 hardship. And, again, my neighbors have the same  
13 complaints, have been in the same situation that I have  
14 been. I have paid my bills, and now I am being penalized  
15 because he hasn't paid the Town of Franklin, and I'm  
16 paying an excessive burden, you know, financially for now  
17 what has happened to our bills.

18 And I'd say I'd want -- I think all of just  
19 want reliable service at a fair price.

20 Q Yes. Ms. Curry, you were getting bills up  
21 through May from Mr. Hardegree; is that correct?

22 A Yes.

23 Q And your testimony was you paid the bills as  
24 you received them?

1 A Yes.

2 Q Now, with respect to your bills, will you allow  
3 us to --

4 A You can make copies of anything you need to.

5 Q Will you allow us to take those back to Raleigh  
6 and identify those as Curry Exhibit 1 and -- if we  
7 promise to send them all back to you after we make  
8 copies?

9 A Yes.

10 Q Okay. We will redact your --

11 A Right. My bank account numbers and stuff.

12 Q -- your personal information. I didn't see the  
13 checks there, but we will redact all the personal  
14 information. So could we have those, and I'll take them  
15 to Raleigh and then send them to the reporter?

16 A Yes.

17 MR. GRANTMYRE: That's all we have.

18 COMMISSIONER BROWN-BLAND: How many pages?  
19 Describe what it is, Mr. Grantmyre.

20 THE WITNESS: I have -- well, I was going to  
21 say I have the statement that was issued at the summer of  
22 2015 stating that they're just asking -- even though  
23 there was no meter readings, they're asking all the  
24 customers to pay 53.69. I have the evidence of the check

1 for my last bill that I had paid, plus my first bill for  
2 the Utilities, Inc. that shows I have a back balance.

3 COMMISSIONER BROWN-BLAND: All in a single-page  
4 document?

5 THE WITNESS: Yes. Better Business --

6 MR. GRANTMYRE: She has a lot of pages here.

7 THE WITNESS: -- report. And these are all the  
8 bills except one that I have received from Riverbend  
9 Estates Water System since we've moved in August 2014.

10 COMMISSIONER BROWN-BLAND: All right. Do you  
11 know how many that is, how many bills?

12 MR. GRANTMYRE: It's probably 30, 40 total  
13 pages here.

14 COMMISSIONER BROWN-BLAND: Mr. Sloan, do you  
15 want to look over these?

16 MR. SLOAN: If you'll send me a copy of  
17 whatever copies.

18 MR. GRANTMYRE: We'll send you a copy.

19 MR. SLOAN: That's fine.

20 COMMISSIONER BROWN-BLAND: All right. These  
21 collective items that have been described for the record,  
22 Ms. Curry --

23 THE WITNESS: Twenty-eight.

24 COMMISSIONER BROWN-BLAND: Twenty-eight bills?

1 MR. GRANTMYRE: That's the bills, and then she  
2 has these other pages.

3 COMMISSIONER BROWN-BLAND: Right.

4 THE WITNESS: Better Business Bureau and so  
5 forth.

6 COMMISSIONER BROWN-BLAND: She described them,  
7 they're all single pages, and then there's 28 bills?

8 THE WITNESS: There is also this that we  
9 received in the mail. It was stating that the quality  
10 control test on the water had not been performed in  
11 January and February of 2013, and then also the notices  
12 about the utility decrease that they had mentioned  
13 before, and then also some of the quality control reports  
14 as well.

15 COMMISSIONER BROWN-BLAND: All right. All of  
16 that will be received and marked as Public Staff Curry  
17 Exhibit Number 1. The Public Staff will make copies and  
18 get the originals back to you, Ms. Curry.

19 (Whereupon, Public Staff Curry  
20 Exhibit Number 1 was marked for  
21 identification and admitted into  
22 evidence.)

23 MR. GRANTMYRE: And a copy to Mr. Sloan of  
24 everything.

1 COMMISSIONER BROWN-BLAND: And as you make the  
2 copies, you will number the pages?

3 MR. GRANTMYRE: Absolutely.

4 COMMISSIONER BROWN-BLAND: Any questions?

5 MR. SLOAN: No questions.

6 COMMISSION BROWN-BLAND: Any questions from the  
7 Commission? Commissioner Clodfelter.

8 EXAMINATION BY MR. CLODFELTER:

9 Q Ms. Curry, the homeowner behind you --

10 A Yes.

11 Q -- that you say has been there for a while and  
12 wasn't getting billed at all --

13 A It was empty for several months because of a  
14 divorce settlement, but I believe they closed and moved  
15 in the house in February of this year, and they've never  
16 received a bill.

17 Q After they reoccupied the house?

18 A Correct, correct.

19 Q Do you know if that house has a meter at all?

20 A I don't know. I think it does. I think I  
21 remember seeing one as you go down the driveway, but,  
22 again, I've talked to our new neighbors and they've never  
23 received a water bill at all since they've been there.

24 COMMISSIONER BROWN-BLAND: Ms. Curry, do you

1 know the number or address?

2 THE WITNESS: I think it is 176. I know it's  
3 on Cszonka Road. Again, I'm at 222, and there's an empty  
4 parcel next to us, and it's the drive that goes down to  
5 it. I think it is number 176 Cszonka Road.

6 COMMISSIONER BROWN-BLAND: All right. Any  
7 questions on Commission's questions?

8 MR. SLOAN: I have none.

9 MR. GRANTMYRE: And as we said earlier, you  
10 know, we were going to -- in order to limit it to just  
11 one witness, all those that agree that they've had  
12 billing issues in the past of one way or another with  
13 REWS, would you please stand?

14 Okay. For the record, let's -- that's about 40  
15 customers, 35.

16 COMMISSIONER BROWN-BLAND: You count them, Mr.  
17 Grantmyre.

18 MR. GRANTMYRE: It's hot in here. One, two,  
19 three, four, five, six, seven, eight, nine, 10, 11, 12,  
20 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26,  
21 27, 28, 29, 30, 31, 32, 33, 34, 35. Came up short.

22 THE WITNESS: Some left already.

23 MR. GRANTMYRE: She's 36, so we're close.

24 COMMISSIONER BROWN-BLAND: All right. The

1 record will reflect that 35 to 36 customers all  
2 complained that they've had --

3 MR. GRANTMYRE: Oh, he owns two properties, so  
4 we're up to 36.

5 COMMISSIONER BROWN-BLAND: -- all complained  
6 that they have billing issues. Now, we may be back  
7 unless the matter is resolved between these two parties  
8 before that time. And when we come back, nobody is  
9 foreclosed from an opportunity so long as it fits in Mr.  
10 Grantmyre's case-in-chief, and we are still in Mr.  
11 Grantmyre's case-in-chief when we resume. So with that  
12 said, unless counsel has something that I'm overlooking  
13 that needs to be taken care of in this situation -- this  
14 is my first time with a power outage -- then we will  
15 recess to a -- a time uncertain today, but we'll send out  
16 notice to everybody, and hopefully we'll be able to come  
17 back here again. I do know that the Commission has some  
18 more western trips, and that is how I got this one set,  
19 and we'll look to see if we can do that again.

20 All right. I thank you for your patience, and  
21 I'm sorry this happened. We'll be adjourned.

22 (Proceedings adjourned, to be reconvened a later date.)

23

24

STATE OF NORTH CAROLINA

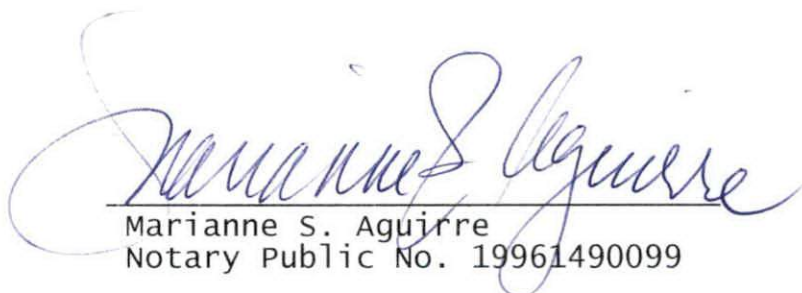
COUNTY OF RUTHERFORD

C E R T I F I C A T E

I, Marianne S. Aguirre, Notary Public/Court Reporter, do hereby certify that the foregoing hearing before the North Carolina Utilities Commission in Docket No. W-390, Sub 13 was taken and transcribed under my supervision; and that the foregoing pages constitute a true and accurate transcript of said Hearing.

I do further certify that I am not of counsel for, or in the employment of either of the parties to this action, nor am I interested in the results of this action.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of August, 2017.



Marianne S. Aguirre  
Notary Public No. 19961490099

**FILED**

**AUG 29 2017**

Clerk's Office  
N.C. Utilities Commission