

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
DOCKET NO: W-1297, Sub 14**

MRT -1, LLC,)	
)	
)	
Complainant,)	
)	
v.)	STATUS REPORT (HISCO)
)	
HARKERS ISLAND SEWER COMPANY,)	
)	
)	
Respondent.)	

STATUS REPORT

COMES NOW Respondent Harkers Island Sewer Company (“HISCO”) and respectfully shows the Commission as follows:

1. As the Commission is aware, at the evidentiary hearing before the Commission on August 17, 2022, the Parties hereto commenced settlement talks, and reached a settlement in principle, which was read into the record.
2. Between themselves and with the input of the Public Staff, the Parties subsequently drafted and submitted to the Commission a proposed Consent Order documenting the terms of the settlement agreement.
3. On October 6th, the Commission instructed the Parties that the appropriate methodology to resolve this case would be a completed settlement agreement between the Parties, with any details and contingencies necessary to effect that settlement delineated therein.
4. As of the date below, the Parties have not achieved a fully executed settlement agreement between them. This status report is filed by Respondent in order to keep the Commission fully apprised of the actions taken and progress remaining to fully resolve this matter.
5. For ease of reference, the terms agreed to by all Parties and submitted to the Commission are:

1) The Parties shall hereby accept the following methodology to apportion costs with regard to addition of capacity for Respondent’s wastewater treatment facilities to meet the Complainant’s request for 28,800 daily gallons of capacity to be reserved for the James Creek Subdivision: Fifty Percent of the costs to expand capacity for Respondent’s wastewater treatment facilities shall be contributed by Complainant; Thirty Percent of the costs to expand capacity for Respondent’s wastewater treatment facilities shall be contributed by Complainant, but shall be recovered by

Complainant through “tap fees” collected by Complainant from purchasers of lots within the James Creek Subdivision; Twenty Percent of the costs to expand capacity for Respondent’s wastewater treatment facilities shall be paid for by Respondent, or Respondent’s successors and assigns;

2) The expansion of Respondent’s wastewater treatment facilities shall not add less than 28,800 gallons per day of treated capacity, such amount providing Complainant with wastewater treatment services. The foregoing calculation is based on the present plans to construct Eighty (80), three-bedroom houses within the James Creek Subdivision. Notwithstanding the foregoing, Complainant shall be authorized to alter its design plans for the James Creek Subdivision, and to make use of its allotted 28,800 gallons per day of treated wastewater capacity, in its sole and absolute discretion;

3) Respondent, or Respondent’s successors and assigns, shall have the option of expanding wastewater treatment capacity beyond 28,800 gallons per day of treated capacity, but any expansion of capacity beyond 28,800 gallons per day of treated capacity shall be funded entirely by Respondent. To the extent Respondent opts to construct a larger wastewater treatment facility, or opts to construct a larger expansion of its existing facilities, the Parties acknowledge such expansion will not only add capacity for the purposes of providing wastewater treatment services to Complainant, but would also serve to replace Respondent’s existing capacity, which serves its existing customer base;

4) Solely by way of example, in the event Respondent opts to construct a wastewater treatment facility designed to treat 100,000 gallons per day of wastewater at a total estimated installation cost of \$2,000,000.00, Complainant shall initially contribute the sum of \$460,800.00, such amount constituting 80% of the 28,800 gallons per day of treated wastewater allotted to Complainant. Thereafter, Complainant shall recover in tap fees the sum of \$172,800.00, such amount constituting 30% of the 28,800 gallons per day of treated wastewater allotted to Complainant. All other sums shall be provided by Respondent;

5) In addition to the foregoing, nothing in this Consent Order shall preclude the Parties from separately agreeing to allow Complainant to provide funds to fund construction of more than the presently anticipated 28,800 gallons per day of treated wastewater capacity;

6) Respondent’s engineer shall work and coordinate with Complainant’s engineer to ensure a wastewater treatment facility or expansion is presented in an appropriate and cost-effective manner. Each party shall pay for its own engineer(s) professional time;

7) Complainant acknowledges that Respondent and its engineer, have an obligation to construct and operate the anticipated additional wastewater treatment facilities in a safe and appropriate manner to serve the needs of all within its service area, and any design and construction methods will be required to meet that standard.

8) Both parties anticipate that their engineers and advisors will work together harmoniously; however, in the unlikely event that the Complainant’s engineer and the Respondent’s engineer cannot agree on correct or appropriate methods to execute the anticipated addition, a duly qualified third engineer, to be paid by the Respondent and unrecoverable in sewer utility rates, will be sought as a “tie breaker.”

9) *On or before October 6, 2022, Respondent shall submit an application to the Commission to approve Respondent's request to assume debt for the purposes of constructing the expansion to its wastewater treatment capacity as contemplated hereinabove.*

ACTIONS TAKEN

Since appearing before the Commission on October 6th, 2022 Responding Utility HISCO has taken the following steps to facilitate this agreement:

6. HISCO has, after consultation with Public Staff, identified the proper method of notifying the Commission of its intent to acquire funding for its share of the capacity expansion through a loan secured by assets held by the Utility. The appropriate notice was duly filed with the Commission and entered in this case on October 6th, 2022.
7. HISCO has in fact obtained the contemplated funding and has, in hand and ready to use, its 20% of the prorated share of the creation and reservation of the 28,800 gal. expansion. The Utility is currently paying interest on that loan amount as it awaits resolution of this case.
8. HISCO has obtained and disclosed to Petitioner a cost estimate quote from a builder of Waste-water Treatment Plants ("WWTP") to build and install an appropriately sized WTPP system that is suitable for the geography and climate of Harker's Island, making use of the land already owned by the Utility. Details of the intended plant are more fully laid out below.
9. HISCO has consulted with the soil scientists whose approval is needed to expand the capacity of the WTPP, and received preliminary assessments that the intended capacity expansion is within all relevant guidelines. HISCO stands ready to officially employ, and obtain the requisite formal approvals from, those soil scientists as soon as this matter is finalized.
10. HISCO has hired an engineer to provide a total cost estimate to bring the new plant into service. That total cost estimate is attached hereto.
11. At this time, HISCO is waiting for Petitioner MRT-1's engineers to review and comment on the intended WWTP. HISCO is not aware of any other barriers to finalizing this agreement other than Petitioner MRT-1 indicating its approval of the agreement and putting up its pro-rata share of the intended expansion.

INTENDED PLANT

12. As discussed with the Commission, expansion of the present WWTP facilities to accommodate the 28,800 gal. requested by Petitioner is not feasible due to the age and condition of those facilities. A new plant, to replace the existing treatment facilities will be required. The intended new WWTP will occupy the same real-estate as the current WTPP.

13. HISCO is informed by appropriate soil scientists, and therefore believes, that the ground or soil in question can support a permitted capacity of at least 120,000 gal. per day. It is currently assessed as suitable for 60,000 gal. per day, because that was the amount requested at the time of the prior evaluation.
14. HISCO is using the Engineered Option Permit (“EOP”) pursuant to G. S. 130A-336.1, so the actual FUNCTIONAL capacity of the new plant will now be aligned with the actual requirements of the public users, including any added by MRT-1 in the James Creek subdivision. The current actual demand is approximately 30,000 gal., and the plant selected to replace the current facility has an operational capacity of 60,000 gal. Pursuant to regulatory guidelines, when *actual* use reaches 80% of functional capacity, the expansion process will trigger and additions to the system will be prepared. Based on historical growth rates, it could be many years before that threshold is reached. The modular concrete system described in the attached proposal is both suitable for the coastal environment and scalable if and when flow rates hit that 80% trigger. James Creek will have “will serve” commitments for any/all of its wastewater treatment requirements up to 28,800 gal. and the functional capacity to deliver that whole amount will be available as soon as the new plant is on line.
15. As shown in the attachments, the total cost of replacing the present system with the 60k/gal. Mack system is estimated at \$1,658,238. Pursuant to the agreed-upon 80/20 cost splitting of the 28,800 gal. dedicated to James Creek, the respective shares of contribution are \$636,763 for MRT-1 and \$159,191 for HISCO. As noted above, HISCO has already obtained and has in hand its share of the funds, and is ready to move forward as soon as MRT-1 deposits its funds into trust to initiate the project.
16. The construction and installation of the plant components is estimated to take 8 to 10 months from the time that funds are received by the plant manufacturer. In this case, HISCO would be amenable to a long (three year) exclusive reservation period starting from after the plant is complete and the capacity allocated to James Creek is actually usable.
17. As of the time of filing this report, HISCO believes that the information necessary and appropriate to conclude this matter has been obtained and circulated amongst the relevant parties. HISCO is ready to execute the contemplated agreement and move forward with the intended plant replacement and capacity. HISCO understands that Complainant believes that more time is needed for their review of the plans and possibly to propose additional negotiation terms.

Respectfully submitted this, the 4th day of November, 2022.

[RESUBMITTED 11/7/2022 IN OCR SEARCHABLE FORMAT]

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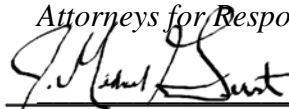
CERTIFICATE OF SERVICE

This is to certify that on November 7, 2022, the foregoing **Status Report**
[RESUBMITTED] was served by electronic mail to the following counsel of record:

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