

State of North Carolina

North Carolina Utilities Commission
Raleigh

Docket No. W-1333, Sub 0
Docket No. W-1130, Sub 11

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1333, SUB 0
DOCKET NO. W-1130, SUB 11

In the Matter of)
Application by Currituck Water & Sewer, LLC,)
4700 Homewood Court, Suite 108, Raleigh, North)
Carolina 27609, and Sandler Utility, LLC ,)
Virginia Beach, Virginia, for Authority)
To Transfer the Eagle Creek Wastewater System)
And Franchise in Currituck County, North)
Carolina, and Approval of Rates)

DIRECT TESTIMONY
OF
MICHAEL J. MYERS
CURRITUCK WATER & SEWER, LLC
February 4, 2022

1 Q. PLEASE STATE YOUR NAME, POSITION WITH CURRITUCK WATER & SEWER, LLC, AND
2 BUSINESS ADDRESS.

3 A. My name is Michael J. Myers, and I am the Vice-President, Secretary and Treasurer of
4 Currituck Water & Sewer, LLC ("CWS"). My business address is 4700 Homewood Court,
5 Suite 108, Raleigh, North Carolina 27609.

6 Q. IN ADDITION TO BEING THE VICE-PRESIDENT, SECRETARY AND TREASURER OF CURRITUCK
7 WATER & SEWER, ARE YOU ALSO AN OFFICER WITH ENVIROLINK, INC.?

8 A. Yes. I am also the President of Envirolink.

9 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES WITH CURRITUCK WATER &
10 SEWER.

11 A. As mentioned above, I am the Vice-President, Secretary and Treasurer of CWS. Ken Raber
12 is the President of CWS but is not available to provide testimony because of health-related
13 restrictions. My responsibilities are to provide local support of CWS's operation. Mr.
14 Raber is located in Tennessee, so I provide local assistance under Mr. Raber's direction.

15 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

16 A. Yes. I provided testimony in the transfer application of Horse Creek Farms to ONSWC in
17 Docket No. W-1300, Sub 19 and Docket No. W-888, Sub 6 and other ONSWC and AQUA
18 NORTH CAROLINA dockets.

19 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

20 A. I have a Bachelor's Degree and a Master's Degree in Biological Engineering from Ohio
21 State University. I am active in numerous professional and technical societies, and I have

1 over twenty-five years of experience in the design, construction, management and
2 operation of water and wastewater utilities from both the owner and regulatory
3 perspective.

4 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

5 A. The purpose of my testimony is to support the application filed by CWS for the transfer
6 of the Eagle Creek wastewater system in Currituck County, North Carolina from Sandler
7 Utility (“Sandler”) to CWS, and for approval of rates.

8 Q. PLEASE DESCRIBE CURRITUCK WATER & SEWER.

9 A. Currituck Water & Sewer is a North Carolina limited liability company with its Articles of
10 Incorporation filed with the North Carolina Secretary of State.

11 Q. DOES CURRITUCK WATER & SEWER CURRENTLY OWN ANY WATER OR WASTEWATER
12 SYSTEMS?

13 A. No. CWS does not currently own any water or wastewater systems. However, should the
14 application in this docket be granted, CWS will own the Eagle Creek wastewater system
15 and anticipates owning the Fost wastewater collection system, Flora wastewater
16 collection system, and the Carolina Village water and wastewater system once the new
17 franchise applications are approved, as well as ETNC – Ocean Hills wastewater system
18 once the transfer applications is filed and approved by the Commission.

19 Q. SINCE CURRITUCK WATER & SEWER DOES NOT YET OWN ANY WASTEWATER SYSTEMS,
20 DOES CURRITUCK WATER & SEWER HAVE ANY EXPERIENCE OR EXPERTISE IN OWNING
21 AND OPERATING WASTEWATER SYSTEMS?

1 A. Even though CWS does not yet own any wastewater systems, CWS will be able to rely
2 upon substantial experience of the Company's officers. In addition to being the Vice-
3 President of Currituck Water & Sewer, I am the President of Envirolink. Also, Ken Raber,
4 the President of CWS, has extensive experience in water, wastewater and electric utilities
5 in North Carolina as a Director with Electri-Cities and as providing support to Longleaf and
6 Envirolink's efforts to acquire and upgrade non-viable utilities.

7 CWS's other officers, Jeff Yuknis, and Julius Bedford, have extensive experience in
8 electrical utilities and capital markets. As officers, we bring a wealth of experience and
9 expertise to CWS in the ownership and operation of the Eagle Creek wastewater system.

10 Q. WILL CWS HAVE THE TECHNICAL, MANAGERIAL, AND FINANCIAL CAPACITY TO PROVIDE
11 ADEQUATE WASTEWATER SERVICE IN THE EAGEL CREEK SERVICE AREAS?

12 A. Yes. In addition to bringing experience and expertise to CWS in the ownership and
13 operation of the Eagle Creek systems, CWS will have the necessary financing to provide
14 capital improvements and upgrade and replace to the Eagle Creek wastewater system.

15 Q. PLEASE FURTHER DESCRIBE CURRITUCK WATER & SEWER, LLC.

16 A. CWS was created to acquire and operate public utility water and wastewater facilities in
17 Currituck County. The stockholders include Longleaf Utility LLC, which holds 100% of the
18 voting shares and Clear Current, LLC. CWS's sole function will be to own and operate
19 public utility systems. CWS will not be a developer of subdivisions.

20 CWS intends to contract services with Tracy Miller, Operations Manager; Deborah
21 Massey, Complaints or Billings; Chuck Donnell, Engineering Operations; Tracy Miller,

1 Emergency Services; Aron Gold, Accounting.

2 Q. PLEASE DESCRIBE CURRITUCK WATER & WASTEWATER'S FINANCIAL CAPABILITY TO OWN
3 AND OPERATE THE EAGLE CREEK WASTEWATER SYSTEMS.

4 A. CWS has secured proposed financing in an aggregate amount not to exceed \$6,440,000
5 from Stone Bank and equity of \$3,500,000. The financing will enable CWS to fund
6 necessary capital improvements to the Eagle Creek wastewater system and to operate
7 the system. Once the Commission has approved the transfer of the Eagle Creek
8 wastewater system to CWS, CWS will file an application for approval of the debt financing
9 with the Commission.

10 CWS has capital commitments from Clear Current, LLC (Equity), Longleaf Utility,
11 LLC (Equity) and Stone Bank (Debt). These financial commitments are sufficient to finance
12 the needed capital requirements to upgrade and maintain the Company's wastewater
13 operations. Bernard Capital is a 100% unit holder of Clear Current. The Public Staff has
14 undertaken a thorough investigation through discovery into CWS's finances and
15 commitments of capital.

16 Q. WHAT RELATIONSHIP EXISTS BETWEEN CWS AND ENVIROLINK, THE CURRENT CONTRACT
17 OPERATOR OF THE EAGLE CREEK WASTEWATER SYSTEM?

18 A. As addressed above, I am President of Envirolink and an officer of CWS.

19 Q. WHO PRESENTLY OWNS THE EAGLE CREEK WASTEWATER SYSTEM?

20 A. Sandler is a limited liability corporation formed in North Carolina with its principal office
21 in Virginia and doing business in North Carolina. Sandler is the owner and operator of the

1 wastewater collection and treatment system serving the Eagle Creek Subdivision, Eagle
2 Creek Golf Club, and Moyock Middle School in Moyock, Currituck County, North Carolina.

3 Q. PLEASE DESCRIBE THE EAGLE CREEK SERVICE AREA.

4 A. The Eagle Creek Subdivision includes approximately 420 single-family homes and is
5 generally situated between Roland Creek Canal to the north and Guinea Mill Run Canal to
6 the south. Stormwater swales run beside the roadways in the development and between
7 homes. Those swales drain to the Roland Creek Canal to the north and Guinea Mill Run
8 Canal to the south of the development.

9 Q. WHAT CPCN AND PERMITS DOES SANDLER HOLD?

10 A. On September 14, 1999 the Commission granted Sandler a CPCN to serve Eagle Creek.
11 On May 2, 2013, DWR issued non-discharge permit (WQCS00290) to Sandler for operation
12 of the collection system. An application has been filed by Sandler for renewal of the
13 collection system permit, but a new permit has not been issued. Sandler is currently
14 operating under the expired permit until a new permit is issued. On Oct 8, 2015, DWR
15 issued a non-discharge permit (WQ0014306) to Sandler for the operation of the
16 wastewater treatment and disposal system. This permit was subsequently renewed on
17 August 4, 2021. The following summarizes applicable permits and status:

State ID	Agency	Type	Status	Date
W-1130 Sub 0	NCUC	CPCN	Closed	9/14/1999
W-1130 Sub 6	NCUC	Rate Increase	Closed	5/10/2010

W-1130 Sub 7	NCUC	Rate Increase	Closed	4/2/2013
W-1130 Sub 9	NCUC	Rate Decrease	Closed	12/9/2016
WQ0014309	NC DWR	WWTP	Current	8/4/2021
WQCS00290	NC DWR	Vacuum System	Expired- Application pending	TBD

1

2 Q. PLEASE DESCRIBE THE EAGLE CREEK WASTEWATER SYSTEM THAT IS PROPOSED TO BE
3 TRANSFERRED TO CWS.

4 A. Sandler is the current owner of the Eagle Creek wastewater system, and has owned the
5 system since 1997. There are currently 421 residential customers and two commercial
6 customers, equal to 444.7 residential equivalent units in the Eagle Creek Subdivision
7 wastewater system service area. The Eagle Creek wastewater treatment system consists
8 of a 175,000 gallon per day (“gpd”) wastewater treatment plant, a five day upset and
9 infiltration pond and an irrigation storage pond. Reuse spray irrigation is utilized for
10 disposal of the treated effluent onto the Eagle Creek Golf Course.

11 The Eagle Creek wastewater collection system utilizes vacuum sewer collection
12 technology to transport water from the home to the wastewater treatment plant. The
13 North Carolina Department of Environmental Quality, Division of Water Resources
14 (“DWR”), has approved the wastewater collection and treatment systems and reuse spray
15 irrigation systems under permit numbers WQ0014306, and WQCS00290.

1 Q. PLEASE DESCRIBE IN GREATER DETAIL THE EAGLE CREEK SEWER COLLECTION SYSTEM.

2 A. The collection system consists of 4.8 miles of vacuum sewer and utilizes vacuum pumps
3 to maintain a constant negative pressure within the sewer pipes. Domestic waste from
4 individual homes connected to the system collects in containment vessels, commonly
5 referred to as "pits," with each pit generally serving two homes. When the level of waste
6 within the pit rises, pneumatic pressure triggers a valve to the piping connected to the
7 sewer line. The vacuum withdraws wastewater from the pit into the sewer line and then
8 remains open to draw air into the line. Typically, the volume of air equals the volume of
9 air. When the wastewater within the pit is evacuated and air is introduced, the interface
10 valve connecting the pit to the sewer line is closed, allowing waste to again collect within
11 the pit and maintaining the vacuum on the sewer line.

12 Wastewater from the collection system is conveyed to the Sandler Utilities'
13 wastewater treatment plant for treatment and disposal as authorized by a separate
14 permit.

15 Q. DOES SANDLER CURRENTLY PROVIDE WATER SERVICE TO THE EAGLE CREEK
16 SUBDIVISION?

17 A. No. Sandler provides only wastewater service to Eagle Creek. Currituck County provides
18 water service to the subdivision.

19 Q. PLEASE DESCRIBE THE FOST SYSTEM THAT IS PROPOSED TO PROVIDE WASTEWATER
20 SERVICE TO FOST COMMUNITY.

1 A Fost will have a separate wastewater collection system utilizing gravity sewer with a
2 separate pump station and force main to convey wastewater directly to the Eagle Creek
3 wastewater treatment plant. There are 479 residential customers planned for the Fost
4 wastewater system service area. CWS has a separate agreement with Sandler to provide
5 treatment to the Fost community, and CWS has filed application under Docket W-1133
6 Sub 1, requesting authority to serve the Fost Community. The pump station and force
7 main to serve the Fost community have been constructed and permitted by NC DWR
8 (Permit No. WQ0042746).

9 Q. PLEASE DESCRIBE THE STATUS OF CONSTRUCTION FOR THE FOST FORCE MAIN.

10 A. The pump station and force main are substantially complete. There are two outstanding
11 items that the contractor is finalizing. One remaining item is the seeding and strawing or
12 sodding required on the golf course. The other item is installation of the permanent by-
13 pass pump at the lift station. CWS's engineer and contractor are working with the golf
14 course owner to ensure that restoration of the grass on the golf course is consistent with
15 the course requirements.

16 There were three disruptions during construction. CWS's contractor hit the power
17 line twice and the irrigation system once during construction. Prior to construction,
18 CWS's engineer requested underground locating from all utility providers and had a
19 meeting with the golf course owner to discuss irrigation system location, force main
20 routing and construction schedules. During this meeting CWS presented a map showing

1 the location of irrigation lines and requested that the owner verify the accuracy of the
2 drawings.

3 CWS conducted an investigation into each disruption. Dominion Power's locator
4 took responsibility for inaccurately marking the underground power lines, and CWS's
5 engineer concluded that the irrigation map was 65 feet off from the actual location of the
6 irrigation lines. In each case, it was determined that the cause of the disruption was
7 inaccurate locating of the underground utilities and not the fault of CWS's contractor or
8 CWS.

9 Additionally, regarding the irrigation line hit, CWS's contractor had repair parts
10 available and immediately requested that the irrigation pumps be shut down and locked
11 out. During the repair, the golf course removed the lockout on the irrigation pumps and
12 energized the pumps while CWS's contractor was repairing the line. CWS's construction
13 coordinator notified the golf course and requested shut down of the irrigation pumps.
14 This request was refused, leading to flooding in the area of the repair. CWS's contractor
15 estimates that the repair would have taken about 30 minutes. Instead, CWS's contractor
16 had to mobilize the next day while irrigation pumps were shut down and then completed
17 the repair.

18 Q. DOES THE EAGLE CREEK WASTEWATER TREATMENT PLANT NEED UPGRADES?

19 A. Yes. The Eagle Creek wastewater treatment plant first 175,000 gpd phases were
20 constructed in 1997. The wastewater treatment plant requires significant upgrades,
21 including material treatment upgrades, to meet NC DWR permit requirements.

1 Q. WHAT ARE THE TERMS OF THE SALE OF THE EAGLE CREEK TO CURRITUCK WATER &
2 SEWER?

3 A. CWS and Sandler have entered into an Asset Purchase Agreement dated January 3, 2019,
4 under which CWS is purchasing the wastewater system for \$250,000, plus an additional
5 \$88,900 for each new customer added from the Fost and future Flora communities. There
6 are provisions in the agreement to increase the purchase price for Commission approved
7 capital upgrades and improvements made to the Eagle Creek Wastewater system.

8 Q. IS CURRITUCK WATER & SEWER REQUESTING A RATE INCREASE AS PART OF THE
9 TRANSFER APPLICATIONS?

10 A. No. CWS is not requesting that the rates for Eagle Creek be increased as part of this
11 proceeding.

12 Q. IS CURRITUCK WATER & SEWER PLANNING TO CONSTRUCT IMPROVEMENTS TO THE
13 EAGLE CREEK WASTEWATER SYSTEM?

14 A. Yes. CWS plans to replace the Eagle Creek vacuum sewer collection system, upgrade the
15 Eagle Creek wastewater treatment facility and upgrade the golf course spray irrigation
16 facilities in an attempt to repair the aged vacuum sewer collection system. CWS also plans
17 to expand the existing 175,000 gpd extended aeration wastewater treatment plant into a
18 350,000 MGD extended aeration wastewater system with tertiary treatment to serve the
19 additional Fost and Flora customers and other nearby developments.

20 Q. ONCE THE PLANT HAS BEEN UPGRADED AND EXPANDED, WHAT WILL BE THE DISPOSAL
21 METHOD FOR THE HIGH-QUALITY TREATED EFFLUENT?

1 A. Portions of the high-quality-treated effluent will continue to be sprayed at the DWR-
2 approved spray irrigation and reuse sites on the Eagle Creek golf course, and infiltration
3 pond, and portions of the treated effluent will be returned and discharged into a future
4 infiltration pond or EOP site within the Fost Community development.

5 Q. PLEASE DESCRIBE THE BENEFITS TO THE EAGLE CREEK RESIDENTS FROM THE TRANSFER
6 OF THE SYSTEMS TO CURRITUCK WATER & SEWER.

7 A. Current and future customers will benefit from the transfer of the wastewater systems to
8 CWS in a number of significant ways. These benefits include the following:

9 1. The current wastewater treatment plant will be upgraded, and the high-
10 quality treated effluent (a reclaimed water standard) will meet NC DWR requirements.
11 The upgraded plant will benefit the environment and supply irrigation water to the golf
12 course.

13 2. The highly unreliable wastewater collection system will be replaced. CWS
14 has been evaluating numerous options and is working closely with the residents of Eagle
15 Creek on the replacement of the Eagle Creek sewer collection system. CWS has or is
16 currently in the process of evaluating low pressure, STEP, vacuum and gravity as potential
17 options for replacement of the existing non-functioning vacuum sewer system. These
18 options are addressed in greater detail below.

19 3. The addition of Fost & Flora customers, along with potential customers in
20 the area, to the Eagle Creek wastewater treatment plant will result in a larger customer
21 base and thus a greater economy of scale. This larger customer base will help to defer

1 both initial capital upgrade costs and future cost of service expenditures, and will help to
2 minimize increased rates in the future.

3 4. The addition to the effluent disposal area provides a more robust and
4 reliable disposal system that will benefit the Eagle Creek customers. In the event that the
5 infiltration pond requires maintenance, the additional disposal area will allow CWS to
6 utilize the disposal area during maintenance of the existing disposal areas. This results in
7 a more sustainable wastewater system for all customers, including current and future
8 customers.

9 Q. PLEASE PROVIDE A BRIEF HISTORY HAVE THEY EAGLE CREEK WASTEWATER TREATMENT
10 SYSTEM.

11 A. The wastewater system was installed when the community was built in 1997. As
12 mentioned above, the wastewater system includes a vacuum sewer collection system, a
13 wastewater treatment plant, infiltration pond, irrigation water storage pond and spray
14 irrigation on the golf course. The treatment plant includes equalization, aeration,
15 clarification, sludge holding, filtration and disinfection via ultraviolet light.

16 Problems started with the collection system from the outset and have continued.
17 A rate increase was granted in 2016 to address increased maintenance requirements, but
18 while it appears some efforts have been completed, there are no maintenance records to
19 demonstrate what work has been completed. Envirolink took over operations as contract
20 operator for Sandler in late summer 2020. Envirolink evaluated the condition of the assets
21 and is researching maintenance records. No records currently exist of system

1 maintenance from 1997 until 2020. Envirolink discovered that the collection system
2 suffered from significant service issues, as well as issues with the WWTP, including
3 evidence that the filters had been by-passed for several years, the ultraviolet system had
4 not been cleaned and numerous bulbs were not functioning. Other issues included an
5 infiltration pond that had been neglected and mismanaged, the spray irrigation system
6 had operated without oversight from the utility, headworks had deteriorated and
7 ammonia concerns were identified in groundwater wells. Envirolink immediately
8 undertook steps to implement better maintenance records and gather information to
9 implement a preventive maintenance program; nevertheless, significant problems have
10 continued.

11 Q. PLEASE PROVIDE A BRIEF HISTORY OF CUSTOMER SERVICE EFFORTS FOR THE EAGLE
12 CREEK COMMUNITY?

13 A. Prior to Envirolink's involvement, Customer Service was provided by Envirotech.
14 Envirotech did not have customer service representatives, so all calls during business
15 hours were answered by the office manager. After hours calls would be routed directly
16 to the on-call operator. During partial shutdown, shut downs, or leaks, Envirotech did not
17 have the ability to push notifications to the community, thus, unless a customer was
18 directly impacted, the customer would not be aware of issues on the collection system.
19 When Envirolink assumed operations, Envirolink requested customers voluntarily provide
20 an email address, so that we could send alerts and notices. Additionally, Envirolink met
21 with the HOA board to discuss operation of the Eagle Creek wastewater system. During

1 the meeting, it was discovered that the community was active on multiple social media
2 platforms and that no one platform would reach all customers. Additionally, it was
3 recognized that Envirolink could not require a customer to provide an email address and
4 that the email distribution list would not reach all customers. The outcome of the
5 meeting was that the HOA wanted the opportunity to review and comment on messages
6 prior to distribution. After finalizing the message, the HOA would then post the message,
7 and Envirolink would distribute the message via email.

8 After several weeks of distributing messages using this methodology, Envirolink
9 met with the HOA Board to review communications. At this meeting, it was discussed
10 that Envirolink would simplify the message and funnel communication through a HOA
11 board representative. This would eliminate the need for review and comment by the HOA
12 board.

13 As Mr. Sheppard indicated at the customer hearing, this practice continued for
14 several weeks until the HOA Board decided that it could no longer support posting
15 messages to Facebook. After that time, Envirolink continued to push notifications based
16 on the directive of its field manager until December. In December, Envirolink worked with
17 Currituck County staff to issue daily messages with Currituck County posting messages to
18 the County website. Currently, this is the practice that Envirolink is following.

19 Q. HAS THE SYSTEM EXPERIENCED RECENT OPERATIONAL DIFFICULTIES?

20 A. Yes. The collection system in particular has experience significant service related issues,
21 and these issues continue and have escalated in frequency.

1 Q. WHAT REQUIREMENTS ARE SET FORTH IN THE ENVIRONMENTAL PERMITS ADDRESSING
2 VIOLATIONS?

3 A. Condition I.2 of the collection system permit requires that the collection system “shall be
4 effectively managed, maintained and operated at all times so that there is no sanitary
5 system overflow (“SSO”) to land or surface waters, nor any contamination of
6 groundwater.” In the event of a system failure, the permittee is required to “take
7 immediate corrective actions, including actions that may be required by [DWR] such as
8 the construction of additional or replacement sewer lines and/or equipment.” Condition
9 II.5 of the Permit provides that “for each pump station without pump reliability . . . at
10 least one fully operational spare pump capable of pumping peak flow shall be maintained
11 on hand.” Condition II.11 of the permit provides that, if an SSO occurs, Sandler “shall
12 restore the system operation, remove visible solids and paper, sanitize any ground area
13 and restore the surroundings.”

14 Condition IV.2 of the permit provides that SSOs of over 1,000 gallons and any SSO
15 that reaches surface waters, must be verbally reported to DWR as soon as possible, but
16 no later than “24 hours following the occurrence or first knowledge of the occurrence.”

17 Q. PLEASE DESCRIBE THE HISTORY OF THE SYSTEM FOR COMPLIANCE WITH THE DWR
18 COLLECTION SYSTEM PERMIT.

19 A. As a result of problems with the vacuum station, on September 29, 2020, DWR began
20 receiving complaints from Eagle Creek residents indicating that the collection system was
21 not operating properly at homes throughout Eagle Creek. On September 30, 2020, DWR

1 investigated the complaints. DWR’s investigation confirmed that the system had not
2 been operating properly since September 27, 2020 due to failure of one of the two
3 vacuum pumps. The vacuum pump failure caused SSOs that drained into stormwater
4 swales in front of and between homes.

5 Due to unavailable replacement pumps on site or from suppliers, Sandler’s
6 purchase of replacement vacuum pumps extended the restoration of service.

7 Sandler provided cleanup and lime application at any location showing evidence
8 of overflow and in all roadside ditches around October 9, 2021. Performance issues in the
9 collection system were resolved by October 11, 2020.

10 As a result of a “high level” lockout caused by sewage pump failures at the central
11 vacuum station, on October 26, 2020, DWR again began receiving complaints indicating
12 that the collection system was experiencing further performance issues resulting in SSOs.
13 On October 27, 2020, DWR conducted a site inspection to investigate the complaints and
14 learned that a high water alarm within the collection system had failed, causing the water
15 to overflow and to flood both of the system’s vacuum pumps, taking them offline. The
16 failure of the vacuum pump resulted in SSOs. In response to this incident, Sandler
17 requested assistance from technicians from Airvac and another vacuum system supplier,
18 Flovac, and the vacuum pumps were restored and fully operational by October 29, 2020.
19 Among other equipment and parts, Sandler ordered new parts for the malfunctioning
20 high water alarm, which were installed on November 5, 2020.

21 On November 13, 2020, DWR began receiving new complaints stating that,

1 beginning on or around November 11, 2020, the collection system was not operating
2 properly causing SSOs. On November 14, 2020, DWR investigated the complaints. DWR's
3 investigation confirmed the collection system was experiencing performance issues
4 resulting in SSOs. A substantial number of houses and customers remained without
5 functional sewer service through at least November 16, 2020.

6 Complaints recommenced on November 20, 2020. Residents indicated that the
7 collection system was not functioning properly, that residents were again without sewer
8 service due to vacuum leaks disrupting operation of the collection system, and that some
9 pits were overflowing. A number of houses remained without functional sewer service or
10 sporadic sewer service through about November 25, 2020 due to a lack of replacement
11 parts.

12 On December 16, 2020 DWR again received complaints from Eagle Creek
13 residents regarding disruption of sewer service and SSOs. DWR's investigation suggested
14 that the problem was limited to one section of the Eagle Creek development and caused
15 by significant rainfall resulting in multiple controller failures. Residences affected by the
16 service disruption remained without functional sewer service or sporadic sewer service
17 through approximately December 18, 2020. Additional complaints were received on
18 January 26, 2021, with residents complaining that they lacked sewer service and
19 describing other performance issues including SSOs.

20 Q. PLEASE DESCRIBE ENFORCEMENT ACTIONS TAKEN BY DWR IN REACTION TO THESE
21 EVENTS.

1 A. Sandler has been subject to various enforcement actions by the DWR, including several
2 enforcement actions related to the permit as a result of the incidents described above.
3 On October 7, 2020 DWR issued a Notice of Violation and Notice of Intent to Enforce to
4 Sandler pertaining to SSOs and system failures occurring from September 27, 2020 and
5 ongoing as of the date the NOV was issued. The First NOV alleged the following violations:
6 Violation of Permit Condition I.2 for failure to effectively manage, maintain and operate
7 the collection system at all times so there are no SSOs to land or surface waters;
8 Violation of Permit Condition II.11 for failure to restore the system operation, remove
9 visible solids and paper, sanitize any ground area and restore surroundings after an SSO;
10 Violation of Permit Condition IV.2 for failure to properly report SSOs.

11 Q. HOW DID SANDLER RESPOND?

12 A. In a letter dated October 27, 2020, Sandler responded to the First NOV. Sandler stated
13 that replacement parts for the failed vacuum pumps were not readily available, causing a
14 delay in repairing the collection system. Once the vacuum pump was replaced, Sandler
15 noted that two sewage pumps malfunctioned, forcing the entire system offline again for
16 cleaning. Sandler acknowledged that its operator's personnel resources were stretched
17 and that additional support from a vacuum sewer specialist was called in. Sandler stated
18 that cleanup of any discharges was performed and the system was ultimately repaired.
19 DWR assessed a civil penalty of \$62,517.96 against Sandler arising out of the allegations
20 in the First NOV on December 10, 2020 for fifteen violations of Permit Condition I.2
21 between September 27, 2020 and October 11, 2020.

1 On November 23, 2020, DWR issued a Second Notice of Violation and Notice of
2 Intent to Enforce to Sandler pertaining to SSOs and system failures occurring during the
3 period from October 26, 2020 through November 5, 2020. In addition to alleging
4 violations of Permit Conditions I.2, II.11 and IV.2, the Second NOV alleged violations of
5 Permit Condition II.5 for failure to maintain operational replacement pumps for stations
6 without pump reliability and violations of N.C. Gen. Stat. § 143-215.1(a)(1) for making an
7 outlet into waters of the State without a permit.

8 In a letter dated December 15, 2020, Sandler responded to the Second NOV.
9 Sandler stated that a “very large investment has been made into new equipment and
10 parts” and that new equipment and parts were ordered. Sandler also stated that spills
11 were addressed with lime application and solid waste overflow was physically removed.
12 In response to the incident, Sandler installed a new vacuum pump and motor, acquired a
13 spare vacuum pump and motor, purchased a new sewer pump, and replaced multiple
14 controllers and valves within individual pits. Sandler further replaced parts needed to
15 ensure functionality of the high-level alarm, which was the precipitating cause of this
16 incident, to alleviate water intake into the vacuum sewer pumps causing failure.

17 On December 16, 2020, DWR issued a Third Notice of Violation and Notice of
18 Intent to Enforce to Sandler pertaining to SSOs and system failures occurring during the
19 period from November 11, 2020 through November 16, 2020. The Third NOV alleged
20 violations of Conditions I.2, II.11, and IV.2 as well as N.C. Gen. Stat. § 143-215.1(a)(1).

21 On January 14, 2021, DWR issued a Fourth Notice of Violation and Notice of Intent

1 to Enforce to Sandler pertaining to SSOs and system failures occurring during the period
2 from November 20 through November 25, 2020. The Fourth NOV alleged violations of
3 Conditions I.2, II.11, and IV.2 as well as N.C. Gen. Stat. § 143-215.1(a)(1).

4 DEQ filed a court action on March 4, 2021, seeking injunctive relief for existing or
5 threatened violations of various laws and rules governing the protection of water quality.
6 The parties initially reached a resolution of the injunctive relief sought by DEQ through
7 the suit and memorialized that agreement in a Consent Judgment, which was entered by
8 the court on July 1, 2021.

9 Subsequent to entry of the Consent Judgment, the Collection System experienced
10 three instances of performance issues resulting in SSOs in the months of October and
11 November 2021. On November 16, 2021, DEQ filed a Motion to Show Cause Why
12 Defendant Should Not Be Held in criminal and/or civil contempt based on the system
13 performance issues, as well as alleged violations of approved plans under the original
14 Consent Judgment.

15 A Show Cause Hearing was held on December 6, 2021. The Court heard testimony
16 from an Eagle Creek resident and from Sandler's representative. An Eagle Creek resident
17 testified that Sandler has not been responsive to calls for service when there are system
18 performance issues or calls to clean up waste spilled onto his property. Sandler's
19 representative testified that Sandler had complied in all respects with the Consent
20 Judgment, had recently taken action to install an electronic monitoring system, had taken
21 certain actions concerning the operation and maintenance of the system beyond what

1 DEQ required in the Consent Judgment and had been responsive to DEQ's requests
2 concerning operation of the system. The Court reserved ruling on contempt.

3 After testimony at the hearing, the court directed the parties to submit a
4 modification to the Consent Judgment to provide for changes necessary to bring the
5 collection system into compliance with the permit and state water quality laws and
6 regulations.

7 The parties reached a mutually agreeable resolution intended to bring the
8 collection system into compliance with the permit and state water quality laws and
9 regulations. They memorialized that agreement in the Amended Consent Judgement.

10 Q. WHAT ACTION DID THE COURT TAKE IN THE ACTION AGAINST SANDER?

11 A. As of the date of entry of the Consent Judgment, the court found that Sandler had
12 repeatedly violated the conditions of its permit and North Carolina's water quality laws,
13 including, but not limited to, failing to properly manage, maintain and operate the
14 collection system to prevent SSOs, failing to maintain replacement equipment to prevent
15 SSOs, and failure to restore consistent service to Eagle Creek residents. The court found
16 that the current state of the collection system presents an ongoing threat and that the
17 Eagle Creek Development will continue to experience performance issues and SSOs into
18 nearby surface water in violation of the collection system permit, and in violation of N.C.
19 Gen. Stat. § 143-215.1(a)(1). The court found that the State is entitled to permanent
20 injunctive relief against Sandler to abate the repeated previous violations and prevent the
21 threatened violations set forth in the Complaint pursuant to N.C. Gen. Stat. § 143-215.6C.

1 Q. WHAT REQUIREMENTS DID THE COURT IMPOSE?

2 A. The court ordered Sandler to do the following:

3 Prevention of SSOs. Sandler shall fully comply with all terms and conditions of the permit
4 and State water quality laws to the extent possible under the current system, including
5 devoting its best efforts to maintain the collection system in a manner that prevents the
6 discharge of waste onto to land or into surface waters.

7 Reporting to DWR. Sandler shall report to a DWR staff member as soon as possible
8 but in no case more than 24 hours following knowledge of the occurrence of any material
9 equipment failure, any material system failure, or any SSO regardless of volume and file
10 a written report within five days following Sandler's first knowledge of the occurrence.
11 The report shall outline actions taken or proposed to address the equipment failure,
12 system failure, and/or SSO and prevent recurrence to the extent possible under the
13 current system. Sandler shall provide additional information as may be reasonably
14 requested by DWR to evaluate the equipment failure, system failure, or SSO. A "material"
15 equipment or system failure shall be defined to be a failure affecting eight or more
16 residences in the Eagle Creek Development for more than 24 hours.

17 Responding to Resident Complaints. Sandler shall respond to all resident
18 complaints of material equipment failures, material system failures, or SSOs regardless of
19 volume, as follows:

20 providing accurate notices to all residents when a material system failure occurs as soon
21 as possible and no later than two hours after receiving notice of the system failure;

1 initiating response to resident complaints of material equipment failures, material system
2 failures, or SSOs within three hours of receiving the complaint; providing sanitation
3 services within twenty-four hours of confirmation of a discharge of waste to land or
4 surface water; and notifying residents within two hours of full system restoration and
5 stating the operational status of individual pits.

6 To demonstrate compliance with this requirement, Sandler shall maintain a log of
7 applicable resident complaints and actions taken in response to those complaints. Such
8 log shall identify: (1) the complainant; (2) a summary of the substance of the complaint;
9 (3) when the complaint was received; (4) a description of actions taken in response to the
10 complaint, including but not limited to corrective action and sanitation services; (5) when
11 response action was initiated; and (6) when the complaint was resolved. Such log shall
12 be made available to DWR upon request.

13 Operator Training Plan. Sandler shall continue to implement and be bound by the
14 requirements of the Operator Training Plan attached to the order, along with any
15 subsequent updates.

16 Independent Engineering Evaluation. Within 30 calendar days of entry of the
17 Amended Consent Judgment, Sandler shall provide to DWR a new engineering evaluation
18 conducted by an independent firm approved by DWR with expertise in the operation of
19 vacuum systems. This deadline may be extended upon approval by DWR if Sandler
20 demonstrates that additional time is necessary to identify or accommodate the
21 scheduling needs of a qualified independent firm. This Independent Engineering

1 Evaluation shall detail near-term and long-term actions necessary to prevent future SSOs
2 and system performance issues, including but not limited to: (1) changes in staffing, (2)
3 operation and maintenance procedures, (3) equipment replacement, (4) acquisition of
4 additional backup equipment, and (5) upgrades to the design and physical infrastructure
5 of the collection system.

6 Interim Service and Restoration Plan. Sandler shall implement the requirements
7 of the Interim Service and Restoration Plan attached to the order, along with any
8 subsequent updates. Within 14 calendar days of submission of the Independent
9 Engineering Evaluation, Sandler shall submit for DWR review and approval (which may
10 include conditions), revisions to the Interim Service and Restoration Plan to address
11 recommendations of the Independent Engineering Evaluation that can be implemented
12 on a short-term basis. Such revisions must include a proposed schedule with dates by
13 which each activity will be completed and, as appropriate, the frequency with which those
14 activities will be repeated.

15 New System Upgrade Plan. Within 30 calendar days of submission of the
16 Independent Engineering Evaluation, Sandler shall submit to DWR for review and
17 approval (which may include conditions) a new plan with actions to be taken to address
18 the long-term recommendations of the Independent Engineering Evaluation. The New
19 System Upgrade Plan must include a proposed schedule with dates by which each activity
20 will be completed and, as appropriate, the frequency with which those activities will be
21 repeated.

1 Appointment of Independent Specialist. Sandler shall appoint a qualified
2 independent specialist in vacuum system operation to provide consulting services
3 addressing operation of the collection system for a minimum of 30 days. The
4 independent specialist shall be approved by DWR, and DWR must approve dismissal of
5 the independent specialist and ending of the consultant period. The independent
6 specialist shall provide a report to DWR within 45 days of commencement of the
7 consultant period identifying (1) any deficiencies in the current operation and
8 maintenance of the collection system; and (2) any additional measures not included in
9 the Independent Engineering Evaluation that are needed to ensure compliance with the
10 permit and state water quality laws. DWR may require that any measures recommended
11 by the independent specialist be incorporated into the Interim Service and Restoration
12 Plan or the New System Upgrade Plan if reasonably necessary to ensure compliance with
13 the permit and State water quality laws. The Consultant Period shall commence as soon
14 as possible and no later than 14 days following entry of the Amended Consent
15 Judgment. This deadline may be extended upon approval by DWR if Sandler
16 demonstrates that additional time is necessary to identify or accommodate the
17 scheduling needs of a qualified independent specialist.

18 Execution of Plans. Once each submission is approved (the Operator Training
19 Plan, the Interim Service and Restoration Plan, and the New System Upgrade Plan)
20 including any conditions added by DWR or updates made after initial approval, Sandler
21 shall execute each plan in accordance with the dates included therein.

1 Plan and Report Revisions. DWR and/or Sandler may seek revisions to Operator
2 Training Plan, Interim Service and Restoration Plan, and/or the System Upgrade Plan
3 referenced in the order as necessary to best serve the ends of effective and efficient
4 compliance with the permit and North Carolina's water quality laws and regulations
5 including provisions applicable to wastewater collection systems. Any disputes as
6 between DWR and Sandler regarding whether or not such updates are reasonably
7 necessary may be brought before the court for resolution. If DWR requires revisions in
8 conjunction with mandatory plan submissions under this Amended Consent Judgment,
9 Sandler shall resubmit the plan incorporating said revisions within 15 days of written
10 notification by DWR that such revisions are required. DWR's discretion to require
11 revisions for mandatory plan submissions shall be limited to revisions necessary to ensure
12 compliance with the permit and North Carolina's water quality laws and regulations
13 including provisions applicable to wastewater collection systems.

14 Final Report. Once the work set forth in the approved New System Upgrade Plan,
15 including any conditions added by DWR, is completed, Sandler shall submit a final report
16 documenting the results of the activities set forth in each respective plan. The final report
17 shall include a certification from a licensed professional engineer.

18 Stipulated Penalties. In the event of a material system failure that results in a
19 discharge of waste to land or surface water and results in an interruption in collection
20 system service to any resident lasting 48 hours or more, Sandler agrees to pay stipulated
21 penalties in the amount of \$2,500.00 per day until all areas affected by discharged waste

1 have been sanitized and service is restored to all residents. This stipulated penalties
2 provision of the Consent Judgment shall not preclude DEQ from pursuing other
3 enforcement actions as deemed necessary to ensure compliance with the permit and
4 North Carolina water quality laws, nor shall it preclude Sandler from challenging those
5 enforcement actions as provided for under North Carolina law; provided, however, that
6 the stipulated penalties are in lieu of any civil assessments that could be levied arising out
7 of the same events. Any disputes as between DWR and Sandler regarding application or
8 duration of the penalties provided in this section may be brought before the court for
9 resolution

10 Force Majeure. The stipulated penalties specified are not due if
11 Sandler demonstrates by a preponderance of the evidence that noncompliance was
12 caused by:

- 13 a. An act of God;
- 14 b. An act of war;
- 15 c. An intentional act or omission of a third party, but this defense shall not be
16 available if the act or omission is that of an employee or agent of Defendant
17 or
18 if the act or omission occurs in connection with a contractual relationship with
19 Sandler;
- 20 d. An extraordinary event beyond Sandler's control. Contractor delays or failure
21 to obtain funding will not be considered as events beyond Sandler's control;

1 or

2 e. Any combination of the above causes.

3 Duration. The court further ordered that the Amended Consent Judgment shall
4 take effect immediately and shall remain in effect until Sandler can adequately
5 demonstrate that the collection system can operate in a reliable manner and maintain
6 compliance with North Carolina water quality laws and regulations on a consistent basis.
7 Sandler may request termination of the Amended Consent Judgment by the court at no
8 time sooner than one year following submittal of the final report and subsequent
9 approval by DWR.

10 Successors, Assigns, and Transferees. This Amended Consent Judgment shall be
11 binding upon Sandler's successors and assigns. Sandler shall not transfer any of the assets
12 that are the subject of the complaint, including the permit or the collection system, unless
13 and until Sandler moves to join the transferee as a defendant in the case such that the
14 Amended Consent Judgment shall be binding upon the transferee and the court issues an
15 order granting such motion. DEQ agrees that it will not oppose dismissal of Sandler in the
16 event the assets that are the subject of the Complaint have been transferred and the
17 transferee has been added as a defendant in this case and is bound by this Consent
18 Judgment. Nothing in the Amended Consent Judgment relieves Sandler of its duty to
19 abide by the terms of the permit and State water quality law. DEQ retains its authority,
20 in accordance with applicable law, to initiate any and all enforcement actions that would
21 otherwise be available to it in the absence of this Amended Consent Judgment except as

1 to the civil assessments.

2 Retention of Jurisdiction. The court shall retain continuing jurisdiction in the case
3 to enforce the terms and conditions of this Amended Consent Judgment, to modify the
4 Amended Consent Judgment, and to resolve disputes arising under this Amended
5 Consent Judgment until all parties have complied with all provisions of this Amended
6 Consent Judgment.

7 Contempt. The contempt provisions of Article 2, Chapter 5A of North Carolina
8 General Statutes shall be available to enforce the Amended Consent Judgment, including
9 any and all provisions of the plans referenced in it, including any revisions to such plans.

10 Q. WHAT ACTIONS HAVE BEEN TAKEN IN RESPONSE TO THE COMPLAINTS AND THE
11 CONSENT JUDGMENT?

12 A. Sandler's operator, Envirolink, at its cost, increased the on-site presence of technicians
13 beginning on March 2021. Technicians were on site 20 hours per day. Then Sandler's
14 operator, at its cost, further increased its on-site presence beginning July 2021 to provide
15 at least one on site technician 24 hours per day, seven days per week. In December 2021
16 Sandler completed significant system upgrades. Envirolink requested and Sandler
17 authorized significant short term fixes for the failing system. These include a new
18 monitoring system, which is fully online and installation of 110 pedestal mounted
19 controllers. Additional upgrades are ongoing, including more pedestal mounted
20 controllers and expansion of the monitoring system capabilities.

21 Q. WHAT VIEWS DOES CWS HAVE WITH RESPECT TO THIS HISTORY AND THE CURRENT STATE

1 OF AFFAIRS WITH RESPECT TO THE EAGLE CREEK SYSTEM AND THE STATE OVERSIGHT
2 THROUGH THE CONSENT JUDGMENT?

3 A. As contract operator of the Eagle Creek system on Sander's behalf beginning in late
4 summer 2020, Envirolink has endeavored to assist in making improvements and repairs
5 and in complying with the state imposed requirements in assistance to Sandler. As
6 described above, CWS has principals in common with Envirolink and in this fashion is
7 familiar with recent developments. CWS has worked hand-in-hand with Envirolink to
8 evaluate the non-compliance and to support on-going operations until CWS can obtain
9 ownership of the collection system and replace the system. Envirolink and CWS have
10 supported the on-going operations by conducting an engineering evaluation in late 2020
11 and in providing these results to Sandler at no charge, employing six to seven fulltime
12 technicians in order to increase Envirolink's on-site presence to 24 hour per day, seven
13 days per week. Envirolink undertook these efforts without increasing its \$23,000 per year
14 service fee. In addition, in September 2020 Envirolink sent three technicians to Indiana
15 for training at Airvac's headquarters.

16 CWS maintains that these requirements in the consent decree are onerous,
17 inordinately expensive, and require constant oversight and impose extensive
18 administrative burdens

19 Although Envirolink observed and on occasion was permitted to comment upon
20 some of the negotiations leading to the consent decree, Envirolink was not a party to the
21 proceeding and did not agree to it or execute it. Although there were discussions of a

1 short term as well as a long term solution, from Envirolink's observation, the State has
2 focused almost entirely on the short term fixes and has ignored a long term sustainable
3 solution.

4 Envirolink maintains that the appropriate long term solution is to replace the
5 vacuum system, ostensibly with a gravity system or other suitably reliable system. The
6 analogy Envirolink used in these discussions was that when one's 20 year old automobile
7 has exceeded its useful life and requires extensive and repeated maintenance; the best
8 solution is to replace it. Envirolink observed and expressed the view that the provisions
9 imposing the sanctions and penalties on any transferee of the Eagle Creek system were
10 counterproductive and would discourage if not prevent transfer of the system to a non-
11 developer utility owner.

12 CWS continues to express its willingness to comply with the Asset Purchase
13 Agreement and, with the approval of the Commission, to acquire the Eagle Creek system
14 and endeavor to replace the collection system and operate it in compliance with the
15 public interest. Nevertheless, CWS needs relief from requirements that a transferee step
16 into the shoes of Sandler with respect to imposition of penalties and subjecting itself to
17 contempt. To the best of CWS's knowledge, CWS is the only suitable purchaser that has
18 expressed any interest in acquiring the system. Without relief from provisions binding a
19 transferee, the system will forever stay in the hands of Sandler, which is anxious to sell, is
20 incurring substantial, unrecovered monthly costs, and is not in the business of long term
21 operation of a wastewater collection and treatment system.

1 Q. WHAT REMEDY DOES CWS SUGGEST TO OBVIATE THE DILEMMA ADDRESSED ABOVE?

2 A. Should the Commission approve issuance of a CPCN to CWS, CWS intends to seek a new
3 permit from DWR in its own name with appropriate conditions but without all those
4 imposed upon Sandler and subjecting CWS to appropriate remedies for permit violations
5 but not those including contempt set forth and the State/Sandler consent decree. Once
6 the system is replaced, the requirements in the consent decree addressing improvements
7 and maintenance of the existing system would be inapplicable and should not apply to
8 CWS's new system.

9 Q. ENVIROLINK WITH SOME COMMONALITY WITH CWS HAS SERVED AS CONTRACT
10 OPERATOR ON SANDLER'S BEHALF DURING THE PERIOD 2020 TO PRESENT AT A TIME
11 WHEN SERVICE INADEQUACIES AND CUSTOMER DISCONTENT HAS BEEN PREVALENT.
12 EAGLE CREEK CONSUMERS, UNDERSTANDABLY DISTRESSED WITH THE SERVICE THEY
13 RECEIVE, HAVE EXPRESSED DISSATISFACTION WITH ENVIROLINK AS WELL AS SANDLER.
14 WHAT IS CWS'S RESPONSE?

15 A. CWS understands and is sympathetic to consumers' dissatisfaction. Nevertheless, even
16 though service disruptions have not been eliminated, much effort has been undertaken,
17 and great expense has been incurred to rectify system deficiencies. Until consumers
18 receive satisfactory service, they rightly can be expected to look to all affected, CWS,
19 Sandler, Envirolink, DWR, Public Staff, NCUC, to seek relief. CWS has the resources,
20 expertise, familiarity with the system and operating experience that provide the greatest
21 opportunity to bring the system into a state to satisfy consumers' needs. Also, the service

1 inadequacies and deficiencies occurring in the 2020 through 2021 period have arisen from
2 assets that have exhausted their useful life, long prior periods of wear and tear,
3 obsolescence, and to some extent improper maintenance and repair. CWS would
4 emphasize that the assets are close to 24 years old and have a stated life of 10-12 years
5 according to Airvac Design Manuals, Airvac's presentation and the Water Environment
6 Federations, Alternative Sewer System Manual of Practice MOP FD-12. Below is a
7 summary of summary of these references:

- 8 • Page 18 of Airvac's presentation, provided to the residents of Eagle Creek and the
9 Public Staff states.

- Typical Vacuum System Preventative Maintenance Schedule
 - **Vacuum Mains**—Exercise Division Valves once per year
 - **Vacuum Station**—Routine Visual inspection of gauges and safety measures (weekly), typical pump maintenance and inspection (3-6 months on average)
 - **Vacuum pits**—Inspect valves once per year, Rebuild Controllers every 10 years (Cost \$35 each), Rebuild Valves every 15 years (Cost \$40 each)

15
16 Water Environment Federations Manual of Practice TD-12 presents the following
17 information related to the life of the components of a vacuum system. Cost Estimates
18 are in 2006 dollars.

Water Environment Federation Manual Of Practice - FD -12			
	Cost range (USD\$)*	Expected life (years)	Annual reconditioning and replacement costs (\$/year/vacuum station)
Vacuum pumps (2)	\$10,000 to \$34,500	15 to 20	\$500 to \$2,300
Discharge pumps (2)	\$6,000 to \$19,200	15 to 20	\$300 to \$1,280
Collection tank	\$5,000 to \$11,000	25 to 50	\$100 to \$440
Control panel	\$5,000 to \$21,200	20 to 25	\$200 to \$1,060
Miscellaneous equipment	\$2,000 to \$3,300	15 to 20	\$100 to \$220
Vacuum valves	\$27.00 to \$38.00	8 to 12	\$2.25 to \$4.75
Controller	\$27.00 to \$38.00	4 to 6	\$4.50 to \$9.50

1

2 Q. SHOULD THE COMMISSION APPROVE CWS'S APPLICATION WHAT ARE CWS'S INTENTIONS
3 WITH RESPECT TO IMPROVING THE OPERATIONS OF THE SYSTEM AND INCREASING THE
4 QUALITY OF SERVICE?

5 A. The wastewater system has exceeded its useful life, has suffered from inadequate
6 maintenance, and will continue to be plagued by disruptions. Therefore, CWS, if it
7 receives the CPCN, intends to either completely or substantially replace the collection
8 system.

9 Q. WHAT OPTIONS IS CWS CONSIDERING FOR REPLACING THE COLLECTION SYSTEM?

10 A. As described above, CWS is considering four options: gravity, low pressure, septic tank
11 effluent pump, and replacing the vacuum system with a different vacuum system. Each
12 of these options provides benefits designed to address the shortcomings unique to the
13 existing system, and each has benefits and challenges that are unique in comparison to
14 the other options under consideration. In making the determination as to which option
15 should be employed, CWS intends to consider the following factors: cost, life of assets,

1 disruption, length of time to install, the reliability of the system, future operating cost and
2 required oversight and the projected cost of maintenance. Consultations are under way
3 with knowledgeable consulting engineers and Eagle Creek residents. Preliminarily, CWS
4 favors a gravity system. Over time, the gravity system is less costly to maintain.

5 Q. PLEASE DESCRIBE THE POSITIVE AND NEGATIVE FEATURES OF A GRAVITY SYSTEM.

6 A. Gravity systems have been around since the beginning of sewer collection and are by far
7 based on the most common technology used in sewer collection. Gravity systems require
8 less maintenance compared to the other options. Construction standards for a gravity
9 system are well established. There are fewer mechanical parts, requiring less precision
10 and therefore breakdown infrequently. There are lower costs of operation for gravity
11 system. Gravity systems are in widespread use in North Carolina and elsewhere. Should a
12 gravity system be installed, it will be easier to hire and retain employees to operate the
13 system. Gravity systems have a longer life expectancy --- 30 to 40 years. On the negative
14 side, a gravity system requires lift stations, and the possibility exists of odor and sanitary
15 sewer overflows. Upon installation there is a potential for deeper excavations, though
16 CWS would attempt to keep excavations to less than 15 feet with the deeper excavations
17 occurring on the golf course.

18 Q. BRIEFLY DESCRIBE THE GRAVITY SYSTEM UNDER CONSIDERATION FOR EAGLE CREEK.

19 A. Preliminarily there would be one manhole for approximately every four to five homes for
20 a total of 105 manholes. There would be installation of clean out to each home.
21 Installation of gravity lines would carry water to the lift station. Lift stations would not be

1 installed on personal property. To keep excavations under 15 feet, seven lift stations
2 would be required. If excavations were increased to 20 feet, three lift stations would be
3 required.

4 Any of the options employed to replace the current system will result in some
5 inconvenience to consumers in the Eagle Creek community. Replacing the existing system
6 poses problems that do not exist when installing a system prior to development and the
7 construction of homes. For any of the options selected, the vacuum system pits currently
8 in place on the lots of property owners must be replaced. CWS is mindful that such
9 inconvenience will occur and will undertake to minimize it and communicate with
10 homeowners to minimize inconvenience to the greatest extent possible.

11 Q. IS CWS REQUESTING AN INCREASE IN RATES AT THIS TIME?

12 A. No. Under optimal conditions once a determination is made as to which option for
13 improvements is selected, it will take a number of months to complete construction. CWS
14 will defer requesting rates through which to begin recovering replacement costs until
15 after completion of construction.

16 Q. IS CWS SEEKING A PLANT ACQUISITION ADJUSTMENT?

17 A. The price negotiated between CWS and Sandler, once finally determined, is anticipated
18 to equal net original cost of the system in the hands of Sandler. From CWS's perspective,
19 Eagle Creek's existing rate base plus the addition of the recent investment will justify the
20 purchase price. Nevertheless, CWS is not seeking an adjustments to it rates at this time
21 and as certain costs are not currently now known, CWS will not seek a plant acquisition

1 adjustment in this proceeding.

2 Q. DOES THIS COMPLETE YOUR TESTIMONY?

3 A. Yes. We thank the Commission and the Public Staff for their assistance and attention to
4 this matter.