

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1305, Sub 12

In the Matter of

PLURIS HAMPSTEAD, LLC

Application for Rate Increase

PRE-FILED DIRECT TESTIMONY

of

MAURICE W. GALLARDA, PE

**Managing Member
Pluris Holdings, LLC**

On behalf of

PLURIS HAMPSTEAD, LLC

January 22, 2020

NON-CONFIDENTIAL VERSION

1 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

2 A. My name is Maurice William Gallarda.

3 Q. PLEASE STATE THE NAME AND BUSINESS ADDRESS OF YOUR
4 EMPLOYER.

5 A. I am Managing Member of Pluris Holdings, LLC, which is a holding company
6 that owns limited liability companies that are public utility operating entities.
7 In North Carolina those operating entities are Pluris Hampstead, LLC,
8 Pluris, LLC, and Pluris Webb Creek, LLC. My business address is 5950
9 Berkshire Lane, Suite 800, Dallas, Texas 75225.

10 Q. WHAT IS YOUR CURRENT ROLE WITH REGARD TO PLURIS
11 HAMPSTEAD, LLC?

12 A. I am the Managing Member and Principal Engineer of Pluris Hampstead,
13 LLC ("Pluris" or "Utility").

14 Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES IN THAT POSITION.

15 A. My responsibilities include the direct supervision of the manager
16 responsible for Pluris's day-to-day operations. My other responsibilities
17 include direct oversight of all corporate, finance, engineering and regulatory
18 matters relating to Pluris.

19 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
20 BACKGROUND.

21 A. I hold a Bachelor of Science Degree in Civil Engineering from California
22 State University, Sacramento. I also completed one year of graduate work
23 toward a Master of Science in Civil Engineering degree. I am currently

1 licensed as a Professional Civil Engineer in four states, including North
2 Carolina.

3 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE IN THE
4 WATER OR WASTEWATER UTILITY INDUSTRY.

5 A. My employment experience has been in the regulated and nonregulated
6 water and wastewater utility industry for over 25 years. My professional
7 experience has also included twice being appointed to the California
8 Regional Water Quality Control Board (“RWQCB”). The California RWQCB
9 is charged with protecting the waters of that state in accordance with the
10 Federal Clean Water Act. Matters brought before the RWQCB in hearings
11 would be similar to those brought to hearing before the North Carolina
12 Department of Environmental Quality (now “DEQ,” formerly “NCDENR”).

13 Q. PLEASE DESCRIBE PLURIS’S UTILITY OPERATIONS.

14 A. Pluris owns and operates a wastewater only collection and treatment
15 system consisting of an existing membrane bio-reactor (“MBR”)
16 wastewater treatment plant (“WWTP”) with a 500,000 gallon per day
17 footprint currently capable of treating 250,000 gallon per day (“gpd”), and
18 two high rate infiltration basins, located in Hampstead, North Carolina.
19 Pluris also has an approximately 11.5 mile force main running north along
20 the US Highway 17 corridor in Pender County beginning at the New
21 Hanover / Pender County line. Pluris’s wastewater treatment system also
22 includes collection infrastructure, duplex lift stations, and a new lift station
23 midway along the force main. Pluris provides wastewater service to

1 customers in the southeastern coastal area of Pender County, including
2 about a dozen residential developments, a number of commercial locations,
3 and Topsail High School, Topsail Middle School, and Topsail Elementary
4 School.

5 Q. WHEN DID PLURIS BUILD ITS HAMPSTEAD PLANT AND SYSTEM?

6 A. Pender County issued a special use permit to Pluris on December 24, 2013,
7 which authorized construction of the Pluris MBR plant and force main
8 running along US 17. The Commission issued its Order Granting Franchise
9 And Approving Rates for Pluris on November 5, 2015, in Docket W-1305,
10 Sub 0, and the MBR plant was operational as of April, 2016.

11 Q. WHAT WAS YOUR ROLE IN CONNECTION WITH THE FILING OF
12 PLURIS'S APPLICATION FOR RATE INCREASE IN THIS DOCKET?

13 A. I served as a reviewer of the information provided in the Application.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. My testimony supports Pluris's request for the rate relief requested in the
16 Application, and describes Pluris's plant and infrastructure. My testimony
17 describes how the requested rate relief will allow Pluris a reasonable
18 opportunity to cover its costs of providing utility service and to earn a fair
19 return. My testimony also outlines the primary drivers of the requested rate
20 increase and the general impact of the rate increase on Pluris's customers.

21 Q. WHEN AND HOW WERE PLURIS'S CURRENT RATES SET?

22 A. Pluris's current rates were established in November 2015, when the
23 Commission issued a Certificate of Public Convenience and Necessity

1 (“CPCN”) to Pluris in Docket No. W-1305, Sub 0. Pluris’s current rates were
2 not fixed by the Commission pursuant to NCGS § 62-130. Instead, the
3 Commission permitted Pluris’s current rates to go into effect upon the
4 recommendation of the Public Staff.

5 Q. WHAT ARE PLURIS’S CURRENT RATES?

6 A. Residential Monthly (Flat) Rate \$63.95 per unit

7 Commercial (Metered) Rate

8 Monthly Base Charge, zero usage \$25.24

9 Usage Charge, Per 1,000 gallons \$9.68

10 Connection Charge-Residential

11 For three bedrooms or less \$3,200 per SFE

12 Each additional bedroom beyond
13 three per residence

\$1,067

14 Connection Charge – Commercial

15 A single family equivalent (SFE) for a detached
16 single family residence is three bedrooms or less.

17 A SFE for a commercial connection is determined by taking the
18 design flow capacity for each non-residential commercial customer,
19 as set forth in Administrative Code 15A NCAC 2 T .0114, and
20 dividing the design flow by 360.

21 Return Check Charge \$25.00

22 Q. WHAT RATES DOES PLURIS PROPOSE IN THIS DOCKET?

23 A. Pluris’s proposed rates are as follows:

24 Residential Monthly (Flat) Rate \$84.42 per unit

25 Commercial (Metered) Rate

26 Monthly Base Charge, zero usage Meter Size

27 <1” \$10.00

28 1” \$25.00

1		1.5"	\$50.00
2		2"	\$80.00
3		4"	\$250.00
4		6"	\$500.00
5	Usage Charge, Per 1,000 gallons		\$16.50

6	Connection Charge-Residential		
7	For three bedrooms or less		\$3,200 per SFE
8	Each additional bedroom beyond		
9	three per residence		\$1,067

10 Connection Charge – Commercial
11 A single family equivalent (SFE) for a detached
12 single family residence is three bedrooms or less.

13 A SFE for a commercial connection is determined by taking the
14 design flow capacity for each non-residential commercial customer,
15 as set forth in Administrative Code 15A NCAC 2 T .0114, and
16 dividing the design flow by 360.

17 Return Check Charge \$25.00

18 A complete listing of all proposed rates and charges is included on page
19 1 of Pluris's Application for a General Rate Case in this docket, and the
20 schedule referenced there.

21 Q. WHAT IS THE REVENUE REQUIREMENT REQUESTED BY PLURIS IN
22 THIS PROCEEDING?

23 A. The Company proposes an increase in revenue requirements of \$488,146.

24 Q. WHAT RATE OF RETURN WOULD PLURIS'S PROPOSED RATES
25 YIELD?

26 A. The rates we propose would yield an overall rate of return on rate base for
27 Pluris of 6.69%, based on a rate of return on common equity of 9.7%.

1 These rates would yield a rate of return on rate base that is less than what
2 the Commission set for Carolina Water Service in Docket No. W-354, Sub
3 360 and for Aqua North Carolina in Docket No. W-218, Sub 497, which
4 are their most recent rate cases. The average of the approved overall
5 return on rate base in those cases is 7.46% ($7.75\% + 7.17\% = 14.92\% \div$
6 $2 = 7.46\%$), which is based on the average authorized rate of return on
7 common equity in those two cases of 9.73% ($9.75\% + 9.70\% = 19.45\% \div$
8 $2 = 9.73\%$).

9 In an effort to avoid increasing the amount of rate case expense that will
10 be passed through to Pluris's ratepayers by employing an expert witness
11 to address this issue in this docket, I would hope the Commission would
12 be willing to set a rate of return on common equity for Pluris that is
13 comparable to what it set for Carolina Water Service and for Aqua North
14 Carolina in in their most recent rate cases.

15 Q. ARE YOU ASKING THE COMMISSION TO AUTHORIZE A RATE OF
16 RETURN AT THAT LEVEL FOR PLURIS AT THIS TIME?

17 A. Yes, we are asking that the Commission authorize an overall rate of return
18 on rate base for Pluris of 6.69%, and a rate of return on common equity of
19 9.7%, which is commensurate with what the Commission has approved
20 for other similar water and sewer utilities. We ask that the Commission
21 accept Pluris's current capital structure, which is 56% debt and 44%
22 equity.

23 Q. PLEASE EXPLAIN WHY PLURIS IS REQUESTING RATE RELIEF

1 AT THIS TIME?

2 A. Under its present rates, Pluris is **earning** a rate of return of -11.06%.
3 Under current rates and prudent management Pluris is unable to cover
4 its operating costs and earn a reasonable return on its investment in its
5 system. Pluris witness Winters deals with these financial issues in detail,
6 but the bottom line is that Pluris needs to make progress toward better
7 aligning its rates with costs, which will enable Pluris to maintain and
8 continue to improve the quality of service it provides.

9 During the Test Year, Pluris experienced an overall rate of return per its
10 books for its operations of -11.06%. The Company's pro-forma Test Year
11 overall return is -5.26%. This rate of return is well below the currently-
12 authorized rates of return on rate base of other comparable water/sewer
13 utilities in North Carolina (based on above referenced calculation of the
14 average rates of return recently approved for Carolina Water Services and
15 Aqua), which average an overall rate of return on rate base in the range
16 of 7.46%, based on an authorized rate of return on common equity in the
17 range of 9.73%.

18 As shown in its original Application for a CPCN in Docket No. W-1305,
19 Sub 0, Pluris has contracted with a number of residential developers who
20 planned large residential developments in the area Pluris proposed to
21 serve, including the Blake Farms development in Pender County, which is
22 planned to be a 1,200 home subdivision. That development has been tied
23 up in litigation among the development group in the North Carolina

1 Business Court for several years. As a result, the Blake Farms project has
2 not moved forward and Pluris is not serving several hundred homes in
3 Blake Farms that we would have expected to be serving by now.
4 Consequentially, Pluris is currently unable to earn anything approaching a
5 reasonable return on its considerable investment.

6 Q. PLEASE EXPLAIN PLURIS'S RELATIONSHIP WITH ITS PARENT,
7 PLURIS HOLDINGS, LLC.

8 A. Pluris Holdings, LLC ("Holdings") owns Pluris, and various other operating
9 public utility entities, including Pluris, LLC and Pluris Webb Creek, LLC in
10 North Carolina, as well as other operating utility service companies in other
11 states. Holdings provides support services to Pluris and all of its other water
12 and wastewater service companies, including financial and corporate
13 management, as well as support, expertise and assistance in the areas of
14 customer service, billing, regulatory compliance, engineering design,
15 construction, information technology, human resources, insurance,
16 accounting and legal support. These corporate expenses are allocated
17 across all of the service company utilities owned by Holdings both in North
18 Carolina and elsewhere, based on each operating entity's customer count
19 relative to the total number of customers served by all of Holdings' service
20 company utilities. **[BEGIN CONFIDENTIAL]** [REDACTED]
21 [REDACTED]. **[END**
22 **CONFIDENTIAL]**.

23 Q. HAS PLURIS MADE ANY ADDITIONAL IMPROVEMENTS IN THE

1 SERVICES IT PROVIDES TO ITS CUSTOMERS?

2 A. Yes. Pluris has presently invested \$252,572 in a lift station built
3 approximately midway along its 11.5 mile force main. Pluris contemplated
4 construction of that lift station in connection with the construction of its
5 original treatment and collection system but elected to wait and evaluate
6 whether it would be necessary to construct this lift station. Due to elevated
7 collection line cleaning resulting from lower velocity flow, Pluris elected to
8 install the lift station. As a result Pluris contemplates a significant reduction
9 in the sludge/sediment removal costs incurred to date, bringing the cost in
10 line with those experienced at the existing Pluris affiliate's membrane bio-
11 reactor wastewater treatment facility in Sneads Ferry.

12 Q. IS PLURIS PROPOSING TO IMPLEMENT A SEWER SYSTEM
13 IMPROVEMENT CHARGE ("SSIC") MECHANISM?

14 A. No, not at this time.

15 Q. IS ANY NEED FOR INCREASED CAPITAL INVESTMENT IN PLURIS'S
16 FACILITIES DRIVING ANY PART OF PLURIS'S RATE REQUEST?

17 A. Yes, the recent installation of the mid-span lift station mentioned earlier is
18 one of the reasons Pluris is seeking rate relief.

19 Q. IS PLURIS CURRENTLY ABLE TO MEET 100% OF THE DEMAND FOR
20 SERVICE IN ITS ASSIGNED SERVICE AREA?

21 A. Yes, absolutely.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

23 A. Yes.