



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 4, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-1305, Sub 12 – Application by Pluris Hampstead, LLC, for Authority to Increase Rates for Sewer Utility Service in All Service Areas in Pender County, North Carolina

Dear Ms. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the Supplemental Testimony of Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Telephone Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

Electronically submitted
/s/ William E. H. Creech
zeke.creech@psncuc.nc.gov

Attachment

c: Gina Casselberry
Parties of Record

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**PLURIS HAMPSTEAD, LLC
DOCKET NO. W-1305, SUB 12**

**SUPPLEMENTAL TESTIMONY OF GINA Y. CASSELBERRY
ON BEHALF OF THE PUBLIC STAFF**

SEPTEMBER 4, 2020

1 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL**
2 **TESTIMONY?**

3 A. The purpose of my supplemental testimony is to discuss customer
4 complaints, public witness testimony at the remote public hearing, and
5 my field inspection.

6 **Q. HAS THE PUBLIC STAFF RECEIVED ANY CUSTOMER**
7 **COMPLAINTS AS A RESULT OF THE CUSTOMER NOTICES IN**
8 **THIS PROCEEDING?**

9 A. Yes. The Public Staff reviewed approximately seven position
10 statements from Pluris Hampstead, LLC (Pluris Hampstead)
11 customers. All of the customers objected to the magnitude of the
12 increase. None of the customers had any service related issues.
13 Their primary concern was the magnitude of the rate increase.

1

Customer Hearing

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Six customers testified during the remote hearing held Monday,

3

August 17, 2020: Sarah Sorensen, Miriam Bloch, Dennis Maurer,

4

Dan Fisher, Robert Rossi, and Robert Erickson, representing

5

Villages at Olde Point, Coastal Plantation and Hampstead Pines

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Subdivision. All six customers opposed the magnitude of the

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increase.

8

Public Witness Sarah Sorensen opposed the magnitude of the

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increase. She also stated that the application and documentation

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was confusing and questioned some of the expenses. Public Staff¹

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Accountants, Engineers, Attorneys, and Economists were assigned

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to the case and completed a five-month long investigation, including

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a thorough audit of Pluris Hampstead's books and records. On July

14

14, 2020, the Public Staff filed its findings (pre-filed testimony) with

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the Commission. An evidentiary hearing will be held on Monday,

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September 21, 2020, before the Commission where the Public Staff

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may testify in support of its findings. The Commission will make a

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determination in regard to increasing sewer rates for Pluris

19

Hampstead based on the evidence presented by the Public Staff,

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Company, and Public Witnesses.

¹ The Public Staff was established in 1977 by the legislation in General Statute 62-15, to represent the using and consuming public and make recommendations to the North Carolina Utilities Commission (Commission) in matters concerning rates and service.

1 Public Witness Sorensen also stated that she circulated a petition
2 around the community and it was signed by 40 residents. I believe
3 the petition Witness Sorensen was referring to was an online petition
4 with 39 signatures, which I was unable to access.

5 Pubic Witness Bloch, President of the Activities Club for Coastal
6 Plantation, stated that she received 102 signed letters, including a
7 copy of the water bill, from residents in Coastal Plantation. She
8 further stated that she would mail the letters to the Public Staff.
9 However, as of September 4, 2020, the Public Staff has not received
10 the packet of letters. Witness Bloch testified that the majority of the
11 residents were retired and opposed the magnitude of the rate
12 increase and that everyone paid the same flat rate, regardless of the
13 number of people living in the household. I address metered rates
14 later in this testimony.

15 Witness Maurer, President of the Home Owners Association (HOA)
16 for Hampstead Pines Subdivision, stated that Hampstead Pines was
17 recently connected to the system and was rather surprised that Pluris
18 Hampstead filed for a rate increase so soon after they connected to
19 the sewer system, and was also surprised as to the magnitude of the
20 increase. Witness Maurer requested that the Commission mitigate or
21 delay the increase. However, Witness Maurer did acknowledge that
22 he forgot that the agreement he signed on behalf of the HOA

1 contained language in Section 7, Paragraph 2, stating that Pluris
2 Hampstead has submitted an application for a rate increase proposal
3 and that the rate would be no more than \$84.42 sometime in 2020.

4 Public Witness Fisher objected to the magnitude of the increase
5 compared to his former homes in Tennessee, Kentucky, Ohio, and
6 Utah, and the Environmental Protection Agency (EPA) Affordability
7 Threshold. It is inappropriate to compare the rates of private
8 Commission-regulated utilities like Pluris Hampstead to
9 municipalities or county systems in North Carolina and other states
10 for the following reasons:

- 11 1. Economies of Scale: The operational costs per customer are
12 lower for customers of municipalities because of service area
13 density and economies of scale, as there are tens of
14 thousands of customers versus hundreds of customers
15 among whom the costs are divided.
- 16 2. Treatment: The size and type of the wastewater treatment
17 facility would affect operating expenses.
- 18 3. Regulation: Investor-owned utilities are regulated by the State
19 of North Carolina. The general statutes allow a utility the right
20 to recover its operational expenses and a reasonable rate of
21 return. Municipal or county systems are not regulated by the

1 North Carolina Utilities Commission (Commission) and may
2 subsidize the operating expenses of their utility systems
3 through taxation.

4 4. Capital Projects: Investor- owned utilities fund capital projects
5 through private investors or loans. Municipalities and county
6 systems may qualify for low interest tax-free bonds and other
7 loans to fund capital projects.

8 5. Rate of Return: Under North Carolina General Statutes,
9 investor-owned utilities have the right to earn a rate of return
10 on their investment and to recover their reasonable operating
11 expenses.

12 6. Income Tax: Investor-owned utilities pay Federal and North
13 Carolina income taxes whereas municipality owned utilities do
14 not.

15 The revenue requirement used to calculate rates is based on the
16 Public Staff's audit of actual operating expenses and net plant in
17 service capital expenditures, not the EPA affordability threshold,
18 annual inflation, or consumer price index. The results of the Public
19 Staff's audit can be found in Public Staff Li, Exhibit I.

20 Public Witness Rossi testified that he agreed with Witness Bloch's
21 testimony. He stated that he did not have any service related issues

1 and was pleased with the Company's response in regard to the alarm
2 system for the lift stations in his subdivision.

3 Public Witness Erickson opposed the residential flat rate and
4 provided a spreadsheet illustrating the average consumption in
5 Coastal Planation. The Public Staff agrees that a metered sewer rate
6 is more equitable. However, Pluris Hampstead is a sewer only
7 company and does not have consumption data for all of its residential
8 customers. Water utility service is provided by Pender County or
9 individual wells. It is the Public Staff's opinion that it would be
10 unreasonable for a private utility company to be required to inspect
11 each individual home to determine the number of bedrooms so that
12 separate flat rates could be established. Therefore, the Public Staff
13 recommended a flat rate, based on a single family home or one
14 residential equivalent unit (REU), which is the established flat rate
15 billing methodology.

16 None of the public witnesses had any service complaints and several
17 of the public witnesses stated that they were pleased with Pluris
18 Hampstead's quick response time when concerns did arise. It is the
19 Public Staff's opinion that the overall quality of service is good.

20 **Q. DID YOU INSPECT PLURIS HAMPSTEAD'S WASTEWATER**
21 **TREATMENT FACILITY?**

1 A. Yes. On August 12, 2020, I inspected Pluris Hampstead's facility with
2 Maurice Gallarda, Managing Member and Principal Engineer, Randy
3 Hoffer, North Carolina Regional Manager, and Michael Gallant, PE.
4 The wastewater treatment plant is in very good condition. It appears
5 to be operating efficiently and effectively. The back-up generator was
6 in place and operational. The effluent was crystal clear. The two high-
7 rate infiltration basins were operating effectively with eight to ten feet
8 of freeboard. The groundwater storage pond is well maintained,
9 including the vegetation that surrounds the pond. It is my opinion that
10 the wastewater facility is well maintained and working effectively.

11 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

12 A. Yes.