

**NORTH CAROLINA UTILITIES COMMISSION**

**RALEIGH**

**DOCKET NO. W-1141, SUB 8**

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**IN THE MATTER OF:**

**APPLICATION BY**

**904 GEORGETOWN TREATMENT PLANT, LLC  
FOR AUTHORITY TO ADJUST AND INCREASE RATES  
FOR PROVIDING SEWER UTILITY SERVICE IN ITS SERVICE  
AREAS IN BRUNSWICK COUNTY IN NORTH CAROLINA**

**REBUTTAL TESTIMONY OF**

**JULIE G. PERRY**

**ON BEHALF OF**

**904 GEORGETOWN TREATMENT PLANT, LLC**

**NOVEMBER 1, 2023**

**OFFICIAL COPY**

**Nov 01 2023**

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Julie G. Perry. I am a Principal Utility Consultant and Co-Owner of  
3 Peedin & Perry Consulting, LLC. My business address is 3440 Bizzell Grove  
4 Church Road, Princeton, North Carolina 27569.

5

6 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS**  
7 **PROCEEDING?**

8 A. Yes.

9

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR REBUTTAL TESTIMONY.**

11 A. The purpose of my testimony is to respond to several points raised in the filed  
12 testimony submitted by Iris Morgan and Evan Houser of the Public Staff in this  
13 proceeding.

14

15 **Q. PLEASE EXPLAIN THE AREAS YOU WOULD LIKE TO DISCUSS IN**  
16 **MS. MORGAN'S TESTIMONY.**

17 A. Ms. Morgan adjusted Regulatory Expense using (1) only the actual invoices  
18 incurred to date and (2) a 5-year amortization period based on the timing of 904's  
19 CPCN and prior rate case docket.

20

21 **Q. DO YOU AGREE WITH THESE ADJUSTMENTS MADE BY MS.**  
22 **MORGAN?**

23 No. I disagree with the use of actual expenses since the invoices for both legal

1 and accounting were for services only through the date of filing the Company's  
2 testimony and the first round of data requests.

3  
4 G.S. § 62-133 (c) permits post- test year costs to be recovered when the costs  
5 result from circumstances and events that occur up to the time the hearing is  
6 closed. Clearly, actual rate case expenses fall into this category. In fact, this  
7 Commission has permitted actual rate case expenses to be filed post-hearing and  
8 allowed estimated costs to be considered due to legitimate rate case expenses  
9 being incurred in meeting the post-hearing filing requirements of the  
10 Commission.

11  
12 Some proceedings that reflect language supporting post hearing updates are  
13 found in Old North State, W-1340, Sub 60. In Carolina Water Service  
14 (CWSNC), W-354, Sub 384, the Commission permitted CWSNC to update for  
15 actual and estimated costs through the end of the proceeding, based upon  
16 supporting documentation to be provided by CWSNC, and in Aqua Docket No.  
17 W-218 Sub 526, the Commission allowed Aqua to include adjustments to  
18 regulatory commission expense up to the close of the expert witness hearing.  
19 Lastly, in both electric & natural gas rate cases, actual charges and estimates are  
20 allowed for regulatory commission expense. We have provided actual bills  
21 through last week and therefore, we are requesting that, at a minimum, the  
22 Company be allowed to update its regulatory expenses through the close of the  
23 hearing in this docket.

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I also disagree with the use of a 5-year amortization period. While 904 Georgetown has not filed a general rate case within the last three years, 904 Georgetown had attempted to file several rate cases over the years but chose to withdraw the filings for various reasons once the Public Staff began their reviews in 2005, 2009, and 2022. In the last rate case filing, 904 Georgetown was told they needed help with filing a rate case. Now that 904 Georgetown understands the rate case process, and has hired consultants to help navigate the regulatory process, the owner has indicated that with inflation, the rising costs, and the aging wastewater treatment system, 904 will be filing a rate case within 3 years.

Ordinarily, general rate case expenses represent a larger percentage of expenses for a small wastewater company than for a larger utility. The costs are somewhat higher than originally estimated because of the extensive discovery that had to be produced especially after not being in for a rate case for 16 years. Extending the amortization period for a smaller utility place an economic burden on the company and its shareholder without a commensurate benefit to customers. Therefore, we are still requesting that our 3-year amortization period remain as filed in this docket.

**Q. DO YOU HAVE CONCERNS REGARDING MR. HOUSER’S UTILITY EXPENSE ADJUSTMENT?**

**A.** Yes. Mr. Houser characterized 904 Georgetown’s adjustment to reclassify the

1 electric expense of \$18,500 to the effluent charge as requiring customers to fund  
2 the cost once, but Georgetown to incur the cost twice. In a technical conference  
3 with the Public Staff, 904 Georgetown explained that the wrong electric account  
4 was picked up in the adjustment which led the Company to revisit the calculation  
5 of the Effluent Charge. In our Revised Effluent Charge, the correct account for  
6 electric power for irrigation of \$7,217 in Account 6310 – PH Electric Offset for  
7 the electric service at the Bay Pump House was reclassified into the Effluent  
8 Charge, and the \$18,500 electric charge was removed. For that reason, the filed  
9 adjustment should have been reversed.

10  
11 **Q. DO YOU ALSO HAVE CONCERNS ABOUT ADJUSTMENTS**  
12 **REFLECTED IN MR. HOUSER’S MAINTENANCE AND REPAIR**  
13 **TESTIMONY?**

14 **A.** Yes. Mr. Houser removed the adjustments to Maintenance & Repair Expenses  
15 that had been normalized over a 3-year period to reflect an on-going level of  
16 expenses, as well as what was characterized as an unsupported invoice of \$625  
17 from the unexpected expense/accidental spill account.

18  
19 Mr. Houser states on page 15, lines 13-19 that, “Given the facts in this case, I do  
20 not believe that the Company’s proposed normalization for these expense  
21 accounts is necessary, because the periods of normalization are inconsistent  
22 between expenses, and the overall difference between use of a 12-month test year  
23 as used by the Public Staff and a partial normalization as proposed by the

1           Company is small.”

2

3           I disagree with Mr. Houser’s discussion of normalizing expenses. In the  
4           ratemaking process, determining a reasonable level of expenses is done based on  
5           determining an on-going level of expenses adjusted for known and measurable  
6           changes or by reflecting a normalized level of expense. Determining a  
7           normalized level is based on the nature of the individual expense item and would  
8           not be the same for all combined expenses in a rate case. In other words, the  
9           expense normalization period would not be the same for each expense item.  
10          Normalization is the process of bringing or returning something to a normal  
11          condition or state, therefore the rates set in these rate cases are intended to be  
12          representative of costs likely to be incurred over the time that the rates are in  
13          effect. Therefore, if we believe an expense may be too low during the specific  
14          test year, we would need to look at other years to see if this is a representative  
15          level to use on a prospective basis.

16

17          Rates are set to be just and reasonable, based on prudently incurred expenses  
18          needed to provide safe and reliable service. Determining an on-going level of  
19          Maintenance & Repair Expenses for this docket means reviewing present and  
20          past levels of expenses and recognizing that, as an older wastewater treatment  
21          plant, there were more pump replacements that were capitalized during the test  
22          year that caused the account balance to decrease from prior years. We believe  
23          that it is just and reasonable to normalize Maintenance & Repair Expenses that

1 have experienced a higher level of expense in prior years and will most likely be  
2 over and above what the expense level is for 2022 after the capitalized items are  
3 removed.

4  
5 Lastly, the Company paid \$625 to a plumber for an accidental spill that was  
6 removed by the Public Staff for being unsupported even though 904 Georgetown  
7 had a cancelled check for the plumber. Clearly, a cancelled check is routinely  
8 accepted as proof of payment in commercial transactions. We believe that it is  
9 unrealistic that the Commission would disallow \$625 for fixing an accidental  
10 spill just because the actual invoice was not presented to the Public Staff. There  
11 needs to be a materiality limit at some point to where the general ledger and the  
12 canceled checks are proof enough that an expense was incurred and is reasonable  
13 for a utility.

14  
15 **Q. DO YOU HAVE CONCERNS TO ADDRESS ABOUT MR. HOUSER'S**  
16 **MOWING ADJUSTMENT?**

17 **A.** Yes, Mr. Houser removed \$3,750 for the chemicals and fertilizer that he states  
18 are applied to the 9-hole portion of the course that Sandpiper Bay irrigates. Just  
19 to clarify, all the Sandpiper Bay golf courses are 9-hole golf courses. In essence,  
20 Mr. Houser reduced the annual mowing charge by \$3,750 without evidence or  
21 even an explanation from the annual mowing charge of \$9,672 (or \$806 per  
22 month) that has been in effect for years.

23

1 In informal responses to the Public Staff, we provided several accounts for  
2 maintenance salaries and miscellaneous leased equipment in support for the  
3 overall allocation basis for the fixed mowing charge. The responses represented  
4 that this amount is an average mowing cost that has been in effect for many years  
5 and resulted in approximately 6% of the maintenance salaries and miscellaneous  
6 leased equipment. This amount would be significantly higher if 904 Georgetown  
7 had to lease equipment and hire staff to mow this area.

8  
9 Since no support was provided for the \$3,750 adjustment and we have no  
10 documentation for this adjustment, we believe that the adjustment should be  
11 reversed because it is done on an allocation basis and not a direct assignment of  
12 costs to 904 Georgetown. Therefore, the \$3,750 would only make up a small  
13 portion of the entire mowing costs, most likely 6% or \$225 not \$3,750, and only  
14 if the chemicals and fertilizer were not needed while mowing in order to fix bare  
15 spots to help decrease runoff and erosion, which clearly they are.

16

17 **Q. PLEASE EXPLAIN THE EFFLUENT EXPENSE ADJUSTMENT.**

18 **A.** 904 Georgetown's intent in this rate case is to file an updated Effluent Agreement  
19 and related Effluent Charge. Even though the Public Staff determined, and the  
20 Commission approved the Effluent Charge in 2008, there does not appear to be  
21 any workpapers on the determination of the Effluent Charge and how it was  
22 calculated. There does not appear to be any workpapers or supporting  
23 documentation for the current monthly Effluent Charge of \$1,653.08, or an



1 annual amount of \$19,836.96 that has been in effect for 16 years. In addition, it  
2 does not appear that the current Effluent Charge was even reflected in the level  
3 of operating revenue deductions approved in the prior rate case, since the  
4 Agreement was filed and approved after the hearing.

5  
6 In the absence of supporting files, 904 Georgetown attempted to mathematically  
7 re-create the determination of the Effluent Charge based on the 2007 rate case  
8 general ledger accounts. We removed test year expenses that were paid to  
9 Sandpiper Bay for effluent-related expenses that were on its books and fixed in  
10 order to determine the duties and actual costs incurred by Sandpiper Bay, for  
11 which 904 is reimbursing them. They were then reclassified into the Effluent  
12 Charge. We made pro forma adjustments in the amount of \$26,417 to remove  
13 and/or reclassify the \$9,900 irrigation charge, \$4,800 for Shared Pumphouse  
14 Repair, and \$7,217 of Shared Pumphouse Electric Charges. This was initially  
15 transposed incorrectly as the \$18,500 discussed earlier but corrected to \$7,217,  
16 and the Land Lease of \$4,500 that had been included in the shared services  
17 between 904 Georgetown and Sandpiper Bay that 904 Georgetown was paying  
18 to Sandpiper Bay. In doing this, we proposed a revised Effluent Charge of  
19 \$2,518.05 monthly, or \$30,216.64 annually, to reflect actual expenses amounts.

20  
21 As stated earlier, 904 Georgetown determined that that we had transposed an  
22 incorrect electric expense amount in our initial filing in the Effluent Charge  
23 calculation and upon further discussions with the Public Staff and internal

1 Company discussions, we realized the mathematical method did not align with  
2 the language in the approved Effluent Agreement. Therefore, we revised the  
3 Effluent Charge calculations in a data response to the Public Staff.

4  
5 Paragraph 3 of the Effluent Agreement states that the Effluent Charge is for the  
6 “operation, maintenance, repair, and replacement of the Golf Course Pump  
7 Station, and for all aspects of the daily operation of the Spray Irrigation Facilities  
8 by a Certified Spray Irrigation Officer.” We believe we were very conservative,  
9 perhaps too much so, in our initial filing and have not gone far enough with the  
10 effluent-related expenses. Therefore, we revised the Effluent Charge to include  
11 the land lease, a portion of the spray operator’s salary, and a portion of the  
12 irrigation maintenance expenses instead of including the \$9,900 fixed irrigation  
13 charge. We also made a correction to the shared electric power for irrigation that  
14 was transposed incorrectly. However, we have discovered that we also failed to  
15 include the Pumphouse Shared Upkeep/Repairs of \$4800, which we believe  
16 should be appropriately included, as well.

17  
18 In the Company’s Revised Effluent Charge, we included expenses that we  
19 believe relate to the Effluent Agreement language, but we also recognize “all  
20 aspects of the irrigation facility for Bay Golf Course” as stated in Paragraph 3 of  
21 the Effluent agreement would incorporate more than just a spray operator and  
22 some portion of the irrigation maintenance expenses. 904 Georgetown has had  
23 internal discussions with the Spray Operator, and the Wastewater Treatment

1 Contract Operator and realizes that the overall costs reflected in the Revised  
2 Effluent Charge are not inclusive of all the labor, equipment costs, and overhead  
3 costs that are incurred when there are irrigation service disruptions and breaks.  
4

5 **Q. PLEASE ADDRESS ANY CONCERNS YOU HAVE REGARDING MR.**  
6 **HOUSER'S EFFLUENT EXPENSE ADJUSTMENT.**

7 **A.** The Public Staff did not state in testimony the recommended Effluent Charge.  
8 In a data request response, the Public Staff confirmed that it is recommending an  
9 annual Effluent Charge of \$15,956.68 or \$ 1,329.72 per month. We do not  
10 believe the Effluent Charge proposed by the Public Staff is reasonable nor is it  
11 fair that the Effluent Charge accepted by the Commission more than 16 years  
12 ago would decrease by over \$3,880.28. The Public Staff made adjustments to  
13 remove the portions of the expenses for the Irrigation Maintenance Expenses and  
14 the Spray Operators' salary which we believe compares with \$9,900 of irrigation  
15 charges that were previously reflected on the books of 904 Georgetown.  
16

17 904 Georgetown submits that the Public Staff's spray operator calculation  
18 amount is understated and does not reflect the overall expenses related to the  
19 spray operator's responsibilities and other labor and equipment needed to  
20 manage the overall spray irrigation facilities. We do not agree with the Public  
21 Staff's allocation of the spray operator's salary because the spray operator is on-  
22 call 7 days a week and the 2 hours per day for 3 golf courses shared 50% does  
23 not seem like a reasonable amount of time to allocate to spray effluent irrigation

1 duties, especially when breaks and service interruptions happen and would  
2 involve the maintenance ground crew, along with the spray operator and heavy  
3 equipment.

4  
5 904 Georgetown also submits that the Public Staff's irrigation maintenance  
6 charges amount is understated. The Public Staff removed the grass seed and turf  
7 charges from the irrigation maintenance charges that we included in the Revised  
8 Effluent Charge. We disagree with the adjustment since these expenses are  
9 needed in order to fix the ground once the irrigation lines have been dug up with  
10 heavy equipment, pulled up, and repaired. The grounds maintenance crew would  
11 then have to repair the grass and restore the grass. Similar to water, gas or electric  
12 pipelines that run through someone's property, the land must be put back to its  
13 normal state. Therefore, we don't believe that the Public Staff should have  
14 removed these expenses since the expenses relate to the repair of the grass after  
15 the irrigation lines have been fixed and are not just general grass and ground  
16 maintenance expenses.

17  
18 The Public Staff removed expenses that we believe are reasonable without  
19 assessing the overall cost of spraying the reuse effluent on the Bay golf course.  
20 904 Georgetown also asks the Commission to recognize that 904 Georgetown  
21 is trying to be efficient in our determination of the Effluent Charges. We urge  
22 the Commission and the Public Staff to consider the other, more costly  
23 alternatives to dispose of the reuse effluent such as having the ponds pumped and

1           hauled out to dumpsites which would result in huge expenses each month, or  
2           possibly building additional infrastructure to another spray effluent field with  
3           Brunswick County that is approximately two miles away - both of which options  
4           would cause much higher rates for 904 customers.

5

6   **Q.   DOES THE COMPANY HAVE A CALCULATION OF THE**  
7   **PROPOSED EFFLUENT CHARGE, THE PUBLIC STAFF POSITION,**  
8   **AND THE REVISIONS/CORRECTIONS IT PROPOSES?**

9   A.   Yes. We are providing our Second Revised Effluent Charge on Perry Rebuttal  
10   Exhibit I based on effluent-related expenses that we have removed and  
11   reclassified from the test year, and other expenses that should be allowed to be  
12   recovered. We would in the alternative also propose that if the Commission  
13   cannot determine a reasonable approach for the allocation of the spray operator  
14   salary and the irrigation maintenance expenses, that it use the \$26,417 of test  
15   year expenses that 904 Georgetown removed in order to avoid duplicating any  
16   effluent -related expenses in calculating a reasonable, on-going Effluent Charge.  
17   We hope that the Commission will determine that we are being reasonable and  
18   conservative in our approaches while also being fair to ratepayers.

19

20   **Q.   DOES THIS COMPANY HAVE ANY ADDITIONAL**  
21   **COMMENTS?**

22   A.   Yes, it does. The approval of the two affiliated agreements filed in this docket  
23   were not addressed by the Public Staff in testimony: the Office Lease Agreement

1 and the Effluent Agreement. Based on data request responses regarding the lease  
2 agreement, the Public Staff stated that it “does not oppose approval of the lease  
3 agreement as filed”.

4  
5 Based on data request responses regarding the Effluent Agreement, once the  
6 Effluent Charge is determined, the Public Staff stated that Paragraph 13 should  
7 include language as follows: “The amount of the charge may be revised on an  
8 annual basis beginning on January 1, 2025, upon prior approval from the North  
9 Carolina Utilities Commission (“NCUC”) and will not be reflected in the rates  
10 charged to customers of 904 unless approved by the NCUC.”

11  
12 904 Georgetown agrees with both of these recommendations and requests that the  
13 agreements be approved.

14  
15 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

16 **A.** Yes.

904 Georgetown Treatment Plant LLC  
Docket No. W-1141, Sub 8  
**ADJUSTMENT EFFLUENT EXPENSES**  
For The Test Year Ended October 31, 2022

Perry Rebuttal Exhibit I

	<u>GL Account</u>	<u>2007 Effluent Charge - Currently Approved</u>	<u>904 Filed Effluent Charge</u>	<u>904 Revised Effluent Charge</u>	<u>Public Staff Filed Position</u>	<u>904 Georgetown Second Revised</u>	<u>Total Test Year Effluent - Related Expenses - Removed</u> [9]	
<b>Effluent Agreement-Related Charges per General Ledger:</b>								
1	Certified Spray Operator / Irrigation Costs			\$10,500 [4]	\$2,625	5,250 [6]	9,900	
2	Land Lease Wastewater Applications	6326	\$4,500	4,500	\$4,500	4,500	4,500	
3	Electric Power for Irrigation	6310-PH	18,500 [2]	7,217	7,217	7,217	7,217	
4	Irrigation Pump Maintenance	6332	7,217 [3]	5,197 [5]	1,615	2,532 [7]	4,800	
5	Shared Pumphouse Repair	6055 - PH				4,800 [8]		
6	Total Effluent Agreement - Actual Costs		\$19,836.96	\$30,216.64	\$27,414.24	\$15,957.00	\$24,299.00	\$26,417.00
7	Monthly Effluent Agreement Charge (line 6 / 12 months)		\$1,653.08 [1]	\$2,518.05	\$2,284.52	\$ 1,329.75	\$ 2,024.92	\$ 2,201.42

[1] Per Approved Effluent Agreement, Paragraph 13:

[2] Incorrectly included Electric - Account 6310 in the calculation of the Effluent Charge.

[3] Incorrectly included Electric Account Balance 6310-PH as the Irrigation Pump Maintenance account balance - Account 6055-PH.

[4] Certified Spray Operator. Annual salary of \$63,000. assigned \$10,500 or 16.66% of time to the Effluent Charge.

[5] R&M Irrigation -Account 6332-00 - of \$15,591.72 divided by three golf courses.

[6] Certified Spray Operator. Annual salary of \$63,000. assigned \$10,500 or 16.66% of time to the Effluent Charge with sharing.

[7] R&M Irrigation -Account 6332-00 - of \$15,591.72. Added sharing without removing expenses.

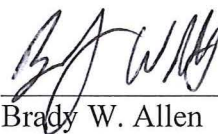
[8] Shared Pumphouse Repair per test year expenses that should have been reflected per Effluent Agreement.

[9] 2022 General Ledger - Total Test Year Effluent - Related Expenses - 904 removed to avoid duplicating any effluent -related expenses.

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the Rebuttal Testimony of Julie G. Perry has been served by electronic mail (e-mail), hand delivery, or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This, the 1st day November, 2023.



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