

**PLURIS WEBB CREEK, LLC
DOCKET NO. W-1314, SUB 4**

**TESTIMONY OF D. MICHAEL FRANKLIN
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

September 25, 2020

1 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS**
2 **ADDRESS, AND PRESENT POSITION.**

3 A. My name is D. Michael Franklin. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Utilities Engineer with the Water, Sewer and Telephone Division of the
6 Public Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE**
8 **RELATING TO YOUR PRESENT POSITION WITH THE PUBLIC**
9 **STAFF.**

10 A. I graduated from the University of South Carolina, earning a Bachelor
11 of Science Degree in Engineering. I worked in the electric utility
12 industry for 33 years prior to joining the Public Staff in June 2019. While
13 employed by the Public Staff, I have presented recommendations in
14 water/wastewater rate proceedings, new franchise and transfer
15 applications, and other matters before the Commission.

16 **Q. WHAT ARE YOUR DUTIES IN YOUR PRESENT POSITION?**

17 A. My duties with the Public Staff are to monitor the operations of
18 regulated water and wastewater utilities with regard to service and

1 rates. Included in these duties are conducting field investigations to
2 review, evaluate, and recommend changes, when needed, in the
3 design, construction, and operations of regulated water and
4 wastewater utilities; presentation of expert testimony in formal
5 hearings; and presentation of information, data, and recommendations
6 to the Commission.

7 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION IN**
8 **THIS CASE.**

9 A. On April 27, 2020, Pluris Webb Creek, LLC (Pluris Webb Creek or
10 Company) filed an application with the Commission seeking authority
11 to increase its rates for providing wastewater utility service in all its
12 service areas in Onslow County, North Carolina. On May 26, 2020, the
13 Commission issued the *Order Establishing General Rate Case and*
14 *Suspending Rates*. On August 10, 2020, the Commission issued the
15 *Order Scheduling Hearings and Requiring Customer Notice*.

16 My investigation included two field inspections, review of company
17 records, review of consumer statements, review of records from the
18 North Carolina Department of Environmental Quality (NCDEQ), and
19 gathering information from other sources. I have conducted an analysis
20 of revenues at existing and proposed rates, assisted Public Staff
21 Accountant Mary Coleman in reviewing capital improvements and
22 expenses, and recommended wastewater rates to generate the
23 service revenue requirement determined by the Public Staff.

1 **Q. BRIEFLY DESCRIBE PLURIS WEBB CREEK'S SERVICE AREAS**
2 **AND WASTEWATER SYSTEM.**

3 A. Pluris Webb Creek serves approximately 1,350 residential and eight
4 commercial customers primarily located south of North Carolina
5 State Highway 24 and east of State Road 1501 in the Hubert area of
6 Onslow County, North Carolina. The wastewater system consists of
7 a new 350,000 gallons per day membrane bioreactor (MBR)
8 wastewater treatment plant and a collection network comprised of
9 approximately three miles of force main, twelve miles of gravity main,
10 and eight duplex lift stations. The system is approved and operated
11 under National Pollutant Discharge Elimination System (NPDES)
12 Permit NC0089877, effective September 1, 2019.

13 **Q. BRIEFLY DESCRIBE THE HISTORY OF PLURIS WEBB CREEK**
14 **AND ITS RELATIONSHIP TO WEBB CREEK WATER AND**
15 **SEWAGE, INC.**

16 A. Webb Creek Water and Sewage, Inc. was the original developer-
17 owned utility providing wastewater service in this area since the
18 1980s¹. The owner-developer comingled development and utility
19 property, which, due to financial problems, resulted in liens on
20 property used to provide utility service.

¹ See Docket No. W-864.

1 On August 8, 2016, in Docket No. W-864, Sub 11, the Commission
2 issued its *Order Appointing Emergency Operator, Approving*
3 *Increased Rates, And Requiring Customer Notice*, whereby Pluris
4 Webb Creek was appointed emergency operator of the subject
5 wastewater system. The Commission's Finding of Fact 12 in its
6 August 8, 2016 Order provides additional context regarding the state
7 of affairs, the plight of customers, and the wastewater system at that
8 time:

9 A real emergency exists regarding the Webb Creek
10 wastewater utility system, as Webb Creek does not
11 have and has no prospect of obtaining the funds for
12 necessary operations, system replacements and
13 upgrades, and is in material non-compliance with G.S.
14 143-215.1, its NPDES Permit, and its Collection
15 Permit, and its customers are in imminent danger of
16 losing adequate wastewater utility service.

17 Pluris Webb Creek was able to acquire ownership of the property
18 necessary to operate the wastewater system, and to establish
19 reasonable compliance with state requirements.

20 On March 26, 2019, in Docket Nos. W-864, Sub 11 and 14, and
21 Docket No. W-1314, Sub 1, the Commission cancelled the
22 franchises of Webb Creek Water and Sewage, Inc., and granted
23 franchises for the same service areas to Pluris Webb Creek. The
24 Commission's Finding of Fact 1 from that its March 26, 2019 Order
25 states:

1 In addition to the various grounds adequate for
2 revocation of the Webb Creek CPCN and franchise
3 recognized in the June 28, 2018 Conditions Order, and
4 in addition to the practical, operational, and financial
5 problems and issues resulting from the deteriorated
6 state of the Webb Creek wastewater system and the
7 liens against system assets, and the fact that J. Hal
8 Kinlaw is serving a lengthy sentence in federal prison,
9 there is no reasonably foreseeable or feasible scenario
10 in which Webb Creek would be able to resume
11 operation of this system. The only clear path to bringing
12 long-term stability to the provision of public utility
13 wastewater service in the Webb Creek service area
14 involves replacing Webb Creek with a competent and
15 well-capitalized public utility that can make the
16 investments necessary to bring the Webb Creek
17 wastewater system into compliance and stabilize the
18 provision of service to the public in this service area. It
19 is in the public interest that the CPCN previously issued
20 to Webb Creek be revoked.

21 On November 14, 2019, in Docket Nos. W-1314, Sub 0 and 2, and
22 Docket No. W-822, Sub 3, the wastewater system of Pines Utilities,
23 Inc. was transferred to Pluris Webb Creek. The associated
24 customers' wastewater is being treated at the Webb Creek
25 wastewater treatment plant.

26 Pluris Webb Creek has built a new MBR wastewater treatment plant
27 to replace the old deteriorated sequencing batch reactor (SBR)
28 wastewater treatment plant. The new plant went into service on
29 approximately June 16, 2020.

30 **Q. HAS PLURIS WEBB CREEK PROVIDED CUSTOMER NOTICE,**
31 **AS REQUIRED, DURING THIS PROCEEDING?**

1 A. Yes, the Company has provided the required customer notification.
2 Pluris Webb Creek filed a Certificate of Service, dated August 17,
3 2020, following the Commission's Order issued on August 10, 2020.

4 **Q. HAVE YOU RECEIVED ANY CUSTOMER COMPLAINTS AS A**
5 **RESULT OF THE CUSTOMER NOTICE AND HEARING IN THIS**
6 **PROCEEDING?**

7 A. The Public Staff received seven consumer statements by email. All
8 statements expressed concerns with the amount of the proposed rate
9 increase. No consumer statements have been received related to
10 quality of service.

11 A customer hearing was held remotely on September 23, 2020, via
12 WebEx, with six individuals providing customer testimony. The
13 testimony from the six individuals primarily concerned the proposed
14 residential rate increase, in particular relating to the scale of the new
15 plant and resulting cost that led the Company to request to almost
16 double existing rates. There were no concerns related to quality of
17 service provided by Pluris Webb Creek.

18 **Q. IS THE UTILITY SYSTEM IN COMPLIANCE WITH NCDEQ**
19 **REGULATIONS?**

20 A. Yes. On August 12, 2019, NCDEQ issued NPDES permit number
21 NC0089877 to Pluris Webb Creek for the then-operating wastewater
22 treatment plant (WWTP) and for the ultimate operation of the new

1 Pluris Webb Creek WWTP. I have reviewed NCDEQ Public Water
2 Supply Section records and Pluris Webb Creek has received three
3 Notices of Violation (NOV) and Intent to Assess Civil Penalty since
4 the permit was issued.

5 The first NOV, NOV-2019-LV-0869, was issued on November 18,
6 2019. The violation was for Limit Exceedance Violations based on
7 the September 2019 Discharge Monitoring Report. The
8 exceedances include two occurrences of exceeding the daily
9 maximum limit of enterococci effluent and four occurrences of
10 exceeding the daily maximum limit for biological oxygen demand.

11 The second NOV, NOV-2020-LV-0012, was issued on January 7,
12 2020. The violation was for Limit Exceedance Violations based on
13 the October 2019 Discharge Monitoring Report. The NOV states the
14 daily maximum enterococci effluent limit was exceeded on five
15 occurrences during the month of October 2019. The daily maximum
16 limit for biological oxygen demand was exceeded on one day of the
17 reporting period while the monthly average for nitrogen-ammonia
18 total effluent was also exceeded.

19 The third NOV, NOV-2020-LV-0013, was also issued on January 7,
20 2020. The violation was for Limit Exceedance Violations based on
21 the November 2019 Discharge Monitoring Report. The violation was
22 due to the daily maximum enterococci effluent limit being exceeded
23 on eight days in November 2019.

1 Pluris Webb Creek responded to the NOVs on January 22, 2020,
2 providing actions being taken to address the limit exceedances.

3 I received information from Mr. Dean Hunkele of the Wilmington
4 Regional Office of the Water Quality Regional Operations Section on
5 the then-operating WWTP. NCDEQ had not performed an inspection
6 of the WWTP, previously owned by Webb Creek Water and
7 Sewerage, Inc., since the time Pluris Webb Creek was appointed
8 emergency operator. Mr. Hunkele stated that while the three NOVs
9 are still open, NCDEQ does not intend to take any further action
10 against Pluris Webb Creek because of the NOVs.

11 Since the new wastewater treatment plant has been placed into
12 operation, no additional NOVs are anticipated.

13 **Q HAS THE PUBLIC STAFF HAD THE OPPORTUNITY TO VISIT**
14 **AND TOUR THE EXISTING WASTEWATER SYSTEM?**

15 A. Yes, the Public Staff has made two recent visits to the Pluris Webb
16 Creek WWTP and the Company's call center (owned and operated
17 by its parent company, Pluris Holdings, LLC) located in Sneads
18 Ferry.

19 On December 4, 2019, David Furr of the Public Staff and I,
20 accompanied by Messrs. Maurice Gallarda, Randy Hoffer, and
21 Michael Gallant, representatives from Pluris Webb Creek, visited and
22 visually inspected the then-operating WWTP built by the prior

1 operator as well as the Pluris Webb Creek WWTP being constructed,
2 and toured the call center.

3 On June 11, 2020, the Pluris Webb Creek WWTP and call center were
4 visited and toured by several members of the Public Staff, including
5 the Executive Director, representatives from the Public Staff Legal
6 Division, and myself. The Public Staff was accompanied by the same
7 Pluris Webb Creek representatives as on the December 4, 2019 visit
8 and tour.

9 During the December 4, 2019 visit, the Public Staff observed the
10 worsening condition of the then-operating aged WWTP and
11 discussed improvements made by Pluris Webb Creek since its
12 appointment as emergency operator. The Public Staff on June 11,
13 2020 toured the new MBR WWTP, which was in operation after
14 recently completing operational testing. The MBR WWTP appeared
15 to be operating extremely well, including producing clear effluent.

16 **Q. WHAT ARE PLURIS WEBB CREEK'S PRESENT AND PROPOSED**
17 **RATES?**

18 A. Pluris Webb Creek's present and proposed rates are shown below:

19 Monthly Residential Flat Rate:

20		Present	Proposed
21		<u>Rates</u>	<u>Rates</u>
22	All residential customers	\$ 37.69	\$ 73.38

1	<u>Monthly Commercial Metered Rates:</u>		
2	Base Charge, zero usage: (minimum charge)		
3	< 1 inch	\$ 28.34	\$ 10.00
4	1 inch	\$ 28.34	\$ 25.00
5	1.5 inch	\$ 28.34	\$ 50.00
6	2 inch	\$ 28.34	\$ 80.00
7	3 inch	\$ 28.34	\$ 250.00
8	Usage charge, per 1,000 gallons	\$ 9.04	\$ 16.50
9	<u>Other Charges:</u>		
10		<u>Present</u>	<u>Proposed</u>
11		<u>Rates</u>	<u>Rates</u>
12	Returned Check Fee	\$ 20.00	\$ 25.00
13	Connection Charges – per sewer tap	\$1,800.00	\$3,200.00

14 **Q BRIEFLY EXPLAIN YOUR BILLING ANALYSIS.**

15 A. I determined the number of active residential customers based on
16 the billing data provided by the Company for the test year ending
17 December 31, 2019. The billing data showed an increase of
18 approximately 20 residential customers in the second half of the test
19 year. As a result, the number of active residential customers was
20 determined by taking the average number of active residential
21 customers during the second half of the test year. During the test
22 year, there was no change in the number of active commercial
23 customers. I also calculated the total consumption for commercial
24 customers for each meter size. The results of my billing analysis are
25 shown in Franklin Exhibit No. 1.

1 **Q. PLEASE EXPLAIN WHY YOUR REVENUE AT PROPOSED**
2 **RATES IS DIFFERENT FROM THE COMPANY'S?**

3 A. I used active residential and commercial customers to calculate
4 revenue at present and proposed rates. As previously stated, the
5 number of active residential customers was determined by taking the
6 average number of active residential customers during the second
7 half of the test year. During the test year, there was no change in the
8 number of active commercial customers. As a result, my calculations
9 of revenue at proposed rates is based on 1301 residential customers
10 and does not include the approximately 53 residential customers
11 that, on average, no longer have wastewater utility service and thus
12 are not billed for service.

13 **Q. DID YOU CALCULATE CUSTOMER GROWTH FACTORS FOR**
14 **WASTEWATER SERVICE?**

15 A. No. There is little to no growth in the Pluris Webb Creek service area.
16 There is a large military family presence in the area, and variations
17 in the number of active customers is typically due to transfers and
18 deployments.

19 **Q. WHAT ARE THE ANNUAL SERVICE REVENUES UNDER**
20 **PRESENT AND PROPOSED RATES?**

21 A. My calculations for service revenues at present and proposed rates
22 are shown in Franklin Exhibit No. 2.

1 Q. HAVE YOU RECOMMENDED ANY ADJUSTMENTS TO
2 EXPENSES RELATED TO WASTEWATER OPERATIONS?

3 A. Yes, I have provided Public Staff Accountant Coleman with
4 recommendations for purchased power, testing, sludge removal, and
5 tools.

6 Purchased Power

7 For the purchased power expense, the Public Staff took into
8 consideration the increased power usage of the MBR plant as
9 compared to the SBR plant. Since the MBR plant went into service in
10 June 2020, the Public Staff was provided the purchased power
11 invoices for the months of July and August 2020. While there is some
12 fluctuation in WWTP power usage from month to month, the
13 fluctuations are not seasonal and usage is relatively steady. The Public
14 Staff used the July and August 2020 purchased power invoices
15 provided by Pluris Webb Creek for the MBR WWTP and determined
16 an average monthly purchased power expense amount. This resulted
17 in an annual purchased power expense adjustment of \$17,383.

18 Testing Expenses

19 The Company expensed \$31,208 for testing. Based on the invoices
20 provided by the Company, I determined testing expenses of \$24,358.
21 The adjustment included an increase of \$425 for additional testing
22 performed during the fourth quarter of 2019 but invoiced in 2020. Two

1 testing expenses were not allowed and were deducted from the testing
2 total. These include \$1,025 for testing performed outside the test year
3 (October through December 2018) and a testing expense for \$6,250
4 that was later withdrawn by Pluris Webb Creek in response to a Public
5 Staff data request.

6 Sludge Removal

7 Pluris Webb Creek expensed \$44,640 for removing sludge from the
8 WWTP and lift stations. Based on the invoices provided by the
9 Company, \$6,000 was included for sludge removal expenses that
10 occurred in June through October 2018. Since the expenses were
11 outside the test year, \$6,000 was removed from consideration resulting
12 in a sludge removal expense of \$38,640.

13 Materials and Supplies - Tools Expenses

14 After reviewing the invoices provided by the Company, I adjusted the
15 Pluris Webb Creek expensed amount of \$3,085 to \$2,934. \$57 was
16 not allowed since it was invoiced in 2018 and therefore outside the test
17 year. An additional \$94 was not allowed because invoices were not
18 provided supporting the expense amount.

19 **Q. WHAT ARE THE PUBLIC STAFF'S RECOMMENDED RATES?**

20 A. The Public Staff has determined the Company's service revenue at the
21 proposed rates is warranted based on the information provided in the

1 application and the responses to Public Staff data requests. As a result,
2 the Public Staff recommends the rates proposed by Pluris Webb Creek
3 for residential and commercial wastewater utility service.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes.

DOCKET NO. W-1314, SUB 4
PLURIS WEBB CREEK, LLC - PLURIS WEBB CREEK
BILLING ANALYSIS

FRANKLIN EXHIBIT 1

RESIDENTIAL

BILLING (Excludes those not billed due to disconnection or non-payment)

Month	Billed Customers	Month	Billed Customers
Jan-19	1,283	Jul-19	1,298
Feb-19	1,284	Aug-19	1,300
Mar-19	1,287	Sep-19	1,302
Apr-19	1,280	Oct-19	1,306
May-19	1,286	Nov-19	1,306
Jun-19	1,282	Dec-19	1,294

TY Total Billed

Residential: 15,508

Average Billed

Customers 1,292 TY 1,301 Last 6 months

COMMERCIAL BILLING

Month	Billed Customers	3/4" Meters	1" Meters	1.5" Meters	2" Meters	3" Meters	Usage (Gallons)
Jan-19	10	3	3	1	1	2	89,300
Feb-19	10	3	3	1	1	2	223,900
Mar-19	10	3	2	1	2	2	121,600
Apr-19	10	3	2	1	2	2	102,600
May-19	10	3	2	1	2	2	93,800
Jun-19	10	3	2	1	2	2	116,600
Jul-19	10	3	2	1	2	2	167,300
Aug-19	10	3	2	1	2	2	137,600
Sep-19	10	3	2	1	2	2	87,400
Oct-19	10	3	2	1	2	2	178,300
Nov-19	10	3	2	1	2	2	168,800
Dec-19	10	3	2	1	2	2	147,200
						Total	1,634,400

DOCKET NO. W-1314, SUB 4
PLURIS WEBB CREEK, LLC - PLURIS WEBB CREEK
REVENUE AT PRESENT (CURRENT) AND PROPOSED RATES

FRANKLIN EXHIBIT 2

Prepared by: D. Michael Franklin (Public Staff - Water, Sewer and Telephone)

TY: Jan-Dec 2019

Residential Customers - Average July-Dec 2019: 1,301

Commercial Customers - TY Actual Total

TY Usage: 1,634,400 Gallons

Present Revenue								
Rate Description	Base Charge	Accounts¹	Base Charge Monthly	Total Annual Base Charge	Usage Annual Total (Gallons)	Usage Rate (Per 1000 Gallons)	Total Annual Usage Charge	Total Present Revenue (Base + Usage)
Residential	\$ 37.69	1,301	\$ 49,034.69	\$ 588,416.28	N/A - Flat Rate	N/A - Flat Rate	\$ -	\$ 588,416.28
Commercial - All	\$ 28.34	10	\$ 283.40	\$ 3,400.80	1,634,400	\$ 9.04	\$ 14,774.98	\$ 18,175.78
Totals		1,311		\$ 591,817.08	1,634,400		\$ 14,774.98	\$ 606,592.06

Notes: 1. There are 8 commercial accounts but 2 have compound meters, resulting in 10 total commercial meters.

Proposed Revenue								
Rate Description	Base Charge	Accounts	Base Charge Monthly	Total Annual Base Charge	Usage Annual Total (Gallons)	Usage Rate (Per 1000 Gallons)	Total Annual Usage Charge	Total Proposed Revenue (Base + Usage)
Residential	\$ 73.38	1,301	\$95,467.38	\$1,145,608.56	N/A - Flat Rate	N/A - Flat Rate	\$ -	\$1,145,608.56
Commercial - 3/4"	\$ 10.00	3	\$30.00	\$360.00	342,300	\$ 16.50	\$ 5,647.95	\$6,007.95
Commercial - 1"	\$ 25.00	2	\$50.00	\$600.00	197,700	\$ 16.50	\$ 3,262.05	\$3,862.05
Commercial - 1.5"	\$ 50.00	1	\$50.00	\$600.00	463,700	\$ 16.50	\$ 7,651.05	\$8,251.05
Commercial - 2"	\$ 80.00	2	\$160.00	\$1,920.00	84,800	\$ 16.50	\$ 1,399.20	\$3,319.20
Commercial - 3"	\$ 250.00	2	\$500.00	\$6,000.00	545,900	\$ 16.50	\$ 9,007.35	\$15,007.35
Totals		1,311	\$96,257.38	\$1,155,088.56	1,634,400		\$ 26,967.60	\$1,182,056.16