

1 PLACE: Dobbs Building, Raleigh, North Carolina

2 DATE: Monday, November 13, 2023

3 TIME: 3:09 p.m. - 3:33 p.m.

4 DOCKET: W-1141, Sub 8

5 BEFORE: Hearing Examiner Freda Hilburn

6 Hearing Examiner Jenny Li

7

8 IN THE MATTER OF:

9 Application by 904 Georgetown Treatment Plant, LLC,  
10 for Authority to Adjust and Increase Rates for  
11 Wastewater Utility Service in Sandpiper Bay Golf and  
12 Country in Brunswick, North Carolina

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1 A P P E A R A N C E S:  
2 FOR 904 GEORGETOWN TREATMENT PLANT, LLC:  
3 Brady Allen, Esq.  
4 Dwight Allen, Esq.  
5 Allen Law Offices, PLLC  
6 Raleigh, North Carolina 27609

7  
8 FOR THE USING AND CONSUMING PUBLIC  
9 William Creech, Esq.  
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11 4326 Mail Service Center  
12 Raleigh, North Carolina 27699-4326

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E X H I B I T S:

IDENTIFIED/ADMITTED

Application, Balance Sheet and .....13  
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## P R O C E E D I N G S

1  
2 MS. HILBURN: Good afternoon. Let's come to  
3 order, please, and go on the record. My name is Freda  
4 Hilburn. I'm a hearing examiner with the North  
5 Carolina Utilities Commission, and I have been  
6 assigned to preside over this hearing today. With me  
7 today is Jenny Li, also a Commission Hearing Examiner  
8 and she is here in a training capacity.

9 I now call for hearing for Docket W-1141,  
10 Sub 8, in the Matter of an Application of 904  
11 Georgetown Treatment Plant, LLC, hereafter Applicant  
12 or Company or 904 Georgetown, for its Authority to  
13 Increase Rates for Sewer Utility Service in Brunswick  
14 County, North Carolina.

15 On April 26, 2023, the Applicant filed its  
16 30-day notice of intent to file a general rate case  
17 Application pursuant to Commission Rule R1-17A.

18 On July 7, 2023, the Applicant filed an  
19 Application with the Commission seeking Authority to  
20 Increase its rates for providing sewer utility service  
21 in Sandpiper Bay Golf and Country Club in Brunswick  
22 County, North Carolina. The Applicant provides water  
23 utility service to approximately 795 residential  
24 flat-rate customers.

1           On July 31, 2023, the Commission issued an  
2 Order establishing general rate case and suspending  
3 rates, which declared this proceeding to be a general  
4 rate case and suspended the proposed new rates for up  
5 to 270 days pursuant to North Carolina § 62-134.

6           On August 21, 2023, the Commission issued an  
7 Order scheduling hearings, establishing discovery  
8 guidelines, and requiring customer notice. That would  
9 be the scheduling Order. By the scheduling Order, the  
10 Commission scheduled a public hearing at 7:00 p.m. on  
11 Wednesday, September 27, 2023, in Bolivia, North  
12 Carolina, and an expert witness hearing at 1:00 p.m.  
13 on Monday, November 13, 2023, in Raleigh, North  
14 Carolina.

15           On August 29, 2023, the Applicant filed its  
16 certificate of service, stating that customer notice  
17 was provided as required in the scheduling Order.

18           On September 22, 2023, the Public Staff  
19 filed a motion to cancel the public hearing. In its  
20 motion, the Public Staff states that it has reviewed  
21 one customer -- consumer statement of position that  
22 was filed in this proceeding. The Public Staff  
23 further states that, the issues set forth in the  
24 consumer statement of position pertained to the

1 proposed rate. The Public Staff notes that neither  
2 the Public Staff nor the Applicant are aware of any  
3 other customer protest or comments made in connection  
4 with this proceeding.

5 Also on September 22, 2023, the Commission  
6 issued an Order canceling public witness hearing and  
7 requiring customer notice.

8 On September 26, 2023, the Applicant filed  
9 its certificate of service, indicating that customer  
10 notice had been provided as required by the September  
11 22, 2023, Order.

12 On October 6, 2023, the Applicant filed a  
13 copy of the lease agreement for office space between  
14 904 Georgetown Treatment Plant, LLC, a North Carolina  
15 corp doing business as Sandpiper Bay Golf and Country  
16 Club, for which it seeks approval from the Commission  
17 under NCGS Section 62-153B. The Applicant states that  
18 the filed lease agreement updates the lease agreement  
19 that was approved by the Commission in Docket W-1141,  
20 Sub 4, in 2007.

21 On October 17, 2023, the Public Staff filed  
22 notice of affidavit and affidavit of John R. Hinton,  
23 Director of the Economic Research Division; the  
24 testimony and exhibits of Evan M. Houser, Public

1 Utilities Engineer Water Sewer and Telephone Division;  
2 and Iris Morgan, Public Utilities Regulatory Analyst  
3 with the Accounting Division.

4 On November 1, 2023, the Applicant filed the  
5 rebuttal testimony of Julie G. Perry, Principle  
6 Utility Consultant and co-owner of Peedin and Perry  
7 Consulting, LLC.

8 On November 6, 2023, the parties filed their  
9 estimates of cross examination times for the expert  
10 witness hearing as required by the scheduling Order.

11 On November 9, 2023, the Applicant filed a  
12 motion to excuse the Applicant in all expert witnesses  
13 from appearing at the November 13, 2023, expert  
14 witness hearing to admit all prefiled direct  
15 testimony, rebuttal testimony, exhibits, and affidavit  
16 into the record. The Applicant states that it has  
17 settled all issues with the Public Staff in this  
18 proceeding, and the Public Staff consents to waive  
19 examination of witnesses at the expert witness hearing  
20 including cross examination.

21 On November 13, 2023, the Public Staff filed  
22 a motion for leave to file settlement agreement and  
23 testimony. Due to the additional filings made by the  
24 stipulating parties in the docket today, on November



1 13, 2023, the hearing examiner issued an Order  
2 revising time of expert witness hearing and allowing  
3 filing of stipulation in supporting testimony. This  
4 Order changed the start date of today's hearing from  
5 1 p.m. to 3 p.m. and allowed the Public Staff's  
6 request for leave to file the settlement agreement,  
7 and stipulation, and supporting testimony.

8 Also on November 13, 2023, the Applicant and  
9 the Public Staff, referred to as the stipulating  
10 parties, filed the settlement agreement and  
11 stipulation entered and signed on November 13, 2023.  
12 There are no other parties to this proceeding.

13 On November 13, 2023, the Public Staff filed  
14 the joint settlement testimony of Iris Morgan and Evan  
15 M. Houser.

16 That brings us up-to-date.

17 The sole purpose of this afternoon's hearing  
18 is to receive the Applicant's and the expert witness'  
19 testimony affidavit and exhibits regarding 904  
20 Georgetown's Application for Authority to Increase  
21 Rates for Sewer Utility Service in Sandpiper Bay Golf  
22 and Country Club in Brunswick County, North Carolina.

23 At this point, I now call for appearance of  
24 counsel, beginning with Applicant.

1           MR. ALLEN: Good morning. Or good afternoon  
2 -- excuse me -- Hearing Examiner Hilburn and Hearing  
3 Examiner Li. My name is Brady Allen and I am  
4 appearing on behalf of 904 Georgetown Treatment Plant,  
5 LLC, and with me is my cocounsel, Dwight Allen.

6           HEARING EXAMINER HILBURN: Okay. Thank you.  
7 Public Staff?

8           MR. CREECH: Good afternoon, Hearing  
9 Examiner Hilburn, and Ms. Li. My name is William  
10 Creech, C. Creech, a staff attorney with the Public  
11 Staff on behalf of the Using and Consuming Public.  
12 Here with -- also staff Attorney James Bernier, and  
13 staff Attorney Davia Newell. Thank you.

14           HEARING EXAMINER HILBURN: All right. Thank  
15 you all for being here today.

16           And the first thing I want to address before  
17 we get started is a motion that is outstanding from  
18 the Applicant that was filed on Thursday. And this --  
19 as y'all know, we were out on Veterans' Day Holiday on  
20 Friday, and the Applicant informed us in that motion  
21 that the parties had settled all issues that were  
22 contested in this proceeding. And -- it also  
23 requested that the all of the witnesses be excused  
24 from the expert witness hearing as the parties have

1 waived their right to cross examine witnesses in this  
2 proceeding.

3           So on that motion, I would like to address  
4 that from the stand. Rule from that on the stand.  
5 And I will be granting this motion with respect to the  
6 manager of 904 Georgetown, Tim Tilma, and also your  
7 rebuttal witness, Ms. Julie Perry. And I'll also be  
8 granting the request for affiant John R. Hinton. I  
9 would like for Mr. Houser and Ms. Morgan, who filed  
10 settlement testimony today to be presented as a panel  
11 to discuss their settlement testimony due to the  
12 timing of that filing today.

13           We do not need the parties to come up for  
14 their direct testimony to do any summaries or any --  
15 or be available for questions from the Commission on  
16 their direct testimony. We would like, at the proper  
17 time, for each counsel to get those filings into the  
18 record today, but the Commission Hearing Examiners  
19 will hear from the Public Staff witnesses who filed  
20 the joint settlement testimony from the stand.

21           So with that, are there any other  
22 preliminary matters that counsel would like to bring  
23 up at this time?

24           MR. ALLEN: No. Not that I'm aware of.

1 MR. CREECH: No. Thank you.

2 HEARING EXAMINER HILBURN: Okay. All right.

3 So we are going to start with the Applicant.

4 And at this time, Mr. Allen, I would ask that you ask  
5 for permission to enter into the record the Company's  
6 Application and the direct testimony and rebuttal  
7 testimonies.

8 MR. ALLEN: Thank you, Hearing Examiner  
9 Hilburn. At this time, I would move that the  
10 Application for a General Rate Increase for 904  
11 Georgetown be moved into the record. It consists of  
12 Application and exhibits, the Affiliate Effluent  
13 Agreement, the direct testimony of Tim Tilma,  
14 consisting of 13 pages, and the direct testimony of  
15 Julie Perry, consisting of seven pages and an exhibit.

16 HEARING EXAMINER HILBURN: And would you  
17 also like to enter into evidence the lease agreement  
18 on the office space that was filed? Let's see what  
19 date that was. October the 6th.

20 MR. ALLEN: Yes. At this time, we would  
21 also like to move in the request for Approval of  
22 Affiliate Lease Agreement, that was filed on  
23 October 6, 2023.

24 HEARING EXAMINER HILBURN: And, Mr. Allen,

1 the Effluent Agreement that you mentioned that was  
2 originally presented with the Company's Application  
3 has been updated pursuant to agreements reached in the  
4 Stipulation. So I would ask that the Company file an  
5 updated Effluent Agreement for review by the  
6 Commission that your-- for seeking approval of that in  
7 this proceeding.

8 MR. ALLEN: Yes. We will file the Effluent  
9 Agreement with the changes agreed in the Stipulation  
10 with the Public Staff.

11 HEARING EXAMINER HILBURN: All right.  
12 Mr. Allen, do you have anything else on your direct  
13 case?

14 MR. ALLEN: No, that is all.

15 HEARING EXAMINER HILBURN: Okay. Thank you.

16 MR. ALLEN: Thank you.

17 (WHEREUPON, Application,  
18 Balance Sheet and Income  
19 Statement, and Effluent  
20 Agreement of 904 Georgetown  
21 Treatment Plant, LLC, is  
22 received into evidence.)  
23 (WHEREUPON, the prefiled  
24 direct testimony of TIM

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TILMA is copied into the  
record as if given orally  
from the stand.)

**NORTH CAROLINA UTILITIES COMMISSION  
RALEIGH**

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

**IN THE MATTER OF**

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

**PRE-FILED DIRECT TESTIMONY**

**OF**

**TIMOTHY P. TILMA**

**ON BEHALF OF**

**904 GEORGETOWN TREATMENT PLANT, LLC**

**JULY 6, 2023**

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

3 A. My name is Timothy P. Tilma ( Tim ), and my business address is 800 N. Sandpiper  
4 Club Drive, Sunset Beach, North Carolina 28468.

5 **Q. PLEASE STATE YOUR POSITION WITH 904 GEORGETOWN**  
6 **TREATMENT PLANT, LLC.**

7 A. I am the Manager of 904 Georgetown Treatment Plant, LLC (“904 Georgetown”  
8 or “the Company”).

9 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES WITH 904**  
10 **GEORGETOWN.**

11 A. My responsibilities with 904 Georgetown include general oversight of 904  
12 Georgetown’s day-to-day operations, and direct oversight of all corporate,  
13 compliance, finance, and regulatory matters related to 904 Georgetown.

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL**  
15 **BACKGROUND.**

16 A. In addition to being the Manager of the 904 Georgetown Wastewater Treatment  
17 Plant, I am the Manager of the following business entities: I am the General  
18 Manager of North Star Carolina Corporation, d/b/a Sandpiper Bay Golf & Country  
19 Club (Sandpiper Bay) – which is a company comprised of the Golf Club and the  
20 Shared Amenities, including the Sandpiper Bay Homeowners Association, and the  
21 Sunset Village Condo Association. The purpose of the Golf Club is to provide a  
22 quality golf experience and lifestyle to the Members and Guests that play golf on



1 the courses, and to provide a reasonable return on investment to the Company  
2 Owner. The purpose of the Shared Amenities is to prudently manage the budget  
3 while maintaining the value and integrity of the neighborhood to include an  
4 attractive front entry to the neighborhood, the 0.7-mile entry road, and the front  
5 entry guard gate and gazebo.

6 I have a degree in Social Science, B.A. 1978, from Alma College in Alma,  
7 Michigan, and a Masters Degree in Physical Education, M.S. 1983 from Western  
8 Michigan University in Kalamazoo, Michigan. I have managed Tennis and Golf  
9 Facilities for over 45 years and have a record of successful operations. I have shown  
10 leadership at many levels and have served on several boards and committees and  
11 am currently on the Board of Directors of the Myrtle Beach Golf Course Owners  
12 Association, and the North Carolina Golf Course Owners Association. I am a  
13 Member of the Professional Golf Association of America (PGA of America). This  
14 is a national association of 23,000 golf professionals who manage, teach, and  
15 promote the game of golf. I have been a member for 35 years.

16 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE IN**  
17 **WASTEWATER UTILITIES.**

18 A. I have been the Manager of 904 Georgetown for 15.5 years. I manage our Certified  
19 Wastewater Operator, who advises me daily as to plant operations. I also manage  
20 the Accounting Office of 904 Georgetown that is responsible for billing and  
21 collection as well as all accounts payable and receivable functions.

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**GENERAL INFORMATION ABOUT 904 GEORGETOWN**

2

**Q. WHEN DID 904 GEORGETOWN ACQUIRE ITS UTILITY FRANCHISE  
IN NORTH CAROLINA?**

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A. The Commission granted a certificate of public convenience and necessity (“CPCN”) to 904 Georgetown to provide wastewater utility service on November 5, 2001, in Docket No. W-1141, Sub 0.

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**Q. HOW MANY WASTEWATER CUSTOMERS DID 904 GEORGETOWN  
SERVE AS OF THE END OF THE TEST YEAR?**

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9

A. At the end of the Test Year of October 31, 2022, 904 Georgetown served 795 wastewater customers, all of whom are residential.

10

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**Q. HAS 904 GEORGETOWN HAD ANY RATE INCREASES SINCE  
RECEIVING ITS CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY IN 2001?**

12

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14

A. Yes. 904 Georgetown filed and received a rate increase in 2007 for its wastewater utility system. The rates have not been adjusted since 2007 except for a decrease ordered by the Commission in 2015, which was the result of changes to the corporate state income tax rate related to House Bill 998 in Docket No. W-1141 Sub 6.

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**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to address certain operational and financial aspects  
2 of 904 Georgetown's utility operation and help explain the Company's need for a  
3 rate increase.

4 **Q. WHAT ROLE HAVE YOU HAD IN THE PREPARATION OF THE**  
5 **RATE CASE APPLICATION?**

6 A. I have retained Peedin and Perry Consulting, LLC ("Peedin and Perry"), to assist  
7 with preparation of the rate case application, testimony, and exhibits in this matter.  
8 I have worked closely with them in providing the information needed to complete  
9 the application, and I have reviewed their work.

10 **Q. WHAT TEST YEAR PERIOD DOES THE COMPANY USE IN ITS**  
11 **APPLICATION IN THIS DOCKET?**

12 A. 904 Georgetown is utilizing a Test Year in this proceeding of the twelve months  
13 ended October 31, 2022.

14 **AFFILIATE RELATIONSHIPS**

15 **Q. WHAT IS THE RELATIONSHIP OF THE OTHER BUSINESSES YOU**  
16 **MANAGE TO 904 GEORGETOWN?**

17 A. North Star Carolina Corporation d/b/a Sandpiper Bay Golf and Country Club  
18 ("Sandpiper Bay") is a wholly owned subsidiary of Matrix Development Company,  
19 Inc. ("Matrix"). 904 Georgetown is owned by North Star Management, Inc, and  
20 North Star Management, Inc. is also a wholly owned subsidiary of Matrix.

1 The Sandpiper Bay is a customer of 904 Georgetown, and the offices of both  
2 companies, Sandpiper Bay and 904 Georgetown, are in the Sandpiper Bay  
3 Clubhouse.

4 The Sandpiper Bay Golf Club has an agreement with the 904 Georgetown to use  
5 the treated water that the plant produces. This relationship is detailed in the  
6 "Effluent Easement and Irrigation Agreement" that was approved in Docket No.  
7 W-1141, Sub 4 and was also filed in this docket.

8 **Q. HAVE YOU FILED COPIES OF ALL CONTRACTS BETWEEN 904**  
9 **GEORGETOWN AND AFFILIATED ENTITIES FOR APPROVAL BY**  
10 **THE NORTH CAROLINA UTILITIES COMMISSION TO THE EXTENT**  
11 **REQUIRED BY N.C. GENERAL STATUTE § 62-153?**

12 **A.** Yes. We have filed the revised Effluent Easement and Irrigation Agreement that  
13 was initially approved in Docket No. W-1141, Sub 4.

14 **Q. DOES 904 GEORGETOWN MAKE ANY PAYMENTS OR PROVIDE ANY**  
15 **OTHER COMPENSATION OR VALUE TO AFFILIATES BEYOND**  
16 **WHAT IS STATED IN COMMISSION-APPROVED CONTRACTS?**

17 **A.** There are certain monthly expenses that 904 Georgetown shares with Sandpiper  
18 Bay such as the rental of office space, bookkeeping and accounting services, and  
19 management fees which are based on the number of hours spent working on 904  
20 Georgetown each week. 904 Georgetown also pays Sandpiper Bay for certain other  
21 administrative services such as office supplies, phone expenses and equipment

1 rental, etc. This was true in our last rate case and continues today. The services are  
2 based on actual costs, and there is no markup from the affiliate.

3 **Q. WHAT IS THE CURRENT STATUS OF THE EFFLUENT EASEMENT**  
4 **AND IRRIGATION AGREEMENT THAT WAS FILED IN DOCKET NO.**  
5 **W-1141, SUB 4?**

6 A. The Company is still operating under the Effluent Easement and Irrigation  
7 Agreement (“Effluent Agreement”) that was filed in Docket No. W-1141, Sub 4.  
8 No changes have been made to the services or charges approved in the Effluent  
9 Agreement. However, it has been 16 years since the Effluent Agreement charge  
10 was approved by the Commission. Clearly, the actual costs have increased  
11 significantly during those 16 years. For that reason, the Company has updated the  
12 Effluent Agreement to reflect the appropriate level of expenses for the Effluent  
13 water application charge. This charge is established in the Effluent Agreement and  
14 is based on actual cost, and there is no mark up. The new Effluent Agreement  
15 provides that the Effluent water application charge will be reset annually based on  
16 actual cost experience during the previous year.

17 **Q. DOES THE EFFLUENT AGREEMENT PROVIDE BENEFITS TO 904**  
18 **GEORGETOWN AND ITS CUSTOMERS?**

19 A. Yes, it does. In many of these arrangements, it is the golf property that receives most  
20 of the benefits because the golf course needs wastewater effluent spray to water the  
21 golf facilities. Our situation is different. Sandpiper Bay Golf and Country Club has

1 adequate irrigation ponds and resources to handle its own needs. However, 904  
2 Georgetown needs the ability to spray effluent on the golf course to assure that the  
3 Company has adequate capability to dispose of its effluent properly. It is for that  
4 reason that the Company pays Sandpiper Bay for accommodating that need, which  
5 benefits both 904 Georgetown and its wastewater customers.

6 **Q. DOES 904 GEORGETOWN OWN OR LEASE ALL THE PERSONAL  
7 AND REAL PROPERTY NEEDED TO PROVIDE UTILITY SERVICE?**

8 A. Yes. 904 Georgetown owns all the utility property needed to provide utility  
9 service, except for the spray areas needed to dispose of the effluent.

10 **OPERATIONS AND COMPLIANCE**

11 **Q. PLEASE DESCRIBE THE WASTEWATER SYSTEM THAT 904  
12 GEORGETOWN OPERATES.**

13 A. 904 Georgetown uses ground piping under the neighborhood roads that collect  
14 wastewater from the residential homes and condominium units. These sewer lines  
15 connect to one of three lift stations that lift the wastewater up to assist in  
16 transporting it to the main 904 Georgetown Plant location. The plant is operated in  
17 compliance with the Division of Water Quality Permit #WQ0013398, which was  
18 recently renewed and is in effect until Jan. 31, 2027. The 904 Georgetown office  
19 has a map of all the sewer lines that are part of the system.

20 **Q. PLEASE DESCRIBE THE ENVIRONMENTAL COMPLIANCE RECORD  
21 OF 904 GEORGETOWN.**

1    **A.**     During my 15.5 years of Managing the 904 Georgetown Plant, the Company has  
2           received two Notices of Violation and one Notice of Deficiency. The first violation  
3           was in February 2011 for the aeration basin and filters that needed repair and  
4           replacement. The repairs were made within three months. The second violation was  
5           in October 2019 for nitrogen and ammonia levels that exceeded the monthly  
6           average. This violation was corrected within a week.

7           The Company received a Notice of Deficiency in October 2021 after the September  
8           2021 Inspection. We were directed to provide plans for repairing and cleaning the  
9           aeriation basin, and the splitter box, and the automatic backwashing function. We  
10          fulfilled these repair requests within 3 months. There have been no other notices.

11    **Q.**     **HAS 904 GEORGETOWN RECEIVED ANY CUSTOMER COMPLAINTS**  
12           **ABOUT QUALITY OF SERVICE?**

13    **A.**     On occasion, 904 Georgetown will receive an informal complaint that a resident's  
14           toilet is backing up. The Company will inspect the main line that services that home  
15           and the line that belongs to 904 Georgetown. In most cases, the backup is caused  
16           by a problem in the resident's pipes within their own personal system. In these  
17           cases, the Company educates the resident about the problem, the possible location  
18           and gives them recommendations on what action to take – perhaps to call a local  
19           plumber. There have been no complaints against 904 Georgetown filed with the  
20           Commission.

1 Q. HAS 904 GEORGETOWN MADE ANY RECENT CAPITAL  
2 IMPROVEMENTS IN ITS WATER SYSTEMS?

3 A. In addition to the normal pump replacements, in the past three years 904  
4 Georgetown has had to replace a control panel, a generator and DEQ required 904  
5 Georgetown to develop a mapping of the entire sewer treatment system.

6 Q. IN YOUR OPINION, IS 904 GEORGETOWN PROVIDING ADEQUATE  
7 UTILITY SERVICE TO ITS CUSTOMERS?

8 A. Yes, it is. This is evidenced by the quick response to customer service issues, DEQ  
9 Notices, informal customer complaints, and the lack of any formal complaints  
10 being filed with the Commission.

11 REVENUE REQUIREMENT AND RATE OF RETURN

12 Q. HAS 904 GEORGETOWN SUSTAINED INCOME LOSSES FOR ITS  
13 SEWER SYSTEM DURING THE TEST YEAR?

14 A. Yes. 904 Georgetown experienced a net income loss from sewer operations of  
15 (\$133,831) during the Test Year.

16 Q. WHAT RATE OF RETURN DOES 904 GEORGETOWN'S CURRENT  
17 RATES YIELD?

18 A. 904 Georgetown's current rates yield a per books rate of return on operating  
19 revenue deductions of (35.90%) for sewer operations, and an after proforma rate  
20 of return of (30.48%).



1    **Q.    PLEASE EXPLAIN THE REASONS THAT 904 GEORGETOWN**  
2    **SUSTAINED INCOME LOSSES DURING THE TEST YEAR.**

3    A.    904 Georgetown's net income losses during the Test Year are due to operating  
4    expense cost increases and are the result of not having an approved rate increase  
5    since 2007. 904 Georgetown filed an application for a general rate increase in May  
6    2022, but the Public Staff advised the Company that the Application did not comply  
7    with certain requirements, and a decision was made to withdraw that Application  
8    and re-file another Application at a later date. This docket is the result of those  
9    efforts.

10   **Q.    WHAT IS THE REVENUE INCREASE REQUESTED BY 904**  
11   **GEORGETOWN?**

12   A.    904 Georgetown's current per books sewer operating revenues are \$239,019, and  
13   904 Georgetown's current expenses after proforma adjustments are \$343,668. 904  
14   Georgetown proposes an increase in sewer revenues of \$136,700. That level of  
15   increase will result in total sewer revenue of \$375,718, which represents an increase  
16   in revenue of 36.38% for sewer operations.

17   **Q.    WHAT IS 904 GEORGETOWN'S PROPOSED CAPITAL STRUCTURE**  
18   **IN THIS RATE CASE?**

19   A.    904 Georgetown's actual capital structure is 100% equity. For ratemaking  
20   purposes, 904 Georgetown recommends a hypothetical 50% debt and 50% equity  
21   capital structure. Based on the advice of counsel and our utility consultants, this  
22   appears to be a debt-to-equity ratio that is comparable to the ratios used in other

1 general rate cases decided by the Commission where there is no actual debt on the  
2 books.

3 **Q. WHAT DEBT COST RATE DOES 904 GEORGETOWN PROPOSE IN**  
4 **THIS PROCEEDING?**

5 A. I recommend 4.50% for the debt cost rate based on the advice of my counsel and  
6 utility consultants that a hypothetical debt rate of 4.50% is reasonable based on  
7 other water and sewer utility cases within the past year. I would note that interest  
8 rates have increased significantly, and based on those increases, the proposed  
9 hypothetical debt rate is on the low side of reasonable.

10 **Q. WHAT RATE OF RETURN ON EQUITY DOES 904 GEORGETOWN**  
11 **PROPOSE IN THIS PROCEEDING?**

12 A. I recommend 9.80% for the rate of return on equity. This recommendation is based  
13 on the more recent returns approved by the Commission and based on the advice  
14 of counsel and our utility consultants. Considering the increasing interest rates  
15 previously mentioned, as well as the rate of inflation, a 9.80% rate of return on  
16 equity for 904 Georgetown is reasonable.

17 **Q. WHAT OVERALL RETURN (WEIGHTED AVERAGE COST OF**  
18 **CAPITAL) RESULTS FROM THE CAPITAL STRUCTURE, DEBT COST**  
19 **RATE, AND EQUITY COST RATE RECOMMENDED BY 904**  
20 **GEORGETOWN IN THIS PROCEEDING?**

21 A.

1 We have based the proposed overall rate of return on operating revenue deductions  
2 of 7.15%, based on a margin on operating expenses which relates to an operating  
3 ratio of 93.47% (including taxes) or 93.33% (excluding taxes). As allowed under  
4 NC Gen Stat 62-133.1, we have used the operating ratio method to evaluate 904  
5 Georgetown's proposed rate increase. Prior to the operating ratio determination and  
6 due to the small margin between the proposed revenue requirement calculations, if  
7 the rate base method was determined to be appropriate, we propose using a capital  
8 structure of 50% debt and 50% equity with a return on equity of 9.80% and a debt  
9 cost of 4.50%, resulting in the overall weighted cost of capital of 7.15%

10 **Q. IS THIS TESTIMONY TRUE AND ACCURATE TO THE BEST OF YOUR**  
11 **KNOWLEDGE, INFORMATION, AND BELIEF?**

12 A. Yes.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

14 A. Yes, it does.  
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(WHEREUPON, Perry Exhibit 1  
is received into evidence.)  
(WHEREUPON, the prefiled  
direct testimony of JULIE  
PERRY is copied into the  
record as if given orally  
from the stand.)

**NORTH CAROLINA UTILITIES COMMISSION  
RALEIGH**

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

**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 AREA  
IN BRUNSWICK COUNTY IN NORTH CAROLINA**

**PRE-FILED DIRECT TESTIMONY**

**OF**

**JULIE PERRY**

**ON BEHALF OF**

**904 GEORGETOWN TREATMENT PLANT, LLC**

**JULY 6, 2023**

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

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

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
7 **BUSINESS EXPERIENCE.**

8 A. I have a Bachelor of Arts Degree in Accounting from North Carolina State  
9 University. I am a Certified Public Accountant licensed in the State of North  
10 Carolina.

11 I began my career with the Office of the State Auditor in October 1989, where I  
12 performed audits of state agencies, Community Colleges, and other performance  
13 audits. In September 1990, I joined the Accounting Division of the Public Staff of  
14 the North Carolina Utilities Commission and remained employed there until my  
15 retirement on May 1, 2022. At that time and with over 32 years of State service, I  
16 was the Accounting Manager in the Natural Gas and Transportation Section of the  
17 Public Staff. Over the course of my tenure with the Public Staff, I have filed  
18 testimony and affidavits in general rate cases, as well as presented items for  
19 approval in front of this Commission for Water, Transportation, and Natural Gas  
20 Utilities, as well as mergers, annual reviews, and other special projects and  
21 investigations including affiliated agreements and proceedings for the expansion  
22 of natural gas service in North Carolina.

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

2 A. The purpose of my testimony is to support the request by 904 Georgetown  
3 Treatment Plant, LLC (904 Georgetown or the Company) for an increase in rates  
4 as provided in the Application for Rate Increase and the attached Exhibit I. My  
5 testimony addresses certain financial aspects of the rate case, including 904  
6 Georgetown's proforma revenues and expenses, including the pro-forma  
7 adjustments.

8 **Q. WHAT ROLE DID YOU HAVE IN THE PREPARATION OF THE**  
9 **APPLICATION FOR RATE INCREASE AND THE SUPPORTING**  
10 **SCHEDULES?**

11 A. My role was to prepare the Application for Rate Increase and to prepare the  
12 Exhibit I schedules attached to the Application.

13 **Q. WHAT TEST YEAR PERIOD IS 904 GEORGETOWN USING IN ITS**  
14 **APPLICATION FOR A RATE INCREASE?**

15 A. The Company is utilizing a test year in this proceeding for their fiscal year ended  
16 October 31, 2022.

17 **Q. WHAT IS THE REVENUE INCREASE REQUESTED BY**  
18 **904 GEORGETOWN TREATMENT PLANT?**

19 A. 904 Georgetown's current per book test year revenues based on the current rates  
20 are \$239,394, and current expenses are \$373,225. These revenues currently  
21 result in 904 Georgetown operating at a net loss of \$133,831. After

1 annualizing present rates, the pro-forma revenues are \$239,019. The Company  
2 application proposes to increase service revenues by \$136,700, which  
3 equates to total revenues of \$375,718, an increase of approximately 36.38% over  
4 present annual revenues. The Company's rates have not been adjusted since 2007,  
5 except for a change Ordered by the Commission in Docket W-1441, Sub 6 (2015),  
6 related to a change in the State corporate income tax rate.

7 **Q. WHAT IS 904 GEORGETOWN'S PROPOSED CAPITAL STRUCTURE IN**  
8 **THIS RATE CASE?**

9 A. 904 Georgetown is proposing an equity ratio of 50% and a debt ratio of 50%. The  
10 proposed cost of long-term debt is 4.50%.

11 **Q. WHAT RATE OF RETURN DOES 904 GEORGETOWN'S CURRENT**  
12 **RATES YIELD?**

13 A. 904 Georgetown's current rates yield a rate of return on operating revenue  
14 deductions of (35.90%).

15 **Q. WHAT RATE OF RETURN WOULD 904 GEORGETOWN'S PROPOSED**  
16 **RATES YIELD?**

17 A. The rates proposed by 904 Georgetown would yield an overall rate of return on  
18 operating revenue deductions of 7.15% based on a margin on operating expenses  
19 which relates to an operating ratio of 93.47% (including taxes) or 93.33% (excluding  
20 taxes). As allowed under NC Gen Stat 62-133.1, we have used the operating ratio  
21 method to evaluate 904 Georgetown's proposed rate increase. Prior to the operating  
22 ratio determination and due to the small margin between the proposed revenue



1 requirement calculations, if the rate base method was determined to be appropriate,  
2 we propose using a capital structure of 50% debt and 50% equity and a rate of return  
3 on common equity of 9.8%, and a debt cost of 4.5%. This would result in an overall  
4 return of 7.15%.

5 **Q. PLEASE DESCRIBE THE ADJUSTMENTS YOU ARE MAKING TO 904**  
6 **GEORGETOWN'S ORIGINAL COST RATE BASE.**

7 **A.** I have made pro forma adjustments to plant in service to reflect additions since the  
8 last rate case in Docket No. W-1141, Sub 5, as well as adjustments during the test  
9 year to reclassify expenditures from Maintenance & Repair expense to Plant in  
10 Service. I have also made corresponding adjustments to depreciation expense and  
11 accumulated depreciation to reflect these additions and reclassifications to plant in  
12 service.

13 In addition, I have calculated cash working capital based on the standard formula  
14 of one eighth of operation and maintenance expenses. The average tax accruals  
15 are also calculated using a standard formula of one-half of property taxes and one-  
16 fifth of payroll taxes.

17 **Q. PLEASE DESCRIBE THE ADJUSTMENTS YOU HAVE MADE TO THE**  
18 **OPERATION AND MAINTENANCE EXPENSES IN THIS CASE.**

19 **A.** I have made several adjustments to the operation and maintenance expenses in  
20 this case to reflect an ongoing level of expenses for the Company's operations. I  
21 will briefly describe each of the adjustments below:

22 **Salaries expense** -- I have made an adjustment to reflect the 2023-2024 salaries of

1 the Company's employees. This results in an increase of \$2,390 to salaries  
2 expense, and a corresponding adjustment to payroll taxes of \$183.

3 **Administrative and Office expenses** – I have made an adjustment to reflect  
4 increases for monthly office rent and office rental equipment for 2023. This results  
5 in an increase of \$1,440 for administrative and office expenses.

6 **Maintenance & repair expenses** – I have made adjustments to remove certain  
7 items from maintenance and repair expenses and reclassify those items to plant in  
8 service. I have also made adjustments to normalize unexpected maintenance and  
9 repair expenses, as well as to normalize equipment repair expenses. These  
10 adjustments result in an overall adjustment to maintenance and repair expenses of  
11 \$7,110.

12 **Sludge Hauling expenses** – I have made an adjustment to normalize sludge  
13 hauling expenses by reviewing the levels over a two-year period due to a higher  
14 level that was experienced during the test year. When compared to the test year  
15 level of sludge hauling, this will result in a decrease in test year sludge hauling  
16 expenses of (\$15,400).

17 **Utilities expenses** - I have adjusted utilities expenses to reflect certain expenses  
18 that should be removed because these expenses should be borne by Sandpiper  
19 Golf & Country Club and not 904 Georgetown. These expenses have currently  
20 been removed from the Company's books on a going-forward basis. I have also  
21 adjusted the cell phone expenses to reflect a current ongoing level. These  
22 adjustments result in a decrease in utilities expenses of (\$25,693).

1       **Landscape, Mowing & Effluent Expenses** – I have adjusted this expense  
2       category to reflect a current ongoing level of expenses, which includes the  
3       updated Effluent Agreement expenses using the same basis as was done in the  
4       prior rate case. This results in a decrease of (\$4,020).

5       **Professional Fees** – I have adjusted professional fees to reflect a reclassification  
6       of certain engineering services from professional fees to regulatory expenses. This  
7       results in a decrease of (\$1,405).

8       **Regulatory expense** – I have adjusted regulatory expense to reflect actual and  
9       estimated legal and accounting services, as well as the application fee and other  
10      fees related to mailing notices to customers required for the filing of this rate case.  
11      We plan to update these estimated expenses either by the close of the hearing or  
12      in a late-filed exhibit after the hearing. I have amortized these expenses over a  
13      period of 3 years. This results in an increase of \$8,191.

14    **Q. PLEASE DESCRIBE THE YOUR CALCULATIONS FOR INCOME**  
15    **TAXES.**

16    **A.** I have calculated state and federal income taxes based on the  
17    statutory rates of 2.5% and 21%, respectively.

18    **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

19    **A.** Yes.

20

1 HEARING EXAMINER HILBURN: Mr. Creech, I'll  
2 turn to you and your witnesses that filed direct  
3 testimony and affidavit.

4 MR. CREECH: Yes, please. The Public Staff  
5 would like to move into the record the direct  
6 testimony of Iris Morgan, filed on October 17, 2023,  
7 consisting of 10 pages, an Appendix A, and one exhibit  
8 with schedules therein.

9 The Public Staff would also like to move  
10 into the record the direct testimony of Mr. Evan  
11 Houser, filed in October 17, 2023, comprised of 18  
12 pages, an Appendix A, and one exhibit.

13 And the Public Staff would also like to move  
14 into the record the Affidavit of John R. Hinton,  
15 consisting of three pages, an Appendix A that was  
16 filed with a two-page notice of affidavit on October  
17 17, 2023.

18 HEARING EXAMINER HILBURN: Okay. That will  
19 be allowed.

20 MR. CREECH: Thank you.

21 (WHEREUPON, Morgan Exhibit  
22 1 is received into  
23 evidence.)

24 (WHEREUPON, the prefiled

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direct testimony and  
Appendix A of IRIS MORGAN  
is copied into the record  
as if given orally from the  
stand.)

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

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

In the Matter of  
Application by 904 Georgetown Treatment ) **TESTIMONY OF**  
Plant, LLC, for Authority to Increase Rates ) **IRIS MORGAN**  
for Sewer Utility Service in Sandpiper Bay ) **PUBLIC STAFF –**  
Golf and Country Club in Brunswick County, ) **NORTH CAROLINA**  
North Carolina ) **UTILITIES COMMISSION**

**October 17, 2023**

1 **Q. Please state your name, business address, and present**  
2 **position.**

3 A. My name is Iris Morgan. My business address is 430 North Salisbury  
4 Street, Dobbs Building, Raleigh, North Carolina. I am a Public  
5 Utilities Regulatory Analyst with the Accounting Division of the Public  
6 Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and experience.**

8 A. My qualifications and duties are attached as Appendix A.

9 **Q. What is the mission of the Public Staff?**

10 A. The Public Staff represents the concerns of the using and consuming  
11 public in all public utility matters that come before the North Carolina  
12 Utilities Commission. Pursuant to N.C. Gen. Stat. § 62-15(d), it is the  
13 Public Staff's duty and responsibility to review, investigate, and make  
14 appropriate recommendations to the Commission with respect to the  
15 following utility matters: (1) retail rates charged, service furnished,  
16 and complaints filed, regardless of retail customer class; (2)  
17 applications for certificates of public convenience and necessity; (3)  
18 transfers of franchises, mergers, consolidations, and combinations  
19 of public utilities; and (4) contracts of public utilities with affiliates or  
20 subsidiaries. The Public Staff is also responsible for appearing  
21 before State and federal courts and agencies in matters affecting  
22 public utility service.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present the accounting and  
3 ratemaking adjustments I am recommending, as well as those  
4 recommended by other Public Staff witnesses, resulting from the  
5 Public Staff's investigation of revenue, expenses, and rate base  
6 presented by 904 Georgetown Treatment Plant, LLC (Georgetown  
7 or the Company) in support of the Company's July 6, 2023, request  
8 for a rate increase.

9 **Q. Please describe the scope of your investigation into the**  
10 **Company's filing.**

11 A. My investigation included a review of the application, testimony,  
12 exhibits, and other data filed by the Company; an examination of the  
13 books and records for the 12-month test year ended October 31,  
14 2022; and a review of the Company's accounting and end-of-period  
15 adjustments to test year revenue, expenses, and rate base. The  
16 Public Staff has also conducted extensive discovery in this matter,  
17 including reviewing numerous data request responses provided by  
18 the Company in response to Public Staff data requests and a site  
19 visit.



1 **Q. What revenue increase is the Public Staff recommending in this**  
2 **case?**

3 A. Based on the level of rate base, revenue, and expenses annualized  
4 for the 12-month test year ended October 31, 2022, the Public Staff  
5 is recommending an increase in annual operating revenue of  
6 \$79,330 for sewer rates. As allowed under N.C.G.S. § 62-133.1, I  
7 have used the operating ratio method to evaluate the Company's  
8 proposed revenue requirement.

9 **Q. Please briefly describe the Public Staff's presentation of the**  
10 **issues in this case.**

11 A. Each Public Staff witness will present testimony and exhibits  
12 supporting his or her position and will recommend any appropriate  
13 adjustments to the Company's proposed rate base and cost of  
14 service for the test year. My exhibits reflect and summarize these  
15 adjustments, as well as the adjustments I recommend.

16 **Q. Please provide a more detailed description of the organization**  
17 **of your exhibits.**

18 A. Schedule 1 of Morgan Exhibit 1 presents the margin on operating  
19 revenue deductions requiring a return.

20 Schedule 2 of Morgan Exhibit 1 and its supporting Schedule 2-1  
21 present the original cost rate base.

1 Schedule 3 of Morgan Exhibit 1 and its supporting Schedules 3-1  
2 through 3-5 present the net operating income for a return under the  
3 present rates, the Company's proposed rates, and the Public Staff's  
4 recommended rates.

5 Schedule 4 of Morgan Exhibit 1 presents the calculation of the  
6 revenue requirement.

7 Schedule 5 of Morgan Exhibit 1 presents a summary of the revenue  
8 impacts from the Public Staff's adjustments and the Public Staff's  
9 recommended revenue increase.

10 **Q. What adjustments to the Company's cost of service do you**  
11 **recommend?**

12 A. I recommend adjustments to the following areas:

- 13 1. Plant in service;
- 14 2. Accumulated depreciation;
- 15 3. Cash working capital and average tax accruals;
- 16 4. Depreciation expense;
- 17 5. Salaries and wages;
- 18 6. Salaries and wages – Contractor;
- 19 7. Uncollectibles and other expenses – Bad debt expense;
- 20 8. Regulatory expense;
- 21 9. Payroll taxes;

- 1 10. Regulatory fee; and  
2 11. State and Federal income tax.

3 **Q. What adjustments recommended by other Public Staff**  
4 **witnesses do your exhibits incorporate?**

5 A. My exhibit reflects the following adjustments recommended by other  
6 Public Staff witnesses:

- 7 1. The recommendations of Public Staff witness John R. Hinton,  
8 Director of the Economic Research Division of the Public Staff,  
9 regarding a margin on operating expenses.
- 10 2. The recommendations of Public Staff witness Evan M. Houser,  
11 Engineer with the Water, Sewer, and Telephone Division of the  
12 Public Staff, regarding the following items:
- 13 a. Service revenues at present rates;
  - 14 b. Service revenues at Company proposed rates;
  - 15 c. Maintenance and repair;
  - 16 d. Landscape, mowing, and effluent;
  - 17 e. Utilities expenses;
  - 18 f. Chemicals;
  - 19 g. Testing;
  - 20 h. Permit fees; and
  - 21 i. Sludge removal.

1 **Q. Please describe your recommended adjustments.**

2 A. My adjustments are described below.

### **Plant In Service**

3 **Q. Please explain your adjustments to plant in service.**

4 A. As detailed on Morgan Exhibit 1, Schedule 2, I calculated plant in  
5 service beginning with the net book value approved in the  
6 Company's last general rate case, included plant additions since the  
7 last rate case as recommended by Public Staff witness Houser, and  
8 removed two budgeted projects that were not completed and placed  
9 in service during the review period.

### **Accumulated Depreciation**

10 **Q. Please explain your adjustment to accumulated depreciation.**

11 A. As detailed on Morgan Exhibit 1, Schedule 2-1, accumulated  
12 depreciation was updated to reflect depreciation through December  
13 31, 2023, related to the adjusted plant in service described above,  
14 including updating the accumulated depreciation for the original plant  
15 in service through December 31, 2023, utilizing the depreciation  
16 rates recommended by Public Staff witness Houser.

### **Cash Working Capital and Average Tax Accruals**

1 **Q. Please describe your calculation of cash working capital and**  
2 **average tax accruals.**

3 A. Cash working capital, net of average tax accruals, provides the  
4 Company with the funds necessary to carry on its daily operations.  
5 As shown on Schedule 2, I included one-eighth of O&M expenses as  
6 a measure of cash working capital and average tax accruals as one-  
7 fifth of payroll taxes plus one-half of property tax.

### **Depreciation Expense**

8 **Q. Please describe your adjustment to depreciation expense.**

9 A. I have updated depreciation expense to reflect the rates  
10 recommended by Public Staff witness Houser as well as the plant in  
11 service discussed above.

### **Salaries and Wages**

12 **Q. Please explain your adjustments to salaries and wages.**

13 A. The Company included allocated salaries and wages expense  
14 calculated based on 50 weeks in a calendar year in its application. I  
15 included the employees' actual total annual salaries utilizing 52  
16 weeks of the employee's paystubs, and allocated utilizing the same  
17 allocation factors as the Company.

### Salaries and Wages – Contractor Expense

1 **Q. Please explain your adjustment to salaries and wages –**  
2 **contractor expense.**

3 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-1, I reclassified  
4 salaries and wages – contractor expense of \$41,160 from  
5 maintenance and repair expense to appropriately reflect the  
6 expense.

7 **Q. Please explain your adjustment to other expenses – bad debt**  
8 **expense.**

9 A. I reclassified other expenses – bad debt expense to uncollectibles to  
10 appropriately reflect the expense.

### Regulatory Expense

11 **Q. What adjustment did you make to regulatory expense?**

12 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-3, the Company  
13 included an estimated amount of regulatory expenses in its  
14 application. I adjusted regulatory expense to include the actual  
15 expenses consisting of the NCUC filing fee, legal fees, accounting  
16 consulting fees, as well as an estimated amount for notices, printing  
17 envelopes, and postage fees to be incurred after the hearing.  
18 Additionally, I amortized the total regulatory expense over five years  
19 to recognize the time gap between the Company's first Certificate of

1 Public Convenience and Necessity (CPCN) and their last rate case  
2 proceeding.

### Payroll Taxes

3 **Q. What adjustment did you make to payroll taxes?**

4 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-4, payroll taxes  
5 were updated based on the update to salaries and wages as  
6 discussed above.

### Regulatory Fee

7 **Q. How have you adjusted the regulatory fee?**

8 A. I utilized the statutory rate of 0.1475% and applied that to total  
9 operating revenues under present rates, Company proposed rates,  
10 and Public Staff recommended rates.

### State And Federal Income Taxes

11 **Q. Please explain your adjustments to state and federal income  
12 taxes.**

13 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-5, state and  
14 federal income taxes were calculated based on the statutory  
15 corporate rates for the level of income and expenses presented after  
16 all Public Staff adjustments.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.

## QUALIFICATIONS AND EXPERIENCE

### IRIS MORGAN

I graduated from North Carolina Wesleyan College with a Bachelor of Science in Accounting and Business Administration in 2007. Also, I graduated from Keller Graduate School of Management with a Master of Accounting and Financial Management (2011), Master of Business Administration (2013), and a Master of Public Administration (2014).

I joined the Public Staff Accounting Division in December 2008. Since then I have worked on or assisted in investigating rate cases, and filed testimonies and affidavits for water and sewer companies, such as Old North State Water and Sewer Company in Docket No. W-1300, Sub 60, Fairfield Water in Docket No. 1226, Sub 3, and KRJ Utilities in Docket No. W-1075 Sub 12. I monitored Carolina Water Service, Inc. of North Carolina (CWSNC) emergency operator quarterly earnings for troubled water and sewer systems from various companies, including Harrco Utility Corporation in Docket No. W-796, Sub 12, Cross State Development Company in Docket No. W-408, Sub 9, and Outer Banks / Kinnakeet Associates, LLC. In Docket Nos. W-1125, Sub 9 and Sub 10. I reviewed and audited franchise, transfers, and contiguous and extension filings for various water and sewer companies, such as Aqua NC and CWSNC contiguous extensions in Docket No. W-354, Sub 413, W-218, Sub 590, and W-218, Sub 583; Dillsboro Water and Sewer, Inc. franchise in Docket No. W-1303 Sub 0; and Red Bird Water transfers in Docket No. W1328, Sub 12, Docket No. W1328, Sub 14 and Docket No. W1328,



Sub 25. I also audited monthly reports and performed the annual review for Toccoa Natural Gas in Docket No. G-41 Sub 56.

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(WHEREUPON, Houser Exhibit  
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evidence.)

(WHEREUPON, the prefiled  
direct testimony and  
Appendix A of EVAN HOUSER  
is copied into the record  
as if given orally from the  
stand.)

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

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

|   |   |                             |
|---|---|-----------------------------|
| In the Matter of                            | ) |                             |
| Application by 904 Georgetown Treatment     | ) | <b>TESTIMONY OF</b>         |
| Plant, LLC, for Authority to Increase Rates | ) | <b>EVAN M. HOUSER</b>       |
| for Sewer Utility Service in Sandpiper Bay  | ) | <b>PUBLIC STAFF –</b>       |
| Golf and Country Club in Brunswick County,  | ) | <b>NORTH CAROLINA</b>       |
| North Carolina                              | ) | <b>UTILITIES COMMISSION</b> |

**October 17, 2023**

1 **Q. Please state your name, business address, and present**  
2 **position.**

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

8 **Q. Briefly state your qualifications and duties.**

9 A. My qualifications and duties are included in Appendix A.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to provide the North Carolina Utilities  
12 Commission (Commission) with the results of my investigation and  
13 recommendations regarding specific areas of the application filed on  
14 July 7, 2023, by 904 Georgetown Treatment Plant, LLC (Georgetown  
15 or Company) in Docket No. W-1141, Sub 8, for Authority to Adjust  
16 and Increase Rates for Providing Sewer Service in Sandpiper Bay  
17 Golf and Country Club in Brunswick County, North Carolina  
18 (Application).

19 The specific areas of my investigation include customer complaints,  
20 Notices of Violation (NOVs), and Notices of Deficiency (NODs)  
21 issued by the North Carolina Department of Environmental Quality  
22 (DEQ), certain expenses, plant in service, revenue, and rate design.

1 **Q. Please describe the Georgetown service area and wastewater**  
2 **utility system.**

3 A. The Georgetown wastewater utility system consists of a deemed  
4 wastewater collection system serving approximately 795 residential  
5 homes in the Sandpiper Bay community, and a wastewater treatment  
6 plant that sprays its treated effluent through a 5-zone irrigation  
7 system onto approximately 80 acres of land of the community's 9-  
8 hole Bay golf course.

9 **Q. Have you performed a site visit of the Georgetown wastewater**  
10 **system and, if so, what were your observations?**

11 A. Yes. On September 14, 2023, I inspected the Georgetown  
12 wastewater system. I was accompanied by Shashi Bhatta of the  
13 Public Staff's Water, Sewer, and Telephone Division, Iris Morgan of  
14 the Public Staff's Accounting Division, Davia Newell of the Public  
15 Staff's Legal Division, Tim Tilma, the manager of Georgetown, Sunny  
16 Wright, the contract operator, and David Wright, employee of the  
17 contract operator.

18 The wastewater treatment plant and collection system lift stations  
19 appear to be in reasonable condition. The wastewater collection  
20 system consists of gravity sewer lines feeding into three lift stations,  
21 each of which pumps to a fourth lift station located at the Sandpiper

1 Bay maintenance building, before being pumped to the Georgetown  
2 treatment plant.

3 The Georgetown treatment plant is a dual train treatment plant with  
4 an influent pump station, a manual bar screen, aerated equalization  
5 basin, dual train aeration basin with two biological reactors each  
6 using fine bubble aeration, a dual train clarification system with two  
7 clarifiers each, a sludge holding tank, three blowers, two gravity  
8 tertiary filters, and a chlorine contact chamber. The facility also  
9 includes an approximately 750,000-gallon 5-day upset pond, and an  
10 approximately 750,000-gallon irrigation pond with a 1,000 gallons  
11 per minute duplex irrigation pump station.

12 At the time of our site visit, due to a blower being out of service, only  
13 one train at the treatment plant was operational. The lift stations with  
14 fences were each locked except for the maintenance pump station,  
15 which was locked, but had a fence that had partially fallen over. A  
16 manhole pick was not available at the time of inspection; therefore,  
17 visual inspection of the interior of the clubhouse lift station was not  
18 possible. The maintenance building lift station had debris floating in  
19 it that appeared to be flushable wipes or paper towels. Each lift  
20 station had an electric generator hookup, where the mobile generator  
21 could be connected in the event of power loss.

1 **Q. Briefly describe the results of your investigation of DEQ**  
2 **actions.**

3 A. Between July 1, 2020, and October 1, 2023, the Georgetown  
4 wastewater system was issued two NODs by DEQ. Both NODs were  
5 the result of an inspection conducted by DEQ on September 16,  
6 2021.

7 The first NOD was dated September 30, 2021, and was issued for  
8 deficiencies at three pump stations, which are part of the deemed  
9 collection system. One pump station needed a new lock and required  
10 repair to an audible alarm, another needed to be kept locked, and  
11 the last lift station needed the gate to be repaired so that it could be  
12 locked and an area light to be fixed. Based on our site visit, it  
13 appeared that each of the lift stations was locked.

14 The second NOD was dated October 1, 2021, and was issued for  
15 deficiencies at the treatment plant. Deficiencies were noted for the  
16 lack of plans and timetables for the following four areas: (1) shutting  
17 down an aeration basin for repair and cleaning; (2) repairing and  
18 replacing the splitter box portion or entire bar screen structure; (3)  
19 repairing various components of the filter system; (4) and repairing  
20 the influent pump station along with the exposed electrical junction  
21 boxes.

1 Tim Tilma responded to the second NOD by letter on October 29,  
2 2021. Mr. Tilma provided plans to address the various components  
3 and stated that the timetables for each was either the first or second  
4 quarter of 2022.

5 No NOV's or civil penalties were identified between July 1, 2020, and  
6 October 1, 2023.

7 **Q. Did Georgetown provide Notice to Customers?**

8 A. Yes. On August 21, 2023, the Commission issued its Order  
9 Scheduling Hearings, Establishing Discovery Guidelines, and  
10 Requiring Customer Notice (Scheduling Order). The Order directed  
11 Georgetown to provide Notice to Customers no later than 10 days  
12 after the date of the Order and to submit a signed and notarized  
13 certificate of service no later than 20 days after the date of the Order.  
14 On August 29, 2023, Georgetown filed a Certificate of Service stating  
15 that the Notice to Customers was mailed or hand delivered as of  
16 August 26, 2023.

17 **Q. Were consumer statements received following Georgetown's**  
18 **Notice to Customers?**

19 A. Yes. A total of two consumer statements of position were received  
20 and filed in Docket No. W-1141, Sub 8CS. One was received on  
21 August 31, 2023. The other was received on September 29, 2023,



1 which was after the September 21, 2023 deadline for significant  
2 protests.

3 Both customers were primarily concerned with the magnitude of the  
4 approximately 50% rate increase requested by Georgetown in its  
5 Application. One statement noted that this was significantly above  
6 the current rate of inflation. The other commented that residents of  
7 the community were primarily on fixed incomes and that an increase  
8 closer to 10% would be more reasonable.

9 **Q. Has the Public Staff received any customer complaints?**

10 A. From July 1, 2020, through October 10, 2023, the Public Staff  
11 Consumer Services Division received no customer complaints  
12 related to Georgetown.

13 **Q. Was a public witness hearing held on September 27, 2023?**

14 A. No. On September 22, 2023, the Public Staff filed a Motion to Cancel  
15 Public Witness Hearing (Public Staff Motion), stating that the  
16 Scheduling Order allowed for cancellation of the public witness  
17 hearing if no significant protest was received. The Public Staff Motion  
18 went on to state that one consumer statement had been received,  
19 and that Georgetown agreed to the motion. The Commission  
20 subsequently issued its Order Cancelling Public Witness Hearing  
21 and Requiring Customer Notice. Georgetown filed a certificate of

1 service on September 26, 2023, stating that they had notified the  
2 customers accordingly.

3 **Q. Is Georgetown providing safe and reliable service?**

4 A. Yes. Based on review of environmental compliance records issued  
5 by DEQ and the lack of significant customer complaints and  
6 customer service issues, it is my understanding that Georgetown is  
7 providing safe and reliable service to its customers.

8 **Q. What are the existing and proposed wastewater utility service  
9 rates?**

10 A. The last rate increase granted to Georgetown was on September 25,  
11 2007, by the Commission's Order Granting Partial Rate Increase,  
12 Approving Agreements, and Requiring Customer Notice in Docket  
13 No. W-1141, Sub 4. Georgetown's rates were subsequently updated  
14 to the current rates on December 6, 2016, by the Commission's  
15 Order Approving Tariff Revision and Requiring Customer Notice in  
16 Docket Nos. M-100, Sub 138 and W-1141, Sub 6, following changes  
17 to the state corporate income tax rate enacted by Session Law 2013-  
18 316.

19 The present monthly flat rate for residential service is \$25.04. The  
20 Application proposes to raise the monthly flat rate for residential  
21 service by \$12.93 per month to \$37.97, or approximately 51.6%.

1 Georgetown's current tariff includes a connection fee of \$1,675.00  
2 that the Company confirmed that they did not seek to increase.

3 A copy of Georgetown's current approved tariff is included as Exhibit  
4 1.

5 **Q. Describe your review of Georgetown's expenses.**

6 A. I reviewed Georgetown's maintenance and repair expenses,  
7 including contract labor, landscape, mowing, and effluent expenses,  
8 utilities expense, chemicals for treatment expense, testing fees,  
9 permit fees, and sludge removal expense.

10 I adjusted Georgetown's expenses, including removal of one  
11 unsupported invoice, removal of costs that should be attributed to the  
12 Sandpiper Bay Golf Course, reclassification of certain expenses to  
13 more representative expense accounts, and reclassification of some  
14 expenses to utility plant in service.

15 **Q. Describe your expense adjustments by account.**

16 A. Maintenance and Repair – I removed one unsupported invoice from  
17 the unexpected expense/accidental spill account listed at \$625 and  
18 removed two invoices for water heater repair totaling \$820. I  
19 additionally reclassified \$34,440 and \$6,720 associated with the  
20 contract operator's monthly WWTP and collection system work to  
21 contract services. Based on my adjustments, including an item  
22 reclassified from the sludge removal expense, I recommend

1 maintenance and repair expense be adjusted from \$70,218 to  
2 \$15,095.

3 Testing Fees – I annualized testing costs based on Georgetown’s  
4 lab’s current fees and the sampling requirements in its DEQ permit  
5 and determined that \$5,160 was a reasonable annual level of testing  
6 expense, resulting in a \$440 increase to test year expenses. I  
7 recommend \$5,160 for testing fees expense.

8 Sludge Removal – I reclassified one invoice for \$3,700 for cleaning  
9 the sand filter and clear water tanks to maintenance and repair  
10 expense. In addition, I reclassified to plant in service an invoice in  
11 the amount of \$2,800 for pulling and replacing a pump at the  
12 wastewater treatment plant. I recommend that the sludge removal  
13 expense be adjusted from \$49,700 to \$58,600.

14 Utilities Expense – The Company reclassified \$18,500 associated  
15 with the electric bills for each of the 5 lift stations, and incorporated  
16 that amount into the effluent easement and irrigation agreement  
17 (Effluent Agreement) with Northstar Carolina Corp. d/b/a Sandpiper  
18 Bay Golf and Country Club (Sandpiper Bay). I disagree with this  
19 reclassification. The invoices supporting the electricity cost are  
20 addressed and billed to “904 Georgetown Treatment Plant, LLC,”  
21 and are paid by Georgetown. Under Georgetown’s reclassification, it  
22 would be paying this bill twice: directly to the energy provider and

1 also to Sandpiper Bay pursuant to the Effluent Agreement.  
2 Georgetown should not pay both the electric utility and Sandpiper  
3 Bay for these costs due to inclusion in the calculation of the Effluent  
4 Water Application Charge (Effluent Charge) found in the Company's  
5 Effluent Agreement. The Company's proposed allocation will only  
6 require customers to fund the cost once, but Georgetown is incurring  
7 the cost twice. I increased the office phone bill by \$120 to reflect the  
8 additional \$10 per month increase that started in 2023. I recommend  
9 that utilities expense be adjusted from \$6,313 to \$24,933.

10 Landscape Mowing and Effluent – I removed \$3,750 allocated to  
11 Georgetown for the chemicals and fertilizer that are applied to the 9-  
12 hole portion of the course that Sandpiper Bay irrigates. I reduced the  
13 Company's recommended expense amount by \$18,500 to reflect the  
14 utilities expense adjustment discussed above. Including an update  
15 requested by the company and discussed below, I recommend  
16 landscape mowing and effluent expense be adjusted from \$41,989  
17 to \$23,979.

18 Contract Services – I reclassified a total of \$41,160 from the  
19 maintenance and repair to contract services. I recommend that  
20 contract services expense be set at \$41,160.

1 **Q. Describe the Company's updated request provided to Public**  
2 **Staff on October 6, 2023.**

3 A. On October 6, 2023, the Company provided an updated response to  
4 Public Staff Data Request No. 9. The Company sought to correct its  
5 reclassification of \$18,500 of electric expense. The Company also  
6 requested additional expense amounts be included in the Effluent  
7 Charge and recovered in rates for a portion of a certified spray  
8 operator salary and a portion of the test year irrigation system  
9 maintenance incurred by Sandpiper Bay.

10 Georgetown requested an additional \$10,500 for a portion of a  
11 certified spray operator's salary and stated in a discovery response  
12 that they have assumed that 50% of the employee's time relates to  
13 irrigation, equipment, maintenance, and the daily monitoring of the  
14 reuse effluent ponds and spray fields. Georgetown divided the  
15 assumed related portion of the salary by three for each of the golf  
16 courses, one of which is irrigated by Georgetown's effluent.

17 The Company stated in its updated request that the test year amount  
18 for irrigation system maintenance was \$15,592 and requested one-  
19 third of that amount totaling \$5,197.

20 **Q. Do you agree with the Company's updated request?**

21 A. No, I disagree with the Company's approximation of the certified  
22 spray operator's time, inclusion of some invoices in the irrigation

1 system maintenance cost, and the allocation method used to  
2 determine salary and irrigation system maintenance expense.

3 Sandpiper Bay's certified spray operator is the golf course  
4 superintendent for the three golf courses, whose job responsibilities  
5 include: managing staff and their assignments; handling  
6 administrative matters; evaluating golf course conditions; taking turf  
7 samples; assessing the proper watering schedule for greens,  
8 fairways, tees, and rough; and meeting with the GM/Head Golf  
9 Professional to review the tee sheet to understand course conditions.  
10 Regarding the utility operations, the superintendent is responsible for  
11 repair and operation of the irrigation system and irrigation equipment,  
12 and maintenance and daily monitoring of the reuse effluent ponds  
13 and spray fields.

14 Based on the wide range of job responsibilities covered in the  
15 superintendent's required tasks, I believe two hours per day is a  
16 reasonable estimate of the superintendent's time to allocate to the  
17 irrigation system. Two hours per day is 25% of working time, or 13  
18 weeks per year.

19 During my review of the irrigation system maintenance invoices, I  
20 removed \$5,904 in items unrelated to utility maintenance expenses  
21 that were primarily associated with herbicides, pesticides,  
22 nematicides, insecticides, and other turf chemicals that are needed

1 for golf course groundskeeping, but not for maintaining the irrigation  
2 system or the effluent application. Other items removed included  
3 Walmart gift cards, a green rolling machine repair kit, grass seed,  
4 and potting mix. The remaining cost incurred by Sandpiper Bay  
5 related to the irrigation system maintenance after removal of the  
6 unrelated items is \$9,688.

7 I also disagree with the methodology used by the Company to  
8 allocate costs for the certified spray operator salary and irrigation  
9 system maintenance. The Company divided the costs by three  
10 because Georgetown irrigates one of the three courses: the Bay  
11 course. The cost incurred for the Bay course should be equally split  
12 between Sandpiper Bay and Georgetown, because It is unfair for  
13 Georgetown's customers to bear the entire cost of the shared  
14 irrigation system. I therefore recommend that one-sixth of the related  
15 costs be allowed to be included in rates.

16 I recommend \$1,615 for irrigation system maintenance and \$2,625  
17 for a portion of a certified spray operator salary be included in the  
18 landscape mowing and effluent expense based on the company's  
19 updated request. This amount is included in the \$23,979 I  
20 recommended for the landscape mowing and effluent expense  
21 above.



1 **Q. Did you determine that any test year expense levels were**  
2 **reasonable?**

3 A. Yes, the test year expense levels for chemicals for treatment and  
4 permit fees were reasonable and are \$1,772 and \$1,310,  
5 respectively.

6 **Q. Please describe the adjustments to maintenance and repair and**  
7 **sludge expenses compared to the normalization proposed by**  
8 **the Company.**

9 A. The Public Staff used the 12-month test year period ending October  
10 31, 2022, for the maintenance and repair and sludge removal  
11 expenses, while the Company normalized equipment repair  
12 expenses and unexpected expenses over a three-year period, and  
13 sludge removal over a two-year period. Given the facts in this case,  
14 I do not believe that the Company's proposed normalization for these  
15 expense accounts is necessary, because the periods of  
16 normalization are inconsistent between expenses, and the overall  
17 difference between use of a 12-month test year as used by the Public  
18 Staff and a partial normalization as proposed by the Company is  
19 small.

1 **Q. What adjustments have you made to plant additions since the**  
2 **last rate case?**

3 A. I identified one invoice paid to the system operator which did not  
4 appear to have been included in other expense accounts, for two  
5 new pump installations. One pump installation was on the plant  
6 influent tank and the other was on the plant lift station. The total cost,  
7 including sales tax, for each component was \$2,028.25 and  
8 \$6,938.75, respectively. I added each pump to plant in service with  
9 an in-service date of June 2022 and a five-year depreciation life,  
10 consistent with the depreciation life utilized for recently installed  
11 pumps. I believe an in-service date of June 2022 is reasonable  
12 because the pumps were included on the monthly system operator  
13 invoice dated June 30, 2022, for work completed during that month.

14 I reclassified one pump removal and replacement from the sludge  
15 hauling expense to plant in service. The total cost of the removal and  
16 replacement was \$2,800. I used an in-service date of August 2022,  
17 consistent with the invoice date, and a depreciation life of five years,  
18 consistent with other new pumps.

19 The Company provided an invoice for the installation of two pumps  
20 at the wastewater treatment plant which were not previously included  
21 in plant in service. The total cost for installation of both pumps was  
22 \$7,000. The invoice states that work was performed on October 15

1 and October 20 of 2020; therefore, I used an in-service date of  
2 October 2020. Consistent with previous pumps, a five-year  
3 depreciation life was used.

4 I adjusted the depreciation lives of various components. I increased  
5 the depreciation lives of three control panels from 5 to 10 years, a  
6 noise dampening fence from 7 years to 10 years, railings on the lift  
7 station from 7 years to 10 years, a generator from 5 years to 10  
8 years, and a mapping of the wastewater system from 5 years to 10  
9 years. The bases for these adjustments are the engineering  
10 experience of the Public Staff's Water and Sewer Division staff, the  
11 expected life of the assets, and frequency of replacements.

12 **Q. What are the Public Staff recommended rates?**

13 A. Based on the calculations of Public Staff witness Morgan, the annual  
14 service revenue requirement is \$318,235. At the end of the test year,  
15 Georgetown had 795 residential customers. Based upon the service  
16 revenue requirement and Georgetown's customer count, I  
17 recommend \$33.36 per month for flat rate residential sewer service.

18 **Q. Do you believe the magnitude of the increase in rates is harmful  
19 to customers?**

20 A. While the Public Staff's recommended rate and the Company's  
21 proposed rate both represent a significant percentage increase, the  
22 rate increase in dollars is \$8.32 per month at the Public Staff's

1 recommended rate, and \$12.93 per month at the Company's  
2 proposed rate.

3 When examining customer impact, it is also important to consider the  
4 extent of time since the last approved rate increase. Georgetown's  
5 rates have not increased since September 25, 2007, just over 16  
6 years ago, while continuing to provide safe and reliable service.

7 If Georgetown received a 4% rate increase every other year between  
8 2007 and now, rates would have increased to approximately \$34.27  
9 in 2023. This approximation does not factor in changes other than a  
10 4% increase in rates charged to customers every other year.

11 Customers have benefited each year since the last approved rate  
12 increase by receiving adequate service while not having to pay the  
13 same rates that they may have been required to pay if Georgetown  
14 had applied for rate increases more frequently.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes, it does.

## APPENDIX A

**QUALIFICATIONS AND EXPERIENCE**

Evan M. Houser

I graduated from North Carolina State University, earning a Bachelor of Science Degree in Environmental Engineering. I am a certified Engineering Intern in the state of North Carolina. I worked for the North Carolina Department of Environmental Quality (DEQ), Public Water Supply Section for approximately three years before joining the Public Staff in 2022. Prior to working for DEQ, I worked for the engineering consulting firm Highfill Infrastructure Engineering, P.C.

My duties with the Public Staff include monitoring the operations of regulated water and wastewater utilities with regards to rates and service. These duties involve conducting field investigations; reviewing, evaluating, and recommending changes in the design, construction, and operations of regulated water and wastewater utilities; presenting expert testimony in formal hearings; and presenting information, data, and recommendations to the Commission.

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(WHEREUPON, the prefiled  
Affidavit and Appendix A of  
JOHN R. HINTON is copied  
into the record as if given  
orally from the stand.)

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1141, SUB 8

|   |   |                             |
|---|---|-----------------------------|
| In the Matter of                            | ) | <b>AFFIDAVIT OF</b>         |
| Application by 904 Georgetown Treatment     | ) | <b>JOHN R. HINTON</b>       |
| Plant, LLC, for Authority to Increase Rates | ) | <b>PUBLIC STAFF –</b>       |
| for Sewer Utility Service in Sandpiper Bay  | ) | <b>NORTH CAROLINA</b>       |
| Golf and Country Club in Brunswick County,  | ) | <b>UTILITIES COMMISSION</b> |
| North Carolina                              | ) |                             |

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, John R. Hinton, first being duly sworn, do depose and say:

I am the Director of the Economic Research Division of the Public Staff – North Carolina Utilities Commission (Public Staff), which represents the using and consuming public. My qualifications and experience are attached to this affidavit as Appendix A.

The purpose of my affidavit is to provide my recommendation to the Commission regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for 904 Georgetown Treatment Plant, LLC (Georgetown or the Company) to provide wastewater utility service in all its service areas in Brunswick County, North Carolina.

For the wastewater utility service of Georgetown, I recommend that they be granted a 7.00% margin on expenses which relates to an operating ratio of 93.59%

(including taxes) or 93.46% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies. Furthermore, I maintain that the margin equates to a reasonable recommended overall rate of return for water and wastewater utilities in North Carolina. As allowed under N.C. Gen. Stat. § 62-133.1, I have used the operating ratio method to evaluate Georgetown's proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return: (1) interest coverage; (2) adequacy of the income level after interest expense; (3) the level of inflation; and (4) the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the interest rate on bonds that reflect investor expectations of the future levels of inflation. In my opinion, the recommended operating margin provides an adequate level of income after interest expense.



For these reasons, I recommend to the Commission that Georgetown be granted a 7.00% margin on expenses. This concludes my affidavit.

John R. Hinton  
John R. Hinton

Sworn to and subscribed before me,

This the 16th day of October, 2023.

Joanne M. Berube  
Notary Public

Joanne M. Berube  
Printed Name



My Commission expires 12/17/2027

## QUALIFICATIONS AND EXPERIENCE

### JOHN ROBERT HINTON

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980 and a Master of Economics degree from North Carolina State University in 1983. I joined the Public Staff in May of 1985. I filed testimony on the long-range electrical forecast in Docket No. E-100, Sub 50. In 1986, 1989, and 1992, I developed the long-range forecasts of peak demand for electricity in North Carolina. I filed testimony on electricity weather normalization in Docket Nos. E-7, Sub 620, E-2, Sub 833, and E-7, Sub 989. I filed testimony on customer growth and the level of funding for nuclear decommissioning costs in Docket No. E-2, Sub 1023. I filed testimony on the level of funding for nuclear decommissioning costs in Docket Nos. E-7, Sub 1026 and E-7, Sub 1146. I have filed testimony on the Integrated Resource Plans (IRPs) filed in Docket No. E-100, Subs 114 and 125, and I have reviewed numerous peak demand and energy sales forecasts and the resource expansion plans filed in electric utilities' annual IRPs and IRP updates.

I have been the lead analyst for the Public Staff in numerous avoided cost proceedings, filing testimony in Docket No. E-100, Subs 106, 136, 140, 148, and Sub 158. I have filed a Statement of Position in the arbitration case involving EPCOR

and Progress Energy Carolinas in Docket No. E-2, Sub 966. I have filed testimony in avoided cost related to the cost recovery of energy efficiency programs and demand side management programs in Dockets Nos. E-7, Sub 1032, E-7, Sub 1130, E-2, Sub 1145, and E-2, Sub 1174.

I have filed testimony on the issuance of certificates of public convenience and necessity (CPCN) in Docket Nos. E-2, Sub 669, SP-132, Sub 0, E-7, Sub 790, E-7, Sub 791, and E-7, Sub 1134.

I filed testimony on the merger of Dominion Energy, Inc. and SCANA Corp. in Docket Nos. E-22, Sub 551, and G-5, Sub 585.

I have filed testimony on the issue of fair rate of return in Docket Nos. E-22, Subs 333 412, and 532; P-26, Sub 93; P-12, Sub 89; G-21, Sub 293; P-31, Sub 125; P-100, Sub 133b; P-100, Sub 133d (1997 and 2002); G-21, Sub 442; G-5, Subs 327, 386; and 632; G-9, Subs 351, 382, 722 and Sub 781, G-39, Sub 47, W-778, Sub 31; W-218, Subs 319, 497, 526, 573; W-354, Sub 360; 364, 400; W-1300, Sub 60, W-1146, Sub 13 and W-1328, Sub 10 and in several smaller water utility rate cases. I have filed testimony on credit metrics and the risk of a downgrade in Docket No. E-7, Sub 1146.

I have filed testimony on the hedging of natural gas prices in Docket No. E-2, Subs 1001 and 1018. I have filed testimony on the expansion of natural gas in Docket No. G-5, Subs 337 and 372. I performed the financial analysis in the two audit reports on Mid-South Water Systems, Inc., Docket No. W-100, Sub 21. I testified in the application to transfer the CPCN from North Topsail Water and Sewer, Inc. to Utilities, Inc., in Docket No. W-1000, Sub 5. I have filed testimony on rainfall normalization with respect to water sales in Docket No. W-274, Sub 160.

With regard to the 1996 Safe Drinking Water Act, I was a member of the Small Systems Working Group that reported to the National Drinking Water Advisory Council of the U.S. Environmental Protection Agency. I have published an article in the National Regulatory Research Institute's Quarterly Bulletin entitled Evaluating Water Utility Financial Capacity.

1 HEARING EXAMINER HILBURN: And at this time,  
2 I would like to turn to the Settlement Agreement and  
3 Stipulation, and the joint settlement testimony of  
4 Evan Houser and Iris Morgan that was filed this  
5 afternoon. If we could bring up those two witnesses  
6 to sponsor that testimony at this time.

7 MR. ALLEN: Just for clarity, 904 Georgetown  
8 would like to also make a motion to move in the  
9 rebuttal testimony of Julie Perry, that consisted of  
10 seven pages and an exhibit.

11 HEARING EXAMINER HILBURN: Thank you, Mr.  
12 Allen. That will be allowed. That will be entered  
13 into evidence, as was her direct, yes.

14 MR. ALLEN: Thank you.

15 HEARING EXAMINER HILBURN: Thank you.

16 (WHEREUPON, Perry Rebuttal  
17 Exhibit 1 is received into  
18 evidence.)

19 (WHEREUPON, the prefiled  
20 rebuttal testimony of JULIE  
21 PERRY is copied into the  
22 record as if given orally  
23 from the stand.)  
24

**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**

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.



1

2

I also disagree with the use of a 5-year amortization period. While 904

3

Georgetown has not filed a general rate case within the last three years, 904

4

Georgetown had attempted to file several rate cases over the years but chose to

5

withdraw the filings for various reasons once the Public Staff began their reviews

6

in 2005, 2009, and 2022. In the last rate case filing, 904 Georgetown was told

7

they needed help with filing a rate case. Now that 904 Georgetown understands

8

the rate case process, and has hired consultants to help navigate the regulatory

9

process, the owner has indicated that with inflation, the rising costs, and the

10

aging wastewater treatment system, 904 will be filing a rate case within 3 years.

11

12

Ordinarily, general rate case expenses represent a larger percentage of expenses

13

for a small wastewater company than for a larger utility. The costs are somewhat

14

higher than originally estimated because of the extensive discovery that had to

15

be produced especially after not being in for a rate case for 16 years. Extending

16

the amortization period for a smaller utility place an economic burden on the

17

company and its shareholder without a commensurate benefit to customers.

18

Therefore, we are still requesting that our 3-year amortization period remain as

19

filed in this docket.

20

21

**Q. DO YOU HAVE CONCERNS REGARDING MR. HOUSER'S UTILITY**

22

**EXPENSE ADJUSTMENT?**

23

**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.**

1 MR. CREECH: The Public Staff is calling  
2 Evan Houser and Iris Morgan.

3 HEARING EXAMINER HILBURN: Okay. If you two  
4 will -- are y'all okay to affirm -- swear or affirm?

5 THE WITNESS: Yes.

6 IRIS MORGAN AND EVAN HOUSER;

7 having been duly sworn,

8 testified as follows:

9 DIRECT EXAMINATION BY MR. CREECH:

10 Q Good afternoon, Ms. Morgan. Can you please state  
11 your name, position, and business address for the  
12 record, please.

13 A (Ms. Morgan) Yes. My name is Iris Morgan. My  
14 position is Financial Analyst I. Working address  
15 is 430 North Salisbury Street, Raleigh, North  
16 Carolina.

17 Q Thank you. And, Mr. Houser, could you also  
18 please state your name, position, and business  
19 address for the record.

20 A (Mr. Houser) Sure. My name is Evan Houser. I'm  
21 a Public Utilities Engineer. My business address  
22 is 430 North Salisbury Street, Raleigh, North  
23 Carolina.

24 Q And, Mr. Morgan and Mr. Houser, did you prepare

1 and cause to be filed today, November 13, 2023,  
2 the joint settlement testimony of Iris Morgan and  
3 Evan M. Houser, Public Staff North Carolina  
4 Utilities Commission, comprised of eight pages;  
5 did you file that joint settlement testimony  
6 today?

7 A (Mr. Houser) Yes.

8 A (Ms. Morgan) Yes.

9 Q Do you have any changes or corrections to that  
10 testimony?

11 A (Ms. Morgan) No.

12 A (Mr. Houser) No.

13 Q If I were to ask you the same questions this  
14 afternoon from when you filed that earlier today,  
15 would your answers be the same?

16 A (Mr. Houser) Yes.

17 A (Ms. Morgan) Yes.

18 MR. CREECH: All right. Very good. We  
19 also, Hearing Examiner, do need to get in the  
20 Settlement Agreement and Stipulations, so I can move  
21 their -- attempt to move their testimony in and, then  
22 the stipulation if you'd like.

23 HEARING EXAMINER HILBURN: Yes, please do.

24 MR. CREECH: Okay. Hearing Examiner

1 Hilburn, I move that the joint settlement testimony of  
2 Iris Morgan and Evan M. Houser, Public Staff North  
3 Carolina Utilities Commission dated November 13, 2023,  
4 comprised of 8 pages be copied into the record as if  
5 given orally from the stand and that -- as if given  
6 orally from the stand. Thank you.

7 HEARING EXAMINER HILBURN: Yes.

8 MR. CREECH: And then we also have the  
9 Settlement Agreement and Stipulation between the  
10 parties that was also filed in the docket today. That  
11 is the subject of the joint testimony as well. That  
12 is the -- it's entitled Settlement Agreement and  
13 Stipulation. It's comprised of 12 pages. The 11th  
14 and 12th pages, signature pages to the document that's  
15 entered into by 904 Georgetown Treatment Plant, LLC,  
16 signed by Timothy P. Tilma, Manager, and by the Public  
17 Staff North Carolina Utilities Commission signed by  
18 Lucy Edmondson, Chief Counsel.

19 HEARING EXAMINER HILBURN: Yes, the  
20 Settlement Agreement and Stipulation, as well as the  
21 joint settlement testimony of Houser and Morgan will  
22 be accepted into the record as if given orally from  
23 the stand. Thank you.

24 (WHEREUPON, Joint

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Settlement Agreement and  
Stipulation is received  
into evidence.)  
(WHEREUPON, the prefiled  
joint settlement testimony  
of IRIS MORGAN AND EVAN  
HOUSER is copied into the  
record as if given orally  
from the stand.)

OFFICIAL COPY  
Dec 07 2023

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

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

|  |   |                             |
|--|---|-----------------------------|
| In the Matter of                                 | ) |                             |
| Application by 904 Georgetown Treatment          | ) | <b>JOINT SETTLEMENT</b>     |
| Plant, LLC, for Authority to Adjust and Increase | ) | <b>TESTIMONY OF</b>         |
| Rates for Providing Sewer Utility Service in     | ) | <b>IRIS MORGAN AND</b>      |
| Sandpiper Bay Golf and Country Club in           | ) | <b>EVAN M. HOUSER</b>       |
| Brunswick County, North Carolina                 | ) | <b>PUBLIC STAFF –</b>       |
|  | ) | <b>NORTH CAROLINA</b>       |
|  | ) | <b>UTILITIES COMMISSION</b> |

**November 13, 2023**



1 **Q. Ms. Morgan, please state your name, business address, and**  
2 **present position.**

3 A. My name is Iris Morgan. My business address is 430 North Salisbury  
4 Street, Raleigh, North Carolina. I am the Public Utility Regulatory  
5 Analyst with the Accounting Division of the Public Staff – North  
6 Carolina Utilities Commission (Public Staff).

7 **Q. Are you the same Iris Morgan who filed direct testimony on**  
8 **behalf of the Public Staff in this proceeding on October 17,**  
9 **2023?**

10 A. Yes.

11 **Q. Are your qualifications and duties the same as stated in your**  
12 **direct testimony?**

13 A. Yes.

14 **Q. Mr. Houser, please state your name, business address, and**  
15 **present position.**

16 A. My name is Evan M. Houser. My business address is 430 North  
17 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities  
18 Engineer with the Water, Sewer, and Telephone Division of the  
19 Public Staff.

1 **Q. Are you the same Evan M. Houser who filed direct testimony on**  
2 **behalf of the Public Staff in this proceeding on October 17,**  
3 **2023?**

4 A. Yes.

5 **Q. Are your qualifications and duties the same as stated in your**  
6 **direct testimony?**

7 A. Yes.

8 **Q. What is the purpose of your joint settlement testimony?**

9 A. The purpose of our joint settlement testimony is to provide support  
10 for the Settlement Agreement and Stipulation (Stipulation) filed on  
11 November 13, 2023, entered into between 904 Georgetown  
12 Treatment Plant, LLC (Georgetown) and the Public Staff (together,  
13 the Stipulating Parties) regarding certain issues the Stipulating  
14 Parties resolved in the Stipulation.

15 **Q. Briefly describe the Stipulation.**

16 A. The Stipulation sets forth the agreement between the Stipulating  
17 Parties regarding all revenue requirement issues. Maintenance and  
18 Repair and Landscape, Mowing, and Effluent will be discussed in  
19 greater detail below.

1 **Q. Please describe the agreed upon maintenance and repair**  
2 **expense.**

3 A. The Stipulating Parties agreed upon a total Maintenance and Repair  
4 expense amount of \$23,685. The Maintenance and Repair expense  
5 is comprised of \$19,685 associated with Equipment Maintenance  
6 and Repair, and \$4,000 of Unexpected Expenses/Accidental Spills.

7 The \$19,685 of Equipment Maintenance and Repair expense is the  
8 normalized amount of equipment maintenance and repair over a 3-  
9 year period ending October 31, 2022. Expense amounts from 2020  
10 and 2021 were each reduced by \$6,720 to reflect the contract  
11 operator's monthly collection system work resulting in \$21,894 for  
12 2020 and \$22,065 for 2021. A similar adjustment was made to the  
13 test year expense amount and outlined in the direct testimony of  
14 Public Staff witness Houser. Public Staff witness Houser's  
15 recommended maintenance and repair expense of \$15,095 was  
16 used for the test year 2022 amount in the 3- year normalization  
17 adjustment.

18 The \$4,000 of unexpected expense/accidental spills is the result of  
19 give and take negotiations between the Stipulating Parties. The  
20 Public Staff believes this is a reasonable level of ongoing expenses.

1 **Q. Please describe the agreed upon Landscape, Mowing, &**  
2 **Effluent expense.**

3 A. The Stipulating Parties agreed upon \$31,175 of Landscape, Mowing,  
4 & Effluent expense is comprised of \$19,403 which is attributable to  
5 the Effluent Agreement Charge and \$11,772 in costs related to  
6 grounds and landscape work, and mowing costs for the area which  
7 is irrigated by the effluent.

8 The Stipulating Parties agreed to an Effluent Agreement Charge  
9 based on \$19,403 of effluent-related expenses, which is comprised  
10 of \$7,217 for pumphouse electricity costs, \$4,500 in costs related to  
11 leasing the land for irrigation, \$5,250 related to a portion of the  
12 certified spray operator's salary, and \$2,436 in costs for repair and  
13 maintenance of the irrigation system.

14 The Stipulating Parties agreed to allocate the spray operator's salary  
15 using 4 hours per day related to irrigation, and allocating one-third of  
16 the cost to the course which is irrigated by the wastewater system,  
17 before splitting the costs evenly between Georgetown and Sandpiper  
18 Bay Golf and Country Club (Sandpiper). The resulting amount is  
19 \$5,250.

20 The Stipulating Parties agreed to remove \$400 in gift cards and \$576  
21 in parts associated with greens keeping equipment related to  
22 irrigation maintenance before allocating by golf course and sharing

1 between Georgetown and Sandpiper in a similar manner to the spray  
2 operator salary.

3 **Q. What recommendations do you have regarding the Effluent**  
4 **Agreement?**

5 A. The Public Staff recommends approval of the Effluent Easement and  
6 Irrigation Agreement filed on July 7, 2023, with Georgetown's  
7 application, provided the following revisions are made.

8 1) \$2,518.05 in Paragraph 13, sentence two, is replaced with  
9 \$1,616.92.

10 2) Paragraph 13, sentence three, is revised to read, "The  
11 amount of the charge may be revised on an annual basis beginning  
12 on January 1, 2025, pursuant to contract, but will not be reflected in  
13 the rates charged to customers of 904 unless approved by the  
14 NCUC."

15 The Stipulating Parties have agreed upon the language included  
16 above.

17 **Q. Have the Stipulating Parties finalized the revenue requirement?**

18 A. No, the Stipulating Parties will need to audit the final invoices for rate  
19 case expenses to finalize the revenue requirement, however, the  
20 current level of recommended operating revenues for use in this

1 proceeding is \$338,335, which is comprised of \$339,936 of service  
2 revenues, \$137 of miscellaneous revenues, and reduced by \$1,738  
3 of Uncollectible revenue, prior to inclusion of additional audited  
4 actual rate case expense to be provided by the Company. The  
5 overall level of operating expenses under the Public Staff  
6 recommended rate appropriate for use in this proceeding is  
7 \$316,657. This revenue requirement amount results in a monthly  
8 residential flat rate for sewer service of \$35.64. Accounting  
9 schedules detailing the final revenue requirement will be filed prior to  
10 the Joint Proposed Order, which will include a Schedule of Rates and  
11 Notice to Customers, and will change the numbers set forth above.

12 **Q. What benefits does the Stipulation provide for ratepayers?**

13 A. It is the Public Staff's opinion that the most important benefits  
14 provided by the Stipulation are as follows:

15 1) An aggregate reduction of the total operating revenue  
16 deductions listed above from the levels requested in the Company's  
17 general rate case, resulting from the adjustments agreed to by the  
18 Stipulating Parties.

19 2) An aggregate reduction of total revenue requirement from the  
20 level requested in the Company's general rate case, resulting from  
21 the adjustments agreed to by the Stipulating Parties.

1           3)     A healthy balance between reducing the ratepayer's burden  
2           of paying a higher utility rate and allowing the utility an opportunity to  
3           recover sufficient revenue to provide quality service to the  
4           ratepayers.

5           4)The avoidance of protracted litigation between the Stipulating  
6           Parties before the Commission and possibly the appellate courts.

7           Based on the foregoing, we recommend that the Commission  
8           approve the Stipulation.

9     **Q.     Does this conclude your testimony?**

10    A.     Yes, it does.

1 MR. CREECH: Thank you. Well, Ms. Morgan  
2 and Mr. Houser are available for questions.

3 HEARING EXAMINER HILBURN: Okay. All right.

4 MR. CREECH: Thank you.

5 EXAMINATION BY HEARING EXAMINER HILBURN:

6 Q So either one of you can answer. Just to give us  
7 a little bit of an overview, we're going to start  
8 with page four of the stipulation regarding rate  
9 case expense. But we understand an agreement has  
10 been reached to amortize the agreed-upon amount  
11 over a four-year period, and that the actual rate  
12 case expense will be updated through the close of  
13 this hearing.

14 And we also understand from the stipulation,  
15 that the final revenue requirements were not  
16 filed today with the supporting settlement  
17 testimony because you don't have all those  
18 final -- that final number for rate case expense  
19 yet, but that will be filed prior to the filing  
20 of the joint proposed order?

21 A (Ms. Morgan) Yes.

22 Q And the Hearing Examiner would ask that, as usual  
23 in these rate case proceedings, that you would  
24 provide the Hearing Examiner a copy of the Excel



1 file with the working formulas in tact --

2 A Yes.

3 Q -- that support that proposed order revenue  
4 requirement and all the calculations that go to  
5 it.

6 A Yes.

7 Q Yes. Okay. Thank you. One -- another question  
8 on the -- on the lease agreement, you mention  
9 that that lease agreement had not been adjusted  
10 in rates, I guess, since 2007, and we talked  
11 about -- in the Application -- that the square  
12 footage had increased from about 795 square feet  
13 to about 1000; is that an increase in the office  
14 space itself or is that an additional space  
15 separate and apart from the office space? Do  
16 either of you know?

17 MR. CREECH: And, of course, please do  
18 answer. And if -- if other folks are available, we  
19 could make that as well.

20 HEARING EXAMINER HILBURN: Yes.

21 MR. CREECH: Make them available too.

22 Do you understand the question, Ms. Morgan?

23 THE WITNESS: Not quite.

24 HEARING EXAMINER HILBURN: Okay. I can

1 repeat the question maybe in a better way.

2 Q With the increase in the square footage of the  
3 office space in the new lease, is the size of the  
4 office increasing, or does the Company have  
5 another location that is being utilized for  
6 utility operations besides the office space?

7 A I believe it's the same location. The location  
8 did not change, but I believe it did increase the  
9 size that they were using has increased a little  
10 bit.

11 Q Okay. Of the same -- of the same location. It's  
12 just the increase in size.

13 A That's correct.

14 Q Okay. Thank you for that clarification.

15 Mr. Houser, is there any overview that you  
16 would like to give us regarding maintenance and  
17 repair expense? Not to get into any settlement  
18 negotiations, any private, you know, discussion,  
19 but just an overview of how things changed from  
20 the Public Staff's original position?

21 A (Mr. Houser) So the agreed upon maintenance and  
22 repair amount is \$23,685, and that's comprised of  
23 two different components: One is equipment  
24 maintenance and repair; and the other is

1 unexpected expenses and accidental spills. So  
2 the equipment maintenance and repair expense is  
3 normalized with the contract operator's monthly  
4 collection system work having been removed from  
5 the prior two years. And that resulted in an  
6 amount with using the Public Staff's recommended  
7 \$15,095 for the 2022 test-year. That results in  
8 a total of 23,000 -- or, excuse me -- 19,680 --  
9 excuse me -- 19,685 of those three years. And  
10 then the \$4,000 in unexpected expenses and  
11 accidental spills is between the Public Staff's  
12 filed position, which was \$0 after removing of  
13 the invoice of the test-year, and the Company's  
14 requested, I believe it's \$8,000.

15 Q Okay. And what amount was that?

16 A I'm sorry. Which amount?

17 Q For the accidental spills and clean-up.

18 A The agreed-upon amount is \$4,000 in the  
19 stipulation.

20 Q All right. And are there any other highlights  
21 that you would like to set forth for the  
22 Commission? We talked about rate case expense,  
23 and we've talked about maintenance and repair.  
24 Your landscape mowing and effluent, y'all had a

1 very good detailed schedule there that came in  
2 from the Public Staff and the rebuttal testimony  
3 of witness Perry. So is there anything more that  
4 you would like to say about that expense?

5 A About the landscape expense?

6 Q (No verbal response.)

7 A Not beyond what's covered in our testimony.

8 HEARING EXAMINER HILBURN: Okay. All right.  
9 All right.

10 If you'll give us just one minute. If we  
11 could -- let's see, next thing I want to do. Yes, let  
12 us go off the record for just about five minutes.  
13 Y'all, just stay where you are. All right. We're  
14 going to go off for five minutes.

15 (A brief recess was taken.)

16 HEARING EXAMINER HILBURN: I don't know if  
17 that was quite five minutes, but that's okay. We're  
18 going to go back on the record, please.

19 MR. ALLEN: Commissioner -- or, excuse me --  
20 Hearing Examiner Hilburn.

21 HEARING EXAMINER HILBURN: Yes.

22 MR. ALLEN: If I may interrupt, can I make  
23 one point of clarification? Ms. Morgan said that the  
24 office space didn't change from the previous lease, I

1 believe, and she is correct. The office space was  
2 actually miscalculated back in 2007, so it's always  
3 been the 1,000 feet.

4 HEARING EXAMINER HILBURN: Okay. So just a  
5 correction at this point to get that going forward  
6 correctly.

7 MR. ALLEN: Yes. Thank you.

8 HEARING EXAMINER HILBURN: Well, thank you  
9 for that clarification. Very good. Okay.

10 Witnesses Houser and Morgan, I don't have  
11 any more questions for you, but I will give the  
12 parties an opportunity to ask questions on my  
13 questions, starting with the Applicant. And you did  
14 respond to one of them.

15 MR. ALLEN: We don't have any questions.  
16 Thank you very much.

17 HEARING EXAMINER HILBURN: Okay. All right.  
18 And how about you, Public Staff?

19 MR. CREECH: No questions. Thank you.

20 HEARING EXAMINER HILBURN: Okay. All right.  
21 Okay, then. Y'all two may be excused, and thank you  
22 for all the hard work over a holiday weekend.

23 THE WITNESS: (Ms. Morgan) Thank you.

24 THE WITNESS: (Mr. Houser) Thank you.

1 HEARING EXAMINER HILBURN: Okay. With that  
2 then, I think our next item of business we'll be  
3 talking about proposed Orders. And we have discussed,  
4 prior to the beginning of this hearing, that due to  
5 the upcoming holidays, both Thanksgiving and  
6 Christmas, we want to perhaps have a little bit more  
7 time than the 30 days that we normally do from the  
8 receipt of the transcript, which is fine with all  
9 parties. So we'll certainly go with that.

10 The parties have asked for 45 days from the  
11 production of the transcript in this matter, and we  
12 think that will take us probably around the first week  
13 of January. Probably around the second business day.  
14 Feel free to file on or before that time, but we'll --  
15 we'll go with the -- that time frame, if that's  
16 acceptable.

17 MR. CREECH: And thank you very much,  
18 Hearing Examiner Hilburn. Just to clarify, that would  
19 be the second business day in January; is that  
20 correct?

21 HEARING EXAMINER HILBURN: That's correct.

22 MR. CREECH: All right. Thank you so much.

23 HEARING EXAMINER HILBURN: Second business  
24 day of January. It's approximately, we think, 45

1 days, but it has a date certain on that second  
2 business day of the New Year.

3 MR. CREECH: Thank you. Early Happy New  
4 Year.

5 HEARING EXAMINER HILBURN: Happy New Year.

6 Okay. Is there anything further here today  
7 before we adjourn?

8 MR. ALLEN: Nothing further.

9 MR. CREECH: Just like to say thank you,  
10 again, for the patience and of the -- of the Hearing  
11 Examiners. I do want to say that, you know, the  
12 Company and the Public Staff has worked hard in good  
13 faith to try to resolve this, and we greatly  
14 appreciate your consideration. So Thank you.

15 HEARING EXAMINER HILBURN: Yes. You're  
16 welcome. And we definitely appreciate the parties  
17 coming together and working out this resolution for  
18 proposal to the Hearing Examiner. So thank you all.  
19 Okay. And with that, we are adjourned.

20 (The proceedings were adjourned at 3:33 p.m.)  
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C E R T I F I C A T E

I, KAYLENE M. CLAYTON, do hereby certify that the Proceedings in the above-captioned matter were taken before me, that I did report in stenographic shorthand the Proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.

*Kaylene Clayton*  
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Kaylene Clayton