

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-1314, Sub 4**

**In the Matter of**

**PLURIS WEBB CREEK, LLC**

**Application for Rate Increase**

**PRE-FILED DIRECT TESTIMONY**

**of**

**MAURICE W. GALLARDA, PE**

**Managing Member  
Pluris Holdings, LLC**

**On behalf of**

**PLURIS WEBB CREEK, LLC**

**April 27, 2020**

**NON-CONFIDENTIAL VERSION**

1 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

2 A. My name is Maurice William Gallarda.

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

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

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

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

14 Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES IN THAT POSITION.

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

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

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

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

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

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

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. My testimony supports Pluris's request for the rate relief described in its  
15 Application. Additionally, I describe Pluris's service as Emergency Operator  
16 of the Webb Creek system. I also summarize the process by which Pluris  
17 acquired this system, invested over \$900,000 in addressing pressing  
18 problems with the Webb Creek wastewater treatment plant ("WWTP") and  
19 collection system, and has nearly completed the construction of a new  
20 Membrane Bio-Reactor ("MBR") wastewater treatment plant. My testimony  
21 describes how the requested rate relief will allow Pluris a reasonable  
22 opportunity to cover its costs of providing utility service and to earn a fair

1 return. My testimony also outlines the primary drivers of the requested rate  
2 increase and the general impact of the rate increase on Pluris's customers.

3 Q. PLEASE DESCRIBE PLURIS'S UTILITY OPERATIONS.

4 A. Pluris owns and operates a wastewater only collection and treatment  
5 system located in the Hubert area of Onslow County, currently  
6 consisting of a 300,000 gallon per day sequencing batch reactor ("SBR")  
7 wastewater treatment plant and a collection network comprised of  
8 approximately three miles of force main and nearly 12 miles of gravity main,  
9 all of which was previously owned by Webb Creek Water and Sewage, Inc.  
10 ("Webb Creek"). For the reasons detailed in the *Order Revoking Webb*  
11 *Creek Water And Sewage, Inc.'s Franchise, Granting Certificate Of Public*  
12 *Convenience And Necessity To Pluris Webb Creek, LLC, Continuing*  
13 *Interim Rates, Discharging Emergency Operator, And Requiring Customer*  
14 *Notice*, issued in Dockets W-864, Sub 14 and W-1314, Sub 1 on March 26,  
15 2019 ("*Revocation Order*"), pursuant to the Public Staff's Complaint and  
16 Petition for Revocation in Docket W-864, Sub 14 ("the Revocation Docket"),  
17 the Commission revoked Webb Creek's franchise.

18 Q. HOW DID PLURIS COME TO BE INVOLVED WITH THE WEBB CREEK  
19 SYSTEM?

20 A. By its *Order Appointing Emergency Operator, Approving Increased Rates,*  
21 *And Requiring Customer Notice* issued August 8, 2016 (the "*EO Order*"), in  
22 Docket W-864, Sub 11 ("the EO Docket"), the Commission appointed Pluris  
23 as Emergency Operator of the Webb Creek system.

1 Q. WHAT LED TO PLURIS BEING APPOINTED EMERGENCY OPERATOR  
2 OF THE WEBB CREEK SYSTEM?

3 A. As detailed in the *EO Order*, and the Public Staff's Petition For Appointment  
4 of Emergency Operator And Approval Of Rate Increase, there were  
5 numerous serious issues with the Webb Creek system. The most significant  
6 issues concerned the condition of the plant, missing and non-operational  
7 equipment, ownership of system assets, outstanding liens, and serious  
8 environmental compliance issues with Webb Creek's operations, including  
9 the following:

10 Webb Creek's National Pollutant Discharge Elimination System  
11 ("NPDES") permit issued by DEQ's Division of Water Resources  
12 ("DWR") allowing discharge of 300,000 gallons per day ("GPD") of  
13 wastewater effluent treated at Webb Creek's WWTP had expired.  
14

15 DEQ (formerly NCDENR) had issued over 400 Notices of Violation  
16 ("NOVs") to Webb Creek for failure to comply with various  
17 environmental regulations.  
18

19 Joseph Hal Kinlaw, Jr., Registered Agent and the only known officer  
20 of Webb Creek, was sentenced to 17 years in federal prison for bank  
21 fraud. Mr. Kinlaw was also a principal in the developer groups or  
22 entities that developed the residential subdivisions served by the  
23 Webb Creek wastewater system.  
24

25 A number of important components of the Webb Creek system,  
26 including five duplex lift stations, were owned by entities other than  
27 Webb Creek. Mr. Kinlaw had an ownership interest in those entities,  
28 which were affiliated with Webb Creek by virtue of some common  
29 ownership.  
30

31 As of October 2015, there were recorded liens in Onslow County  
32 against the various Webb Creek affiliated ownership entities totaling  
33 \$39.3 million, including liens against Webb Creek itself totaling \$2.1  
34 million, plus accruing interest. Those liens included judgments  
35 secured by Branch Banking & Trust Company ("BB&T") against  
36 Webb Creek and affiliated entities as a result of defaults on various  
37 loans made to them by BB&T.

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Due to the extent of Webb Creek's non-compliance with DEQ requirements, there was a significant problem for military personnel attempting to buy or sell homes in the Webb Creek service area. They were unable to obtain mortgages and close on sales or purchases, because prospective buyers and sellers could not obtain the certification from DEQ required for a VA mortgage. DEQ must certify to the VA that the Webb Creek utility system is in compliance with its permits. DEQ's Division of Water Quality was unable to provide these certifications due to the condition of the Webb Creek system.

12 Q. WHAT DID PLURIS DO TO ADDRESS THESE VARIOUS ISSUES?

13 A. As to the hundreds of NOV's and related issues regarding Webb Creek's  
14 inability to comply with DEQ requirements, Pluris ultimately spent more than  
15 \$900,000 over the next 2½ years in an effort to address issues in the Webb  
16 Creek SBR plant and collection system. We were able to achieve  
17 substantial compliance with DEQ requirements. As to the situation with the  
18 DEQ certifications necessary for military personnel to buy and sell homes  
19 in the Webb Creek service area, with assistance from Senator Thom Tillis'  
20 office, we were able to work with the Veterans Administration and DEQ to  
21 enable military personnel to buy and sell homes during Pluris's tenure as  
22 Emergency Operator.

23 Q. WERE THERE OTHER ISSUES NOT DIRECTLY RELATED TO  
24 OPERATION OF THE WEBB CREEK SYSTEM?

25 A. Yes. Onslow County had filed tax foreclosure actions against Webb Creek  
26 (which actions covered the WWTP site, the two lift stations owned by Webb  
27 Creek and other utility-owned property) for delinquent *ad valorem* property  
28 taxes that had not been paid since 2010. Onslow County also filed tax

1 foreclosure actions for delinquent *ad valorem* property taxes against several  
2 other entities affiliated with Webb Creek through Mr. Kinlaw. Certain of  
3 those affiliated entities held title to all or part of the locations of five of the  
4 eight lift stations used by Webb Creek. That situation was further  
5 complicated by the fact that at least three of these affiliated entities were  
6 either the subject of a revenue suspension by the North Carolina  
7 Department of Revenue and/or had been administratively dissolved by the  
8 North Carolina Secretary of State.

9 Q. PLEASE BRIEFLY SUMMARIZE PLURIS'S ACTIONS AFTER BEING  
10 APPOINTED AS EMERGENCY OPERATOR.

11 A. As noted above, the Webb Creek wastewater system consisted of two major  
12 components: a 300,000 GPD treatment plant and a collection network  
13 comprised of approximately three miles of force main, nearly 12 miles of  
14 gravity mains, and eight duplex lift stations. The majority of the Webb Creek  
15 system was more than 30 years old and due to years of neglect, much of it  
16 was beyond its practical design life. Lack of capital investment and periodic  
17 maintenance necessary to meet regulatory compliance contributed to the  
18 over 400 NOVs issued to Webb Creek by DEQ.

19 Following appointment as Emergency Operator, Pluris conducted a  
20 comprehensive engineering and operational review to set priorities for  
21 attempting to bring the Webb Creek system into substantial compliance with  
22 DEQ's requirements. We then used a triage approach in going about the  
23 work to address various problems and issues. As it turned out, some of the

1 problems with the WWTP were intractable to the point that the cost of the  
2 “temporary fix” would not have been reasonable, given the expectation that  
3 a new plant would be built before long. Initial work on the Webb Creek  
4 system included the following:

5 **Sequencing Batch Reactor Wastewater Treatment Plant**

6 Replaced inoperative check valves and gate valves. Replaced missing  
7 pumps and repaired inoperative pumps. Had 58,500 gallons of sludge  
8 removed and hauled off from inoperative SBR Basin 3. Sand blasted and  
9 painted EQ tanks, handrails and walkways. Blowers were repaired and  
10 outdoor covers built to protect them. Ultraviolet Disinfection System was  
11 cleaned and repaired. Replaced actuators in SBR Basins 1, 2 and 3.  
12 Replaced generator.

13

14 **Utility Collection System**

15 Lift Stations – Mission Control Units, pumps and standby generators were  
16 either not operational or missing.

17

18 Simplex Stations / Grinder Pumps – These stations were barely operating  
19 and required rebuilding along with related valves and flange packs.

20 Six (6) of the eight (8) system manholes required replacement/repair at a  
21 cost of between \$15,860 and \$25,250 each.

22

23 A Pro Pipe Locator was purchased for new line locates and 811 calls.

24 A sewer camera was purchased in order to locate inflow and infiltration  
25 problems

26 There was not a field vehicle for the operator and all field equipment was  
27 either missing or non-existent. A Ford F150 work truck, lawn mower and  
28 weed eater were acquired for the operator onsite.

29 Elder Valves – Following its appointment as Emergency Operator Pluris  
30 discovered that nearly 100 customers had not been paying for sewer  
31 service provided by Webb Creek, and it is unknown how long this had been  
32 going on. Most customers agreed to begin paying for service after being  
33 notified that they would be disconnected. One customer refused to begin  
34 paying, and it was necessary to install an elder valve to cut off their service.



1 Q, DID PLURIS REQUEST THAT THE COMMISSION GRANT IT A  
2 CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (“CPCN”)  
3 FOR THE WEBB CREEK SERVICE AREA?

4 A. Yes, after the Public Staff filed its Petition for Revocation of Webb Creek’s  
5 franchise in the Revocation Docket, Pluris submitted a request asking that,  
6 if the Public Staff’s Petition was granted and Webb Creek’s franchise was  
7 revoked, that the Commission grant Pluris a CPCN to serve the Webb  
8 Creek service area.

9 Q. WHAT IS THE CURRENT SITUATION WITH OWNERSHIP OF THE  
10 WEBB CREEK UTILITY SYSTEM ASSETS?

11 A. Pluris acquired the WWTP, the collection systems and the land and assets  
12 that comprise the Webb Creek system through Onslow County’s tax  
13 foreclosure proceedings. Onslow County eventually filed a total of eleven  
14 separate tax foreclosure suits against Webb Creek and several other  
15 entities affiliated with Webb Creek through Mr. Kinlaw, seeking to recover  
16 delinquent *ad valorem* property taxes. Some of those affiliated entities  
17 owned locations where utility system assets were located. Judgments in  
18 favor of the County were entered in Onslow County District Court and the  
19 Court appointed a Commissioner authorized to foreclose upon and sell the  
20 tax debtors’ assets at public auction. Pluris identified the suits which  
21 concerned the Webb Creek WWTP and other utility system assets and  
22 Pluris was the winning bidder at the foreclosure auctions as to those  
23 properties. As documented in various filings, certifications and Orders in

1 Dockets W-864, Sub 14 and W-1314, Sub 1, though the tax foreclosure  
2 process the Webb Creek WWTP site and the other components of the  
3 Webb Creek utility system were acquired by Pluris. The Commission  
4 required that Pluris do so as a condition of being issued a CPCN to serve  
5 the Webb Creek service area.

6 Q. WHAT IS THE CURRENT COMPLIANCE STATUS AT WEBB CREEK?

7 A. By virtue of its infusion of significant capital to address many of the problems  
8 at the Webb Creek WWTP, Pluris was able to achieve substantial  
9 compliance with DEQ's requirements within a few months of being  
10 appointed Emergency Operator. There are, however, continuing  
11 compliance issues that cannot be adequately addressed, as well as  
12 significant concerns with the integrity of the existing WWTP. Primary  
13 concerns include direct discharge from leaking tank vessels and the  
14 presence of *enterococci* in discharge effluent following treatment. Leaks  
15 within containment vessels have been ongoing for an undetermined period  
16 of time and apparently were unreported by the prior operators. Based on  
17 the age of the tanks and the extent to which they were neglected over a  
18 considerable period of time, there is significant rust development on these  
19 tanks and the structural integrity of the tanks below the soil/steel interface  
20 is unknown. The principal concern with any potential effort to repair sections  
21 of these containment vessels is the extent of any potential structural  
22 infirmity, and such repair efforts would be impractical as large sections at  
23 the ground/tank interface would be impacted.

1 Q. HOW DOES PLURIS PLAN TO ACHIEVE COMPLIANCE?

2 A. As it committed to do when it was appointed as Emergency Operator, Pluris  
3 has undertaken the construction, on the existing WWTP site, of a new MBR  
4 wastewater treatment plant with a 350,000 GPD treatment capacity. The  
5 new MBR plant is sized to serve the legacy Webb Creek service area, a  
6 nearby development known as The Pines, and the general vicinity. Pluris  
7 had originally planned to purchase another site for the MBR plant at a cost  
8 of \$175,000, but soil analyses revealed that the soils on that site were  
9 unsuitable for construction. We then studied the existing WWTP site and  
10 determined that, while it was tight with both the existing and new WWTPs  
11 on the same approximately 8 acre site, by securing a permit from the Army  
12 Corp of Engineers allowing us to use an approximately 0.5 acre portion of  
13 an adjoining wetlands area, we could fit the new MBR plant into that site.  
14 After the MBR plant goes into service we will decommission the old Webb  
15 Creek WWTP.

16 Q. WHEN WILL PLURIS'S NEW MBR PLANT BE PLACED IN SERVICE?

17 A. The projected in-service date for the new MBR plant is May 15, 2020. Pluris  
18 is using the same contractor that built the Pluris-affiliate's MBR plant in  
19 Hampstead to construct the MBR plant. We commenced construction in  
20 July, 2019 and the project has stayed on schedule. We are hopeful that the  
21 pandemic will not materially delay completion. The contract price for the  
22 new MBR plant is \$5,008,000.

1 Q. HOW MANY CUSTOMERS DOES PLURIS CURRENTLY SERVE?

2 A. As of December 31, 2019, Pluris served 1,354 residential and 8 commercial  
3 customers. Of the 1,354 residential customers served on that date, 327  
4 were residential customers located in The Pines development. Up to 78 of  
5 these residential customers were added onto the Webb Creek system while  
6 Pluris was serving as Emergency Operator of that system, as allowed by  
7 the Commission in Docket W-1314, Sub 0. The remainder of the customers  
8 in The Pines were served by Pines Utilities, Inc. ("PUI"), until November  
9 2019, when the Commission issued its *Order Cancelling Temporary*  
10 *Operating Authority, Approving Transfer, Granting Franchise, Approving*  
11 *Interim Rates, Requiring Undertaking, And Requiring Customer Notice* in  
12 Dockets NO. W-1314, Sub 2, W-822, Sub 3 and W-1314, Sub 0, allowing  
13 Pluris to acquire PUI's system and service area.

14 In addition to the Webb Creek collection system, to connect with and serve  
15 The Pines development, Pluris added approximately seven miles of force  
16 mains, seven miles of gravity mains, and nine duplex and three simplex lift  
17 stations to its system.

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

19 A. When the Public Staff petitioned the Commission to appoint Pluris as  
20 Emergency Operator of the Webb Creek system, the Public Staff also  
21 requested that the Commission approve "an immediate emergency rate  
22 increase for the Webb Creek wastewater utility system on a provisional  
23 basis subject to true up." (Public Staff Petition p. 1). The Commission

1 granted that request in the *EO Order*, establishing provisional increased  
2 rates subject to true up. As noted in the Public Staff’s Petition, “[t]he rates  
3 currently in effect for the Webb Creek wastewater system were approved  
4 by order issued September 3, 1998, in Docket No. W-864, Sub 4, as  
5 decreased by order issued October 15, 2015, in Docket No. W-864, Sub 9,  
6 to comply with House Bill 998.” (Public Staff Petition ¶ 28). So, before  
7 Pluris was appointed as Emergency Operator, Webb Creek had not had a  
8 rate case or rate increase in 18 years.

9 Q. WHAT ARE PLURIS’S CURRENT RATES?

10 A. The provisional rates established by the Commission in 2016 when Pluris  
11 was appointed as Emergency Operator are the following:

12	Residential Monthly (Flat) Rate	\$37.69
13	Commercial (Metered) Rate	
14	Monthly Base Charge, zero usage	\$28.34
15	Usage Charge, Per 1,000 gallons	
16	(based on metered water usage)	
17		
18	Sand Ridge Elementary School	\$9.04
	Nonresidential Sewer Service	\$9.04
19	Connection Charge	
20		
21	Residential	\$1,800 payable when tap
22		made
23	Sand Ridge Elementary School	\$125,000
24	Nonresidential (other)	\$5.00 per gallon of
25		designated daily flow
26		based on DWR criteria
27	Reconnection Charge	
28	If sewer service cut off by utility for	
29	good cause	\$141.00

1 Returned Check Charge \$20.00

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

3 A. Pluris's proposed rates are as follows:

4 Residential Monthly (Flat) Rate \$73.38

5 Commercial (Metered) Rate

6	Monthly Base Charge, zero usage	Meter Size	Base Rate
7		<1"	\$10.00
8		1"	\$25.00
9		1.5"	\$50.00
10		2"	\$80.00
11		4"	\$250.00
12		6"	\$500.00

13 Usage Charge, Per 1,000 gallons \$16.50

14 Connection Charge

15 Connection Charge-Residential

16 For three bedrooms or less \$3,200 per SFE  
 17 A single family equivalent (SFE) for a detached  
 18 single family residence is three bedrooms or less.

19 Each additional bedroom beyond  
 20 three per residence \$1,067

21 Connection Charge – Commercial

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

26 Returned Check Charge \$25.00

1 A complete listing of all proposed rates and charges is included on page  
2 1 of Pluris's Application for a General Rate Case in this docket, and the  
3 schedule referenced there.

4 Q. WHAT IS THE REVENUE REQUIREMENT REQUESTED BY PLURIS IN  
5 THIS PROCEEDING?

6 A. The Company proposes an increase in its revenue requirement of  
7 \$595,703.

8 Q. WHAT RATE OF RETURN WOULD PLURIS'S PROPOSED RATES  
9 YIELD?

10 A. The rates we propose would yield an overall rate of return on rate base for  
11 Pluris of 6.56%, based on a rate of return on common equity of 9.6%.  
12 These rates would yield a rate of return on rate base that is less than what  
13 the Commission set for Carolina Water Service in Docket No. W-354, Sub  
14 364 and for Aqua North Carolina in Docket No. W-218, Sub 497, in their  
15 most recent rate case orders. The average of the approved overall return  
16 on rate base in those cases is 7.28% ( $7.39\% + 7.17\% = 14.56\% \div 2 =$   
17  $7.28\%$ ), which is based on the average authorized rate of return on  
18 common equity in those two cases of 9.60% ( $9.50\% + 9.70\% = 19.20\% \div$   
19  $2 = 9.60\%$ ).

20 In an effort to avoid increasing the amount of rate case expense that will  
21 be passed through to Pluris's ratepayers by employing an expert witness  
22 to address this issue in this docket, I would hope the Commission will set  
23 a rate of return on common equity for Pluris that is comparable to what it

1 set for Carolina Water Service and for Aqua North Carolina in in their most  
2 recent rate cases.

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

5 A. Yes, we are asking that the Commission authorize an overall rate of return  
6 on rate base for Pluris of 6.56%, and a rate of return on common equity of  
7 9.6%, which is commensurate with what the Commission has recently  
8 approved for other similar water and sewer utilities. I also ask that the  
9 Commission accept Pluris's current capital structure, which is 56% debt  
10 and 44% equity.

11 Q. IS PLURIS ALSO FILING A FINAL ACCOUNTING AS TO THE  
12 PROVISIONAL RATES SET BY THE COMMISSION?

13 A. Yes, when Pluris was appointed as Emergency Operator the Commission  
14 established provisional rates as recommended by the Public Staff. Due to  
15 the extensive investment Pluris made in the Webb Creek system during  
16 its service as Emergency Operator, and its commitment to build a new  
17 MBR plant, the Commission's *Revocation Order* issued a CPCN to Pluris  
18 and included the following findings of fact, as well as requiring the filing of  
19 a final accounting:

20 7. In the EO Order the Commission set rates "on a provisional  
21 basis for wastewater utility service provided by Pluris as  
22 emergency operator of the Webb Creek wastewater utility  
23 system, effective the date of this Order and subject to refund of  
24 any amounts found unjust and unreasonable, and subject to true  
25 up if the emergency operator has not recovered its costs and  
26 approved returns or has over-recovered." (EO Order ¶ 3, p. 7) In  
27 its March 11, 2019 Motion in Docket Nos. W-864, Sub 14 and



1 W-1314, Sub 1, in recognition of the importance of facilitating  
2 Pluris's efforts to build the new MBR plant and demolish the  
3 existing Webb Creek WWTP as soon as possible, the Public  
4 Staff recommends that it is reasonable to continue the interim  
5 rates for Pluris.  
6

7 8. Due to deteriorating conditions, time is of the essence in  
8 replacing the existing WWTP. Because Pluris will be filing a  
9 general rate case at or near the time construction of the new  
10 MBR plant is completed, it is appropriate to accept the Public  
11 Staff's recommendation that the interim rates for Pluris shall be  
12 set at the same level as the provisional rates established in the  
13 EO Order. Therefore, in order to avoid the delay inherent in the  
14 true up and audit process at this juncture, it is appropriate to  
15 accept the Public Staff's recommendation that **the interim rates**  
16 **shall continue until Pluris files the contemplated rate case,**  
17 **at which time Pluris shall prepare and file a final accounting**  
18 **to be audited by the Public Staff, and a true up of the**  
19 **provisional rates collected as emergency operator and**  
20 **interim rates shall be dealt with in the rate case.**

21 (Emphasis added).

22 The required Final Accounting is being filed together with Pluris's rate case  
23 Application.

24 Q. PLEASE EXPLAIN WHY PLURIS IS REQUESTING RATE RELIEF  
25 AT THIS TIME?

26 A. As shown in the Final Accounting, Pluris invested over \$900,000 in efforts  
27 to address issues and problems with the Webb Creek system during its  
28 service as Emergency Operator. Pluris has not recovered the returns on  
29 investment and operating margin provided for in the *EO Order* associated  
30 with that service.

31 As the public utility holding a CPCN authorizing it to serve its current  
32 service area, under the current provisional rates Pluris is earning a rate  
33 of return of 2.41%. Under current rates and prudent management Pluris

1 is unable to cover its operating costs and earn a reasonable return on  
2 its investment in its system. Pluris witness Winters deals with these  
3 financial issues in detail, but the bottom line is that Pluris needs to make  
4 progress toward better aligning its rates with costs, which will enable Pluris  
5 to maintain and continue to improve the quality of service it provides.

6 During the Test Year, Pluris experienced an overall rate of return per its  
7 books for its operations of 2.41%. The Company's pro-forma Test Year  
8 overall return is -1.75%. This rate of return is well below the currently-  
9 authorized rates of return on rate base of other comparable water/sewer  
10 utilities in North Carolina (based on above-referenced calculation of the  
11 average rates of return recently approved for Carolina Water Services and  
12 Aqua North Carolina), which average an overall rate of return on rate base  
13 in the range of 7.28%, based on an authorized rate of return on common  
14 equity in the range of 9.60%.

15 In addition to its investments made in efforts to bring the Webb Creek  
16 system into compliance, Pluris is in the process of investing \$5,008,000 in  
17 the construction of a new MBR plant, which will produce very high quality  
18 effluent that meets or exceeds DEQ's requirements. Having incurred  
19 these costs, Pluris is entitled to recover the returns provided for in the *EO*  
20 *Order* and to earn a reasonable return on its reasonable and prudent  
21 investments.

22 Q. WHAT DOES PLURIS'S FINAL ACCOUNTING SHOW?

1 A. As detailed in Dan Winters' testimony, based on the return on investment  
2 of 7.67% and the 7.5% operating margin provided for in the *EO Order*, the  
3 Final Accounting shows that during its service as Emergency Operator of  
4 the Webb Creek system Pluris under-recovered its return on investment  
5 by \$102,143 and is also due an additional \$100,734 for its operating  
6 margin. The total amount of Pluris's under-recovery / shortfall is \$202,877.

7 Q. HOW DOES PLURIS PROPOSE TO RECOVER THIS SHORTFALL?

8 A. In an effort to mitigate the impact on its ratepayers of the true-up to recover  
9 this shortfall, Pluris is willing to recover the shortfall as part of its rate base  
10 over a longer term, rather than through a short-term surcharge or  
11 assessment on its ratepayers.

12 Q. PLEASE EXPLAIN PLURIS'S RELATIONSHIP WITH ITS PARENT,  
13 PLURIS HOLDINGS, LLC.

14 A. Pluris Holdings, LLC ("Holdings") owns Pluris, and various other operating  
15 public utility entities, including Pluris, LLC and Pluris Hampstead, LLC in  
16 North Carolina, as well as other operating utility service companies in other  
17 states. Holdings provides support services to Pluris and its other water and  
18 wastewater service companies, including financial and corporate  
19 management, as well as support, expertise and assistance in the areas of  
20 customer service, billing, regulatory compliance, engineering design,  
21 construction, information technology, human resources, insurance,  
22 accounting and legal support. These corporate expenses are allocated  
23 across all of the service company utilities owned by Holdings both in North

1 Carolina and elsewhere, based on each operating entity's customer count  
2 relative to the total number of customers served by all of Holdings' service  
3 company utilities. **[BEGIN CONFIDENTIAL]** [REDACTED]  
4 [REDACTED]. **[END**  
5 **CONFIDENTIAL]**.

6 Q. HAS PLURIS MADE ANY ADDITIONAL IMPROVEMENTS IN THE  
7 SERVICES IT PROVIDES TO ITS CUSTOMERS?

8 A. Since beginning its service as Emergency Operator and continuing after  
9 the Commission granted Pluris the franchise to serve the Webb Creek area,  
10 Pluris has made a number of customer improvements over the prior owner.  
11 For example, the previous owner required monthly service to be paid for in  
12 cash at the utility WWTP site. Pluris immediately put an end to this practice.  
13 As with all Pluris utilities, Webb Creek customers can make payments a  
14 number of ways including by check sent to the payment address, online  
15 payment by debit/credit card on our website at [www.plurisusa.com](http://www.plurisusa.com), in  
16 person at Walmart Payment Centers, and walk in payment at Pluris's  
17 National Customer Care Center in Sneads Ferry, which has a customer  
18 payment kiosk. Customers also have the option for payments to be  
19 automatically drafted by ACH enrollment.

20 Pluris's customers can view their account information online 24/7 and can  
21 choose to receive a printed statement and/or electronic statement  
22 notification.

23 Customers can also contact Pluris at its Customer Care Center during

1 business hours to answer any questions and can talk with an after-hours  
2 representative for any emergency service requirements.

3 Q. IS PLURIS PROPOSING TO IMPLEMENT A SEWER SYSTEM  
4 IMPROVEMENT CHARGE MECHANISM?

5 A. No, not at this time.

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

8 A. Yes, absolutely.

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

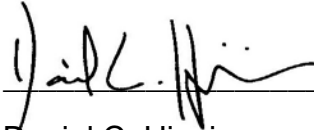
10 A. Yes.

**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the redacted public version of the foregoing document, has been served on all counsel of record for all parties in this docket, if any, and the Public Staff, by either depositing same in a depository of the United States Postal Service, first-class postage prepaid and mailed by the means specified below, or by electronic delivery.

This the 27<sup>th</sup> day of April, 2020.

BURNS, DAY & PRESNELL, P.A.

A handwritten signature in black ink, appearing to read "Daniel C. Higgins", written over a horizontal line.

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