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December 4, 2019

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603

RE: *Application for Certificate of Public Convenience and Necessity and Registration Statement for ONSWC Chatham North, LLC in Chatham County*
NCUC Docket No. W-1300 Sub 55
Application for Transfer of Public Utility Franchise and for Approval of Rates from Old North State Water Company to ONSWC- Chatham North, LLC
NCUC Docket No. W-1320 Sub 0
Application for Transfer of Public Utility Franchise of Finch Creactions dba Ferrington Utilities to ONSWC - Chatham North, LLC in Chatham Co.
(Amended Purchaser NCUC Docket No. W-1320 Sub 2
Application for Transfer of Public Utility Franchise of Finch Creactions dba Ferrington Utilities to ONSWC in Chatham Co. Waste Water Only
NCUC Docket No. W-661 Sub 9

Dear Ms. Campbell:

On behalf of ONSWC - Chatham North, LLC, we herewith submit the Direct Testimony of Michael J. Myers in the above-referenced dockets.

Pursuant to Commission Rule R1-28(e), the Company plans to deliver 16 copies of its testimony and exhibits on December 5, 2019.

Should you have any questions concerning this testimony or exhibits attached thereto, please do not hesitate to contact me.

Sincerely,

/s/ Karen M. Kemeraït

skb

CC: All Parties of Record

Enclosures

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Dec 04 2019

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-1320, Sub 0
DOCKET NO. W-1300, Sub 55
DOCKET NO. W-1320, Sub 2
DOCKET NO. W-661, Sub 9**

DIRECT TESTIMONY

OF

MICHAEL J. MYERS

DECEMBER 4, 2019

1 Q. PLEASE STATE YOUR NAME, POSITION WITH ONSWC – CHATHAM
2 NORTH, LLC, AND BUSINESS ADDRESS.

3 A. My name is Michael J. Myers, and I am the President of ONSWC – Chatham
4 North, LLC (“ONSWC – Chatham North”). My business address is 4700
5 Homewood Court, Suite 108, Raleigh, North Carolina 27609.

6 Q. IN ADDITION TO BEING THE PRESIDENT OF ONSWC – CHATHAM
7 NORTH, ARE YOU ALSO AN OFFICER WITH OLD NORTH STATE
8 WATER COMPANY, LLC?

9 A. Yes. I am also the President of Old North State Water Company, LLC
10 (“ONSWC”).

11 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES WITH
12 ONSWC – CHATHAM NORTH.

13 A. As mentioned above, I am the President of ONSWC – Chatham North. My
14 responsibilities include the management of operational functions for ONSWC
15 – Chatham North.

16 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

17 A. Yes. I have provided testimony in one previous docket, and that proceeding
18 was for the transfer application of Horse Creek Farms to ONSWC in Docket
19 No. W-1300, Sub 19 and Docket No. W-888, Sub 6.

20 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

21 A. I have a bachelor’s degree and a master’s degree in Biological Engineering
22 from Ohio State University. I am active in numerous professional and
23 technical societies, and I have over twenty-five years of experience in the

1 design, construction, management, and operation of water and wastewater
2 utilities from both the owner and regulatory perspective.

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

4 A. The purpose of my testimony is to support the application filed by ONSWC –
5 Chatham North for the transfer of the Briar Chapel wastewater system in
6 Chatham County, North Carolina from ONSWC to ONSWC – Chatham
7 North, and for approval of rates, and to support the application filed by
8 ONSWC for the transfer of the Fearington Village wastewater system in
9 Chatham County, North Carolina from Fitch Creations, Inc. d/b/a Fearington
10 Utilities to ONSWC – Chatham North, and for approval of rates.

11 Q. PLEASE DESCRIBE ONSWC – CHATHAM NORTH.

12 A. ONSWC - Chatham North is a North Carolina limited liability company that
13 filed Articles of Incorporation with the North Carolina Secretary of State on
14 November 5, 2018. ONSWC – Chatham North is an affiliate of ONSWC.

15 Q. DOES ONSWC – CHATHAM NORTH CURRENTLY OWN ANY
16 WATER OR WASTEWATER SYSTEMS?

17 A. No. ONSWC – Chatham North does not currently own any water or
18 wastewater systems. However, ONSWC – Chatham North will own the Briar
19 Chapel wastewater system and the Fearington Village wastewater system
20 once the transfer applications are approved by the North Carolina Utilities
21 Commission (“Commission”). Though Briar Chapel and Fearington will be

1 owned by ONSWC – Chatham North, Integra Water will continue to provide
2 support to ONSWC – Chatham North.

3 Q. SINCE ONSWC – CHATHAM NORTH DOES NOT YET OWN ANY
4 WASTEWATER SYSTEMS, DOES ONSWC – CHATHAM NORTH
5 HAVE ANY EXPERIENCE OR EXPERTISE IN OWNING AND
6 OPERATING WASTEWATER SYSTEMS?

7 A. Even though ONSWC – Chatham North does not yet own any wastewater
8 systems, ONSWC – Chatham North will be able to rely upon substantial
9 experience of its parent company (Integra Water) and the company's owners
10 and officers. As mentioned above, in addition to being the President of
11 ONSWC – Chatham North, I am the President of ONSWC. Also, John
12 McDonald is the Vice President and Secretary of ONSWC – Chatham North,
13 in addition to being an officer of ONSWC.

14 ONSWC and Integra Water have substantial experience in owning
15 and operating water and wastewater systems. ONSWC acquired its first
16 wastewater franchise in 2013, currently provides water and wastewater
17 service to more than 15,000 North Carolina residents, and is one of the
18 largest regulated water and wastewater companies in North Carolina. As
19 officers of both ONSWC – Chatham North and ONSWC, John McDonald
20 and I will bring a wealth of experience and expertise to ONSWC – Chatham
21 North in the ownership and operation of the Briar Chapel and Fearington
22 Village wastewater systems.

1 Q. PLEASE DESCRIBE ONSWC – CHATHAM NORTH’S FINANCIAL
2 CAPABILITY TO OWN AND OPERATE THE BRIAR CHAPEL AND
3 FEARRINGTON VILLAGE WASTEWATER SYSTEMS.

4 A. ONSWC – Chatham North has invested approximately \$6 million of equity
5 into this project and has secured proposed financing in an aggregate amount
6 not to exceed \$6,500,000. Once financing is approved by the Commission,
7 ONSWC – Chatham North will fund the remaining capital improvements to
8 the Briar Chapel and Fearington Village wastewater systems. Once the
9 Commission has approved the transfer of the Briar Chapel and Fearington
10 Village wastewater systems to ONSWC – Chatham North, ONSWC –
11 Chatham North will file an application for approval of the debt financing with
12 the Commission. Upon approval and completion of the project, the combined
13 revenue will be sufficient to support operational expenses and debt service
14 through completion of construction.

15 Q. WILL ONSWC – CHATHAM NORTH HAVE THE TECHNICAL,
16 MANAGERIAL, AND FINANCIAL CAPACITY TO PROVIDE
17 ADEQUATE WASTEWATER SERVICE IN THE BRIAR CHAPEL AND
18 FEARRINGTON VILLAGE SERVICE AREAS?

19 A. Yes. As mentioned above, ONSWC – Chatham North will bring a wealth of
20 experience and expertise in the ownership and operation of the Briar Chapel
21 and Fearington systems, and ONSWC – Chatham North will have the

1 necessary financing to provide capital improvements and repairs to the
2 systems.

3 Q. PLEASE DESCRIBE THE BRIAR CHAPEL SYSTEM THAT IS
4 PROPOSED TO BE TRANSFERRED TO ONSWC – CHATHAM
5 NORTH.

6 A. ONSWC is the current owner of the Briar Chapel wastewater system, and has
7 owned the system since 2015. There are currently 1,967 residential customers
8 and 16 commercial customers, equal to 78 residential equivalent units
9 (“REUs”) in the Briar Chapel Subdivision wastewater system service area.
10 The Briar Chapel wastewater treatment system consists of a 250,000 gallon per
11 day (“gpd”) wastewater treatment plant, a 3.5 million gallon five day upset
12 pond, a 21.3 million gallon clay-lined effluent storage pond, and a 31.2 million
13 gallon clay-lined effluent storage pond. The reclaimed water is spray irrigated
14 after treatment.

15 The North Carolina Department of Environmental Quality, Division of
16 Water Resources (“DWR”), has approved the wastewater collection and
17 treatment systems and reuse spray irrigation systems under permit numbers
18 WQ0029867, WQ0028522, and WQCS00372.

19 Q. DOES ONSWC CURRENTLY PROVIDE WATER SERVICE TO THE
20 BRIAR CHAPEL SUBDIVISION?

21 A. No. ONSWC provides only wastewater service to Briar Chapel. Chatham
22 County provides water service to the subdivision.

1 Q. PLEASE DESCRIBE THE FEARRINGTON VILLAGE SYSTEM THAT IS
2 PROPOSED TO BE TRANSFERRED TO ONSWC – CHATHAM
3 NORTH.

4 A Fearington Utilities is the current owner of the Fearington Village wastewater
5 system. There are currently 1,383 residential customers and 6 commercial
6 customers, equal to 66 REUs in the Fearington Village wastewater system
7 service area. The wastewater system includes a 270,000 GPD wastewater
8 treatment plant, approximately 15 miles (79,200 feet) of gravity sewer, three
9 sewer pump stations, and approximately 7,000 feet of force main. Fearington
10 Utilities has been issued a 500,000 gpd National Pollutant Discharge
11 Elimination System (“NPDES”) Permit (Permit No. NC0043559) for
12 discharge of wastewater into an unnamed tributary of Bush Creek, a tributary
13 of Jordan Lake.

14 Q. DOES THE FEARRINGTON VILLAGE WASTEWATER TREATMENT
15 PLANT NEED TO BE REPLACED?

16 A. Yes. The Fearington Village wastewater treatment plant first two 90,000 gpd
17 phases were constructed in 1984, and the last 90,000 gpd wastewater treatment
18 plant phase was constructed in 1995. The original plant is currently 35 years
19 old with an expected life between 35 – 50 years. Thus the wastewater treatment
20 plant is nearing the end of its useful life and will need to be completely
21 replaced, including material treatment upgrades, to meet upcoming nutrient
22 management requirements for discharge into the Jordan Lake watershed.

1 Q. DOES FEARRINGTON UTILITIES CURRENTLY PROVIDE WATER
2 SERVICE TO FEARRINGTON VILLAGE?

3 A. No. Fearington Utilities provides only wastewater service to Fearington
4 Village. Chatham County provides water service to the area.

5 Q. WHAT ARE THE TERMS OF THE SALE OF THE BRIAR CHAPEL
6 SYSTEM TO ONSWC – CHATHAM NORTH?

7 A. ONSWC – Chatham North and ONSWC have entered into a Briar Chapel
8 Asset Purchase Agreement dated January 3, 2019, under which ONSWC –
9 Chatham North is purchasing the wastewater system for \$206,000.

10 Q. WHAT ARE THE TERMS OF THE SALE OF THE FEARRINGTON
11 VILLAGE SYSTEM TO ONSWC – CHATHAM NORTH?

12 A. ONSWC and Fearington Utilities entered into an Asset Purchase Agreement
13 (“Fearington APA”) dated September 22, 2017, under which ONSWC is
14 purchasing the Fearington Village wastewater system for \$1. ONSWC
15 assigned to ONSWC – Chatham North the Fearington APA by assignment
16 dated March, 2019.

17 Q. IS ONSWC – CHATHAM NORTH REQUESTING A RATE INCREASE AS
18 PART OF THE TRANSFER APPLICATIONS?

19 A. No. ONSWC – Chatham North is not requesting that the rates for Briar Chapel
20 or Fearington Village be increased as part of this proceeding.

1 Q. IS ONSWC – CHATHAM NORTH PLANNING TO CONSTRUCT
2 IMPROVEMENTS TO THE BRIAR CHAPEL AND FEARRINGTON
3 VILLAGE SYSTEMS?

4 A. Yes. ONSWC – Chatham North plans to construct a pump station to pump
5 the Fearington Village wastewater to the Briar Chapel wastewater treatment
6 plant for treatment, rather than replace the aged Fearington Village
7 wastewater treatment plant. ONSWC – Chatham North plans to convert the
8 existing 250,000 gpd Briar Chapel extended aeration wastewater treatment
9 plant into a +/- 1 MGD membrane bioreactor (“MBR”) wastewater treatment
10 plant to serve as a wastewater treatment facility to treat the wastewater for the
11 future buildout of Briar Chapel and Fearington Village, and potential other
12 nearby developments.

13 Q. WILL THE EFFLUENT TREATED IN THE MBR WASTEWATER
14 TREATMENT PLANT MEET THE JORDAN LAKE NUTRIENT
15 REQUIREMENTS?

16 A. Yes. The high-quality MBR-treated effluent will be of the quality to meet the
17 Jordan Lake nutrient requirements.

18 A. ONCE THE MBR PLANT AND PIPELINE HAS BEEN CONSTRUCTED,
19 WHAT WILL BE THE DISPOSAL METHOD FOR THE RECLAIMED
20 WATER?

21 A. The combined wastewater system will enable greater flexibility for
22 management of the reclaimed water. It will reduce Briar Chapel’s dependency

1 on the spray irrigation system and allow for better management of the
2 reclaimed water disposal system. The combined system will permit portions
3 of the reclaimed water to be will continue to be sprayed at the DWR-approved
4 spray irrigation and reuse sites at Briar Chapel, and portions of the reclaimed
5 water to be discharged pursuant to the NPDES permit into an unnamed
6 tributary of Bush Creek, a tributary of Jordan Lake.

7 Q. PLEASE DESCRIBE THE BENEFITS TO THE BRIAR CHAPEL AND
8 FEARRINGTON VILLAGE CUSTOMERS FROM THE TRANSFER OF
9 THE SYSTEMS TO ONSWC – CHATHAM NORTH.

10 A. Current and future Briar Chapel and Fearington Village customers will benefit
11 from the transfer of the wastewater systems to ONSWC – Chatham North in a
12 number of significant ways. These benefits include the following.

13 1. The current Briar Chapel wastewater treatment plant will be
14 upgraded to a MBR facility, and the reclaimed water will meet the Jordan Lake
15 nutrient regulations. This will provide the significant and meaningful benefit
16 to the enviroment.

17 2. Odor and noise control measures in the upgraded facility will
18 be enhanced and improved from the measures in the current Briar Chapel
19 wastewater treatment plant. In regard to sound, all new equipment that creates
20 sound will be housed in a prefabricated metal enclosure that will be specially
21 constructed to minimize sound. The blowers will contain sound attenuation
22 measures, as they will be enclosed in sound attenuation covers. The blowers

1 with their sound attenuation covers will be further placed inside metal
2 enclosures. In regard to odor, advanced odor control measures will be
3 implemented to remove odors. In particular, the initial screen will be enclosed,
4 the equalization basin will be covered, and air will be pulled through each unit
5 and passed to an air scrubber.

6 3. The addition of Fearington Village customers, along with
7 potential customers from new developments in the area, to the Briar Chapel
8 wastewater treatment plant will result in a larger customer base and thus
9 provide a greater economy of scale. This larger customer base will help to
10 minimize the impact of inflationary pressures on a per customer basis.

11 4. The use of the Fearington NPDES permit provides a more
12 robust and reliable disposal system that will benefit the Briar Chapel
13 customers. In the event that spray irrigation activities cannot be utilized due
14 to weather or environmental conditions, ONSWC - Chatham North will be able
15 to utilize the discharge permit for disposal. This results in a more sustainable
16 wastewater system for all customers, including current and future Briar Chapel
17 customers.

18 Q. HAVE YOU DISCUSSED THIS PROJECT WITH THE CUSTOMERS OF
19 BRIAR CHAPEL AND FEARRINGTON VILLAGE?

20 A. Yes. We have held numerous informational meetings on this transfer and
21 project dating back to 2017. We have discussed the project with the
22 Homeowners Association Boards of both Briar Chapel and Fearington Village

1 on numerous occasions over the past two years. Most recently, we have
2 increased the frequency of these informational sessions in advance of this
3 hearing in order to try to address the concerns. We are aware of concerns from
4 the Briar Chapel community that we believe will be presented at the hearing.

5 Q, DOES THIS COMPLETE YOUR TESTIMONY?

6 A. Yes. We thank the Commission and the Public Staff for their assistance and
7 attention to this matter.