

**SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

August 7, 2017

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re: Carolina Water Service, Inc. of North Carolina  
Docket No. W-354, Sub 356  
Direct Testimony and Exhibit of Richard Linneman

Dear Ms. Jarvis:

Please accept for electronic filing on behalf of Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") the attached Direct Testimony and Exhibit of Richard Linneman in support of the Company's application for a general rate increase.

In addition, within one business day, as required by Commission Rule R1-28(e)(1), CWSNC will file fifteen (15) paper copies of the direct testimony and exhibit.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/ Jo Anne Sanford

State Bar No. 6831

Attorney for Carolina Water Service,  
Inc. of North Carolina

c: Parties of Record

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-354, SUB 356**

In the Matter of  
Application by Carolina Water Service, Inc. of North Carolina  
for Authority to Adjust and Increase Rates for  
Water and Sewer Utility Service in All of Its Service Areas in  
North Carolina, Except Corolla Light and Monteray Shores Service  
Area and Elk River Development

Pre-Filed Direct Testimony  
of  
RICHARD LINNEMAN  
Financial Planning and Analysis Manager

On Behalf Of  
CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

August 7, 2017

1   **Q.     Please state your name, occupation and business address for**  
2   **the record.**

3   A.     My name is Richard Linneman. I am employed as the Financial  
4   Planning and Analysis Manager for Carolina Water Service, Inc. of North  
5   Carolina ("CWSNC" or "Company"), 4944 Parkway Plaza Boulevard,  
6   Suite 375, Charlotte, North Carolina 28217.

7   **Q.     Please summarize your professional background.**

8   A.     I have been employed by CWSNC since November 2016. I  
9   graduated from Coastal Carolina University in Conway, South Carolina with  
10   a Bachelor of Science degree in Finance. Prior to joining CWSNC, I was  
11   the Director of Financial Planning and Analysis for Leslie's Poolmart, Inc.,  
12   the world's largest retailer of swimming pool supplies and chemicals.  
13   During my five years in that position, I was responsible for forecasting,  
14   budgeting, financial analysis, strategic planning, acquisitions, and market  
15   valuations.

16   **Q.     Please explain your job responsibilities at CWSNC.**

17   A.     My primary responsibilities include forecasting, budgeting, and  
18   financial analysis. I am also responsible for the oversight of gathering data  
19   and preparation of rate cases, filing applications for rate cases, and  
20   providing data request responses for support of rate case filings.

21   **Q.     Please describe Carolina Water Service, Inc. of North Carolina.**

1 A. CWSNC is a wholly-owned subsidiary of Utilities, Inc. ("UI").  
2 CWSNC is an investor-owned public utility pursuant to North Carolina  
3 General Statute ("G.S.") 62-3, does business as a regulated water and  
4 sewer utility in North Carolina, and is subject to the regulatory oversight of  
5 the North Carolina Utilities Commission ("Commission" or "NCUC").<sup>1</sup>  
6 CWSNC has provided water and sewer service in North Carolina for  
7 52 years. CWSNC has applied for an adjustment in water and sewer rates  
8 and charges for all of its service areas in North Carolina, excluding the  
9 Corolla Light and Monteray Shores service area and the Elk River  
10 Development. This is the first general rate case filed by CWSNC since its  
11 2016 merger and consolidation of the North Carolina systems.

12 The Company is the State's second-largest Commission-regulated  
13 water and sewer public utility. CWSNC presently serves approximately  
14 34,402 water customers and 21,373 sewer customers in North Carolina and  
15 operates approximately 92 water systems and 38 sewer systems in the  
16 State. The Company's service territory spans 38 counties in North Carolina,  
17 from Bear Paw in Cherokee County to Corolla in Currituck County.

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<sup>1</sup> On April 22, 2016, CWSNC, Bradfield Farms Water Company (Bradfield Farms), Carolina Trace Utilities, Inc. (Carolina Trace), CWS Systems, Inc. (CWSS), Elk River Utilities, Inc. (Elk River), and Transylvania Utilities, Inc. (Transylvania) filed a Joint Application for Approval of Merger with the Commission in Docket No. W-354, Sub 350 requesting approval of the merger of Bradfield Farms, Carolina Trace, CWSS, Elk River, and Transylvania (all of which, like CWSNC, were wholly-owned subsidiaries of UI) into CWSNC. On August 17, 2016, the Commission entered an Order Approving Merger. The Articles of Merger were filed with the North Carolina Secretary of State on August 30, 2016. Since that date, CWSNC has owned and operated all of the merged water and sewer systems previously owned and operated by the five former UI subsidiaries.

1 Consequently, CWSNC, as a regulated public utility, has a continuing  
2 responsibility to upgrade the Company's widely-dispersed utility  
3 infrastructure and make necessary improvements to ensure its ability to  
4 continue to consistently provide adequate, efficient, and reasonable service  
5 to its customers as required by G.S. 62-131(b).

6 The Company also has an obligation to comply with changing  
7 environmental, health, and safety regulations and to fulfill its overall  
8 obligation to provide quality, dependable service pursuant to its certificate  
9 of public convenience and necessity. To that end, CWSNC has invested  
10 more than \$23 million in capital improvements during the period of time  
11 extending from 2016 to 2017. In addition, the Company continues to fund  
12 required operations and expense ("O&M") increases to ensure quality and  
13 compliant service.

14 **Q. Please describe UI.**

15 A. UI is relatively unique within the water and sewer industry in some  
16 respects. From its inception 52 years ago, UI has concentrated on the  
17 purchase, formation and expansion of smaller water and/or sewer utility  
18 systems. Most often, these are the types of systems that cause state  
19 regulators and health authorities an inordinate amount of time and concern,  
20 due to problems related to product quality, customer service, financial  
21 stability and rates.

1           At the present time, UI has 16 subsidiary operating companies---like  
2   CWSNC---which provide water and sewer utility service to approximately  
3   197,732 customers in 16 states.

4   **Q.    How do CWSNC's customers benefit from the Company's**  
5   **affiliation with UI?**

6   A.    The affiliation with UI has many benefits for CWSNC customers.  
7   One of the primary benefits is that CWSNC has access to a large pool of  
8   human resource capabilities upon which to draw. There are experts in  
9   various critical areas, such as construction, engineering operations,  
10   accounting, data processing, billing, regulation, and customer service.  
11   UI has the highest level of combined expertise and level of experience,  
12   allowing it to provide service in a more cost-effective manner.

13           While operating only water and sewer systems, UI personnel have  
14   the ability to meet the challenges of the rapidly changing utility industry.  
15   Because the UI companies are focused on the water and sewer industry,  
16   our companies enjoy some unique advantages, one of which is that capital  
17   is available for improvements and expansion at a reasonable cost. With  
18   increasingly more stringent health, safety, and environmental standards,  
19   ready access to capital will prove vital to continued quality service in the  
20   water and sewer utility business.

21           In addition, the UI group of companies has national purchasing

1 power, resulting in lower costs to ratepayers. Expenditures for insurance,  
2 vehicles, chemicals, and meters are a few examples of purchases where  
3 national contracts provide tangible benefits to ratepayers.

4 **Q. What is the purpose of your direct testimony?**

5 A. The purpose of my direct testimony is to explain why CWSNC has  
6 requested Commission approval to increase its water and sewer rates. The  
7 Company filed its Application for a general rate increase ("Rate Case  
8 Application") on March 31, 2017. I discuss some of the factors that have  
9 contributed to the need for these increases and their impact on CWSNC's  
10 customers. I also discuss the terms regarding the cost of debt and equity,  
11 the overall cost of capital, and rate of return on rate base. In addition, I will  
12 sponsor the Company's financial exhibits, including pro forma income  
13 statements and balance sheets.

14 **Q. When did CWSNC and the other former UI subsidiaries receive**  
15 **their last general rate increases?**

16 A. CWSNC's last general rate case (pre-merger) was decided by  
17 NCUC Order ("2015 Rate Case Order") entered on December 7, 2015, in  
18 Docket No. W-354, Sub 344. Transylvania's last general rate case  
19 (pre-merger) was decided by NCUC Order entered on January 15, 2010, in  
20 Docket No. W-1012, Sub 12. Carolina Trace's last general rate case  
21 (pre-merger) was decided by NCUC Order entered on November 24, 2010,

1 in Docket No. W-1013, Sub 9. Bradfield Farms' last general rate case  
2 (pre-merger) was decided by NCUC Order entered on March 27, 2015, in  
3 Docket No. W-1044, Sub 41. CWSS's last general rate case (pre-merger)  
4 was decided by NCUC Order entered on February 24, 2016, in Docket No.  
5 W-778, Sub 91. Elk River's last general rate case (post-merger) was  
6 decided by NCUC Order entered on September 20, 2016, in Docket No.  
7 W-1058, Sub 7.<sup>2</sup>

8 CWSNC is both obligated and committed to facilitate and maintain  
9 the continued achievement of its goals and high standards regarding safety,  
10 operational performance and customer service. Therefore, the Company's  
11 capital investments in utility plant in service and O&M expense---which  
12 provide necessary benefits to customers and which are dedicated to public  
13 use---must be recovered in rates.

14 This is the first general rate case filed by CWSNC since the merger  
15 was approved by the Commission on August 17, 2016. By its Rate Case  
16 Application, which was filed in this docket on March 31, 2017, CWSNC  
17 proposes to establish four Rate Divisions for ratemaking purposes in this  
18 proceeding as follows:

19 CWSNC Uniform Water  
20 CWSNC Uniform Sewer

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<sup>2</sup> The NCUC Order in the Elk River rate case was issued after consummation of the merger.



1 Bradfield Farms/Fairfield Harbour Water<sup>3</sup>

2 Bradfield Farms/Fairfield Harbour Sewer

3 **Q. Please describe the four Rate Divisions and how they will**  
4 **operate.**

5 A. The CWSNC Uniform Water and Sewer Rate Divisions will consist  
6 of all water and sewer systems currently owned and operated by the  
7 Company, except for the Bradfield Farms and Fairfield Harbour service  
8 areas. The Bradfield Farms and Fairfield Harbour water and sewer service  
9 areas have been combined into separate Water and Sewer Rate Divisions  
10 for purposes of this case, with uniform water and sewer rates within each  
11 Rate Division. CWSNC's ultimate goal, in future general rate cases, is to  
12 move Bradfield Farms and Fairfield Harbour into the CWSNC Uniform  
13 Water and Sewer Rate Divisions.

14 **Q. Please describe the Company's proposed rate design in this**  
15 **case.**

16 A. CWSNC proposes no rate changes for customers in the Company's  
17 Elk River Development and Corolla Light/Monteray Shores service area.  
18 Customers in the Elk River Development service area were impacted by a  
19 recent rate increase effective September 20, 2016, and, for that reason, the  
20 Company is reluctant, at this time, to further increase rates for those

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<sup>3</sup> Bradfield Farms is located in Mecklenburg County and Fairfield Harbour is in Craven County.

1 particular customers by applying CWSNC's uniform water and sewer rates  
2 to them. This course of action will be reevaluated in the Company's next  
3 rate case.

4 As for the Corolla Light/Monteray Shores service area, CWSNC's  
5 proposal to not increase (but hold constant) the water and sewer rates for  
6 those affected customers is consistent with the ratemaking and rate design  
7 approved by the Commission in the Company's last two general rate cases  
8 (Docket Nos. W-354, Subs 336 and 344) and will continue the orderly  
9 process of moving the Corolla Light/Monteray Shores service area toward  
10 full inclusion in the Company's uniform water and sewer rates in future  
11 general rate cases.

12 **Q. What is the test year for this rate case?**

13 A. The test year for this general rate case is the year ended  
14 December 31, 2016. This is the most recent twelve months of data  
15 available.

16 **Q. Did CWSNC cause a notice of rate increase of its petition to be**  
17 **mailed to its customers?**

18 A. Yes. CWSNC caused the prescribed Notices to Customers, as  
19 approved by the North Carolina Utilities Commission, to be mailed to all of  
20 its affected customers in a timely manner.

21 **Q. Please describe the rates which CWSNC's customers are**

1     **currently being charged for water and sewer utility service.**

2     A.     By Order dated December 20, 2016, the current water and sewer  
3     rates and charges for CWSNC's customers were approved by the  
4     Commission in Docket Nos. W-354, Sub 342 and M-100, Subs 138 and  
5     142, effective January 1, 2017. The current Schedules of Rates, which  
6     were attached to the Commission's December 20, 2016 Order as  
7     Appendices A-1 through A-14, are incorporated herein by reference.

8     **Q.     What rates does CWSNC propose in this case?**

9     A.     The proposed water and sewer rates charges for CWSNC's  
10    customers are attached to my testimony as Exhibit 1.

11    **Q.     Were the financial schedules attached to CWSNC's Rate Case**  
12    **Application prepared by you and/or under your direction?**

13    A.     Yes, the schedules attached to the Rate Case Application were  
14    prepared by me.

15    **Q.     Are those financial schedules incorporated as part of your**  
16    **testimony?**

17    A.     Yes. They are incorporated herein by reference.

18    **Q.     Please describe those schedules.**

19    A.     The Rate Case Application includes the financial statements for  
20    CWSNC. The referenced Schedules are as follows:

- 1 Schedule A – Balance Sheet
- 2 Schedule B – Income Statement
- 3 Schedule C – Rate Base and Rate of Return
- 4 Schedule D – Test Year / Present Revenues
- 5 Schedule E – Proposed Revenues

6 **Q. Please explain how test year expenses were adjusted.**

7 A. As previously stated, the Company's test year is the twelve-month  
8 period ended December 31, 2016. Pro forma adjustments were made to  
9 the test year expenses based on known and measurable changes to actual  
10 expenses.

11 **Q. Were known and measurable pro forma adjustments also made**  
12 **to the Company's income statement (Schedule B) and its rate base**  
13 **statement (Schedule C)?**

14 A. Yes, as detailed therein.

15 **Q. Why is CWSNC requesting rate relief at this time?**

16 A. CWSNC's current balance sheet and income statement are  
17 contained in the Company's Rate Case Application. CWSNC's balance  
18 sheet is attached to the Application as Schedule A and the Company's  
19 income statement is attached to the Application as Schedule B. The

1 Company's current rate base and rate of return is shown on Schedule C of  
2 the Application.

3 Without satisfactory rate relief, CWSNC's ability to continue to  
4 provide safe, reliable and efficient water and sewer utility services to its  
5 customers and to meet its financial obligations will be impaired and made  
6 more difficult. In addition, capital will likely become more costly.

7 More specifically, under present rates, CWSNC is not able to meet  
8 its operating costs and earn a reasonable return on its investment in the  
9 Company's system. During the test year, CWSNC experienced the  
10 following overall rate of return for its combined water and sewer operations:  
11 7.23%. The Company's test year overall returns were 6.59% for water  
12 operations and 7.93% for sewer operations. These rates of return are well  
13 below CWSNC's currently-authorized overall rate of return on rate base of  
14 8.20%, which is based on an authorized rate of return on common equity of  
15 9.75%, established by the Commission in its 2015 Rate Case Order in  
16 Docket No. W-354, Sub 344.

17 Furthermore, over the two-year period of time from 2015 through  
18 2016, CWSNC's achieved returns on common equity have averaged  
19 5.18%. The disparity between the levels of the Company's actually-  
20 achieved returns on common equity and its Commission-authorized rates  
21 of return in prior rate cases are not in the best long-term interests of  
22 CWSNC's customers, the Commission's effective regulatory oversight, or

1 the Company's shareholders. CWSNC must have a reasonable *opportunity*  
2 to earn its Commission-authorized rate of return in order to facilitate its  
3 ability to continue to raise the capital necessary to provide adequate,  
4 efficient, and reasonable service to customers.<sup>4</sup>

5 **Q. WHAT RATES OF RETURN AND CAPITAL STRUCTURE DID THE**  
6 **COMPANY INITIALLY REQUEST IN THIS CASE?**

7 A. After pro forma adjustments as set forth in its Rate Case Application,  
8 CWSNC requested an overall rate of return of 8.55% for its combined water  
9 and sewer operations. This overall rate of return of 8.55% was based upon  
10 a capital structure consisting of 47.11% long-term debt and  
11 52.89% common equity and cost rates of 6.58% for long-term debt and  
12 10.30% for common equity.

13 **Q. HAVE THE COMPANY AND THE PUBLIC STAFF NEGOTIATED**  
14 **A STIPULATED SETTLEMENT REGARDING THE RATE OF RETURN**  
15 **AND CAPITAL STRUCTURE ISSUES?**

16 A. Yes. On August 7, 2017, CWSNC and the Public Staff filed a  
17 Stipulation in this docket whereby we reached a settlement on all rate of

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<sup>4</sup> To facilitate this opportunity, CWSNC supports, among other possible changes, adoption by the North Carolina General Assembly of ratemaking legislation authorizing utilization of a fully-projected future test period (as an alternative to use of the traditional G.S. 62-133(c) test period) by water and sewer public utilities in North Carolina.

1 return and capital structure issues in this case. The terms of such  
2 settlement are as follows:

- 3 a. Long-Term Debt Ratio: 48.0%
- 4 b. Common Equity Ratio: 52.0%
- 5 c. Embedded Cost of Debt: 5.93%
- 6 d. Return on Common Equity: 9.60%
- 7 e. Overall Weighted Rate of Return: 7.84%

8 CWSNC supports the August 7, 2017 Stipulation and urges the  
9 Commission to adopt, as just and reasonable, the terms thereof for  
10 purposes of deciding this case.

11 **Q. Please describe the primary reasons which underlie the**  
12 **Company's need for rate relief.**

13 A. The primary reasons for CWSNC's requested rate increase involve  
14 increases in expenses and plant additions. Significant capital investment  
15 has occurred since the last rate cases for CWSNC and the former  
16 UI subsidiaries which were merged into CWSNC. The Rate Case  
17 Application also includes approximately \$8,966,000 of anticipated post-test  
18 year additions for projects which are currently in progress and are intended  
19 to be completed by the close of the hearing in this case.

20 The new rates applied for by CWSNC are necessary because the  
21 Company has been unable to achieve the levels of earnings specified by  
22 the Commission in the last general rate cases for CWSNC and the other

1 merged UI subsidiaries. The failure to achieve these levels of earnings was  
2 caused by increased operating costs to upgrade the level of service,  
3 increased operating costs and capital investments required to comply with  
4 service obligations (including the regulatory lag encountered in the  
5 Company's inability to timely recover such costs through rates), and  
6 changes in consumption, all occurring since the last rate increases.<sup>5</sup>

7 **Q. Please describe the revenue increases requested in this case,**  
8 **including details regarding the Company's underlying investment in**  
9 **utility plant, capital structure, and debt and equity costs.**

10 A. The Rate Case Application was prepared and submitted pursuant to  
11 the provisions of G.S. 62-133 based upon a requested return on the  
12 Company's rate base.<sup>6</sup> The proposed tariffs are designed to produce  
13 additional gross revenues on a companywide basis of \$5,557,499, a  
14 19.14% increase over the total revenue level generated by the rates  
15 currently in effect for CWSNC. For the CWSNC Uniform Water Rate  
16 Division, the proposed tariffs are designed to produce additional gross  
17 revenues of \$3,290,544, a 21.70% increase over the total revenue level

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<sup>5</sup> Regarding customer consumption patterns, CWSNC, like the water utility industry in general, has experienced a decline in consumption. This decline in consumption, combined with regulatory lag resulting from use of traditional historical test year ratemaking principles, impairs CWSNC's opportunity to achieve its Commission-authorized rate of return on equity.

<sup>6</sup> By its Application, the Company has requested that the Commission allow it to recover total water service revenues of \$19,480,792 and total sewer service revenues of \$15,120,335 on a companywide basis.



1 generated by the rates currently in effect for that Rate Division. For the  
2 CWSNC Uniform Sewer Rate Division, the proposed tariffs are designed to  
3 produce additional gross revenues of \$1,538,630, a 13.05% increase over  
4 the total revenue level generated by the rates currently in effect for that  
5 Rate Division. For the Bradfield Farms/Fairfield Harbour Water Rate  
6 Division, the proposed tariffs are designed to produce additional gross  
7 revenues of \$310,166, a 43.12% increase over the total revenue level  
8 generated by the rates currently in effect for that Rate Division. For the  
9 Bradfield Farms/Fairfield Harbour Sewer Rate Division, the proposed tariffs  
10 are designed to produce additional gross revenues of \$418,159, a 30.51%  
11 increase over the total revenue level generated by the rates currently in  
12 effect for that Rate Division. CWSNC requires increased revenues at this  
13 level in order to earn a fair return on its companywide investment of  
14 \$99,190,317.

15 The proposed tariffs also include a provision allowing for a  
16 pass-through of the cost of water and sewer service, including applicable  
17 taxes and fees, required to serve the needs of customers being served by  
18 CWSNC in a particular service area, when that water or sewer service is  
19 purchased from another supplier. This pass-through provision is authorized  
20 by G.S. 62-133.11.

21 **Q. Has the Company included costs for anticipated post-test year**  
22 **plant additions as part of its rate case application?**

1 A. Yes. As previously stated, the rate case application includes  
2 approximately \$8,966,000 of anticipated post-test year additions.

3 **Q. Has CWSNC been authorized to implement Water and Sewer**  
4 **System Improvement Charge Mechanisms pursuant to G.S. 62-133.12**  
5 **and Commission Rules R7-39 and R10-26?**

6 A. Yes. Pursuant to G.S. 62-133.12 and NCUC Rules R7-39 and  
7 R10-26, the Commission found it to be in the public interest to authorize  
8 CWSNC, as part of the Company's 2014 and 2015 general rate cases in  
9 Docket Nos. W-354, Subs 336 and 344, to implement Water and Sewer  
10 System Improvement Charge ("WSIC/SSIC") Mechanisms applicable to all  
11 of the Company's pre-merger customers.<sup>7</sup> By these statutorily and  
12 Commission-authorized Mechanisms, the Company is allowed to recover  
13 the annual incremental depreciation expense and capital costs of eligible  
14 water and sewer system improvements completed and placed in service  
15 between rate cases.

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<sup>7</sup> CWS Systems, Inc. and Elk River Utilities, Inc. were also authorized by the Commission to implement WSIC/SSIC Mechanisms in their last general rate cases in Docket Nos. W-778, Sub 91 and W-1058, Sub 7, respectively. Bradfield Farms Water Company, Carolina Trace Utilities, Inc., and Transylvania Utilities, Inc. did not have pre-merger general rate cases by which those companies were authorized to implement WSIC/SSIC Mechanisms; thus, to date, the WSIC/SSIC Mechanisms are not authorized and in effect for the Bradfield Farms, Carolina Trace, and Transylvania post-merger CWSNC service territories. In Paragraph 16 of the Company's Rate Case Application, CWSNC requested that the Commission specifically find and conclude that the Company's Commission-authorized WSIC/SSIC Mechanisms will, going-forward, apply to all customers now served by CWSNC on a post-merger basis.

1    **Q.     Has CWSNC in fact implemented the Commission-authorized**  
2    **WSIC/SSIC Mechanisms?**

3    A.     Yes. The WSIC/SSIC Mechanisms were implemented pursuant to  
4    Commission authorization consistent with applicable State law and NCUC  
5    Rules.

6    **Q.     Please explain what changes will occur regarding the**  
7    **Company's authorized WSIC/SSIC Mechanisms subsequent to a**  
8    **decision by the Commission in this case.**

9    A.     Consistent with NCUC Rules R7-39(k) and R10-26(k), CWSNC's  
10   Commission-authorized WSIC and SSIC surcharges will be reset to zero as  
11   of the effective date of new base rates established in this general rate case.  
12   Thereafter, only the incremental depreciation expense and capital costs of  
13   new eligible water and sewer system improvements that have not previously  
14   been reflected in the Company's rates will be recoverable through the  
15   WSIC/SSIC Mechanisms on a going-forward basis.

16           By law, the cumulative maximum charges between rate cases that  
17   the Company may recover through the use of its Commission-authorized  
18   WSIC/SSIC Mechanisms cannot exceed five percent of the total service  
19   revenues that the Commission ultimately approves in this general rate case.

1     **Q.     Will CWSNC's Commission-authorized WSIC/SSIC Mechanisms**  
2     **now apply to all water and sewer utility customers served by the**  
3     **Company in North Carolina?**

4     A.     Yes. All of CWSNC's post-merger customers are subject to the  
5     application in this general rate case.<sup>8</sup> Therefore, the Company's  
6     Commission-authorized WSIC/SSIC Mechanisms will, on a going-forward  
7     basis, apply to all customers served by CWSNC, including those customers  
8     incorporated into the Company as a result of the Commission-authorized  
9     2016 corporate merger. To that end, CWSNC has requested the  
10    Commission to specifically find and conclude that it is in the public interest  
11    for the Company's Commission-authorized WSIC/SSIC Mechanisms to  
12    henceforth apply to all customers now served by CWSNC on a post-merger  
13    basis.

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<sup>8</sup> Decretal Paragraph 9 of the August 17, 2016 Order Approving Merger in Docket Nos. W-354, Sub 350 et al. provided as follows:

That the WSIC and SSIC Mechanisms currently in effect for CWSNC and CWSS (and Elk River, if approved by the Commission in its pending rate case in Docket No. W-1058, Sub 7) shall continue in effect post-merger, but shall not apply to customers in the Bradfield Farms, Carolina Trace, or Transylvania service areas until such time as CWSNC has either (1) a consolidated general rate case affecting the rates applicable to customers in the areas currently served by Bradfield Farms, Carolina Trace, and/or Transylvania; or (2) a stand-alone general rate case or cases where the Company proposes implementation of a separate WSIC/SSIC Mechanism specific to one or more of the areas currently served by Bradfield Farms, Carolina Trace, or Transylvania.

1    **Q.    Has CWSNC developed and filed an Ongoing Three-Year**  
2    **WSIC/SSIC Plan as part of the Company's pending Rate Case**  
3    **Application?**

4    A.    Yes. Consistent with NCUC Rules R7-39(c)(1) and R10-26(c)(1), the  
5    Company's Three-Year WSIC/SSIC Plan was attached to the Rate Case  
6    Application as Appendix C. A copy of that Plan is incorporated herein by  
7    reference. The Company proposes and describes in detail thirty-nine (39)  
8    proposed WSIC and SSIC projects, including estimates of the cost of the  
9    specific improvements and dates when the improvements will be placed into  
10   service, that it will implement at an investment cost of almost \$2.49 million  
11   during the period of the Three-Year Plan; i.e., the 2017-2020 timeframe.  
12   CWSNC will invest a total of almost \$1.27 million of capital in WSIC projects  
13   and \$1.22 million of capital in SSIC projects during the entire Three-Year  
14   WSIC/SSIC period ending in 2020.

15   **Q.    Is this testimony true and accurate to the best of your**  
16   **knowledge, information, and belief?**

17   A.    Yes, it is.

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

19   A.    Yes.

DOCKET NO. W-354, SUB 356

Carolina Water Service, Inc. of North Carolina

In the Matter of  
Application by Carolina Water Service, Inc.     )  
of North Carolina, 5701 Westpark Drive,     )  
Suite 101, Charlotte, North Carolina 28217,     )  
for Authority to Adjust and Increase Rates     )  
for Water and Sewer Utility Service in All     )  
Service Areas in North Carolina     )

**APPLICATION FOR  
A GENERAL INCREASE  
IN RATES**

**PROPOSED SCHEDULES OF RATES**

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Corolla Light, Monteray Shores, Fairfield Harbour Service Area, Bradfield Farms, Elk River, Larkhaven, Silverton and Woodland Farms Subdivisions and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage):

< 1" meter	\$ 26.95
1" meter	\$ 67.38
1 1/2" meter	\$ 134.75
2" meter	\$ 215.60
3" meter	\$ 404.25
4" meter	\$ 673.75
6" meter	\$1,347.50

Usage Charge:

A. Treated Water, per 1,000 gallons	\$ 7.70
B. Untreated Water, per 1,000 gallons (Brandywine Bay Irrigation Water)	\$ 4.11

C. Purchased Water for Resale, per 1,000 gallons:

<u>Service Area</u>	<u>Bulk Provider</u>	
Carolina Forest	Montgomery County	\$ 3.19
Carolina Trace	City of Sanford	\$ 2.21
High Vista Estates	City of Hendersonville	\$ 3.20
Riverpointe	Charlotte Water	\$ 6.30
Whispering Pines	Town of Southern Pines	\$ 2.23
White Oak Plantation/		
Lee Forest	Johnston County	\$ 3.25
Winston Plantation	Johnston County	\$ 3.25
Winston Point	Johnston County	\$ 3.25
Woodrun	Montgomery County	\$ 3.19
Yorktown	City of Winston Salem	\$ 5.01
Zemosa Acres	City of Concord	\$ 5.27

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

When because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit or other structure separately, the following will apply:

Sugar Mountain Service Area:

Where service to multiple units or other structures is provided through a single meter, the average usage for each unit or structure served by that meter will be calculated. Each unit or structure will be billed based upon that average usage plus the base monthly charge for a <1" meter.

Mount Mitchell Service Area:

Service will be billed based upon the Commission-approved monthly flat rate.

Monthly Flat Rate Water Service: (Billed in Arrears) \$ 50.17  
(Per residence or single family equivalent)<sup>3/</sup>

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest  
and Woodrun Subdivisions in Montgomery County \$ 24.64



Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge Subdivision	\$ 12.32
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Applicable to Fairfield Sapphire Valley service area	\$ 9.07
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Applicable to Conneestee Falls	\$ 4.79
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<u>Meter Testing Fee:</u> <sup>1/</sup>	\$ 20.00
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<u>New Water Customer Charge:</u>	\$ 27.00
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Reconnection Charge: <sup>2/</sup>

If water service is cut off by utility for good cause	\$ 27.00
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If water service is discontinued at customer's request	\$ 27.00
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Reconnection Charge: <sup>2/</sup>

If water service is cut off by utility for good cause	Actual Cost
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Management Fee: (in the following subdivision only)

Wolf Laurel	\$150.00
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Covington Cross (Phase 1 & 2)	\$100.00
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Oversizing Fee: (in the following subdivision only)

Winghurst	\$400.00
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Meter Fee:

For <1" meter	\$ 50.00
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For meters 1" or larger	Actual Cost
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<u>New Meter Charge:</u> (Clearwater and Sapphire)	Actual Cost
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<u>Irrigation Meter Installation:</u>	Actual Cost
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Uniform Connection Fees: <sup>4/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent) \$ 100.00  
Plant Modification Fee (PMF), per SFE<sup>3/</sup> \$ 400.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. CC is Connection Charge PMF is Plant Modification Fee and RCF is Recovery of Capital Fee. These fees are per SFE<sup>3/</sup>

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amherst	\$ 250.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Blue Mountain at Wolf Laurel	\$ 925.00	\$ 0.00
Buffalo Creek, Phase I, II, III, IV	\$ 825.00	\$ 0.00
Carolina Forest	\$ 0.00	\$ 0.00
Chapel Hills	\$ 150.00	\$ 400.00
Eagle Crossing	\$ 0.00	\$ 0.00
Forest Brook/Old Lamp Place	\$ 0.00	\$ 0.00
Harbour	\$ 75.00	\$ 0.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 300.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Lemmond Acres	\$ 0.00	\$ 0.00
Linville Ridge	\$ 400.00	\$ 0.00
Monterrey (Monterrey LLC)	\$ 0.00	\$ 0.00
Quail Ridge	\$ 750.00	\$ 0.00
Queens Harbour/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Riverwood, Phase 6E (Johnston County)	\$ 825.00	\$ 0.00
Saddlewood/Oak Hollow (Summey Bldrs.)	\$ 0.00	\$ 0.00
Sherwood Forest	\$ 950.00	\$ 0.00
Ski Country	\$ 100.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Wildlife Bay	\$ 870.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Winston Plantation	\$ 1,100.00	\$ 0.00
Winston Pointe, Phase 1A	\$ 500.00	\$ 0.00
Wolf Laurel	\$ 925.00	\$ 0.00
Woodrun	\$ 0.00	\$ 0.00
Woodside Falls	\$ 500.00	\$ 0.00

Former Clearwater systems

Lindsey Point	\$ 0.00
Amber Acres North, Sections II & IV	\$ 570.00

All other service areas:

A. 5/8" meter	\$ 500.00
B. All other meter sizes	Actual cost of meter and installation

Fairfield Sapphire Valley Service Area

	<u>CC</u>	<u>RCF</u>
Holly Forest XI	\$ 400.00	\$ 2,400.00
Holly Forest XIV	\$ 400.00	\$ 250.00
Holly Forest XV	\$ 400.00	\$ 500.00
Whisper Lake Phase I	\$ 400.00	\$ 1,250.00
Whisper Lake Phase II & III	\$ 400.00	\$ 2,450.00
Deer Run	\$ 400.00	\$ 1,900.00
Lonesome Valley Phases I & II	\$ 0.00	\$ 0.00
Chattooga Ridge	\$ 0.00	\$ 0.00
All other service areas	\$ 400.00	\$ 0.00

Carolina Trace Service Area

\$ 605.00

Connestee Falls

\$ 600.00

Fairfield Mountain Service Area

Laurel Mountain Estates	\$ 0.00
All others	\$ 500.00

Elk River Service Area

\$ 1,000.00

Treasure Cove Service Area

Treasure Cove Subdivision	\$ 0.00
Northern Hills Subdivision	\$ 100.00
Glen Arbor/North Bend Subdivision	\$ 0.00
Register Place Estates	\$ 500.00

Forest Hills Service Area:

A. 5/8" meter	\$ 500.00
B. All other meter sizes	Actual cost of meter and installation

## SEWER RATES AND CHARGES

### Monthly Metered Sewer Service:

#### A. Base Facility Charge Residential and Commercial (zero usage):

< 1" meter	\$	48.59
1" meter	\$	121.48
1 1/2" meter	\$	242.95
2" meter	\$	388.72
3" meter	\$	728.85
4" meter	\$	1,214.75
6" meter	\$	2,429.50

B. Usage Charge, per 1,000 gallons (based on metered water usage)	\$	3.32
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Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

Commercial customers, who do not take water service will be charged the residential rate per single family equivalent (SFE) with a minimum of 1 SFE.<sup>3/</sup>

### Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial/SFE)	\$	38.87
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Usage Charge, per 1,000 gallons based on purchased water consumption

<u>Service Area</u>	<u>Bulk Provider</u>	
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$ 4.55
Kings Grant	Two Rivers Utilities	\$ 3.80
College Park	Town of Dallas	\$ 5.70

<u>Monthly Flat Rate Sewer Service:</u>	\$	60.22
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Multi-residential customers who are served by a master meter shall be charged the flat rate per unit.	\$	60.22
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### Availability Rate: (Monthly)

Applicable to Fairfield Sapphire Valley service area	\$	8.28
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Applicable to Conneestee Falls	\$	4.69
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Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$	6.77
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Monthly Collection Charge (Residential and Commercial/SFE) <sup>3</sup>	\$	38.87
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Usage Charge, per 1,000 gallons based on purchased water consumption	\$	5.88
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Regalwood and White Oak Estates Subdivision Service Areas:

Monthly Flat Rate Sewer Service

Residential Service	\$	60.22
White Oak High School	\$	1,868.71
Child Castle Daycare	\$	232.45
Pantry	\$	123.46

Fairfield Mountain/Apple Valley Service Area

Monthly Sewer Rates:

Residential:

Collection Charge/dwelling unit	\$	38.87
Treatment Charge/dwelling unit	\$	<u>69.50</u>
Total monthly flat rate/dwelling unit.	\$	108.37

Commercial and Other:

Minimum monthly collection and treatment charge	\$	108.37
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Monthly collection and treatment charge for customers who do not take water service (per single family equivalent) <sup>3</sup>	\$	108.37
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Treatment charge per dwelling unit

Small (less than 2,500 gallons per month)	\$	78.50
Medium (2,500 to 10,000 gallons per month)	\$	139.50
Large (over 10,000 gallons per month)	\$	219.50
Collection charge (per 1,000 gallons)	\$	13.93

Note: All treatment charges are Town of Lake Lure Charges. The treatment charges shown above are the Town of Lake Lure's inside rates, and outside users are charged double the inside rates. (Classification of user is determined by the Town of Lake Lure.)

New Sewer Customer Charge: <sup>5/</sup> \$ 27.00

Reconnection Charge: <sup>6/</sup>

If sewer service is cut off by utility for good cause: Actual Cost

Carolina Pines Subdivision Connection Fees: (sewer only)

Residential	\$1,350.00 per unit (including single family homes, condominiums, apartments, and mobile homes)
Hotels	\$750.00 per unit
Nonresidential	\$3.57 per gallon of daily design of discharge or \$900.00 per unit, whichever is greater

Uniform Connection Fees: <sup>4/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF) per SFE <sup>3/</sup>	\$ 1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. CC is Connection Charge PMF is Plant Modification Fee and RCF is Recovery of Capital Fee. These fees are per SFE:<sup>3/</sup>

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amber Acres North (Phases II & IV)	\$ 815.00	\$ 0.00
Ashley Hills	\$ 0.00	\$ 0.00
Amherst	\$ 500.00	\$ 0.00

Bent Creek	\$	0.00	\$	0.00
Brandywine Bay	\$	100.00	\$	1,456.00
Camp Morehead by the Sea	\$	100.00	\$	1,456.00
Hammock Place	\$	100.00	\$	1,456.00
Hestron Park	\$	0.00	\$	0.00
Hound Ears	\$	30.00	\$	0.00
Independent/Hemby Acres/Beacon Hills (Griffin Bldrs.)	\$	0.00	\$	0.00
Kings Grant/Willow Run	\$	0.00	\$	0.00
Kynwood	\$	0.00	\$	0.00
Mt. Carmel/Section 5A	\$	500.00	\$	0.00
Queens Harbor/Yachtsman	\$	0.00	\$	0.00
Riverpointe	\$	300.00	\$	0.00
Riverpointe (Simonini Bldrs.)	\$	0.00	\$	0.00
Steeplechase (Spartabrook)	\$	0.00	\$	0.00
White Oak Plantation	\$	0.00	\$	0.00
Willowbrook	\$	0.00	\$	0.00
Willowbrook (Phase 3)	\$	0.00	\$	0.00
Winston Pointe (Phase 1A)	\$	2,000.00	\$	0.00
Woodside Falls	\$	0.00	\$	0.00

<u>Fairfield Sapphire Valley Service Area</u>		<u>CC</u>		<u>RCF</u> <sup>7/</sup>
Holly Forest XIV	\$	550.00	\$	1,650.00
Holly Forest XV	\$	550.00	\$	475.00
Deer Run	\$	550.00	\$	1,650.00
Lonesome Valley Phases I & II	\$	0.00	\$	0.00
All other service areas	\$	550.00	\$	0.00

Carolina Trace Service Area \$ 533.00

Connestee Falls \$ 400.00

Fairfield Mountain Service Area \$ 550.00

Elk River Service Area \$ 1,200.00

#### MISCELLANEOUS UTILITY MATTERS

Charge for Processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly; \*\*Availability rates will be billed semiannually in Carolina Forest and Woodrun and monthly for Linville Ridge.

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

<sup>1/</sup> If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

<sup>2/</sup> Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>3/</sup> Single Family Equivalent (SFE) is defined as a three bedroom home with 400 gallons per day (gpd) of water design capacity pursuant to Administrative Code 15A NCAC 18C .0409 and 360 gpd for sewer design capacity pursuant to 15A NCAC 02T .0114. Non-residential SFE's shall be determined by dividing the design flow for that customer by 400 for water and 360 for sewer pursuant to those Administrative Codes.

<sup>4/</sup> These fees are only applicable one time, when the unit is initially connected to the system.

<sup>5/</sup> This charge shall be waived if customer is also a water customer within the same service area.

<sup>6/</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service, Inc. of North Carolina within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>7/</sup> The recoupment of capital portion of the connection charges in the Sapphire Valley Service Area shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the tap-on fee for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the Company, payment of the recoupment capital portion of the connection charge may be made payable over five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the Company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.



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Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 356 on this the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing sewer utility service

in

COROLLA LIGHT AND MONTERAY SHORES SERVICE AREA

SEWER RATES AND CHARGES

Monthly Metered Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 52.06
1" meter	\$ 130.15
1 1/2" meter	\$ 260.31
2" meter	\$ 416.49
3" meter	\$ 780.92
4" meter	\$1,301.54
6" meter	\$2,603.07

Usage Charge, per 1,000 gallons \$ 6.62  
(based on purchased water usage)

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

New Sewer Customer Charge: \$ 21.92

Reconnection Charge: <sup>1/</sup>

If sewer service cut off by utility for good cause

Actual Cost

Uniform Connection Fees: <sup>2/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Corolla Light	\$ 700.00	\$ 0.00
Monteray Shores	\$ 700.00	\$ 0.00
Monteray Shores (Degabrielle Bldrs.)	\$ 0.00	\$ 0.00
Corolla Bay <sup>3/</sup>	\$ 100.00	\$1,000.00
Corolla Bay <sup>4/</sup>	\$ 700.00	\$ 0.00
Corolla Shores	\$ 700.00	\$ 0.00

One SFE shall equal 360 gallons per day of capacity.

MISCELLANEOUS UTILITY MATTERS

<u>Charge for Processing NSF Checks:</u>	\$ 24.91
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be rendered monthly
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

<sup>1/</sup> The Utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish the estimate to customer with cut-off notice.

Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>2/</sup> These fees are only applicable one time, when the unit is initially connected to the system.

<sup>3/</sup> The connection charge of \$100 per SFE and the plant modification fee of \$1,000 per SFE specified herein apply to new wastewater connections requested at Corolla Bay prior to June 4, 2015.

<sup>4/</sup> The connection charge of \$700 per SFE applies to new wastewater connections requested at Corolla Bay on and after June 4, 2015.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

FAIRFIELD HARBOUR SERVICE AREA

Craven County, North Carolina

and

BRADFIELD FARMS SUBDIVISION

for providing sewer only service in

LARKHAVEN SUBDIVISION

and for providing bulk sewer utility service

SILVERTON AND WOODLAND FARMS SUBDIVISIONS and HAWTHORNE AT THE  
GREENS APARTMENTS

In Cabarrus and Mecklenburg Counties, North Carolina

WATER UTILITY SERVICE

Monthly Metered Water Rates:

A. Base Charge Residential and Commercial (zero usage)

< 1" meter	\$ 12.84
1" meter	\$ 32.10
1 1/2" meter	\$ 64.20
2" meter	\$102.72

B. Usage Charge, per 1,000 gallons

\$3.55

Monthly Water Availability Rate: (Fairfield Harbor Area)

\$3.28

Connection Charge: <sup>1/</sup>

All Fairfield Harbor Areas Except Harbor Pointe II Subdivision

\$ 335.00 per tap (recoupment of capital fee)

\$ 140.00 per tap (tap-on fee)

Harbor Pointe Subdivision and any area where mains have been installed  
after

July 24, 1989

\$ 650.00 per tap (recoupment of capital fee)

\$ 320.00 per tap (tap-on fee)

Bradfield Farms Service Area

No connection charge

<u>Irrigation Meter Installation:</u>	Actual Cost
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<u>New Meter Charge:</u>	Actual Cost
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<u>New Water Customer Charge:</u>	\$ 27.00
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<u>Meter Testing Fee: <sup>2/</sup></u>	\$ 20.00
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Reconnection Charge:

If water service cut off by utility for good cause	\$ 27.00
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If service discontinued at customers request	\$ 27.00
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(Customers who ask to be reconnected within nine months of disconnection will be charged the base monthly charge for zero usage for the service periods they were disconnected.)

SEWER UTILITY SERVICE

Monthly Sewer Rates:

Residential:

Flat Rate (per dwelling unit)	\$ 42.83
Bulk Flat Rate, per customer (Bradfield Area)	\$ 41.83

Bulk Sewer Service for Hawthorne at the Green Apartments (Bradfield Farms Area):

month <sup>3/</sup>	Bulk Flat Rate, per REU	\$ 41.83 per
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(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Commercial and Others:

A. Customers who do not take water service

Monthly Flat Rate	\$ 41.83
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B. Monthly Metered Rates:

Base charge, zero usage

<1" meter	\$ 11.50
1 1/2" meter	\$ 57.50
2" meter	\$ 92.00

C. Usage Charge, per 1,000 gallons

\$6.36

Monthly Sewer Availability Rate: (Fairfield Harbor Area)

\$2.64

Connection Charge: <sup>1/</sup>

All Fairfield Harbor Areas Except Harbor Pointe II Subdivision

\$ 735.00 per tap (recoupment of capital fee)  
\$ 140.00 per tap (tap on fee)

Harbor Pointe Subdivision and any area where mains have been installed after July 24, 1989

\$2,215.00 per tap (recoupment of capital fee)  
\$ 310.00 per tap (tap on fee)

Bradfield Farms Service Area

No connection charge

New Sewer Customer Charge:

\$27.

0 (If customer also receives water service, this charge will be waived.)

Reconnection Charge:

If sewer service is cut off by utility for good cause, the actual cost of disconnection and reconnection will be charged.

The utility will itemize the estimated cost of disconnecting and reconnecting service and will furnish the estimate to customer with the cut-off notice.

This charge will be waived if customer also receives water service from Carolina Water Service, Inc. of North Carolina.

Customers who ask to be reconnected within nine months of disconnection will be charged the base monthly charge for zero usage for the service period they were disconnected.

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Returned Check Charge: \$25.00

Billing Frequency: Shall be monthly for service in arrears  
Availability billings semi-annually in advance

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

NOTES:

1/ The recoupment of capital portion of the connection charges shall be due and payable at such



time as the main water and sewer lines are installed in front of each lot, and the tap-on fee for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the Company, payment of the recoupment capital portion of the connection charge may be made payable over five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the Company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

2/ If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$19.96 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter test charge will be waived. If the meter is found to register accurately or below such prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

3/ Each apartment building at Hawthorne at the Green Apartments in the Bradfield Farms Area will be considered 92.42% occupied on an ongoing basis for billing purposes as soon as the certificate of occupancy is issued for that apartment building.

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Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 356 on this the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

SCHEDULE OF RATES  
for  
CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA  
for providing water and sewer utility service  
in  
ELK RIVER DEVELOPMENT

WATER UTILITY SERVICE

Monthly Metered Water Service: (Residential and Non-residential)

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 19.52
1" meter	\$ 48.79
2" meter	\$ 156.12

Usage Charge, per 1,000 gallons \$ 4.29

SEWER UTILITY SERVICE

Monthly Metered Sewer Service: (Residential and Non-residential)

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 23.38
1" meter	\$ 58.45
2" meter	\$ 187.05

Usage Charge, per 1,000 gallons \$ 3.00  
(based on metered water usage)

Connection Charge:

Water	\$1,000.00
Sewer	\$1,200.00

Reconnection Charge:

If water service is cut off by utility for good cause	\$26.92
If water service is disconnected at customer's request	\$26.92
If sewer service is cut off by utility for good cause	Actual Cost <sup>1</sup>

<sup>1</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from the utility within the same service area.

(Customers who ask to be reconnected within nine months of disconnection will be charged the approved base facility charges for water and sewer for the service period during which they were disconnected.)

New Water Customer Charge: \$26.92

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Returned Check Charge: \$24.93

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

## **CERTIFICATE OF SERVICE**

I hereby certify that on this the 7th day of August, 2017, a copy of the foregoing **Direct Testimony and Exhibit of Richard Linneman** has been duly served upon all parties of record to Docket No. W-354, Sub 356 by electronic service.

**Electronically Submitted  
/s/Jo Anne Sanford**

State Bar No. 6831  
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