

**SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

November 15, 2022

A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

**Via Electronic Delivery**

Re: Docket No. W-354, Sub 400  
Application by Carolina Water Service, Inc. of North Carolina for  
Authority to Adjust and Increase Rates and Charges for Water and  
Sewer Utility Service in All Service Areas of North Carolina and  
Approval of a Three-Year Water and Sewer Investment Plan  
--Response to Charlotte Public Hearing (October 26, 2022)

Dear Ms. Dunston:

Attached for filing please find Carolina Water Service, Inc. of North Carolina's report on the Charlotte public hearing, which was convened on October 26, 2022 in Charlotte, North Carolina at the Mecklenburg County Courthouse.

I hereby certify that I have served all parties of record to this proceeding by electronic delivery of the attached document.

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**

Sanford Law Office, PLLC

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STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-354, SUB 400

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Carolina Water Service, )  
Inc. of North Carolina for Authority to )  
Adjust and Increase Rates and Charges ) **REPORT ON CUSTOMER**  
for Water and Sewer Utility Service in All ) **COMMENTS FROM PUBLIC**  
Service Areas of North Carolina and ) **HEARING IN CHARLOTTE,**  
Approval of a Three-Year Water and ) **NORTH CAROLINA ON**  
Sewer Investment Plan ) **OCTOBER 26, 2022**

**NOW COMES Carolina Water Service, Inc. of North Carolina** (“CWSNC” or “Company”) and files this report in response to customer concerns raised at the Charlotte public hearing held by the North Carolina Utilities Commission (“NCUC” or “Commission”).

The Charlotte public hearing was convened at 7:05 p.m. on October 26, 2022, at the Mecklenburg County Courthouse in Charlotte, North Carolina. Commissioner Daniel G. Clodfelter presided on behalf of the Commission, joined by Commissioners ToNola D. Brown-Bland and Jeffrey Hughes. Staff Attorney William Freeman appeared for the Public Staff on behalf of the using and consuming public, accompanied by Evan Houser, engineer with the Water Division. Kay Pashos of Ice Miller LLP appeared on behalf of CWSNC, joined by CWSNC State President Donald Denton; Directors of State Operations Tony Konsul and Gary Peacock; and Communications Manager and Manager of Community Engagement Deb Clark.

## **A. INTRODUCTION AND ORGANIZATION OF REPORT**

The Company values this opportunity to hear from concerned customers across its service areas and appreciates its responsibility to investigate and respond. This report will discuss a number of principles and facts that impact both the Company's service obligation and the rules that apply to the rate-setting process for public utilities such as CWSNC, assuring protections to customers and fair compensation to the utility. These general principles are addressed in Appendix A and are referred to throughout as "General Responses." The Company's General Responses pertain to important topics such as proposed rates, "cost of service ratemaking," the rigorous audit process underway in this proceeding, rate comparisons among providers, legal compliance regarding notice, level of service inquiries, investment in replacing aging infrastructure, and water quality (both primary and secondary).

## **B. OVERVIEW OF THE CHARLOTTE PUBLIC HEARING**

Eleven witnesses testified during the Charlotte hearing, all of whom are water-only customers. The customers were primarily from either The Farms or The Point subdivisions. Customer testimony addressed a variety of matters, including the extent of rate increases, disparity of costs across systems, water quality issues, the expense associated with irrigation, well abandonment, and the water-interconnection with Mooresville.

**C. THE INTERCONNECTION WITH THE TOWN OF MOORESVILLE, IRRIGATION, WELL ABANDONMENT, “HARDNESS” ISSUES, AND CONSUMPTION**

These topics were of great interest to customers and warrant a thorough explanation, as they were addressed in multiple comments.

**Need for Additional Interconnection.** The rate of growth in and around Mooresville has been significant. CWSNC is installing meters and lines in the Mooresville area to provide adequate water flow during heavy seasonal usage that this community demonstrates from April to September due in part to the demands of irrigation. Capital investments are completed or near completion in The Harbour, The Point and The Farms communities, and will result in two water line interconnections with the Town of Mooresville.

CWSNC owns and operates the public water supply and distribution systems which serve The Harbour, The Point, and The Farms neighborhoods. The network presently consists of 34 ground water wells that provide water to these communities. Water from approximately 19 of the wells is pumped to separate locations within the systems to be treated for hardness via water softening equipment. The water softening equipment generates a backwash discharge that eventually flows into Lake Norman. The backwash discharge must comply with strict National Pollution Discharge Elimination System (“NPDES”), now requiring that the backwash water comply with limits on certain parameters. An analysis was completed to evaluate the most economical way to meet these parameters. Approximately seven different alternatives were evaluated; a secondary

interconnect with the Town of Mooresville was found to be the most prudent. Therefore, a 12" water main is currently being installed along Brawley School Road to make this additional interconnection with The Town of Mooresville, which will have the ability to deliver a volume of water equal to the capacity of 19 wells. Once the additional interconnection is completed, the 19 wells will be taken out of service, eliminating the water softener backwash. As Mr. Konsul testified in his Rebuttal, filed on November 10, 2022, the existing 8" water main is *not* being retired. Rather, the new 12" water main connecting to Mooresville is an addition to capacity----it will not result in abandonment of the smaller line. See *pp. 4-5 of Konsul Rebuttal*.

**Efforts to Mitigate Hardness.** To lower the hardness level (an unregulated attribute of the water, for which treatment is not required but which presents a problem for customers), softening systems are employed. The Point/Harbour/The Farms together have four softening systems. As indicated, the operation and maintenance procedures when using softeners require backwashing, which creates a waste stream and proper disposal is required. CWSNC determined the most prudent course of action to ensure supply was to remove the four softening systems and pursue a secondary interconnection with Mooresville. Sourcing additional water from Mooresville should have the result of mitigating hard water in the future.

**Consumption.** Customers at The Point reflect a high level of consumption associated with---in various combinations---irrigation, large homes, and pools.

Costs for provision of potable water have been and are increasing, and thus rates are increasing, even under good management and strict regulatory oversight. Additionally, rate designs are changing. The trend is towards utilizing a lower fixed cost (base facilities charge) which means a higher component of the charges is based on volume, or usage. A weight towards the volumetric component in the rate design (this ratio was changed to 40:60---base percentage to volumetric---in the last rate case, Docket No. W-354 Sub 384) supports conservation. It also results in larger users paying higher bills than they otherwise would have if the ratio were more weighted to fixed charges. Those who, for reasons of preference and/or homeowners' association rules, use more water are facing the cost consequences of the drivers of cost and rate design.

In an effort to explore ways to mitigate some of the costs of irrigation, which is currently accomplished using potable water, CWSNC is conducting a cost evaluation for using the aforementioned 19 wells to support irrigation. Once the evaluation is completed, it will be presented to The Harbour/The Point/The Farms homeowners for an understanding of how it might work and of the costs associated with it.

#### **D. SPECIFIC RESPONSES TO CUSTOMER TESTIMONY**

**James Godwin, The Farms, 196 Bayberry Creek Circle, Mooresville, North Carolina, *Transcript ("Tr."), pp. 22-26.***

Mr. Godwin---a water only customer---complained of rising rates, particularly in light of quality issues which he submitted included scale, rust, dirt, corrosion, and decreased availability. He compared the CWSNC rate to that of

Iredell County and to the median rate for water per 1000 gallons in North Carolina, which he submitted was \$8.22. Photographs, admitted as an exhibit, illustrated Mr. Godwin's concern about scale, which he attributed to "hardness" in the water and which he believed caused an issue of staining or "scaling" on his fixtures and stains on his cars. He suggests it is related to his need to replace appliances as well. Finally, he raised concerns about the receipt of "boil water advisories ("BWA's").

**CWSNC's Response to Mr. Godwin:**

CWSNC's files indicated that two BWA's had been issued in the last year for the Farms, both for water conservation during the highest temperature and excessive water usage.

The Company has no previous record of any complaints from Mr. Godwin about water quality, but understands his concern. His complaints regarding hardness are acknowledged, as this is troublesome to customers. As discussed above, the completion of the interconnect to Mooresville and the decommissioning of the wells should help address this issue.

**Fred Becker, The Harbour, 117 Island Cove Lane, Mooresville, North Carolina, Tr., pp. 29-38.**

Mr. Becker, testifying on behalf of the Harbour Homeowners' Association, expressed a number of concerns. Answers are provided in-line. Mr. Becker:

- expresses dismay at the rate increase request, noting the increase since 2017;



**Company Response:** CWSNC acknowledges the increase in rates and understands the customers' concerns. The fact is that the cost of providing safe and compliant water service has increased, and even under good management and a system of strict oversight, the rates have had to increase.

The Company is installing a meter and water lines to interconnect with the Town of Mooresville and to help provide adequate water flow during heavy seasonal usage that this community demonstrates from April to September. Specific recent capital investments that have either occurred or are planned in the Mooresville area, and cost estimates for them include:

**2017 –**

Painting of elevated tank--\$169,295

Tank Removal--\$44,592

**2018-**

The Point Wells NPDES - \$22,259.09

**2022-**

Mooresville Interconnect – Brawley School Rd --\$3,550,489 from Estimate (Active in Construction)

**2023-**

Decommission of Wells - \$343,217 from preliminary Estimates, no formal quotes or proposals yet.

**2024 -**

AMI Water Meter upgrade---\$997,736 from current estimate for the start of the project; should be complete by EOY 2024

- speaks of frustration at not being able to better examine the Company's finances;

**Company Response:** The burden of proof is on the Company in this rate case, and CWSNC has filed volumes of documentation which are, largely, available on the Commission's website at [www.ncuc.gov](http://www.ncuc.gov), under Docket No. W-354 Sub 400.<sup>1</sup>

- would like to know more about the matter of CWSNC reportedly closing 20 wells;

**Company Response:** Please see previous explanation, above.

- complains of insufficiency in the information contained in the Company's Water Quality Report, regarding certain components;

**Company Response:** CWSNC notifies all customers annually about the availability of its Consumer Confidence Report (CCR) regarding water quality at The Harbour, The Point and The Farms communities. The EPA mandates which components are required to be reported on the CCR and the Company files a CCR which is compliant with those requirements. This report is also available on the company's website: <https://www.myutility.us/carolinawater> Should the customer desire more detailed information regarding water quality on a specific parameter, they should contact CWSNC customer service at 1-800-525-7990.

- compares both the Town of Mooresville's bulk rate and Iredell County's rate to the requested CWSNC rate;

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<sup>1</sup> <https://starw1.ncuc.gov/NCUC/page/docket-docs/PSC/DocketDetails.aspx?DocketId=5c282558-a610-490e-8461-c5fae9a4b1db>

**Company Response.** For reasons set forth in Appendix A, comparisons of costs and rates between municipalities and regulated providers are not “apples to apples” comparisons.

- describes his area as one of high density;

**Company Response.** CWSNC agrees, the growth has been rapid in this area.

- complains of the water quality, which he submits is impaired by dust, rusted pipes and particles, requiring frequent changes of filters; and

**Company Response:** His complaints regarding hardness are acknowledged, as this is troublesome to customers. As discussed above, the completion of the interconnect to Mooresville and the decommissioning of the wells should help address this issue.

- complained of problems associated with getting resolution of an issue concerning a broken meter.

**Company Response:** CWSNC records reflect a customer call on 1-14-2021 at 7:48 AM and the report of a leak at the meter. The customer called again on that same day before operations staff was able to respond. Company operator Matt was onsite at around 6:20 PM, whereupon he advised the customer that the leak was on the customer’s side of the meter. The Company verified on 1-19-21 that the leak had been repaired.

**Rod Baldwin, The Point, 124 New Haven Drive, Mooresville, North Carolina, Tr., pp. 38-43.**

Mr. Baldwin objects to the proposed rate increase, faults CWSNC for what he contends is a 51% rate increase since 2017, asserts the same water quality issues that have been testified to by Mr. Becker, complains of five or six BWA's in the past two years, and contends that CWSNC's lack of maintenance caused closure of "over half" of the community wells due to failure to meet environmental standards. He notes the difference between the disparity between the purchase price from Mooresville and the rate charged to CWSNC customers.

**CWSNC's Response to Customer Baldwin:**

It is important for CWSNC to explain to its customers that the Company has the burden of proof to show the validity of its costs, both for capital projects and for operations and maintenance. Costs associated with safe and compliant provision of water and wastewater service have risen sharply, and wells, pipes, and pumps have to be maintained, repaired and replaced. The costs of doing so, even as tightly regulated as they are by this Commission, are significant and the rates reflect those costs.

Mr. Baldwin indicated that he has a pool, and that he irrigates. His consumption ranges from 3,810 gallons per month, to 52,680 gallons per month and averages 22,050 gallons/month. The Company also notes that in the last rate case, the volumetric formula for usage changed to a ratio of 40% base rate and 60% volumetric. This shifts more of the rate recovery to volumetric rates, and thus impacts large users more significantly.

CWSNC records indicate there was only one BWA for a main break and repair on January 31, 2022, for thirteen customers on White Horse Drive in The Point. The boil water advisory was rescinded on February 9, 2022. All of the other customer courtesy notifications were for non-emergency issues. For example, when the local fire department tests hydrants, the Company notifies the community in the event the tests disrupt the lines, which can result in sediment in the lines. Similarly, customers received a notification on February 10, 2022, that the fire department was testing hydrants and that customers may experience a temporary cloudy color or discoloration of the water and lower pressure.

Additionally, due to the extremely hot weather and the extraordinary water usage in the community, the Company sent a water conservation notification to The Point, The Harbour, and The Farms on June 13, 2022, and again on June 20, 2022. Another courtesy notification was sent to the customers in The Point, The Harbour, and the Farms on August 18, 2022, to notify customers to inspect the premises for any potential leaks, especially in irrigation systems.

**Charles G. Farrar, The Point, 210 Quaker Road, Mooresville, North Carolina, Tr., pp. 43-49.**

Mr. Farrar appeared as the President of The Point Homeowners' Association, speaking on behalf of the homeowners in his community. He objected to the fact that his irrigation system must use potable water, and he asks whether the decommissioned wells could be used for irrigation.

**CWSNC's Response to Mr. Farrar:**

CWSNC appreciates Mr. Farrar's comments. CWSNC is conducting a cost evaluation with regard to the potential use of the wells related to irrigation. Once the evaluation is completed it will be presented to homeowners.

**Angelo Chiazza, The Point, 1820 Brawley School Road, Mooresville, North Carolina, *Tr.*, pp. 49-54.**

Mr. Chiazza objects to the rate increase, and to what he sees as significant rate disparities between his area and the service territories in Concord, Winston-Salem, and Montgomery and Johnston counties. He expresses concern about the increased cost of irrigation.

**CWSNC's Response to Mr. Chiazza:**

Explanations about the increased in costs leading to increases in rates have been made elsewhere in this Response. Additional comments about consumption and rate design are also relevant to higher bills. The Point is part of the Company's Uniform Water rates, and pays rates the same as other Uniform Water customers. The other referenced communities are systems with purchased water only and have a pass-through purchased water rate.

**Jim Hadzicki, The Point, 106 Wescoe Court, Mooresville, North Carolina, *Tr.*, pp. 54-58.**

Mr. Hadzicki suspects that the rates charged to him and others in his area are discriminatory, based on the ability of the homeowners at The Point to pay. He cites to differing rates in the Town of Mooresville as support for the theory. He is also concerned that utilities are a very safe investment, that double-digit returns

are not warranted for them, and that utilities are “guaranteed” to make a return. Like Mr. Chiazza, Mr. Hadzicki objects to what he believes is a disparity between rates charged at The Point and those charged in Sanford, for example.

**CWSNC’s Response to Mr. Hadzicki:**

It is important for CWSNC to explain to its customers that the charges CWSNC can impose for water and wastewater service are determined under strict review, after lengthy and detailed investigations, and must be based on an audited “cost of service” ratemaking mechanism. The utilities must prove to the Utilities Commission, generally, that it provided adequate and compliant service to customers and that in doing so it spent no more than it was required to spend to do what it was required to do to provide that service. Great effort goes into these lengthy, complicated audits, and an exceptional number of considerations are observed, both in the accounting investigations, the development of rate design, the prudence of investment, and the requirement that no unreasonable discrimination exist among customers. Customers in different divisions, or rate groups, or those served entirely with purchased water, do pay different rates for their consumption, but these rates are based on different cost characteristics for the group.

The bills are, on average, high at The Point. This is driven by consumption, by the rate design, and by the fact that the costs of providing the service are rising. Unlike governmental providers, companies like CWSNC, held to a strict standard

of audit and accountability by a regulatory agency, and must prove the reasonable cost of service in a lengthy, complex judicial proceeding.

**Dan Harman, The Farms, 102 West Cold Hollow Farms Drive, Mooresville, North Carolina, *Tr. pp. 58-65.***

Mr. Harman described a situation where his August water bill was \$800, after a nearly \$400 water bill the month prior. The customer stated that he called customer service, but they could not explain it, had no explanation, and provided no relief. In response to questions from Commissioner Brown-Bland, Mr. Harman further explained that the Company did send personnel to his property and examined his meter and offered to replace his water meter for a more accurate meter. Mr. Harman declined.

Mr. Harman also stated that at times, no water comes out of the faucet. Mr. Harman also asserted that he has very hard water, and he has to have a whole-house water filter to make the water drinkable. The customer also expressed that he has low water pressure.

**CWSNC's Response to Customer Harman:**

With regard to the customer's bills, use went from 25,000 in July 2021 for \$236.60 to 29,000 for \$365.17 in July 2022. In August 2022, the customer used over 60,000 gallons of water, which cost \$798.68. On August 16, 2022, the customer called to dispute using 66,110 gallons of water. The operations team read the meter and found no leak at the meter or on the utility's side of the line. The meter read was also in line with the previous read and the current read.



The customer requested a meter test on August 17, 2022. The operator inspected the meter and found no leaks. He spoke to the customer about the past and current bills. The customer chose to keep the meter and our operator monitored the meter for the next month to ensure the meter was operating appropriately.

With regard to the water faucet issue, the Company is unaware of this customer's issue regarding temporary water unavailability. The Company welcomes customers to contact our Customer Service Department at 1-800-525-7990 anytime they feel they have a problem such as no water or any other concerns. The Company will promptly reach out to Mr. Harman regarding the water issue he described.

**Phil Lavrich, The Point, 105 Sunrise Circle, Mooresville, North Carolina, Tr. pp. 66-70.**

Mr. Lavrich discussed the large amount of sediment that his sediment filter captures, which requires replacement every three months because the water pressure drops significantly. He also says that he has hard water, which requires a water softener system. Mr. Lavrich stated that he was told by his septic system servicer that softener systems are not good for septic systems.

Mr. Lavrich claimed there was a lack of transparency regarding this process. He also claimed that customer service was unhelpful when an issue arose with his irrigation system. Mr. Lavrich also expressed disagreement with the extent of the requested increase, when there are water quality issues.

**CWSNC's Response to Customer Lavrich:**

Secondary water quality complaints such as hardness, color, scaling, and taste, are addressed more comprehensively on Appendix A. CWSNC reiterates that the water provided to the customers follows all the mandated EPA and NCDEQ and state requirements for safe drinking water.

Regarding transparency, the Company reiterates that the statutory process for a proposed rate increase, including under the WSIP paradigm, involves a rigorous audit by the Public Staff and a thorough review of all evidence, conducted in a judicial proceeding by the Commission, all of which can take up to 300 days. The burden of proof in support of the request is on the utility. As such, all proposed rate increases necessitate a detailed process set forth in North Carolina General Statutes, Chapter 62, and in rules promulgated by the North Carolina Utilities Commission under those statutes.

With regard to the customer's stated issues regarding his irrigation issue, the Company's records indicate that the customer was reimbursed for damages to his irrigation system over two years ago. Subsequent to his public comments, Company personnel contacted Mr. Lavrich to confirm that he has already been reimbursed. Additionally, at Mr. Lavrich's request, Company personnel is arranging to have an operator visit the customer's house and check on his water hardness, chlorine, and pH levels.

**Phil Morris, The Point, 107 White Crest Court, Mooresville, North Carolina,**  
*Tr. pp. 70-73.*

Mr. Morris, a water only customer, stated concerns with the twenty wells that are being done away with. He said CWSNC is now importing more water from Mooresville, which is already potable. He characterized CWSNC as being a water broker, purchasing water at a bulk rate of \$3,50 and charging the customers \$14.00.

Mr. Morris was concerned that the cost increase to The Point customers subsidizing the investments made all over North Carolina.

**CWSNC's Response to Customer Morris:**

The Company has been purchasing water from Mooresville for years. As explained in detail above, the Company will increase its bulk purchase from the Town of Mooresville once the secondary interconnect is complete. Moreover, CWSNC serves as more than a mere "broker." Costs associated with maintaining the lines, valves, and remaining wells continue to rise given the associated inflation of materials as well as costs due to the availability of materials. CWSNC also sees a similar rise in costs associated with electricity, property taxes, and other associated costs needed to run the business.

Regarding concerns with investments, please note that the WSIP includes a three-year capital investment plan. This plan includes the Mooresville additional interconnection and well retirement project, as discussed above. Additionally, the requested rate increase will also fund routine maintenance projects and expenditures. History and experience have shown that routine maintenance is a

necessary and prudent expenditure in running a utility, and as such the Company has included reasonable estimates for such maintenance in this case. Thus, things like individual pump and motor replacements, main line breaks, and electrical component failures will be timely repaired or replaced, which the requested rate increase would fund.

**Anne Seymour, The Point, 113 Chesterwood Court, Mooresville, North Carolina, Tr. pp. 74-.76**

Ms. Seymour, a water only customer, stated that she uses bottled water for all of her cooking. She stated that water quality has deteriorated since CWSNC came into the picture. The water also stains her toilets, which she cleans every week. She claims this has been an issue many years. She is concerned with the sediment in the water that is being ingested.

Ms. Seymour stated that the recommendation to install a whole-house filtration system would cost almost \$10,000. She says customers should not have to put such a system in their homes.

**CWSNC's Response to Customer Seymour:**

The Company has addressed general water quality issues in Appendix A. CWSNC reiterates that the water provided to the customers follows all the mandated EPA and NCDEQ and state requirements for safe drinking water.

With respect to whole house filtration systems, any decision to make such an investment is up to the customer, since the Company provides potable, clean and safe water.

**Michael Miller, The Harbour, 105 Hunter Spring Lane, Mooresville, North Carolina, Tr. pp 77-81.**

Mr. Miller discussed his objections to the requested “exorbitant” rate increase, which he referred to a 10% request by CWSNC, especially compared to current risk-free rates. He also questioned the expertise of the management at the Company if it continues to require rate increases. Mr. Miller stated that management should be determining why the Mooresville area appears to have such high rates. He asked that executive compensation should be disclosed.

**CWSNC’s Response to Customer Miller:**

With regard to the proposed rate increase, please see the General Responses for a detailed statement. Generally, the Company reiterates that the statutory process for a proposed rate increase, including under the WSIP paradigm, involves a rigorous audit by the Public Staff and a thorough review of all evidence, conducted in a judicial proceeding by the Commission, all of which can take up to 300 days. This includes a review of executive and staff compensation. The burden of proof in support of the request is on the utility. As such, all proposed rate increases necessitate a detailed process set forth in North Carolina General Statutes, Chapter 62, and in rules promulgated by the North Carolina Utilities Commission under those statutes. The WSIP statute also contains a requirement to determine and monitor performance metrics, which results in direct review of the performance of the utility, during all of the years of the WSIP.

Additionally, the Company would clarify that its requested 10.70% Return on Equity is not equivalent to a rate of return – the rate of return requested is

7.67%. Please note that any return on equity established by the Commission is not a guaranteed return. The utility has an opportunity to earn the return authorized, but is incentivized to operate in an efficient, prudent, and reasonable manner to realize this opportunity.

**E. CONCLUSION**

CWSNC appreciates the willingness of its customers to participate in this process and the Company understands customers' opposition to rate increases. However, this is a capital-intensive industry and, since the last rate case, CWSNC has invested approximately \$17,300,000 in capital improvements in North Carolina. Therefore, if the new, additional capital investments made by CWSNC are proved to be necessary and prudent, the opportunity to recover those costs is required by law and in order for the Company to continue to provide adequate service. The public's assurance of fairness to customers is found in the strict, highly-skilled oversight and regulation by the Public Staff and the Commission.

Respectfully submitted, this the 15th day of November, 2022.

SANFORD LAW OFFICE, PLLC

**Electronically Submitted**

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**ATTORNEYS FOR CAROLINA WATER SERVICE, INC.  
OF NORTH CAROLINA**

## APPENDIX A

### CWSNC'S GENERAL RESPONSES TO GENERAL CUSTOMER CONCERNS

1. Proposed Rates – The legal principles that govern ratemaking are set forth in North Carolina General Statutes, Chapter 62, and in rules promulgated by the North Carolina Utilities Commission under those statutes. By law, CWSNC receives a rate increase only if it proves, following an investigation by the Public Staff (and any Intervenor opposition), that such an increase is authorized under the law, based on the actual cost and level of prudent and reasonable investment in plant and operation. Further, under the Water and Sewer Investment Plan (“WSIP”) paradigm, the Commission may only authorize rate changes based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses, provided the Commission finds the WSIP results in rates that are just and reasonable and in the public interest. Moreover, in reviewing a WSIP application, the Commission must consider whether the water or sewer utility’s application, as proposed: (1) establishes rates that are fair both to the customer and to the water or sewer utility; (2) reasonably ensures the continuation of safe and reliable utility services; (3) will not result in sudden substantial rate increases to customers annually or over the term of the plan; (4) is representative of the utility’s operations over the plan term; and (5) is otherwise in the public interest. From filing of a rate increase application until issuance of a final Commission order can take 300 days; much of that



time is spent in a rigorous audit by the Public Staff and a thorough review of all evidence, conducted in a judicial proceeding by the Commission. The burden of proof in support of the request is on the utility.

2. Rate Comparisons – An attempt to make meaningful comparisons between statewide average costs for all water and wastewater service providers and the costs of a provider like CWSNC generally results in an “apples to oranges” assessment. The core distinction is found in the concept of “economies of scale.” The costs of serving an individual customer in Raleigh or Charlotte, by a governmental utility enterprise, will likely on average be less than the cost of serving the typical CWSNC customer. The urban areas are densely populated, they generally source water from large surface impoundments or rivers, they treat waste in large central treatment facilities, governmental entities tax their citizens, and they are often not required to utilize “cost-of-service” ratemaking, as are the utilities regulated under Chapter 62 of the General Statutes. Contrast this to the areas served by CWSNC and others like it: often rural, far less densely populated, and frequently served by smaller wastewater treatment plants and by hundreds of wells, drawing water up from rock, and dispersed across the state. The difference in cost attributes is obvious and should inform any conversation about comparisons in respective average costs.
3. Legal Compliance Regarding Notice – In a general rate case, the Public Notice to customers is prescribed by the requirements of statute and is

issued by the Commission, based upon the input of CWSNC and the Public Staff. It is a joint effort to provide specific information to all customers about current and proposed rates. In a general rate case like this, the length and complexity of the Public Notice serves the purpose of detail and transparency yet may be daunting to many customers who attempt to understand all its contents and the personal impact.

With respect to the timing and means of customer notice in this particular case, CWSNC undertook, on its own volition, to activate a series of its communications mechanisms to provide additional layers of notice to customers and to owners' associations to alert them to their opportunity to be heard at the public hearing.

4. Investment in Replacing Aging Infrastructure – As documented by the U.S. Environmental Protection Agency (“EPA”), the American Water Works Association (“AWWA”), and the American Society of Civil Engineers (“ASCE”), significant investment is needed throughout North Carolina—more than \$20 billion over the next 20 years—to replace aging water and wastewater infrastructure, including drinking water pipes, wastewater collection pipes, lift stations, and wastewater treatment facilities.
5. Water Quality – Water quality can be impacted by, among other things, unplanned water main breaks, unexpected malfunctioning of equipment, and challenges when implementing capital projects. CWSNC is intently focused on providing a high level of service and compliance with primary

drinking water quality standards. The Company's latest Annual Water Quality Reports are located on its website for review.

6. Secondary Water Quality – The Company is also committed to a high level of service regarding secondary water quality standards. Secondary water quality standards address substances that may impact the taste, odor, or color (i.e., the “aesthetics”) of a customer’s drinking water.
  - a. Iron – The Company regularly tests for Iron to ensure levels are below the Maximum Contaminant Level (“MCL”) of 0.3 parts per million (“ppm”).
  - b. Hardness – Hardness reflects the relative amounts of calcium and magnesium ions within drinking water. Generally, “hard water” can be found throughout North Carolina, including in coastal areas served by groundwater. It is not uncommon for homeowners served by public and private drinking water systems to own and deploy drinking water softeners. However, hardness is not regulated by the North Carolina Department of Environmental Quality (“DEQ”). The Company’s experience is that many drinking water customers acquire their own drinking water softeners. Historically, the Company has heard from customers with in-home drinking water softeners that they do not wish to pay for—i.e., subsidize—an expensive system-wide water softener to support other customers within the community who do not have an in-home water softening system. In summary,

traditionally, the Company leaves drinking water hardness solutions to the individual preferences of its customers, unless a clear and substantial demand for such a capital investment is made by a community.

- c. The Company's On-Going Commitment to Water Quality – The Company is committed to providing the highest level of service to customers, especially regarding water quality. The Company continues to implement its annual flushing program.
7. Customer Assistance – Testimony objecting to rate increases raises the issue of affordability and of assistance to customers with paying bills. CWSNC recognizes the difficulties that some customers face due both to the lingering financial impacts of the COVID 19 pandemic and to the continuing upward pressure on rates. The Company has undertaken a number of measures to help mitigate these concerns. Examples of some measures follow:
- Responding to the pandemic, CWSNC implemented an effective outreach program from the suspension of disconnects through the restart of them (which the Company delayed for a full two months beyond the Commission mandate). The effort targeted customers who needed assistance with bill payments, urging them to contact the Company, and the information was disseminated through the Company's website, social media accounts, and bills. CWSNC added an online portal on its *My Utility Connect* online

application to assist customers in choosing the appropriate payment arrangements and payment plans, based on their ability to pay (this also eased the call volume for the Company's Customer Experience Department). CWSNC continues its outreach to customers as the need for assistance with payment options is ongoing.

- CWSNC maintains an extensive Homeowner Association, Property Owners Association, and Property Management Company database, used to send frequent email and phone updates. This database enhances the Company's ability to reach customers with messages, including the ability, in this rate case, to counter the possibility of delayed USPS delivery of notice of the public hearings. Specifically, CWSNC scheduled in-person meetings with several HOA/POA communities, including The Farms, The Point, The Harbour, Fairfield Harbour, Brandywine Bay, and Carolina Trace, Bradfield Farms, Sugar Mountain, Skyleaf, Sherwood Forest, Village of Nags Head, and Mountain Air. Phone calls were conducted throughout the year with POA/HOA presidents and property management companies such as Sugar Top, Sugar Mountain, Elk River, Skyleaf Condos, Connestee Falls, Sapphire Valley, and Lake Lure.
- In addition to exceeding the requirements of the NCUC's orders in Dockets No. M-100, Sub 158 concerning disconnect, CWSNC raised the amount that triggers disconnection from \$100 to \$300.

- CWSNC participates in the NC HOPE Program. See <https://www.rebuild.nc.gov/hope-program>. The NC Housing Opportunities and Prevention of Evictions (“HOPE”) Program is managed by the North Carolina Office of Recovery and Resiliency, a division of the state Department of Public Safety. HOPE provides rent and utility bill assistance to low-income renters who have been financially impacted by the COVID-19 pandemic. The program is committed to helping North Carolina renters stay safe in their homes by preventing evictions and loss of utility services.
- The Company currently participates in the Low Income Household Water Assistance Program (“LIHWAP”). See <https://www.ncdhhs.gov/divisions/social-services/energy-assistance/low-income-household-water-assistance-program-lihwap>. LIHWAP is a federally-funded program that provides emergency assistance to low-income households, particularly those with the lowest incomes, that pay a high proportion of household income for drinking water and wastewater services. The State of North Carolina initiated the program through its local county Health and Human Services offices in December 2021, and CWSNC has accepted payments of over \$82,000 for 242 customer accounts to-date.
- The Company provides customers, through its website and social media, information on non-profit entities offering payment assistance, such as Crisis Assistance Ministries and United Way.

- Specific information concerning all aspects of customer assistance were developed for CWSNC's Customer Experience Team – the Company's first point of contact with the customers.
  - Most recently, CWSNC has implemented a Water Efficiency Program which provides efficient water fixture rebates to customers. Additionally, CWSNC was authorized to enable fee-free payment for residential customers.
8. Communications Generally – CWSNC invests significantly in a robust communications strategy, understanding the need for two-way interaction with customers for matters including customer assistance, and extending beyond that to service and internal operations. Components of this system and examples of its operation include the following:
- CWSNC maintains an extensive Homeowner Association, Property Owners Association, and Property Management Company database to send frequent e-mail and phone call updates. This database enhances the Company's ability to reach customers with messages of all types.
  - Information in the various databases is used to support contacts with customers about service issues, boil water notices, upcoming restrictions on service due to required maintenance or repairs, advice related to weather-related and other emergencies, billing assistance, and a variety of other matters.
  - The database, utilized to target e-mails and phone calls to individual customers as well as to the various representative organizations, is key to

the Company's ability to provide critical and timely information to customers. For example, in this current proceeding, CWSNC initiated outreach through My Utility Connect via email and posted the public hearing information to the front page of the CWSNC website to supplement the required Commission notice of the public hearings. The Customer Experience Team was prepared with helpful information in the event customers contacted the Company for the public hearing information. To attempt to ensure notice was received more timely by a broader range of customers---particularly in light of the USPS's publicly known issues regarding timely delivery of even first-class mail---the Company voluntarily activated various modes of information delivery to provide supplemental notice of the hearings to as many customers as possible. The Community Management Companies and the Homeowners and Property Owners Board Presidents were emailed the notice ahead of the mailing in order to share in their various communications methods.

- CWSNC improves its capacity to communicate with customers by building and maintaining relationships with the various homeowner/property owners' ("HOA" and "POA") associations in its service territories, by regular postings on its website, and by maintaining 15 separate WordPress web-based pages for the largest HOA/POA communities.
- Additionally, the Company operates the aforementioned *My Utility Connect*, which is an application that allows customers to choose their preferred



method of notifications---through e-mail, text, or phone call. Customers can also start/stop service, pay bills, and monitor monthly usage at any given time.

- Finally, and most significantly, CWSNC communicates directly and on a 24/7 basis with its customers through the Customer Experience Team. This Customer Experience Team is dedicated to providing support and assistance on a wide range of topics, from billing and payment assistance to work orders for main breaks. The team for North Carolina is located in the Charlotte, North Carolina office at 5821 Fairview Road. Operationally, the Company has developed a regionalized support model to offer more localized customer expertise and support. Prior to this change, a CWSNC customer calling for support might have been routed to a Corix customer support representative (“CSR”) located in any Corix location. In contrast, now a CWSNC customer will be directed to a local CSR. The Company submits this is a better model and provides improved customer service support for the current and future needs of customers. A closer connection to the communities CWSNC serves will enable the Company to provide better information and superior efforts to understand and solve customers’ problems.

**VERIFICATION**


Matthew P. Schellinger II, being duly sworn, deposes and says that he is Regional Director of Financial Planning and Analysis for Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in this **REPORT ON CUSTOMER COMMENTS FROM PUBLIC HEARING HELD IN CHARLOTTE, NORTH CAROLINA ON OCTOBER 26, 2022**, filed in Docket No. W-354, Sub 400; that he has read the foregoing Report and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.

  
Matthew P. Schellinger II

Sworn to and subscribed before me this  
the 15 day of November 2022.

  
Notary Public

My Commission Expires: 06/08/2031

 **Christopher Anderson**  
Notary Public for South Carolina  
Commission Expires: 06/08/2031

**CERTIFICATE OF SERVICE**

I hereby certify that on this the 15<sup>th</sup> day of November, 2022, a copy of the foregoing **REPORT ON CUSTOMER COMMENTS FROM PUBLIC HEARING HELD IN CHARLOTTE ON OCTOBER 26, 2022**, filed by Carolina Water Service, Inc. of North Carolina in Docket No. W-354, Sub 400, has been duly served upon all parties of record by electronic service.

**Electronically Submitted**

**/s/Jo Anne Sanford**  
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