

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

August 18, 2023

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

Via Electronic Delivery

Re: Carolina Water Service, Inc. of North Carolina and Mountain Air
Utilities Corporation
Docket Nos. W-354, Sub 411 and W-1148, Sub 22
Settlement Testimony of Matthew P. Schellinger II

Dear Ms. Dunston:

Carolina Water Service, Inc. of North Carolina (“CWSNC”) hereby files the Settlement Testimony of Matthew P. Schellinger II in support of the Settlement Agreement and Stipulation filed today in these dockets on behalf of the following parties: CWSNC, Mountain Air Utilities Corporation, the Mountain Air Homeowners Association, Inc., and the Public Staff (Stipulating Parties).

I hereby certify that I have today served a copy of this filing on the parties to these dockets.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford
North Carolina State Bar No. 6831
Attorney for Carolina Water Service, Inc. of
North Carolina

- c: Lucy Edmondson, Chief Counsel, Public Staff
Gina Holt, Manager, Legal Division, Natural Gas, Water, Sewer,
Telephone, & Transportation Sections, Public Staff
Elizabeth Culpepper, Staff Attorney, Public Staff
Charles Junis, Director, Water, Sewer & Telephone Division, Public Staff
Lynn Feasel, Financial Manager, Water, Sewer and Telecommunications
Section, Public Staff Accounting Division
Daniel C. Higgins, Attorney for Mountain Air Utilities Corporation
Edward S. Finley, Jr., Attorney for Mountain Air Homeowners Association,
Inc.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**DOCKET NO. W-354, SUB 411
DOCKET NO. W-1148, SUB 22**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc.)
of North Carolina, 5821 Fairview Road,)
Suite 401, Charlotte, North Carolina 28209)
and Mountain Air Utilities Corporation,)
Post Office Box 1090, Burnsville, North)
Carolina 28714, for Authority to Transfer)
the Mountain Air Water and Wastewater)
Utility Systems and Public Utility Franchise)
in Yancey County, North Carolina, and for)
Approval of Rates)

SETTLEMENT TESTIMONY OF
MATTHEW P. SCHELLINGER II
ON BEHALF OF CAROLINA
WATER SERVICE, INC. OF
NORTH CAROLINA

August 18, 2023

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Matthew P. Schellinger II. My business address is 5821
3 Fairview Road, Suite 401, Charlotte, North Carolina 28209.

4 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Regional Director of Financial Planning and Analysis, East Region for
6 the Corix Group of Companies (“Corix”). In this capacity, I oversee financial
7 planning and analysis for Carolina Water Service, Inc. of North Carolina
8 (“CWSNC” or “Company”).

9 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**
10 **BACKGROUND?**

11 A. I have been employed by CWSNC since October 2019. I received a
12 Bachelor of Science Degree with a major in Accounting from the University
13 of South Florida in 2012. I received a Master of Business Administration
14 with a focus in Management and Strategy from Western Governors
15 University in 2016. Prior to joining CWSNC, I was employed as a controller
16 for an insurance agency from 2007 to 2013. In that capacity, I performed
17 general corporate accounting functions on a daily and monthly basis. From
18 2013 to 2019, I was employed by the South Carolina Office of Regulatory
19 Staff, first as an Auditor and starting in 2016 as a Regulatory Analyst. In that
20 capacity I performed regular reviews of water, sewer, natural gas, and
21 electric regulatory filings.

22

1 **Q. WHAT ARE YOUR DUTIES WITH CWSNC?**

2 A. My primary responsibilities include forecasting, budgeting, and financial
3 analysis for the Company.

4 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

5 A. Yes. My rebuttal testimony was filed on July 26, 2023.

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

7 A. The primary purpose of this testimony is to describe and support the
8 comprehensive Settlement Agreement and Stipulation (Stipulation) filed in
9 these transfer dockets on August 17, 2023, by CWSNC, Mountain Air
10 Utilities Corporation, the Public Staff, and the Mountain Air Property Owners
11 Association, Inc. Collectively, these four parties are referred to as the
12 Stipulating Parties. They are the only parties of record to these dockets.

13 **Q. PLEASE DESCRIBE THE STIPULATION.**

14 A. The Stipulation entered by the four parties to this transfer proceeding
15 represents a compromise settlement of all contested issues in this case, of
16 which there were several. It is a reasonable settlement as attested to by
17 the fact that four disparate parties were able to negotiate and resolve their
18 deeply held views and positions regarding significant contested issues.
19 First, the Stipulating Parties agree that the Transfer Application filed by
20 CWSNC and MAUC in these dockets should be approved by the
21 Commission and that CWSNC should be granted a Certificate of Public
22 Convenience and Necessity to provide water and wastewater utility service

1 to customers in the Mountain Air Development service area. (See Exhibit A
2 to the Utility Asset Purchase Agreement dated July 12, 2022), subject to
3 certain specified terms and conditions.

4 Second, once the transfer has been approved by the Commission and the
5 transaction has been closed by CWSNC and MAUC, the emergency
6 operatorship will be closed out and the water and sewer utility systems in
7 question will be fully owned and operated by CWSNC subject to normal
8 utility operations and regulatory oversight by the Commission and the
9 Public Staff.

10 Third, the Stipulating Parties agree that, upon Commission approval of an
11 increase to the provisional Emergency Operator (EO) rates, CWSNC should
12 be authorized to implement the Company's Sub 400 base year rates for
13 water and wastewater utility service to Mountain Air customers.

14 Fourth, the Stipulating Parties have agreed that following CWSNC filing a
15 final accounting post-closing to reconcile the operating reserve, review and
16 recommendation by the Public Staff, notice to customers, and Commission
17 approval, that a set of three surcharges will apply to the Mountain Air
18 customers.

19 Fifth, A copy of the stipulated rates, including the provisional rates and
20 estimated surcharges, is attached hereto, and is marked as Schellinger
21 Settlement Exhibit 1. The agreed upon provisional rates and the rationale

1 in support thereof are fully discussed in the Stipulation and need not be
2 repeated here.

3 Sixth, the Stipulating Parties have agreed that they, singularly or
4 collectively, may propose in the next general rate case filed by CWSNC that
5 the Mountain Air Development water and sewer systems and the rates
6 agreed to herein, including the agreed-upon flat, metered, and surcharge
7 components, should be consolidated into the Company's Uniform Water
8 and Wastewater Rate Divisions; provided that it is demonstrated that
9 CWSNC's Uniform Rate Division customers are not adversely impacted and
10 Mountain Air customers are not materially impacted.

11 Finally, the Stipulating Parties have agreed that after closing, CWSNC will
12 make necessary filings to reconcile its emergency operatorship, request
13 establishment of surcharges, and provide notice to customers.

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

16 A. Yes.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

RATE DESIGN

Mountain Air Water Utility System	Mountain Air Current Rates	Sub 400 Base Year Rates - Provisional and Interim	Surcharge			Mountain Air Customer Rates Post Surcharge
			Regulatory Asset Surcharge (40 Year - levelized)	Operating Reserve Surcharge (5 Year - levelized)	Due Diligence (2.5% - non levelized)	
Service Revenue Requirement		\$ 343,993.02	\$ 57,567.24	\$ 34,184.52	\$ 5,599.75	\$ 441,344.53
End of Period Customers		483	483	483	483	483
<1" Meter Customers		474	474	474	474	474
1" Meter Customers		3	3	3	3	3
2" Meter Customers		6	6	6	6	6
Annual Total Consumption (gallons)		14,605,920	14,605,920	14,605,920	14,605,920	14,605,920
Average Consumption		2,520	2,520	2,520	2,520	2,520
Base Fee Calculation						
Percentage of Service Rev. Req.		40				
Amount to Recover in Base Fee		\$ 164,632.32				
Set Base Fee <1"	\$ 26.50	\$ 25.91	\$ 9.06	\$ 5.38	\$ 0.89	\$ 41.24
Set Base Fee 1"		\$ 64.78	\$ 22.65	\$ 13.45	\$ 2.23	\$ 103.11
Set Base Fee 2		\$ 207.28	\$ 72.48	\$ 43.04	\$ 7.12	\$ 329.92
Revenue From Base Fee		\$ 164,632.32	\$ 57,567.24	\$ 34,184.52	\$ 5,655.06	\$ 262,039.14
Usage Fee Calculation						
Amount to Recover in Usage Charge		\$ 179,360.70				\$ 179,360.70
Calculated Usage Fee (per 1,000 gallons)		\$ 12.2800				\$ 12.28
Set Usage Fee (per 1,000 gallons)	\$ 4.08	\$ 12.28				\$ 12.28
Revenue From Usage Fee		\$ 179,360.70				\$ 179,360.70
Total Revenue		\$ 343,993.02	\$ 57,567.24	\$ 34,184.52	\$ 5,655.06	\$ 441,399.84
Delta - Must Be Positive		\$ -	\$ -	\$ -	\$ 55.31	\$ 55.31
% Usage		52.14%	0.00%	0.00%	0.00%	40.63%
% Base		47.86%	100.00%	100.00%	100.00%	59.37%
Moutain Air Wastewater Utility System						
	Mountain Air Current Rates	Sub 400 Base Year Rates - Provisional and Interim	Regulatory Asset Surcharge (40 Year - levelized)	Operating Reserve Surcharge (5 Year - levelized)	Due Diligence (2.5% - non levelized)	Mountain Air Customer Rates Post Surcharge
Service Revenue Requirement		\$ 480,683.16	\$ 27,099.36	\$ 38,941.56	\$ 2,635.18	\$ 549,359.26
End of Period Customers		459	459	459	459	459
Flat Rate to Meet Revenue Requirement		\$ 87.2700	\$ 4.9176	\$ 7.0699	\$ 0.4784	
Recommended Flat Rate	\$ 73.86	\$ 87.27	\$ 4.92	\$ 7.07	\$ 0.48	\$ 99.74
Revenue from Flat Rate		\$ 480,683.16	\$ 27,099.36	\$ 38,941.56	\$ 2,643.84	\$ 549,367.92
					\$ 8.66	
Avg Water Bill @ 2,520 Gallons	\$ 28.62	\$ 56.86	\$ 9.06	\$ 5.38	\$ 0.89	\$ 72.19
Avg Sewer Bill - Flat Rate	\$ 73.86	\$ 87.27	\$ 4.92	\$ 7.07	\$ 0.48	\$ 99.74
% Increase - Average Water Bill		98.65%				26.96%
% Increase - Average Sewer Bill		18.16%				14.29%