

Edward S. Finley, Jr., PLLC
2024 White Oak Rd.
Raleigh, NC 27608
919-418-4516
edfinley98@aol.com
(N.C. Bar No. 6149)

April 29, 2024

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

RE: Docket Nos. W-1034, Sub 13.

Dear Ms. Dunston:

Please accept for filing the attached Rebuttal testimony filed on behalf of Water Resources, Inc.
This filing is being made electronically.

Thank you for your attention to this matter.

Sincerely,
/s/ Edward S. Finley, Jr.
Edward S. Finley, Jr.
Counsel for Water Resources, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Rebuttal Testimony in this docket was duly served upon parties of record either by depositing same in a depository of the United States Postal Service, first class postage prepaid, or by electronic delivery.

This the 29th day of April, 2024.

Edward S. Finley, Jr.,

/s/ Edward S. Finley, Jr.

Edward S. Finley, Jr., PLLC
2024 White Oak Rd.
Raleigh, NC 27608
919-418-4516
edfinley98@aol.com

COUNSEL FOR APPLICANT

NORTH CAROLINA UTILITIES
COMMISSION RALEIGH

RALEIGH

DOCKET NO. W-1034, SUB 13

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

IN THE MATTER OF:
APPLICATION BY WATER RESOURCES, INC
FOR AUTHORITY TO ADJUST AND INCREASE RATES
FOR PROVIDING WATER UTILITY SERVICE IN ITS SERVICE
AREAS IN NORTH CAROLINA

JOINT REBUTTAL TESTIMONY OF

PEEDIN & PERRY

CONSULTING LLC

AND

DENNIS ABBOTT

ON BEHALF OF

WATER RESOURCES, INC.

April 29, 2024

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

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A. Dennis C. Abbott. 6201 Fairview Rd. Suite 200, Charlotte, North Carolina 28210

7 **Q. WITH WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

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9

A. I am President of Water Resources, Inc.

10
11
12 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

13

14 A. Darlene Peedin and Julie Perry, Principal Consultants with Peedin & Perry, LLC.
15 3440 Bizzell Grove Church Road, Princeton, NC 27569.

16

17 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

18

19 A. The purpose of our rebuttal testimony is to support the request by Water
20 Resources, Inc. (WRI or the Company) for an increase in rates. There are some
21 adjustments recommended in the testimony of the Public Staff that WRI agrees
22 with, and other adjustments that WRI accepts because for WRI they are not worth
23 the time and expense to litigate. We are providing rebuttal testimony on the
24 following issues of concern to WRI:

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- Plant in Service adjustments for litigation charges related to the Town of Harrisburg Interconnection for the removal of all Department of Justice (DOJ)-related legal fees (referred to by the Public Staff as Consent Judgement-related charges), the removal of 1/2 of all the compliance-related filings with DEQ, NCUC and others related to the Interconnection, all costs associated with Well #1, and the removal of legal fees that were not supported by invoices from 2021 related to the Interconnection.
- Plant in Service adjustments for the removal of the Development Fee from the depreciable Interconnection total project costs;

- 1 • Plant in Service change in the service life from 20 to 50 years for the Town
- 2 of Harrisburg Interconnection;
- 3 • Plant in Service-related adjustments to remove pump repairs;
- 4 • Disallowance of the website charges in plant in service;
- 5 • The level of salaries expenses allowed for WRI's bookkeeper;
- 6 • The annualization of a water line repair in Maintenance & Repair Expenses
- 7 over a 3-year period proposed by Witness Houser;
- 8 • The adjustment to professional fees to remove legal fees related to bonding
- 9 requirements, customer complaints, and basically only allow charges for
- 10 annual report charges incurred during the test period;
- 11 • The amount of Regulatory Expense, rate case expense cut-off period, the
- 12 amortization period, and the new classification of rate case expense as a
- 13 regulatory asset/liability which includes along along with refunding with
- 14 interest language; and
- 15 • Rate design.

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REGULATORY FEES TOWN OF HARRISBURG INTERCONNECTION

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**Q. BEGINNING ON LINE 6 PAGE 30 OF HIS TESTIMONY PUBLIC STAFF WITNESS
HOUSER RECOMMENDS ADJUSTMENTS TO REMOVE LITIGATION EXPENSES WRI
WAS FORCED TO INCUR IN OBTAINING THE HARRISBURG INTERCONNECTION.
HE STATES:**

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WRI incurred legal fees associated with responding to DEQ's Injunctive Complaint and Show Cause Motion alleging possible contempt, making court appearances, and engaging in discussions regarding these actions. In consultation with the Public Staff Legal Division, I removed (1) unsupported legal fees for 2021; (2) all legal fees related to preparing for hearing, consulting with WRI and other parties, and representing WRI in contempt and other proceedings relating to WRI's failure to comply with the Consent Judgment entered into between WRI and DEQ on July 15 2021; and the (3) half of the legal invoices related to the Consent Judgment and Amended Consent Judgments dated November 8, 2022, issued by the Court. Legal fees related to the Consent Judgment were incurred due to a prolonged period of noncompliance

1 when Well #1 was taken offline for an extended period and should not solely
2 be borne by WRI's customers. However, I recommend that a portion of the
3 Company's legal fees related to reporting to the Cabarrus County Superior
4 Court, the Commission, and DEQ on the progress of the interconnection with
5 the Town of Harrisburg be allowed.

6
7 **WHAT IS THE COMPANY'S RESPONSE TO THIS SIGNIFICANT DISALLOWANCE?**

8
9 A. The Commission should reject these disallowances. These disallowances are
10 in direct conflict with Commission precedent. Public Staff Witness Houser cites no
11 credentials justifying his ability to express an opinion on this issue. Witness Houser
12 cites no authority whatsoever for his position other than consultation with
13 unidentified consultants within the Public Staff Legal Division. The substantial legal
14 fees Witness Houser recommends for disallowance were incurred by the Company
15 in its successful efforts to resist fines and penalties in court actions undertaken by
16 DEQ and successful efforts to avoid potential DEQ efforts to hold the Company in
17 contempt for its inability to rectify the removal from service of Well #1 within the time
18 the DEQ wished.

19
20 Q. **DOES THE PUBLIC STAFF ARGUE THAT THE LEGAL/LITIGATION COSTS INCURRED**
21 **BY WRI FOR WHICH IT SEEKS DISALLOWANCES WERE UNREASONABLE OR**
22 **IMPRUDENT?**

23
24 A. No. Witness Houser makes no allegations that the fees were excessive or that the
25 fees could have been avoided, for example, by refusing to participate in the litigation.

26
27 Q. **DOES THE PUBLIC STAFF ARGUE THAT WRI ACTED IMPRUDENTLY OR**
28 **UNREASONABLY IN ACTIONS OR INACTIONS THAT LEAD TO THE UNDERLYING**
29 **LITIGATION IN THE CABARRUS COUNTY SUPERIOR COURT?**

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A. No. The Public Staff makes no allegations that WRI should have taken action that would have prevented taking Well #1 offline. Likewise, the Public Staff makes no allegation that actions WRI took or failed to take ultimately leading to the replacement of the capacity from Well #1 with the Interconnection with the Town of Harrisburg were unreasonable or imprudent. The Public Staff makes no allegations that WRI should have taken actions that would have resulted in activating the Interconnection with the Town of Harrisburg sooner than it did.

Q. WHAT STANDARD FOR ASSESSING COST RECOVERY IN A PUBLIC UTILITY GENERAL RATE CASE DOES PUBLIC STAFF WITNESS HOUSER RELY UPON TO ARGUE THAT HIS PROPOSED DISALLOWANCES SHOULD BE ACCEPTED BY THE COMMISSION?

A. Witness Houser recites and refers to no standard. He simply expresses the opinion that in his view as an engineer it would be unfair for consumers to bear some of the costs.

Q. HOW DOES WITNESS HOUSER JUSTIFY HIS PROPOSAL TO ALLOW SOME OF THE LITIGATION COSTS AND DISALLOW OTHERS?

A. Witness Houser fails to explain the justification for the distinction he draws.

Q. WITNESS HOUSER INTRODUCES HIS DISCUSSION OF HIS SUBSTANTIAL PROPOSED DISALLOWANCES BY STATING, "AS NOTED EARLIER IN THE HISTORY OF WRI VIOLATIONS, WRI INCURRED LEGAL FEES...." WHAT IS YOUR RESPONSE?

1 A. The Public Staff is unwilling to acknowledge that the alleged violations to which it
2 refers arose from exceedances of radium levels beyond the Company's control. The
3 Public Staff makes no allegation that Well #1 was improperly installed, improperly
4 located or that the filtering system or other operations of the well contributed to the
5 exceedances. WRI had no ability to prevent an increase in the level of radium in the
6 groundwater above required environmental standards. The exceedances were not a
7 result of failure of WRI to take appropriate actions. There are no allegations on behalf
8 of the Public Staff that WRI should have done anything differently to prevent taking
9 the well offline.

10

11 Q. **WERE CUSTOMERS DEPRIVED OF ANY SERVICE AS A DIRECT RESULT OF THE**
12 **FACT THAT BEFORE THIS SITUATION WAS RECTIFIED THE COMPANY WAS**
13 **OPERATING WITH ONLY ONE WELL AND STORAGE?**

14

15 A. No. While WRI was unable to immediately rectify the absence of a second well as
16 required by environmental regulations, the Public Staff provides no evidence that any
17 customer was deprived of any service as a direct result of the fact that before the
18 situation was rectified the Company was operating with only one well and storage.
19 While there were brief outages, the Public Staff provides no evidence that, based on
20 the location of customers that might have been affected by the temporary outages,
21 these outages would have been avoided had the Well #1 not been taken offline or the
22 interconnection with the Town of Harrisburg been in place.

23

24 Q. **ON PAGE 12 LINE 8 OF HIS TESTIMONY PUBLIC STAFF WITNESS HOUSER STATES,**
25 **"WELL #1 WAS TAKEN OFFLINE ON JUNE 30, 2019, DUE TO REPEATED**
26 **EXCEEDANCES OF THE COMBINED RADIUM MAXIMUM CONTAMINANT LEVEL**
27 **(MCL) AND IS NOT USED IN USEFUL. I RECOMMEND IT ALL COSTS ASSOCIATED**
28 **WITH THE WELL BE REMOVED. WHAT IS THE COMPANY'S RESPONSE TO THIS**
29 **RECOMMENDATION?**

1
2 A. In the first place the insinuation, not allegation, of Witness Houser that the well was
3 taken offline as a result of unnecessary actions or inactions on behalf of WRI is
4 unfounded.

5
6 Q. **LIKEWISE, ON PAGE 22 OF HIS TESTIMONY WITNESS HOUSER STATES THAT MR.**
7 **ABBOTT “APPEARS TO ARGUE THAT BECAUSE THE SYSTEM EXPERIENCED**
8 **OUTAGES THAT WERE NOT DUE TO LACK OF WATER SUPPLY AVAILABILITY, THE**
9 **SYSTEM SHOULD NOT BE CONSIDERED TO HAVE BEEN IMPAIRED.” HE**
10 **CONTINUES ON LINE 15 OF THAT PAGE,” THUS, DURING THIS PERIOD, THE**
11 **SYSTEM WAS NOT OPERATING AS INTENDED, AND WHILE THE MECHANICAL**
12 **FAILURES AND LINE BREAKS MAY NOT HAVE BEEN ENTIRELY PREVENTABLE, I**
13 **BELIEVE THAT THE SYSTEM WAS IMPAIRED BETWEEN THE WELL #1**
14 **DISCONNECTION AND INTERCONNECTION COMPLETION.” WHAT IS YOUR**
15 **RESPONSE?**

16
17 A. Witness Houser has miscast and has misinterpreted Mr. Abbott's testimony. Mr.
18 Abbott testified, “But for a brief encounter that did not arise from the inability to meet
19 demand from the remaining well, service to customers was not interrupted.
20 Fortunately the customers in the subdivision have not actually experienced a lack of
21 water supply during the discontinuation of the second well. Still, Water Resources
22 has continued to undertake efforts to rectify the fact the there is only one well in
23 operation and did not minimize the seriousness of the situation.” Mr. Abbott
24 acknowledged that the absence of the second well created an unavoidable risk.

25
26 Q. **HAS WITNESS HOUSER CONNECTED THE MECHANICAL AND SERVICE LINE**
27 **OUTAGES HE ADDRESSES TO THE FACT THAT WELL #1 WAS OFFLINE?**

28

1 A. No. Witness Houser fails to connect the mechanical and service line cut outages in
2 any way to the fact that Well #1 was offline. Nor could he have.

3
4 If a customer is located on the water distribution system beyond a point where a main
5 is cut when the telecommunication provider unlawfully digs into the line, even if the
6 company has numerous wells and storage tanks, if the customer has no access to
7 the source of supply or the storage due to its location, the outage has nothing to do
8 with the number of wells or the amount of storage. However, if having Well #1 offline
9 had contributed to outages from service line cuts, that would only mean that there
10 was another factor contributing to the outage that, like the others, that was beyond
11 WRI's control.

12

13 Q. **WAS WRI AT FAULT FOR THE NEED TO TAKE WELL #1 OFFLINE?**

14

15 A. No. The Public Staff seems intent to assess blame against WRI in an effort to disallow
16 costs. A retrospective view of the months where only one well was online but no
17 service disruptions directly resulted therefrom and in seeking disallowances as a
18 result of alleged "impairment" should be disregarded.

19

20 Q. **DID THE DELAYS WRI EXPERIENCED IN COMPLETING THE INTERCONNECTION
21 WITH THE TOWN OF HARRISBURG RESULT IN INCREASED COSTS TO
22 CUSTOMERS BEYOND THOSE THE CUSTOMERS WOULD HAVE EXPERIENCED
23 HAD THE INTERCONNECTION BEEN COMPLETED SOONER?**

24

25 A. No. While WRI experienced substantial delay in completing its interconnection with
26 the Town of Harrisburg, the Public Staff provides no evidence that the cost to
27 consumers would have been less had the interconnection been completed sooner.
28 Witness Houser maintains that customers were in greater risk while there was only

1 one well for the system, but as Well #2 remained in operation and as storage was
2 available, the risk never materialized into service disruptions.

3
4 Q. **PLEASE DESCRIBE THE CONSENT JUDGMENT AND THE AMENDED CONSENT
5 JUDGMENT ADDRESSED BY THE PUBLIC STAFF RECOMMENDED
6 DISALLOWANCES.**

7
8 A. The November 8, 2022 Amended Consent Judgment, paragraph 16, states in its
9 description of the July 16, 2021 Consent Judgment, “The parties initially reached a
10 resolution of the injunctive relief sought by Plaintiff through this suit and
11 memorialized the agreement in a Consent Judgment, which was entered by the Court
12 on July 16, 2021.” As cited in paragraph 23 of the November 2022 Amended Consent
13 Judgment, “The parties seek to memorialize the actions that Defendant will take in
14 the future in this Amended Consent Judgment.”

15
16 Q. **WERE THESE THE TYPES OF COMPROMISES SUCH AS SOCS ADDRESSED BY THE
17 COMMISSION IN RECENT DEC AND DEP RATE ORDERS?**

18
19 A. Yes. These were the types of compromises such as SOCs addressed by the
20 Commission in recent DEC and DEP rate cases in which the Commission rejected
21 almost identical proposed disallowances in those cases, which the Public Staff
22 makes in this docket. Although DEQ initially fined WRI \$4,500 and threatened
23 additional ongoing fines, at the conclusion of the litigation, DEQ withdrew the \$4,500
24 fine and imposed no others. WRI has not been penalized and has paid no fines, hence
25 there are no fines and penalties in this rate case docket.

26
27 Q. **IN ITS LITIGATION WITH DEQ DID WRI ADMIT OR CONCEDE THAT IT VIOLATED
28 ANY ENVIRONMENTAL REGULATIONS?**

29

1 A. No. Throughout the litigation, WRI maintained that it did not willfully violate any
2 environmental regulations or DEQ requirements that would have justified holding
3 WRI in contempt. WRI justified its difficulties in complying with the timelines by
4 demonstrating justifications for delays. DEQ never formally requested the Court to
5 hold WRI in contempt, and the Court never held WRI in contempt. The costs WRI
6 incurred to achieve these results are those for which it seeks recovery in this docket
7 and for which the Public Staff seeks disallowances. The consent decrees are the
8 types of compromises addressed by the Commission in the DEC and DEP cases. WRI
9 never conceded actionable violations or admitted to guilt.

10

11 **Q. WHAT AUTHORITY DOES PUBLIC STAFF WITNESS HOUSER CITE FOR HIS**
12 **RECOMMENDED DISALLOWANCE FOR LITIGATION EXPENSES?**

13

14 A. Public Staff Witness Houser relies upon his opinion without citation to any authority
15 other than advice of unidentified counsel. It is unclear whether the unidentified
16 counsel advising Public Staff Witness Houser is/are the same unidentified counsel
17 recommending the adjustments sponsored by Public Staff Witness Junis in the DEC
18 case addressed below.

19

20 **Q. PLEASE ADDRESS THE AUTHORITY AND RECENT COMMISSION ORDERS THAT**
21 **PROVIDE CONTROLLING PRECEDENT FOR DISAPPROVING THE PUBLIC STAFF**
22 **PROPOSED DISALLOWANCES.**

23

24 A. In the January 24, 2018 testimony of Public Staff Witness Charles Junis in Docket No.
25 E-7, Sub 1146, Witness Junis recommended disallowance of legal expenses incurred
26 by Duke Energy Carolinas (DEC) in defending claims against DEC for environmental
27 exceedances and violations.

28

29 On page 90 of his testimony Public Staff Witness Junis maintained,

1
2 I recommend disallowance of all legal expenses incurred by DEC in the course
3 of defending and resolving state litigation involving the Allen, Belews Creek,
4 Buck, Cliffside, Dan River, Marshall and Riverbend plants (Mecklenburg Sup.
5 Ct. 13-CVS-9352 and 13-CVS-14661). . . . This includes costs for third party
6 assistance (expert witnesses, consultants and other contractors) and for
7 internal labor that should be assigned or allocated to the defense of that case.
8

9 On page 87 of his testimony Witness Junis testified,

10
11 In particular, the Public Staff recommends that the following expenditures be
12 excluded from rate recovery: (1) DEC litigation costs incurred during the test
13 year in cases where there are environmental violations; (2) costs to remedy
14 environmental violations where the costs exceed what CAMA [Coal Ash
15 Management Act] would have required in the absence of environmental
16 violations.
17

18 On page 88 of his testimony Witness Junis testified,

19
20 The first category is litigation costs where there are environmental violations.
21 It is routine in ratemaking to disallow from the utility's revenue requirement
22 any costs of fines and penalties. Legal counsel informs me that North Carolina
23 law also supports exclusion of other expenses related to violations of utility
24 law. The North Carolina Supreme Court ruled that legal expenses incurred by
25 a water utility in defense of a penalty proceeding must be excluded from rate
26 recovery as a matter of law:
27

28 Glendale [Glendale Water, Inc. a regulated utility] was penalized for
29 violating serious administrative regulations, including its failure to

1 notify its customers of contaminants in the water. It would be improper
2 to require the very class of people the DHS sought to protect in
3 assessing the penalty against Glendale to indirectly pay for the penalty
4 through the inclusion of related legal fees into Glendale's operating
5 expenses. Furthermore, since these legal fees could have been
6 avoided had Glendale initially carried out its responsibility of providing
7 adequate water service to its subdivisions, this expense cannot
8 properly be considered reasonable and necessary.

9
10 According to counsel, the principle set forth in this ruling is applicable to the
11 present rate case for litigation expenses related to DEC's failure to comply with
12 environmental laws and regulations, as is the ratemaking principle that it is
13 not reasonable for consumers to bear costs of utility misfeasance or
14 malfeasance. These principles of a disallowance for litigation costs should
15 apply to all lawsuits alleging environmental violations to the extent that either:
16 (a) there is a final order finding DEC liable for environmental violations; (b)
17 there is a resolution of the lawsuit other than a finding of liability-such as
18 settlement or dismissal due to CAMA, and there is compelling evidence of
19 environmental violations

20
21 Q. **DID THE COMMISSION IN ITS ORDER ACCEPT THE PUBLIC STAFF PROPOSED**
22 **DISALLOWANCES?**

23
24 A. No. In its September 18, 2018 Order the Commission rejected the Public Staff
25 recommendations that the litigation expenses at issue be disallowed.

26
27 The Public Staff, through Witness Junis, asserts that disallowance of the
28 Company's litigation expense and groundwater costs is justified because
29 these costs flow from violations of the law. Tr. Vol.26, pp.728-34. For the

1 reasons discussed below, the Commission based on its assessment of the
2 evidence and in the exercise of its discretion determines not to authorize the
3 Public Staff proposed disallowances of legal expense and groundwater
4 extraction and treatment costs. The evidence does not support a finding that
5 DEC violated the law..., nor does it support a finding of imprudence with
6 respect to these costs.

7
8 Regarding the legal expenses, Witness Junis cites the Glendale Water case
9 (State ex rel. Utilities Commission v. Public Staff, 317 N. C. 26, 343 S.E.2d. 828
10 (1986)) for the proposition that the legal expense should be excluded. In that
11 case the North Carolina Supreme Court held that legal expense associated
12 with a penalty proceeding in which the utility had been found to have violated
13 the law should be excluded. Witness Junis suggests that the same rationale
14 would apply to his exclusion of the Company's litigation expense related to
15 what he terms DEC's failure to comply with environmental laws and
16 regulations. He claims that compelling evidence of such violations is shown
17 by the SOC's and DEQ reports of exceedances. Tr. Vol. 26, p. 728- 29.

18
19 The distinction between this case and Glendale Water is that... there is no
20 finding in the other litigation brought against the Company, or admission by
21 the Company in that litigation, that any violation actually occurred. No
22 intervenor introduced evidence in this case that any violation actually
23 occurred. Witness Junis' testimony that the Company's legal expense for state
24 litigation of coal ash complaints resulted from "violations" is based on DEQ's
25 reports of groundwater exceedances and the fact that DEQ sought SOCs to
26 address seeps at the Allen, Marshall and Rogers (Cliffside) stations, both of
27 which Junius interprets as compelling evidence of DEC's violations. Tr. Vol. 26,
28 pp. 730-31.

29

1 The Commission determines that the facts of this case are distinguishable
2 from Glendale Water. Litigants settle disputed matters frequently for many
3 reasons that are unrelated to the settling parties underlying views on the
4 merits of the dispute.

5 . . .

6
7 Likewise, an SOC is a regulatory mechanism intended to provide clarity and
8 certainty with respect to scope and schedule for compliance-related activities
9 given a change in circumstances, such as a change in requirements or in
10 operations. The Company's willingness to enter into an SOC, therefore is not
11 premised upon an underlying admission of culpability. Furthermore, as
12 explained by witness Wells, a DEQ report of an exceedance does not equate
13 to a violation of environmental law or regulation.

14
15 Witness Junis attempted to expand the applicability of Glendale Water by
16 applying its holding beyond the litigated finding of liability to include (1)
17 resolution of complaints that do not involve a finding of liability and (2) pending
18 legal claims for environmental law violations, where there is compelling
19 evidence of environmental violations. Tr. Vol. 26, pp. 729-30. The Commission
20 disagrees with the Public Staff position. Glendale Water applies where there
21 is a finding of liability, and the Commission declines to expand its holding
22 further. In addition, the Commission does not find DEQ exceedance reports or
23 SOC's to constitute compelling evidence of environmental violations.

24
25 The Commission determines as it did in the 2018 DEP rate order, that entering
26 into a settlement does not equate to an admission of guilt or wrongdoing. 2018
27 DEP rate case, p.180. Conflating the existence of a settlement agreement or
28 an SOC with an admission or other proof of guilt or wrongdoing is inconsistent
29 with both the law and public policy of North Carolina. The North Carolina rules

1 of evidence, for example, prohibit parties from using the existence of a
2 settlement as evidence of liability. Likewise, in other matters before the
3 Commission, the Public Staff has defended the regulatory policy of
4 encouraging reasonable and prudent settlement.

5
6 **Q. ARE PUBLIC STAFF WITNESS HOUSER’S RECOMMENDED DISALLOWANCES OF**
7 **LEGAL EXPENSE INCURRED BY WRI WITH RESPECT TO THE HARRISBURG**
8 **INTERCONNECTION PROJECT COMPARABLE TO THE RECOMMENDED**
9 **DISALLOWANCES OF THE PUBLIC STAFF IN THE DEC AND THE DEP CASES**
10 **DISCUSSED ABOVE?**

11
12 **A.** Yes. Let me repeat, on page 30 of his testimony Witness Houser states:

13
14 As noted earlier in the history of WRI's violations, WRI incurred legal fees
15 associated with responding to DEQ's Injunctive Complaint and Show Cause
16 Motion alleging possible contempt, making court appearances, and engaging
17 in discussions regarding these actions. In consultation with the Public Staff
18 Legal Division, I have removed (1) unsupported legal fees from 2021, (2) all
19 legal fees related to preparing for hearing, consulting with WRI and other
20 parties, and representing WRI in contempt and other proceedings relating to
21 WRI’s failure to comply with the Consent Judgment entered into between WRI
22 and DEQ on July 15, 2021, and (3) half of all legal invoices related to the
23 Consent Judgment and Amended Consent Judgment dated November 8, 2022
24 issued by the Court. Legal fees related to the Consent Judgment were incurred
25 due to the prolonged period of noncompliance when Well #1 was taken offline
26 for an extended period and should not solely be borne by WRI's customers.”
27

1 Q. PLEASE ADDRESS HOW THE DISALLOWANCES PROPOSED BY THE PUBLIC STAFF
2 IN DEC AND DEP RATE CASES REJECTED BY THE COMMISSION ARE
3 COMPARABLE TO THOSE ADVOCATED BY THE PUBLIC STAFF IN THIS DOCKET.
4

5 A. Much of the litigation expenses addressed in the DEC and DEP cases involved
6 potential violations for exceedances of environmental standards such as seepages
7 from coal ash basins. In this case, the alleged violations arise from the fact that Well
8 # 1 was taken offline due to exceedances of radium standards arising from increasing
9 levels of radium from the groundwater from which the well drew its supply. The
10 alleged violations did not arise from actions or inactions taken by WRI. WRI entered
11 into Consent Judgments with DEQ to address the discontinuation of Well #1 and
12 entered into agreements establishing timelines to rectify the alleged violations.
13

14 Q. ON PAGE 31, LINE 1 PUBLIC STAFF WITNESS HOUSER TESTIFIED, "I ALSO
15 REMOVED LEGAL FEES ASSOCIATED WITH THE PROCEEDING TO INCREASE
16 WRI'S BOND, WHICH WAS FILED BY THE PUBLIC STAFF DUE TO WRI'S
17 NONCOMPLIANCE." PLEASE RESPOND.
18

19 A. For reasons relied upon by the Commission to reject the Public Staff's recommended
20 disallowances in the DEC and DEP cases with respect to alleged violations, the
21 Commission should reject this recommendation. The noncompliance to which the
22 Public Staff refers was the discontinuation of Well #1. WRI's reason for
23 discontinuation of Well #1, high levels of radium, was beyond the Company's control.
24 WRI successfully resisted punishment from DEQ for an alleged failure to comply with
25 environmental regulations and potential contempt allegations addressing the timing
26 for rectifying of the loss of Well #1 and the Interconnection with the Town of
27 Harrisburg. By Commission order WRI was required to substantially increase its
28 bond. Expenses incurred by WRI to comply with a Commission order are costs that
29 should not be subject to disallowance. The bond itself constitutes a substantial

1 expense born by the Company. The bond is a substantial benefit to customers. No
2 reasonable justification exists for disallowing the costs incurred to address and
3 increase the bond in compliance with the Commission’s requirement.

4
5 **Q. WHAT AUTHORITY DOES THE PUBLIC STAFF CITE IN SUPPORT OF ITS PROPOSED**
6 **DISALLOWANCES?**

7
8 A. The Public Staff cites no instance where the Commission has disallowed legal
9 expenses incurred by a public utility in making filings required by and in compliance
10 with Commission orders. Public Staff Witness Houser provides no support
11 whatsoever for this unique recommendation of removing one half of the compliance
12 filing charges that were required to be done other than his opinion as an engineering
13 witness.

14
15 **Q. ON PAGE 31 BEGINNING ON LINE 3 PUBLIC STAFF WITNESS HOUSER STATES,**
16 **FROM THE INTERCONNECTION PROJECT COSTS, I RECLASSIFIED THE ONE-TIME**
17 **\$97,565 HARRISBURG DEVELOPMENT FEE AS A PLANT IN SERVICE ITEM WITH AN**
18 **IN-SERVICE DATE OF 2023. WRI WAS REQUIRED TO PAY A ONE-TIME**
19 **DEVELOPMENT FEE TO THE TOWN OF HARRISBURG IN ORDER TO CONNECT TO**
20 **THEIR SYSTEM. THE DEVELOPMENT FEE ALLOWS THE COMPANY PERPETUAL**
21 **ACCESS TO PURCHASE WATER FROM THE TOWN OF HARRISBURG AND SHOULD**
22 **BE NON-DEPRECIABLE. I RECLASSIFIED \$3,575 IN COST RELATED TO METER FEE**
23 **PAID TO THE TOWN OF HARRISBURG AS A PLANT IN SERVICE ITEM AND**
24 **ASSIGNED A 15-YEAR LIFE, CONSISTENT WITH THE PUBLIC STAFF TYPICAL**
25 **RECOMMENDATION FOR METERS. PLEASE ADDRESS THESE PROPOSED**
26 **ADJUSTMENTS.**

27
28 A. These costs address items that were essential components of the Town of Harrisburg
29 Interconnection. Without payment of the development fee and the meter fee it would

1 have been impossible for WRI to interconnect. The length of time the interconnection
2 permits WRI to have access to purchase water from the Town of Harrisburg is
3 dependent upon all costs incurred by the Company required by the Town to make the
4 interconnection. No justification exists for separating the development fee and meter
5 fee in a piece meal fashion to treat them any differently than the vault, the Zurn valve,
6 the piping, the engineering costs, financing costs, DEQ permitting costs, the costs to
7 obtain an easement and costs to obtain DOT's approval to install facilities in the DOT
8 right-of-way.

9
10 **Q. WHAT JUSTIFICATION DOES WITNESS HOUSER PROVIDE FOR SEPARATING OUT**
11 **LIMITED COSTS INCURRED TO MAKE THE INTERCONNECTION WITH THE TOWN**
12 **OF HARRISBURG FOR COST RECOVERY PURPOSES?**

13
14
15 **A.** None. All of the costs incurred by WRI to interconnect with the Town of Harrisburg
16 should be combined into a single project for a determination of depreciation
17 expense and an appropriate depreciation rate. The most expensive items of the
18 project were the meter valve, vault, electrical and signaling equipment with useful
19 lives much shorter than pipes. In a response to a WRI data request to the Public
20 Staff, Witness Houser compares the Development Fee to capacity fee payments
21 in an Aqua Rate Case, Docket No. W-218, Sub 497. This is not comparable.
22 Capacity fees discussed in the Aqua Order are for capacity to serve future
23 customers, whereas if the Development Fee was not paid, the Company would not
24 be allowed to Interconnect with the Town of Harrisburg. In other words, you can't
25 have one without the other. Therefore, the development fees should be included
26 in the total project cost and depreciated.

27

1 The 50-year useful life of the project as advocated by Public Staff Witness Houser
2 should be summarily rejected. This is another instance in which his
3 recommendation is based upon an unsupported conclusion without any backup
4 facts or rational justification whatsoever. In addition, in the Sub 8 rate case, the
5 Public Staff approved a 25-year life for the installation of the water system,
6 therefore the Company was consistent its use of its recommended service life.

7
8 **Q. PLEASE ADDRESS WITNESS HOUSER’S JUSTIFICATION FOR HIS PROPOSED**
9 **ADJUSTMENT TO DISALLOW ALL COSTS FOR WELL #1 AS ADDRESSED ON PAGE**
10 **12, LINE 8 OF HIS TESTIMONY.**

11
12 **A.** It is inappropriate to remove all of the costs for discontinued Well # 1. The North
13 Carolina Supreme Court has addressed cost recovery where water/wastewater
14 facilities have been taken offline prior to the amortization of the cost of the facilities
15 through rates. The court held that when facilities are retired and taken offline they are
16 no longer used and useful and cannot be included in rate base to allow a return on its
17 investment at the expense of the ratepayers. “We do not allow such a return for
18 property that will not be used or useful within the future.” However, the court made
19 clear that the utility is still entitled to recover the unamortized portion of the cost of
20 the facilities. The court held that, “costs for abandoned property may be recovered as
21 operating expenses through amortization, but a return on the investment may not be
22 recovered by including the unamortized portion of the property in rate base. *State ex*
23 *rel. Utilities Commission v. Carolina Water Service, Inc.*, 439 S.E.2d 127, 335, N.C 493
24 (1994). Based on this controlling precedent, the Public Staff recommended
25 disallowance of all costs with respect to Well #1 should be rejected. Unamortized
26 costs may be recovered as operating expenses.

27
28 **Q. DO YOU AGREE WITH MR. HOUSER’S ADJUSTMENT TO REMOVE**
29 **UNSUPPORTED LEGAL FEES FROM 2021?**

1
2
3 A. No. While I understand why Mr. Houser removed the legal charges, the Company
4 has the invoices that support these charges and is providing them to the Public
5 Staff today. The Company had thought these invoices had been provided to the
6 Public Staff during discovery and had not heard otherwise until now.

7
8 **Q. PLEASE DISCUSS MR. HOUSER'S REMOVAL OF PUMP REPAIRS FROM**
9 **2022 THAT HE CONCLUDES ARE NO LONGER USED AND USEFUL**
10 **BECAUSE THE PUMP AND MOTOR WERE REPLACED IN 2023.**

11
12 A. As discussed above, regarding the Public Staff's removal of costs of Well #1, the
13 Company believes that it is inappropriate to remove all the 2022 capitalized pump
14 repair costs from recovery. Although not used and useful for providing service due
15 to the fact that the pump and motor were later replaced in 2023, the undepreciated
16 plant should be amortized over the remaining useful life of the plant as an expense.
17 The utility is still entitled to recover the undepreciated portion of the cost of the
18 facilities as this was a reasonable and prudent investment at the time. Therefore,
19 the net book value or undepreciated costs of the 2022 pump repairs amortized
20 over the remaining useful life should be included as an operating expense.

21
22 **SALARIES EXPENSE**

23
24
25 **Q. PLEASE DISCUSS YOUR CONCERNS WITH THE PUBLIC STAFF'S**
26 **ADJUSTMENT TO THE SALARY EXPENSE FOR WRI'S BOOKKEEPER.**

27

1 **A.** First, we agree with the Public Staff’s adjustment to reclassify the personal phone
2 reimbursement expense to administrative and office expense. Our concerns
3 mainly encompass the number of hours that the Public Staff included for WRI’s
4 bookkeeper, as well as the rate of pay that was used to calculate the salary
5 expense. WRI’s bookkeeper/office manager, Beth Lockwood, was initially hired
6 in 2021 as the customer service representative. After the owner determined that
7 the current bookkeeper was not doing a good job, he asked Beth Lockwood to
8 take on the duties of bookkeeper beginning in 2023. However since that time,
9 her job duties have increased substantially, including administrative assistant
10 duties as well. WRI’s bookkeeper/office manager/administrative assistant has
11 a wide variety of duties for WRI that encompass all of the following: general
12 bookkeeping duties (accounts payable and accounts receivable, reconciliation
13 work, work with the accountant on various issues and maintain files); providing
14 customer service during and outside of normal business hours (via telephone
15 and email – answering billing question set up new accounts; respond to service
16 requests/issues by troubleshooting and dispatching the contract operator or
17 other professional service; communications with contractors, attorneys, local
18 authorities, etc.), answering inquiries from the bank, the lab that prepares
19 samples, the Public Staff and the Utilities Commission by preparing documents
20 such as customer logs and any other requirements to be submitted to the
21 Commission; compiling and preparing the Annual Report for submission to the
22 Commission, CCR mailings to customer and other state reporting that may be
23 required, manage billing, enter meter readings, generate monthly bills and

1 mailings to customers and any other special project that she is assigned. Ms.
2 Lockwood is pretty much available 24/7 should the contract operator, or any
3 customer have issues that need to be handled in a timely manner.

4
5 The Company maintains that the number of hours included by the Public Staff
6 for this employee are way too low. We maintain that the hours worked are 15
7 hours per week. The Company commits to implementing a timesheet
8 requirement for this employee to track time going forward.

9
10 Our second concern with the Public Staff's adjustment has to do with the rate of
11 pay for someone that does general bookkeeping/ administrative assistant and
12 customer service for a Company. Based on our research, the average rates of
13 pay for a bookkeeper in Charlotte, North Carolina ranges anywhere from \$24 per
14 hour to \$28 per hour for this type of work. This is consistent with other
15 bookkeeper salaries for small water and sewer utilities that have been approved
16 by this Commission. We can provide documentation from the owner to establish
17 what her salary will be effective May 1, 2024. In addition, the Company would
18 like to mention that when the Public Staff requested its native files as part of Data
19 Request No. 1, there was an error in the Notes section on Schedule 3-2 that was
20 uploaded to the Public Staff's Share file site that had not been corrected by the
21 Company, which may have caused a bit of confusion.

22

1 In conclusion, we maintain that based on the number of hours worked and the
2 rate of pay for a bookkeeper in the Charlotte area, the salary expense
3 recommended by the Company is reasonable.

4
5 **MAINTENANCE AND REPAIR EXPENSE**

6
7 **Q. PLEASE EXPLAIN YOUR CONCERN WITH WITNESS HOUSER'S**
8 **ADJUSTMENT TO ANNUALIZE COSTS RELATED TO A REPAIR OF PIPING**
9 **OVER A 3-YEAR PERIOD.**

10 **A.** Mr. Houser indicates in his testimony that he "annualized costs related to repair of
11 the piping in the filter building at Rocky River's Well #2 over a three-year period to
12 reach a reasonable ongoing level of expense. Given the magnitude and atypical
13 frequency of this event, this type of repair should not be expected on an annual basis."
14 Our concern with Witness Houser's adjustment is that water leaks and or breaks are
15 not atypical. Actually, it is quite the opposite. Due to the nature of a water system,
16 this is a very normal expense and can actually occur rather frequently over the course
17 of a year. Witness Houser provides no discussion in his testimony as to how he came
18 to this determination and conclusion that this type of event is infrequent. We disagree
19 that this expense is of such magnitude and infrequent occurrence that it requires
20 annualization over a 3-year period.

21
22 **Q. DO YOU AGREE WITH THE PUBLIC STAFFS POSITION ON DISALLOWING THE**
23 **COSTS OF IMPLEMENTING AND DESIGNING THE WEBSITE?**

1 A. No. The Company plans to implement the website in early May 2020, which will take
2 place before the close of the hearing in this case. The Company provided invoices to
3 the Public Staff for payments made to date along with a proposal and did not include
4 these costs in the rate case. It is unfair for Witness Houser to impute deadlines with
5 potential fines without allowing the Company to recover its costs in this case.

6

7 **PROFESSIONAL FEES**

8

9 **Q. PLEASE DISCUSS YOUR DISAGREEMENT WITH WITNESS FEASEL'S**
10 **ADJUSTMENT TO PROFESSIONAL FEES.**

11

12 **A.** The Company strongly disagrees with Witness Feasel's adjustment to Professional
13 fees. It appears that Witness Feasel has only left in amounts for the tax return
14 preparation and preparation of the Annual Report. Basically, there are no ongoing
15 levels of professional expense for customer complaints, bond filings, any other
16 professional fees associated with compliance with any Commission mandate, or fees
17 for any questions for regulatory professionals that may come up. While removing all
18 of these fees, the Public Staff has stripped the Company of its opportunity to defend
19 itself against any customer complaint or issues that may arise outside of the
20 Company's control or just need clarification or guidance on regulatory issues, and this
21 is completely unfair.

22

23 **RATE CASE EXPENSE**

24

1 **Q. PLEASE DESCRIBE THE PUBLIC STAFF POSITION ON RATE CASE**
2 **EXPENSE (ALSO CALLED REGULATORY EXPENSE).**

3 **A.** In its prefiled testimony that was filed on April 12, 2024, the Public Staff did not
4 include actual rate case expenses for invoices that had been provided to the
5 Public Staff. The Public Staff filed its supplemental testimony, on April 26, 2024,
6 and the Public Staff only included a portion of the actual rate case expense for
7 which invoices were provided. The Public Staff is incorrectly utilizing a 5-year
8 amortization period for rate case expense based on its analysis of historic rate
9 case filings. In addition, the Public Staff is incorrectly limiting the recovery of rate
10 case expense incurred through the close of the Evidentiary Hearing, as well as
11 incorrectly characterizing rate case expense as a regulatory asset/liability.

12
13 **Q. WHAT IS YOUR CONCERN WITH LIMITING RATE CASE EXPENSE TO THE**
14 **AMOUNT INCURRED THROUGH THE CLOSE OF THE EVIDENTIARY**
15 **HEARING?**

16
17 **A.** Post-hearing expenses incurred by WRI are just as necessary as legal,
18 consultant, mailing, and filing expenses incurred prior to the close of hearing.
19 Utilities must engage in rate cases if they are to have enough revenue to provide
20 reliable utility service to customers. Therefore, the costs of conducting rate cases
21 are a reasonable and necessary expense, subject to Public Staff review for any
22 invoices that reflect costs not reasonably related to the rate case or costs
23 exceeding a reasonable price.

24

1 The premise behind utility ratemaking in North Carolina is that utilities may
2 recover their reasonable costs. This Commission has repeatedly recognized that
3 rate case expense is appropriate for recovery in rates. The position that a utility
4 may only recover part of its reasonably incurred rate case expense is contrary to
5 the ratemaking premise that all reasonable costs may be recovered.
6

7 **Q. HOW HAS THE COMMISSION ADDRESSED THIS IN OTHER CASES?**

8
9 **A.** We have reviewed several other rate cases to evaluate how rate case expense
10 is typically decided by the Commission. While other types of costs are often
11 subject to a Commission-ordered update deadline before Public Staff testimony
12 is due, this is not how rate case expense is handled. The Commission has
13 recognized the appropriateness of allowing rate recovery for post-hearing rate
14 case expense. Recovery of rate case expense incurred through the filing of
15 proposed orders and the customer notice is normal and routine for this
16 Commission.

17 The Public Staff's recommendation in the present case would eliminate recovery
18 of actual rate case expense incurred by WRI after the evidentiary hearing. That
19 would be a departure from past practice and would be unfair to WRI.
20

21 **Q. WHAT IS YOUR CONCERN WITH THE PUBLIC STAFF POSITION ON**
22 **AMORTIZATION PERIOD FOR RATE CASE EXPENSE?**

1 **A.** Witness Feasel testified that she “amortized the total regulatory expense over 5
2 years “to recognize the frequency of the Company’s historic rate case filings.” This
3 is unreasonable because the amortization period should be based on a normal
4 interval between rate cases. Five years is not going to be the normal for WRI filing
5 rate cases. WRI was trying to finish the Town of Harrisburg Interconnection, at the
6 same time COVID arose. In addition, WRI reached out to its attorney to file a rate
7 case in 2021, only to realize that the Interconnection would not be completed in
8 time to obtain recovery if it filed a rate case. Therefore, WRI waited to file a rate a
9 case. The Interconnection was completed and placed in service in December
10 2023, and WRI filed its rate case December 29, 2023. Five years is not indicative
11 of the likely interval between the present case and WRI’s next rate case now that
12 the Interconnection is complete.

13
14 **Q. WHY DO SOME SMALL UTILITIES HAVE A LONG INTERVAL BETWEEN RATE
15 CASES?**

16
17 **A.** While not representative of good ratemaking practice, long intervals between rate
18 cases can occur because the effort and up-front expense of conducting a rate case
19 is often overwhelming for small utilities. Companies like WRI do not have the level
20 of regulatory expertise that exists with Duke Energy, Aqua North Carolina, or
21 Carolina Water Service. Management may be overseeing other businesses at the
22 same time as running the utility, so the time they have available to devote to the

1 many hours needed to prepare for a rate case, undergo discovery, and participate
2 in hearings is quite limited. These are certainly concerns for WRI.

3
4 The result is that such utilities may operate for years at a loss. To some extent the
5 losses may be subsidized by the owner or other businesses of the owner. However,
6 any time a utility operates at a loss, there is the risk that investment may not keep
7 pace with needs, and the utility could fall into disrepair or a condition that poses
8 reliability concerns. We do not agree that WRI has fallen into poor condition, but
9 the Company has sustained losses due to insufficient rates. For WRI and all utilities
10 there is a public policy interest in having rate cases frequently enough to fund
11 adequate quality of utility service from utility revenues. A shorter, more normal
12 amortization period is supportive of that public policy interest.

13
14 **Q. WHAT IS YOUR RECOMMENDATION FOR RATE CASE EXPENSE?**

15
16 **A.** We recommended a three-year amortization in our rate case application, and we
17 continue to maintain that is most reasonable timeframe. WRI plans to seek rate
18 increases more frequently to mitigate the one-time impact on customers' rates
19 and to keep up with rising costs; therefore, a shorter amortization period is
20 appropriate.

21
22 We have reviewed amortization periods for other North Carolina utilities, and
23 three years is the common rate case amortization period for small water and

1 sewer utilities. A three-year amortization recommendation is aligned with what the
2 Commission has normally approved for other small water and sewer utilities. It is
3 fair and reasonable for WRI.

4 **Q. WHAT ARE YOUR CONCERNS WITH WITNESS FEASEL'S NEW RATE CASE**
5 **EXPENSE METHODOLOGY?**

6
7
8 A. Witness Feasel stated in her Supplemental Testimony that,

9 (T)the Company shall record any overcollection of rate case expense,
10 beginning the first month after the five-year amortization period ends in a
11 regulatory liability account on a monthly basis, to be returned to ratepayers
12 with interest based on the weighted average cost of capital, in a manner
13 determined in the Company's next rate case. Should the Company file for a
14 rate case before the expiration of the amortization period, any unrecovered
15 rate case expense balance will be added in the new rate case expense and
16 amortized over the number of years approved by the Commission in that
17 rate case. Finally, the Public Staff intends to include audited rate case
18 expense deemed prudently incurred through the close of the expert witness
19 hearing and will reflect the final rate case expense and subsequent revenue
20 requirement in its proposed order in the present case.

21
22 This is a completely new methodology thought up by the Public Staff and has,
23 based on our understanding, never been argued in front of this Commission and
24 has no merit or precedence in Orders issued by this Commission. Over the years,
25 the Commission has approved deferral accounting requests from utilities for

1 various types of matters, including extraordinary maintenance costs, post in-
2 service costs for new electric generating plants, natural gas pipeline safety costs,
3 and storm damage, but no utility has been allowed deferred accounting treatment
4 on rate case expenses in the past. In addition, regulatory assets/liabilities also can
5 be allowed rate base treatment, and this Commission has been disallowing the
6 unamortized rate case amount in rate base for years now. Hence – rate case
7 expense is not a regulatory asset.

8
9 When asked for supporting cases that reflect this new Public Staff position, the
10 Public Staff responded that a recent Aqua settlement contained similar wording.
11 Based on our experience in other recent rate cases, it appears the Public Staff has
12 been working to include this language in recent settled cases by holding the utilities
13 hostage and not allowing a settlement in a rate case unless they agreed to this
14 unprecedented rate case expense language. Small water and sewer utilities
15 cannot afford to litigate just because of this language, and if they did, their rate
16 case expense would increase significantly and so would the customers' rates.

17
18 An even larger concern is the fact that the Public Staff is, in essence,
19 recommending that rate case expense be tracked and basically be considered a
20 “quasi” regulatory asset with even more restrictions than regulatory assets
21 currently approved before this Commission.

22

1 Based on our extensive review of other cases to evaluate deferral of regulatory
2 asset/liabilities, any party, including the Public Staff, must file a petition for an
3 accounting order to defer certain expenses with the Commission requesting
4 authority to set up a regulatory asset. The Commission's Order¹ in Docket No. E-
5 7, Sub 1181, set forth that the Commission's two-prong test in considering a
6 deferral request. The two-prong test that the Commission has often utilized to
7 determine whether cost deferral is justified is: (1) whether the costs in question are
8 unusual or extraordinary in nature and (2) whether, absent deferral, the costs
9 would have a material impact on the utilities financial condition.

10
11 The fact that the Public Staff has not requested authority in a separate petition to
12 defer, track and refund rate case expenses with the Commission should be an
13 automatic dismissal of this language from this rate case. Even so, the fact that rate
14 case expense is included in every case that is filed shows that there is no case to
15 be made for it to be considered unusual or extraordinary in nature. In addition, rate
16 case expenses can be material, especially when lengthy litigation arises, as well
17 as a significant amount of discovery requests and onsite audits, although the
18 amortization period helps smooth out high-rate case expenses for customers. The
19 Company strongly disagrees with the Public Staff's position since the tracking of
20 overcollections of rate case expense would also be considered single-issue
21 ratemaking. Items that require the tracking of this magnitude, including regulatory

¹ Docket No. E-7, Sub 1181 Commission Order Allowing Deferral Accounting, Denying Public Staff's Motion for Reconsideration, Granting Transfer of CPCN's and Qualifying the Transferred Facilities as New Renewable Energy Facilities, dated June 5, 2019.

1 assets and liabilities along with calculated interest, are typically handled in a
2 separate rider outside of a rate case, and are not consistent with the regulatory
3 treatment for reasonable and prudent rate case expenses approved by this
4 Commission.

5
6 **Q. DOES WRI ACCEPT WITNESS HOUSER'S RATE DESIGN.**

7
8 A. No. The Company is concerned with the recommended rate design because a
9 higher base charge provides better stability for the utility. WRI has been losing
10 money for several years now while it has been completing the Interconnection
11 project. WRI maintains the 40:60 rate design for both service areas is still relevant
12 for WRI and should be approved. This is consistent with recent cases on rate
13 design, for example Aqua's rate design in its most recent general rate case,
14 Docket No. W-218, Sub 873 was 35:65 for water operations, and the Commission
15 approved a rate design of 40:60 for Carolina Water Service in Docket No. W-354,
16 Sub 400.

17
18 **Q. DOES THIS CONCLUDE YOUR PREFILED REBUTTAL**
19 **TESTIMONY?**
20

21 A. Yes.
22
23