



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 5, 2018

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. W-354, Sub 360

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the Supplemental Testimony of Sonja R. Johnson, Staff Accountant, Accounting Division.

By copy of this letter, we are providing copies to all other parties of record.

Sincerely,

/s/ Gina C. Holt
Staff Attorney
gina.holt@psncuc.nc.gov

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 360

In the Matter of)	
Application of Carolina Water Service,)	SUPPLEMENTAL
Inc. of North Carolina, Inc., 4944)	TESTIMONY OF
Parkway Plaza Boulevard, Suite 375,)	SONJA R. JOHNSON
Charlotte, North Carolina, 28217, for)	PUBLIC STAFF – NORTH
Authority to Adjust and Increase Rates)	CAROLINA UTILITIES
for Water and Sewer Utility Service in)	COMMISSION
All Service Areas in North Carolina)	

**CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA
DOCKET NO. W-354, SUB 360**

**SUPPLEMENTAL TESTIMONY OF SONJA R. JOHNSON
ON BEHALF OF THE PUBLIC STAFF –
NORTH CAROLINA UTILITIES COMMISSION**

October 5, 2018

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Sonja R. Johnson and my business address is 430 N.
4 Salisbury Street, Raleigh, North Carolina. I am a Staff Accountant
5 with the Accounting Division of the Public Staff – North Carolina
6 Utilities Commission and represent the using and consuming public.

7 **Q. ARE YOU THE SAME SONJA R. JOHNSON WHOSE DIRECT**
8 **TESTIMONY AND EXHIBITS WERE FILED IN THIS DOCKET ON**
9 **OCTOBER 3, 2018?**

10 A. Yes.

11 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL**
12 **TESTIMONY IN THIS PROCEEDING?**

13 A. The purpose of my supplemental testimony is to present the omitted
14 explanation for the allocation of executive compensation to
15 shareholders from my original testimony.

1 Q. MS. JOHNSON, WHAT UPDATED OR CORRECTED
2 EXPLANATION TO THE COMPANY'S SALARIES AND WAGES
3 DO YOU RECOMMEND?

4 A. I support recommending updated or corrected explanations in the
5 following area:

6 1) Allocate executive compensation to shareholders
7

8 Q. PLEASE DESCRIBE YOUR RECOMMENDED ADJUSTMENTS.

9 A. The Public Staff made an adjustment to remove 50% of the
10 compensation of the top three executive officers of Utilities, Inc. as
11 listed in response to Public Staff inquiry.

12 The three executives are the President and Chief Executive Officer,
13 the Vice President General Counsel, and the President.

14 Q. IS YOUR RECOMMENDATION BASED ON THE PREMISE THAT
15 THE COMPENSATION OF THE UTILITIES, INC. EXECUTIVE
16 OFFICERS YOU HAVE SELECTED ARE EXCESSIVE OR
17 SHOULD BE REDUCED?

18 A. No. This recommendation is based on the Public Staff's belief that it
19 is appropriate and reasonable for the shareholders of large water and
20 wastewater utilities to bear some of the cost of compensating those
21 individuals who are most closely linked to furthering shareholder
22 interests, which are not the same as those of ratepayers. Officers
23 have fiduciary duties of care and loyalty to shareholders, but not to
24 customers. Consequently, the Company's executive officers are

1 obligated to direct their efforts not only to minimizing the costs and
2 maximizing the reliability of Carolina Water Service, Inc.'s (CWSNC
3 or the Company) service to customers, but also to maximizing the
4 Company's earnings and the value of its shares. It is reasonable to
5 expect that management will serve the shareholders as well as the
6 ratepayers; therefore, a portion of management compensation and
7 pension should be borne by the shareholders.

8 In addition to salaries and pensions, these three executive officers
9 receive incentive plan compensation, including Executive Long Term
10 Payment Grants which are based upon meeting Utilities, Inc.'s
11 Return on Total Capital target and meeting the Company's
12 Incremental Growth Capital target.

14 The Utilities, Inc. top three executives' compensation allocated to
15 CWSNC totaled \$185,196, of which the Public Staff recommends
16 50% totaling \$92,598 be removed as shareholder expense.

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

18 A. Yes, it does.