

1 PLACE: New Hanover County Courthouse  
2 Wilmington, North Carolina  
3 DATE: Wednesday, August 23, 2017  
4 TIME: 7:00 p.m. - 8:45 p.m.  
5 DOCKET NO: W-354, Sub 356  
6 BEFORE: Chairman Edward S. Finley, Jr., Presiding  
7 Commissioner ToNola D. Brown-Bland  
8 Commissioner James G. Patterson  
9 Commissioner Lyons Gray  
10  
11

12 IN THE MATTER OF:

13 Application by Carolina Water Service, Inc. of North  
14 Carolina, 5701 Westpark Drive, Suite 101, Charlotte,  
15 North Carolina 28217 for Authority to Adjust and  
16 Increase Rates for Water and Sewer Utility Service in  
17 All of Its Service Areas in North Carolina, Except  
18 Corolla Light and Monteray Shores Service Area and Elk  
19 River Development.  
20

21 VOLUME: 5  
22  
23  
24

1 A P P E A R A N C E S:

2 FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:

3 Jo Anne Sanford, Esq.

4 Sanford Law Office, PLLC

5 Post Office Box 28085

6 Raleigh, North Carolina 27611

7

8 FOR THE USING AND CONSUMING PUBLIC:

9 William E. Grantmyre, Esq.

10 Public Staff

11 North Carolina Utilities Commission

12 4326 Mail Service Center

13 Raleigh, North Carolina 27699-4300

14

15

16

17

18

19

20

21

22

23

24

NORTH CAROLINA UTILITIES COMMISSION

1	T A B L E O F C O N T E N T S	
2	FRANCES CARROLL	
3	Direct Examination by Mr. Grantmyre.....	15
4	Cross Examination by Ms. Sanford.....	33
5	Examination by Commissioner Brown-Bland.....	37
6	RANDALL WOODRUFF	
7	Direct Examination by Mr. Grantmyre.....	39
8	DIANA WOOLLEY	
9	Direct Examination by Mr. Grantmyre.....	42
10	EDWARD WORRELL	
11	Direct Examination by Mr. Grantmyre.....	45
12	Cross Examination by Ms. Sanford.....	48
13	DANNY CONNER	
14	Direct Examination by Mr. Grantmyre.....	49
15	Examination by Commissioner Brown-Bland.....	57
16	FERRELL DREWRY	
17	Direct Examination by Mr. Grantmyre.....	58
18	Cross Examination by Ms. Sanford.....	67
19	EARNEST CHANCE	
20	Direct Examination by Mr. Grantmyre.....	69
21	THOMAS MATHIS	
22	Direct Examination by Mr. Grantmyre.....	80
23	Cross Examination by Ms. Sanford.....	83
24	Examination by Commissioner Brown-Bland.....	84

1 C O N T' D.:

2 MANDY WARE

3 Direct Examination by Mr. Grantmyre..... 87

4

5

6

E X H I B I T S

7

IDENTIFIED / ADMITTED

8 Carroll Exhibit 1..... 28/--

9 Carroll Exhibit 2..... 29/--

10 Carroll Exhibit 3..... 32/--

11 Conner Exhibit 1..... 57/--

12 Drewry Exhibit 1..... 66/--

13 Mathis Exhibit 1..... 84/--

14 Ware Exhibit 1..... 92/--

15

16

17

18

19

20

21

22

23

24

## P R O C E E D I N G S

CHAIRMAN FINLEY: Good evening, and let's come to order and go on the record. My name is Edward Finley and with me this evening are Commissioners ToNola D. Brown-Bland, James G. Patterson, and Lyons Gray.

The Commission now calls for hearing at this time for the purpose of taking non-expert, public witness testimony in Docket Number W-354, Sub 356, In the Matter of Application of Carolina Water Service, Incorporated of North Carolina for Authority to Increase Rates for Water and Sewer Utility Service for Its Subdivisions in North Carolina.

On March 31, 2017, the Company filed an Application with the Commission seeking authority to increase its rates and charges.

On April 26, 2017, the Commission issued its Order Establishing General Rate Case and Suspending Rates. Pursuant to this Order, the Commission declared this proceeding to be a general rate case pursuant to G.S. 62-137 and suspended the proposed new rates for up to 270 days pursuant to General Statute 62-134.

A number of parties have intervened formally

NORTH CAROLINA UTILITIES COMMISSION

1 in this proceeding.

2 On June 2, 2017, the Commission issued its  
3 Order Scheduling Hearing and Requiring Customer Notice  
4 which, among other things, scheduled the Application  
5 for evidentiary hearing September 20, 2017, and  
6 scheduled this public witness testimony hearing for  
7 this date, at this time, and in this place.

8 On August 7, 2017, the Company prefiled the  
9 direct testimony of Richard Lineman in support of the  
10 Company's Application.

11 On August 7, 2017, the Company and the  
12 Public Staff filed a Stipulation of Settlement  
13 regarding the return on equity and capital structure  
14 issues in the case.

15 Numerous Statements of Position have been  
16 filed in this docket.

17 Pursuant to the State Ethics Act, I remind  
18 all members of the Commission of their duty to avoid  
19 conflicts of interest, and inquire whether any member  
20 of the Commission has a known conflict of interest  
21 with regard to the matters coming before the  
22 Commission this evening?

23 (No response.)

24 There appear to be no conflicts, so we will

1 proceed. And I now call upon the parties to announce  
2 their appearances, beginning with the Company.

3 MS. SANFORD: Thank you, Chairman Finley,  
4 I'm Jo Anne Sanford, with Sanford Law Office  
5 representing Carolina Water Service of North Carolina.  
6 With me this evening at counsel table is Matt Klein,  
7 who's the State President of Carolina Water. We have  
8 some other representatives from the Company here, and  
9 I will simply ask them to stand so that you can see  
10 who they are. They're mostly over at this part of the  
11 room. I want you to know that they're here but I  
12 specifically want you to know that they are available  
13 to answer your questions at the close of the hearing  
14 and so please feel free to introduce yourself to them  
15 and talk to them if you have specific questions they  
16 can help you with. Thank you.

17 MR. GRANTMYRE: Good evening, Chairman  
18 Finley, other Commissioners. My name is William  
19 Grantmyre. I'm a Staff Attorney with the Public  
20 Staff. The Public Staff represents the Using and  
21 Consuming Public, and with me is Gina Casselberry, a  
22 Public Staff Utilities Engineer in the Water Division.

23 CHAIRMAN FINLEY: Any preliminary matters?

24 MS. SANFORD: Yes, sir. We'd like to make a

1 brief opening statement, please. And, Members of the  
2 Commission as well, I'm not sure I addressed you  
3 initially, I thank all of you for being here this  
4 evening, and I'll try to face the audience. This is  
5 your chance to talk. It's your evening to speak to  
6 the Commission and to speak to the Company with  
7 respect to the issues that you have about your  
8 service, water and wastewater.

9 We want to speak briefly to some of the  
10 things that we know customers are interested in. We  
11 have heard from you and we have listened to you, and  
12 we have had other public hearings. In addition to  
13 which, we had a public meeting last week in Hampstead  
14 and I see some familiar faces so I know that a number  
15 who were here last week I think - I'm not good at  
16 estimating crowds - but it seems like it might have  
17 been about a hundred people. You may know the count.

18 UNKNOWN SPEAKER: 120.

19 MS. SANFORD: Okay. A large number of  
20 people who came out for a public meeting with the  
21 Company in attendance to try to answer some of your  
22 Belvedere specific questions. So let me speak briefly  
23 to some of the questions and issues that we know  
24 customers have. First of all, objections to rate



1 increases, whether they're small or large, whether the  
2 percentage is small, or percentage is large, and the  
3 dollar amount is small, people don't like rate  
4 increases and we understand that. What we would say  
5 to you is that in these instances this Company gets no  
6 rate increase unless they prove over the opposition of  
7 the Public Staff and to the satisfaction of this  
8 Commission that the facts and the law support that  
9 increase. That is your protection and they're pretty  
10 good at what they do. There's a large staff of Public  
11 Staff accountants and engineers and lawyers, they are  
12 your representatives and they do a very good job of  
13 protecting you.

14 Under the Statutes, the Company can't  
15 recover on any investment in plant it makes until that  
16 investment is completed and is in service serving you  
17 and has been audited by them and approved by the  
18 Commission in rates. So some concern we've heard  
19 expressed about the Company being able to recover  
20 prior to having actually made an expenditure is a  
21 concern that we want to address with you because that  
22 is not the case.

23 We've heard concerns expressed about rate  
24 parity among different systems. Wilmington has a

1 certain rate, Carolina Water has a rate, Raleigh has a  
2 rate. We would point out to you that this Company has  
3 to abide by a cost-of-service rule which means that it  
4 only gets in rates what it, generally speaking, must  
5 spend to do the work that it must do to bring you  
6 service, so there is a cost-of-service requirement  
7 that is enforced by the regulators in this room.  
8 Other cities, larger cities don't necessarily have to  
9 comply with that, and they also have economies of  
10 scale that make their costs different than the costs  
11 for providing service in some of the areas in which  
12 you live.

13 Finally, with respect to repairs and  
14 infrastructure needs, and for the need for repeated  
15 rate increases which we've already said we know people  
16 don't like. Infrastructure ages -- a terrible problem  
17 in this country with age. Water and wastewater and  
18 other infrastructure, it ages, must be repaired, must  
19 be replaced, and we must allow for the growth. These  
20 are big dollars that have to be invested. Again, they  
21 are investigated by the Public Staff and examined by  
22 the Utilities Commission. But when they are spent and  
23 when they are necessary to provide you service, they  
24 must be recovered, and so that is why we're here

1 tonight, and we want to hear from you, and we  
2 appreciate your attendance.

3 CHAIRMAN FINLEY: Mr. Grantmyre, have you  
4 got --

5 MR. GRANTMYRE: No, sir.

6 CHAIRMAN FINLEY: Ladies and gentlemen, we  
7 appreciate your being here tonight to come out to  
8 voice your concerns. We have a few ground rules and  
9 I'll go over that with you. Mr. Grantmyre has given  
10 you some of those and the Deputy Sheriff has given you  
11 a few others but let's set those ground rules and make  
12 sure we have an orderly hearing tonight. There are a  
13 substantial number of people who have signed up to  
14 testify and we want all of them to be heard to the  
15 extent it's possible to do so.

16 In conducting this hearing, the Commission  
17 functions as a court. We are in a courtroom for that  
18 purpose. We do that pursuant to Statute. We must  
19 take sworn testimony pursuant to Statutes that have  
20 been passed by the General Assembly and in effect for  
21 many years. We operate pursuant to the rules of  
22 procedure and evidence and we want to conduct the  
23 hearing in a very orderly manner. So I'll request  
24 that you voluntarily agree with the rules and abide by

1 those rules and trust that you will do so. We have  
2 had unruly hearings in the past and there are  
3 sanctions that we can employ, and we certainly don't  
4 want to have to resort to that this evening.

5 In order to facilitate a full and fair  
6 opportunity for all speakers to participate, the  
7 Commission has some guidelines for the public hearings  
8 and I'll go over those now. Witnesses must register  
9 with the Public Staff and verify that they are  
10 non-party witnesses. They will be called in the order  
11 in which they're listed on that roster. In order for  
12 each person to have an equal amount of time, there  
13 will be a limit of five minutes on the amount of time  
14 each witness is to speak. Witnesses should endeavor  
15 to avoid cumulative, repetitive and irrelevant  
16 testimony.

17 I do understand that the Belvedere  
18 Subdivision has consolidated its testimony for one  
19 speaker in particular.

20 MR. GRANTMYRE: Yes. There will be one lead  
21 speaker. I think there may be one other and possibly  
22 a third. But there's a large group from Belvedere and  
23 they've consolidated it primarily in the first  
24 speaker.

1           CHAIRMAN FINLEY: Well, we'll take that into  
2 account and waive our rule a little bit in that  
3 instance. So the witnesses have to be sworn in. Only  
4 one witness may testify at a time. The witnesses  
5 shall refrain from offering opinions on matters that  
6 are not specified in the Notice of Hearing for this  
7 docket. We're here to talk about the rate request.  
8 The witnesses should address their testimony to the  
9 Commission and focus on the issues presented here.  
10 They should refrain from making personal criticisms of  
11 the parties and other hearing participants. A lot of  
12 the times people think that this is a town hall  
13 meeting; they have a lot of questions that they have,  
14 that's understandable, but we're to hear your  
15 testimony and this is not the time and the place to  
16 answer questions, but the parties are represented here  
17 and they will be here after the hearing, to the extent  
18 that you have questions, and some of the things that  
19 you hear about today you don't understand they will be  
20 available to try to enlighten you on those matters.

21           In lieu of oral testimony, witnesses may  
22 submit written testimony as long as they swear to the  
23 accuracy of that testimony, they must -- and that  
24 written statement must be submitted by the person

1 under oath during the hearing. The witnesses will be  
2 subject to cross examination by the lawyers and by the  
3 Commission to the extent that they wish to do so, and  
4 so there will be an opportunity for them to ask  
5 questions of you. Persons who are customers of the  
6 Applicant will be called to testify first. To the  
7 extent we have time, others will be allowed to testify  
8 at the end of the hearing.

9 The testimony is being recorded by the court  
10 reporter. Therefore, to ensure accuracy of the  
11 record, I may limit unconventional modes of testimony.  
12 The Commission's goal is to receive testimony that  
13 will help the Commission make the decisions in the  
14 matter, so please do not disturb the hearing by  
15 clapping, booing, hissing or other such behavior. In  
16 addition, please refrain from personal criticisms or  
17 attacks of the participants including the Applicant's  
18 attorney, and representatives of the Commission, and  
19 the Public Staff.

20 We have the right to instruct security to  
21 remove people who are out of order and use verbal or  
22 visual things that are improper. We ask you not to  
23 bring signs and placards into the hearing room and use  
24 them. They cannot be transcribed by the Hearing

1 Examiner -- by the court reporter and they don't find  
2 their way into the record and they are disturbing.

3 Mr. Grantmyre, call your first witness,  
4 please.

5 MR. GRANTMYRE: Frank Carroll.

6 FRANCES CARROLL; was duly sworn and  
7 testified as follows:

8 MR. GRANTMYRE: Chairman Finley, after  
9 Mr. Carroll testifies, in order to consolidate most of  
10 the Belvedere testimony into his, the Public Staff  
11 would ask those Belvedere persons in the audience that  
12 agree with what he said to please stand and we'll  
13 count them. That would avoid repetitious testimony.

14 CHAIRMAN FINLEY: All right.

15 DIRECT EXAMINATION

16 BY MR. GRANTMYRE:

17 Q Please state your name.

18 A Frances Carroll.

19 Q And what is your address?

20 A 106 South Belvedere Drive, Hampstead.

21 Q And you're from the Belvedere Subdivision?

22 A Yes, I am.

23 Q And you are the organizer or one of the leaders  
24 in the meeting on August 16 of 2017, with the 120

1 people from Belvedere community and the  
2 representatives of Carolina Water Service?

3 A Yes, I was.

4 Q And what you're going to testify tonight is the  
5 meeting results of that meeting; is that correct?

6 A That's correct.

7 Q And you're also going to testify as to anything  
8 that may have happened since then?

9 A Yes.

10 Q Please proceed with your statement.

11 A Belvedere Plantation is supplied with water from  
12 Utilities, Inc. The ratepayers had a public  
13 meeting in Hampstead last week on August 15th.  
14 Over 120 of our residents attended. Top  
15 officials, including Company President Matthew  
16 Klein and VP of Operations Bruce Mendenhall from  
17 Utilities were there as well as County  
18 Commissioner Williams and part of his staff.

19 UI attempted to answer our  
20 questions and concerns. Most of their answers  
21 began with "I'm sorry" and "I apologize".

22 We have a petition that is signed  
23 by 166 residents in the Belvedere Plantation  
24 asking that the rate increase not be approved.



1                   We went over several topics at  
2                   that meeting and I'm going to go through those  
3                   topics and what the results of those topics were.  
4                   The first one was hard water. We have black and  
5                   brown rings in our toilets; water stains on our  
6                   shower doors and washed cars that are extremely  
7                   difficult to remove; and clothes that do not come  
8                   clean even when bleach is used.

9                   Our system contains only the most  
10                  basic treatment - sand filtration and injection  
11                  of orthophosphate for sequestration of --  
12                  sequestration of iron and chlorination for  
13                  disinfection.

14                 In the past, residents of a  
15                 neighboring community at Olde Point complained  
16                 about the water quality and UI, which operates  
17                 that system also, put in a filtration/softener  
18                 system on the pump location that supplies the  
19                 water to their neighborhood. This apparently  
20                 helped them drastically. UI knew at that time  
21                 that our system had the same problems but chose  
22                 to do nothing.

23                 Our question to UI was, is there  
24                 something that Utilities, Inc., can do to

1 eliminate the hard water, or must each resident  
2 be required to add water softeners and filter  
3 systems to our homes? Their answer was - UI  
4 promised to improve the system and bring the  
5 hardness/cleanliness to acceptable levels. Their  
6 timeframe was six months from now.

7 Second problem we had was high  
8 chlorine levels. Many residents have experienced  
9 high chlorine smell in their water supply. One  
10 resident had a water company representative test  
11 the water and the answer was it's a bit high,  
12 we'll adjust the level. I'm not sure what "a bit  
13 high" means. Another resident was told they were  
14 too close to the beginning of the system and  
15 levels needed to be maintained at the end of the  
16 system. Are they suppose to live with that high  
17 chlorine smell? I've lived in six different  
18 states and never experienced a chlorine smell,  
19 even in a large system that distributed water to  
20 over a million customers.

21 UI's annual water report showed  
22 higher than allowable levels of haloacetic acids,  
23 HHA5s, at 74.2 parts per billion, which is over  
24 the 60 parts per billion allowable. Since

1 compliance was based on a four-quarter average,  
2 they were not technically in violation. UI  
3 states that they are flushing the system  
4 regularly to help lower the levels of HHA5s and  
5 will continue to do quarterly sampling. The  
6 report states that the chemical is likely a  
7 by-product of drinking water disinfection --  
8 chlorination.

9 Our questions to you were, why was  
10 chlorine used by UI to disinfect our water? Is  
11 too much chlorine the cause of the contamination?  
12 And since the chemical is a carcinogen, is  
13 quarterly sampling enough and has UI been able to  
14 identify the actual cause of the HHA5s? What can  
15 Carolina Water do to regulate the chlorine level  
16 properly? Their answer - UI promised to improve  
17 the system to manage chlorine levels throughout,  
18 including automatic flushing and I believe  
19 multiple injection points throughout the  
20 distribution system. The timeframe to complete  
21 this was six months from now. They did not agree  
22 to do more frequent testing.

23 The next question we had concerned  
24 GenX, which is apparently a big problem in this

1 whole area. We understand that our system does  
2 not draw water from the Cape Fear River but does  
3 get water from the Castle Hayne aquifer which  
4 runs under the Cape Fear. GenX will eventually  
5 wash out of the Cape Fear River but, if it should  
6 permeate the Castle Hayne aquifer, it may be  
7 there forever. Does our water have any levels of  
8 GenX? Is there any possibility that GenX can get  
9 into the aquifer and, if it does, what are the  
10 contingency plans? UI's statement was we will be  
11 sampling, testing next week - that's this week -  
12 for GenX. If levels of GenX are found, they will  
13 work with government officials to remedy -- to  
14 remediate the effect.

15 The next question was about  
16 service outages. We've had numerous service  
17 outages and low pressure incidents leading to  
18 boil water alerts. Many residents are now  
19 routinely purchasing bottled water, boiling water  
20 even when there's no boil water alert, looking  
21 for a home water delivery services, and  
22 investigating and installing or reactivating  
23 their private wells. Reliability appears to be a  
24 problem. We asked for UI's comment and their

1        answer was they have promised better  
2        communications and better service.

3                        We had a recent brown water  
4        incident. The incident was apparently due to a  
5        pump failure and switching over to a well that  
6        was shut down for repair. We were told that the  
7        water was safe to drink but not good enough to  
8        wash clothes. A report indicated that the brown  
9        color was from dissolved solids. Normally  
10       dissolved solids are just that - minerals that  
11       are dissolved in the water and not seen. We had  
12       to suspended solids, they drop out of the water  
13       when you let it sit. From the same report, with  
14       one well down the system operator plans on  
15       performing -- this is a quote - *The system*  
16       *operator plans on performing a comprehensive*  
17       *flushing program once both wells are placed back*  
18       *into operation, but have expressed concern about*  
19       *flushing the lines with only one well in*  
20       *operation.* In my way of thinking - I'm an  
21       engineer, I've been an engineer for 50 years -  
22       it's good engineering practice to have  
23       100 percent redundancy. If you have a well down,  
24       it doesn't sound like you have that.

1                   Question to UI was is our system  
2                   marginal for servicing our community? Their  
3                   answer was UI stated that they could have opened  
4                   a valve from the Pender County system rather than  
5                   start the other well. They stated that they did  
6                   not do this because they did not want to flood  
7                   our system with GenX. Was this the reason or  
8                   would they have had to pay for that county water?

9                   Our water system is currently, as  
10                  of today, experiencing water which is dark gray  
11                  in color. No notifications from UI, although  
12                  this has been happening for more than 24 hours.  
13                  They indicate that the main tank on US 17 has  
14                  been flooded with this gray water but do not  
15                  know -- but do not at this time know why. At  
16                  2:15 today, we received a call from UI advising  
17                  not to wash clothes; they are sampling for  
18                  bacteria and flushing the system; no mention if  
19                  the water was safe to drink or if any boil water  
20                  alert. A Company employee stated to one of our  
21                  residents that the pump that was replaced less  
22                  than a month ago was not the most appropriate  
23                  pump for that well.

24                  Next topic had to do with

1 expansion of the system. There are several  
2 development projects in the works which will  
3 help -- be adding many new homes to the area.  
4 There is concern that these developments will be  
5 hooked up to an already over-burdened system.  
6 With two wells rated at 500 GPM each, a fire in  
7 the area will use more than a thousand GPM  
8 available. What can Carolina -- what are  
9 Carolina Water's plans to deal with the system  
10 expansion? Carolina Water stated that developers  
11 installed system expansion as part of the cost of  
12 development. If the system cannot handle the  
13 development, the developer pays for and installs  
14 the capital improvements, then turns the system  
15 over to the water company.

16 The next question had to do with  
17 timely and inadequate repairs. The cul-de-sac at  
18 the end of Greenvue Court had a water main leak  
19 that was repaired and the road patched, although  
20 the patch was not done properly. When this leak  
21 was reported on a Friday, UI indicated that the  
22 weekend was coming so they couldn't get there til  
23 Monday. By Monday, one of the neighbors reported  
24 that the whole road surface was like jello.

1                   Shortly thereafter, another  
2                   section of the water main at the same location  
3                   began leaking. A repair was made and the crew  
4                   threw their garbage in the hole, filled it and  
5                   left. One of the residents complained to  
6                   Carolina Water and at that time nothing was done.  
7                   The road took over two months to be repaved.  
8                   UI's comment was they promised to be more  
9                   aggressive in repairs in the future.

10                  The last topic had to do with cost  
11                  of water. When I looked it up, the average cost  
12                  of water in the nation was \$1.50 per 1000  
13                  gallons. In this area, it's approximately \$3.00  
14                  to \$4.00 per 1000 gallons. My latest water bill  
15                  from Utilities, Inc., had a usage charge of \$6.40  
16                  per 1000 gallons. This is already the highest  
17                  rate in the area.

18                  The bill also had a \$0.25 charge  
19                  for water system improvement. When I emailed UI  
20                  about this charge, I received the following  
21                  response from Customer Service Representative  
22                  Paul W.: Thank you for contacting Utilities,  
23                  Inc. I don't mean to sound rude by saying this,  
24                  but it literally as -- it's literally as it



1 states. It's a water charge, excuse me, it's a  
2 charge for water system improvement. It's for  
3 the water system that delivers the water to the  
4 customers. It's a charge to improve that system.  
5 I hope this helps. If there's anything else we  
6 can do for you please let us know. Thank you and  
7 have a great day. If this is the only charge  
8 necessary for system improvements, then the rest  
9 of the UI fees must just be to cover O&M -  
10 question. It's strange that when my monthly  
11 water bills have exceeded my electric bills and I  
12 only have two people living in my residence.  
13 Just because Utilities, Inc., is a private  
14 company, and this is a quote from their website,  
15 *backed by a private equity owner with extensive*  
16 *capital to fuel the company's continued growth,*  
17 *does not mean you should get a premium for your*  
18 *service.*

19 According to the Clean Water of North  
20 Carolina, privatization of local water systems only  
21 leads to higher rates and poor service. If anything,  
22 our rates should be rolled back to be more in line  
23 with other water suppliers.

24 We asked what Carolina Water could do to

1 make our system -- water more affordable. Basically,  
2 they had no real answer except that they said my  
3 investigation of cost was probably public and not  
4 private utilities. I've left them -- I have a list of  
5 the area costs and the highest range was \$3.00 to  
6 \$6.00 a gallon. Nobody was over \$6.00 that I could  
7 find on the website.

8 That's basically all I have to say.

9 Q I have several follow-up questions.

10 A Okay.

11 Q In the beginning, you testified about hard water  
12 and you said black or brown rings in toilets.  
13 How often have you experienced black or brown  
14 water say in 2017?

15 A I've lived there for four years, I've had it the  
16 whole time.

17 Q But you don't have it every day, do you?

18 A Yes.

19 Q You mean the black --

20 A The black or brown water, no, no. The dark rings  
21 in the toilets, yes.

22 Q But how many days have you experienced this year  
23 either black or brown water that looked like ice  
24 tea or the pictures you showed me before we

1 started?

2 A Two incidents in the last six months.

3 Q And you said you had gray water today.

4 A That was one of the two.

5 Q Okay, that was one of the two, okay. And how  
6 many -- how many outages, you said there's  
7 numerous outages and low pressure service  
8 outages. How many of those have you experienced?

9 A I didn't count them but I'd say within the last  
10 six months it was six or eight. I'm not  
11 positive.

12 Q Now, did the Company explain those to you -  
13 fixing leaks or shutting off valves to fix leaks  
14 or did --

15 A They don't -- they didn't come up with good  
16 explanations except that it just -- that it just  
17 happened.

18 Q Now, when you get those outages you get boil  
19 water notices?

20 A Yes, and they make it sound like the State is  
21 making them say those notices. They don't -- it  
22 doesn't necessarily come from them themselves.

23 Q But they're the ones who send it to you?

24 A Yes.

1 Q Okay.

2 A They say the State requires us to do this.

3 Q Now, you prepared this -- what you read was this  
4 paper, meeting results; that's from the meeting  
5 with Carolina Water?

6 A Correct.

7 Q And this is true and you prepared this?

8 A To the best of my recollection that's true, yes.

9 MR. GRANTMYRE: Chairman Finley, we would  
10 then ask that this be identified as Carroll -- Public  
11 Staff Carroll Exhibit 1, and I'll give it to the court  
12 reporter.

13 CHAIRMAN FINLEY: Mr. Carroll, did you read  
14 it verbatim?

15 THE WITNESS: It was close to verbatim.

16 MR. GRANTMYRE: It's not quite verbatim.

17 THE WITNESS: Yes.

18 CHAIRMAN FINLEY: If it's not verbatim,  
19 we'll mark it as Carroll Exhibit Number 1.

20 Carroll Exhibit 1

21 (Identified)

22 BY MR. GRANTMYRE:

23 Q And also -- you also prepared the meeting agenda  
24 that you had with Carolina Water last Wednesday.

1 A Right. That's the agenda where we went over the  
2 problems, and what I read today was the answers  
3 to those problems.

4 Q And that was different from what you read; is  
5 that correct?

6 A Slightly different, yes.

7 Q Yes. And you gave that to Carolina Water when  
8 they attended or you went over this with them?

9 A I went over it with them. They did not know what  
10 my questions were going to be before they got  
11 there.

12 MR. GRANTMYRE: Okay. And we would ask that  
13 this be identified as Carroll Exhibit 2.

14 BY MR. GRANTMYRE:

15 Q And I understand you have a petition with you?

16 A Yes, I do.

17 CHAIRMAN FINLEY: Hold on. The agenda is  
18 marked as Carroll Exhibit 2.

19 Carroll Exhibit 2

20 (Identified)

21 BY MR. GRANTMYRE:

22 Q And could you explain -- read what the petition  
23 says?

24 A We understand that Utilities, Inc., has requested

1 a rate increase in the Belvedere Plantation water  
2 supply system in Hampstead, North Carolina.  
3 We're the customers of this water system and  
4 we've been plagued with problems over the past,  
5 recent past which have included discolored  
6 (brown) water that we were told was safe to drink  
7 and not good enough to wash clothes; hard water  
8 stains; high chlorine levels; service outages;  
9 boil water alerts; extremely high water rates;  
10 clogged home filters; system repairs that were  
11 inadequate and not done on a timely basis; and  
12 concern over expansion of our already marginal  
13 system.

14 These concerns should be properly  
15 addressed and solved before any rate increase is  
16 granted.

17 I do have two statements from  
18 their website if I should read those also.

19 Q Is that statement from Carolina Water's website?

20 A Yes.

21 Q And that's in your petition?

22 A It's in my petition.

23 Q Could you please read those?

24 A Okay. Their mission statement says: At Carolina

1       *Water Service, Inc. of North Carolina, we are*  
2       *committed to providing safe, reliable and cost*  
3       *effective service to our customers, a safe,*  
4       *challenging and enjoyable work environment for*  
5       *our employees, and a fair return to our*  
6       *shareholders; all with the underlying commitment*  
7       *to act with integrity, protect the environment*  
8       *and enhance the communities we serve.*

9               That's their statement and, based  
10       on their performance, we do not believe that our  
11       system is safe and certainly not reliable or cost  
12       effective considering the already exorbitant rate  
13       of \$6.40 per 1000 gallons. These rates appear to  
14       be one sided in favor of the shareholders and not  
15       to their customers.

16               The second statement has to do  
17       with their operational expertise. Carolina Water  
18       Service, Inc. of North Carolina is experienced in  
19       managing virtually every type of water and  
20       wastewater facility, from the most fundamental to  
21       the most advanced equipment and processes. Our  
22       state-certified managers and operating staff  
23       ensure the quality of our services and the  
24       integrity of our systems.

1                   It's clear that our water system  
2           contains only the most fundamental equipment and  
3           process --

4   Q    That's y'all's statement?

5   A    That's my statement.  At a premium price and this  
6           system lacks the proper quality and integrity.  
7           For these reasons, we ask that any current and  
8           future rate increases not be approved.  We also  
9           ask for a thorough review of Utilities, Inc.,  
10          (Carolina Water Service of North Carolina) costs  
11          to determine if a rate decrease may indeed be in  
12          order.

13   Q    And how many persons from Belvedere have signed  
14          that approximately?

15   A    I believe it was a 166 at my last count.

16               MR. GRANTMYRE:  Okay.  We would ask that  
17          that be identified as Carroll Exhibit 3.

18               CHAIRMAN FINLEY:  It shall be so marked.

19                       Carroll Exhibit 3

20                               (Identified)

21               MR. GRANTMYRE:  And I will submit all of  
22          those.  And that concludes the Public Staff's  
23          questions.

24               CHAIRMAN FINLEY:  Ms. Sanford.



1 THE WITNESS: Thank you.

2 MS. SANFORD: Hi, Mr. Carroll.

3 THE WITNESS: She gets to cross examine,  
4 too?

5 CHAIRMAN FINLEY: Yes.

6 THE WITNESS: Oh.

7 MS. SANFORD: It won't take long.

8 THE WITNESS: Okay.

9 CROSS EXAMINATION

10 BY MS. SANFORD:

11 Q Mr. Carroll, you noted in your statement tonight,  
12 Mr. Klein's commitment to deal with your hard  
13 water issues at Belvedere, right?

14 A Yes, I did.

15 Q And that he indicated on the stand last week, it  
16 seemed like a witness stand last week, that he  
17 intended to do that within a targeted six-month  
18 time frame?

19 A Yes, he did.

20 Q Has anybody told you that they intend to, or they  
21 think they intend to spend about \$500,000 doing  
22 that for Belvedere?

23 A No. I don't have a problem with them spending  
24 money to make my water clean.

1 Q I'm sure you don't. I'm sure you don't. I just  
2 wondered if we talked to you about the amount  
3 so --

4 A No.

5 Q With respect to -- I'm to ask you if you support  
6 that amount?

7 A Excuse me.

8 Q Do you support that amount, spending that amount  
9 in Belvedere?

10 A From my engineering experience, it doesn't sound  
11 unreasonable.

12 Q Let's talk about GenX for just a minute. You  
13 indicated that Mr. Klein told your group, you and  
14 neighbors, last week that they were testing for  
15 GenX.

16 A Yes.

17 Q And you know, and I think your community knows,  
18 but just to confirm that the source of their  
19 water is groundwater --

20 A Correct.

21 Q -- not the Cape Fear River. We discussed that a  
22 lot. Have you gotten an indication from -- I  
23 know you're very knowledgeable and you're keeping  
24 up with these things, have you gotten an

1           indication from any source down here that GenX  
2           has been detected in groundwater?

3     A     No. No. That's why we asked the question.

4     Q     Right. And so it's fair to say that you and your  
5           neighbors are concerned about GenX?

6     A     Correct.

7     Q     So I would ask from that, was there a sense of  
8           appreciation for the Company's avoiding using  
9           Pender County water in your subdivision in the  
10          incident that you talked about?

11    A     I would have preferred they used the clean Pender  
12          County water rather than the dirty water they  
13          gave us.

14    Q     Would you?

15    A     Yes. I personally don't think GenX is that big a  
16          problem.

17    Q     I see.

18    A     They're measuring in minor parts per billion  
19          which I think five or six years ago they couldn't  
20          even measure.

21    Q     I see. I see. Given the public's view about the  
22          GenX concern down here, do you think that was an  
23          unreasonable thing to do to try to avoid using  
24          Pender County water?

1 A I would have preferred they used the Pender  
2 County water.

3 Q Okay. With respect --

4 A It would have only been temporary.

5 Q I'm sorry, I didn't mean to cut you off.

6 A It would have only been temporary.

7 Q With respect to the various incidents that have  
8 been discussed by you in which you received boil  
9 water notices, and you discussed them last week  
10 and you've discussed them tonight, have we told  
11 you or has anybody told you that after this  
12 hearing we will prepare and file a report to the  
13 Commission and to customers to be filed on the  
14 website about the various instances of service  
15 quality concerns?

16 A What was the question now?

17 Q Well, it was kind of a long question, wasn't it?  
18 Has anybody told you that we're going to file a  
19 report --

20 A No. No.

21 Q -- on these water quality issues --

22 A No. No.

23 Q -- when this proceeding is over and that it will  
24 be filed online, it will be in the docket and on

1 the website?

2 A That would be good.

3 MS. SANFORD: Let's see, let me see if I  
4 have anything else. I believe that that is it. Thank  
5 you very much.

6 THE WITNESS: Thank you.

7 CHAIRMAN FINLEY: Commission questions?  
8 Hold on a second. Commission questions? Commissioner  
9 Brown-Bland.

10 EXAMINATION

11 BY COMMISSIONER BROWN-BLAND:

12 Q Mr. Carroll, when you were going through your  
13 list from the meeting --

14 A Uh-huh.

15 Q -- you indicated one of the issues or discussion  
16 points was around a pump that had been replaced,  
17 and you indicated the answer was the pump that  
18 was put in was not the most appropriate pump. Is  
19 there any more about that discussion or that  
20 issue?

21 A All I know is that one of the residents was told  
22 in the field today that the pump that they  
23 selected was not the most appropriate pump for  
24 that well, and I don't know any more than that

1 about it.

2 Q So that was presumably a CWS employee --

3 A Yes.

4 Q -- who told someone today?

5 A Yes.

6 COMMISSIONER BROWN-BLAND: Okay. Thank you.

7 CHAIRMAN FINLEY: Mr. Grantmyre, I think you  
8 wanted to have a show of hands.

9 MR. GRANTMYRE: Yes. We would like for a  
10 show of hands of - probably to stand up would be  
11 easier - those persons from Belvedere that agree with  
12 the statements made by Mr. Carroll. We're doing this  
13 to try to eliminate competitive testimony. So all of  
14 those, and I'll count them, all of those from  
15 Belvedere that agreed with what he said, please stand.

16 (WHEREUPON, Mr. Grantmyre  
17 proceeded to count those in  
18 agreement with Mr. Carroll.)

19 MR. GRANTMYRE: Twenty-eight and Mr. Carroll  
20 makes 29. Twenty-eight agree with him.

21 THE WITNESS: I do agree with him.

22 (Laughter)

23 CHAIRMAN FINLEY: Thank you, Mr. Carroll.

24 THE WITNESS: Thank you.

1 (The witness is excused.)

2 MR. GRANTMYRE: We would call Randall  
3 Woodruff.

4 RANDALL WOODRUFF; was duly sworn and  
5 testified as follows:

6 DIRECT EXAMINATION

7 BY MR. GRANTMYRE:

8 Q Please state your name and address for the  
9 record.

10 A Randall Woodruff.

11 Q And what is your business address?

12 A PO Box 5, Burgaw, North Carolina.

13 Q And you're an employee of Pender County?

14 A Yes, sir, I'm the County Manager.

15 Q Okay. And -- but you're not a customer of  
16 Belvedere, but you're speaking on behalf of  
17 Pender County, correct?

18 A Correct.

19 Q Please proceed with your statement.

20 A Thank you, sir. Normally, Pender County would  
21 not be involved in this matter but, due to the  
22 concerns we have of our citizens who live in the  
23 Belvedere Plantation community, we felt compelled  
24 to come and be a part of this hearing tonight.

1 I have a letter that I'd like to  
2 read to the Commission from our board. It says,  
3 we understand that Utilities, Inc., has a request  
4 for a rate increase for the Belvedere Plantation  
5 system which will be heard at your August 23rd  
6 meeting. For the first time in our combined  
7 services of over 30 years as Commissioners, we  
8 are submitting a letter in opposition to a  
9 requested rate increase. We recognize that  
10 authority to approve or deny rate increases is  
11 vested solely in your Commission but hope that  
12 you will consider this letter in your  
13 deliberations.

14 The customers of Utilities, Inc.,  
15 have experienced multiple service issues,  
16 including pressure problems and discolored water,  
17 which made cleaning themselves, their dishes and  
18 their homes futile and often ruined any light  
19 colored clothes which they washed. Utilities,  
20 Inc., claimed to be working on correcting the  
21 problems which it admits occurred. The customers  
22 who have had to deal with murky and muddy water  
23 want more than promises. They want and deserve  
24 actual performance.



1                   On behalf of our citizens who have  
2           been so negatively affected by the repeated  
3           failures of Utilities, Inc., to provide a basic  
4           level of service, we implore you not to add  
5           insult to injury by raising their rates. At a  
6           minimum, we ask you to defer any action on the  
7           requested rate increase until after the repairs  
8           to the system have been made. Perhaps, if you  
9           delayed any final decision that will motivate  
10          Utilities, Inc., to expedite the much needed  
11          corrective action.

12                   Respectfully submitted, our  
13          Commissioners.

14    Q    Now, this was from the elected Commissioners of  
15          Pender County?

16    A    Yes, sir.

17    Q    And what is the date on the letter?

18    A    It's dated July 24th and it was previously  
19          submitted in mail.

20    Q    To the Commission?

21    A    Yes, sir.

22    Q    And you read that verbatim?

23    A    Yes, sir.

24    Q    Since you read it verbatim we will not make it an

1 exhibit because you read the entire letter.

2 MR. GRANTMYRE: Thank you. I have no  
3 further questions.

4 MS. SANFORD: No questions.

5 CHAIRMAN FINLEY: Thank you, Mr. Woodruff.

6 THE WITNESS: Thank you.

7 (The witness is excused.)

8 MR. GRANTMYRE: Diana Woolley.

9 DIANA WOOLLEY; was duly sworn and  
10 testified as follows:

11 DIRECT EXAMINATION

12 BY MR. GRANTMYRE:

13 Q Please state your name and your address.

14 A My name is Diana Woolley and I live at 348 Friday  
15 Drive, which is in Ogden.

16 Q Is that Ogden or Wilmington?

17 A Well, it's Wilmington.

18 Q The mailing address?

19 A The mailing address is Wilmington.

20 Q But it's really in Ogden?

21 A It's in Ogden.

22 Q Okay. And you're from the Treasure -- you're  
23 from the North Hills --

24 A Subdivision.

1 Q -- subdivision which is interconnected with  
2 Treasure Cove is my understanding?

3 A Yes, it is.

4 Q Please proceed with your statement.

5 A My husband -- my name is Diana Woolley and my  
6 husband Jeff McKay live at 348 Friday Drive in  
7 the Treasure Cove/North Hills Subdivision.

8 I respectfully ask the  
9 Commissioners to look hard and long at the  
10 various proposed rate increases. As you will  
11 note on page 4 of Appendix A-1 Docket NC W-354,  
12 Sub 356, the rate for my subdivision will be  
13 increased from \$1.90 per 1000 gallons to \$7.70  
14 per 1000 gallons. This is an increase of 305  
15 percent and the highest requested increase.

16 What is Carolina Water Services,  
17 Inc. of North Carolina's rationale for this  
18 request - increased profits, higher dividends for  
19 their stockholders, higher salaries for their  
20 executives and their parent company, Utilities,  
21 Inc., a Florida corporation?

22 Our average water bill is about  
23 \$21 per month. If the proposed rate increase is  
24 granted, our water bill may increase to \$93.71 if

1 we have a one inch meter; even higher if we have  
2 a one and a half inch meter.

3 We are on a fixed income and are  
4 both retired. In addition, there are no other  
5 viable water alternatives. We used to call this  
6 a monopoly.

7 I understand that our water rates  
8 are low; however, we respectfully request that if  
9 you grant a rate increase, that it not be at 305  
10 percent of the existing rate.

11 Thank you for your attention.

12 Q What size water meter do you have?

13 A I'm not sure.

14 Q You're not sure?

15 A No, I'm not. And I think it's a one and a half  
16 inch I think; I'm not sure.

17 Q Do you do a lot of lawn or irrigation?

18 A No, sir. We don't do any watering of our lawn at  
19 all because we have rain barrels and we have been  
20 very fortunate this particular summer with a lot  
21 of water.

22 Q Well, I would suggest that you check with the  
23 Company, they should have a record as to the size  
24 of your meter. I think it's probably less than

1           one inch. It would be the less than one inch. A  
2           one and a half inch meter is a very large meter,  
3           so I would just make that suggestion to you.

4    A       I will do that.

5           MR. GRANTMYRE: I have no further questions.

6           MS. SANFORD: No questions.

7           CHAIRMAN FINLEY: Thank you, ma'am.

8                       (The witness is excused.)

9           MR. GRANTMYRE: Ed Worrell.

10   EDWARD WORRELL;       was duly sworn and  
11                       testified as follows:

12                       DIRECT EXAMINATION

13   BY MR. GRANTMYRE:

14   Q       Please state your name and your address.

15   A       Edward Worrell, 166 North Hills Drive, and that  
16           is in the Treasure Cove/North Hills water area.

17   Q       Please proceed with your statement.

18   A       Okay. I have lived in my address for 40 years,  
19           been on this water supply for that long. I was  
20           also a volunteer fireman in the Ogden Fire  
21           Department for 20 plus years. In the late '90's,  
22           the Ogden Fire Department was told by the water  
23           company not to use the hydrants anymore. After  
24           we had asked for the -- this happened after we

1 had asked for numerous repairs to the hydrants  
2 that were defective. Up to this point, the fire  
3 department had used the hydrants on many  
4 occasions to put out fires in our area, over the  
5 years in the area. I would request personally  
6 and for my neighbors that there not be a rate  
7 increase considered until after these fire  
8 hydrants are repaired in the whole area.

9 Q Does that conclude your statement?

10 A Yes, it does.

11 Q Now, with respect to the hydrants, did they say  
12 why you should not use the hydrants, or the fire  
13 department should not use them?

14 A Well, they needed to be repaired. At some point  
15 they said that the -- I believe that the area was  
16 growing and their demand for the water was  
17 greater. But I heard from one of the water  
18 people at one particular time, I don't remember  
19 when it was, but they were having difficulty  
20 getting repair parts because they were old  
21 hydrants.

22 Q Did they mention to you that Treasure Cove has  
23 two hydropneumatic pressure tanks, approximately  
24 10,000 gallons each, and these pressure tanks do

1 not contain enough water for instantaneous demand  
2 for fire fighting purposes? Did they mention  
3 that to you?

4 A They didn't mention it to anyone I know. I know  
5 that up until the late '90's we used it on  
6 occasion for a house fire, brush fire. And  
7 typically, because the hydrants are not located  
8 every so many hundred feet, you would have to  
9 fill a 1000 gallon pumper up and go from that  
10 hydrant to where ever the fire may be. So it was  
11 not a -- it was not like you were sitting there  
12 fighting a fire off of a hydrant.

13 Q Okay, I understand.

14 A You were using it to refill a truck.

15 Q Up to the point they told you, the fire  
16 department, not to use it, who was maintaining  
17 the hydrants up to that point? Was it the fire  
18 department?

19 A No.

20 Q It was Carolina Water?

21 A Well, I believe it had a lot of different names  
22 and ownerships then.

23 Q Now, in regard to -- how many customers  
24 approximately were on the system back then? I

1 think there's close to 300 now, 290 as of 2015.  
2 Was there a lot less customers and you don't  
3 have --

4 A I don't have that information. There was less  
5 homes in the area, I know that.

6 MR. GRANTMYRE: Thank you. I have no  
7 further questions.

8 MS. SANFORD: I have a couple of questions,  
9 please, Mr. Worrell.

10 CROSS EXAMINATION

11 BY MS. SANFORD:

12 Q So these hydrants were last used in the '90's; is  
13 that your recollection?

14 A That's when they were told not to be used  
15 anymore, yes.

16 Q Do you have any knowledge as to whether these  
17 were fire hydrants or flushing hydrants?

18 A I don't know how they were labeled. They  
19 appeared to be a normal fire hydrant --

20 Q Fire hydrant and used for fire --

21 A Every time I used one to fill a truck, it worked.

22 MS. SANFORD: All right. Thank you.

23 CHAIRMAN FINLEY: Thank you, Mr. Worrell,  
24 appreciate you coming out tonight.



1 (The witness is excused.)

2 MR. GRANTMYRE: Danny Conner.

3 DANNY CONNER; was duly sworn and

4 testified as follows:

5 DIRECT EXAMINATION

6 BY MR. GRANTMYRE:

7 Q Please state your name and address.

8 A My name is Danny Conner. It's 231 Long John  
9 Silver Drive, Wilmington, Treasure Cove  
10 Subdivision.

11 Q Please proceed with your statement.

12 A I've been in the neighborhood almost as long as  
13 Ed, beginning at the time that the original  
14 builder put in the water system. They rarely  
15 ever requested any increases although they also  
16 did not do a whole lot to maintain it. This  
17 system has to be one of the easiest locations to  
18 maintain because most of the land is flat;  
19 they're dealing with sand unlike the rest of the  
20 state where they're dealing were clay, rocks and  
21 a lot of variations in altitude.

22 Most of the distribution system  
23 has been in place now for 30 to 40 years. My  
24 meter is at least 35 years old. From time to

1 time, the water pressure is inconsistent but  
2 they've continued to add houses to the systems.

3 I also had focused on the fire  
4 hydrants. Since the early '90's that Ed was  
5 talking about, we've had two houses totally  
6 destroyed by fire. The hydrants are either  
7 bagged or they have 'do not use' or they have  
8 'flushing only' even though they all appear to be  
9 fire hydrants, and I have some pictures of those  
10 if anybody is interested.

11 The main problem with the quality  
12 of the water seems to be the heavy mineral content,  
13 probably calcium, manganese, iron. I do not  
14 think there's any treatment other than occasional  
15 chlorine which is frequently overdone. We  
16 constantly are replacing faucets, seats, stems,  
17 washers, water heater elements. Extra heavy  
18 cleaning is needed on everything. I do not think  
19 anybody washes a car and probably thinks twice  
20 about washing a boat because it leaves mineral  
21 residue on the surface. When I take items out of  
22 the dishwasher I have to hand wipe to get the  
23 mineral spots off.

24 We do not drink the water and

1 haven't for many years but we do have filters on  
2 our ice machine and that runs up in cost. A lot  
3 of people have had to use water softeners and,  
4 again, that's a high monthly cost.

5 The toilet tanks end up dark  
6 brown. I have to spend about \$15.00 for a  
7 chemical to clean those out. Glassware that's in  
8 the dishwasher comes out cloudy. I've finally  
9 figured out a solution to take care of that but  
10 it costs about twice the price of a normal dish  
11 washing detergent. The same thing, there's a lot  
12 of mineral build up in the washing machine and  
13 that takes another chemical to remove that.  
14 Water heaters have to be drained frequently.  
15 When we drain them, you get a red mud and  
16 crystalized minerals that come out.

17 The report that was sent out said  
18 there would be an average increase of 161 percent  
19 and I do not think that is at all accurate  
20 because the astronomical increase per 1000 would  
21 probably exceed, many of the bills exceed  
22 300 percent. And the average usage that they  
23 calculated, I have no idea how they came up with  
24 39 -- 3980 gallons. My house is two adults and

1 we've been averaging over 7000 gallons a month.  
2 We have no leaks. We do not wash cars. We have  
3 water saving faucets, toilets, shower heads;  
4 water level sensing washer; dishwashers only run  
5 on full loads; we have a rain barrel. There must  
6 be a lot of people that are not using any water  
7 because I cannot imagine a family -- I can't  
8 imagine an average of that when we're using over  
9 7000 gallons.

10 I've never seen any profit and  
11 loss or balance sheets specific to Treasure Cove.  
12 I have no problem with people getting increases  
13 based on inflation and things like that but it  
14 should be a realistic increase and it should be  
15 specific to that development; it should not apply  
16 to systems from the coast to the mountains.

17 Also, the GenX situation,  
18 everybody keeps bringing that up, and I will  
19 state that GenX has been found in Wrightsville  
20 Beach, Well Number 11, which is just south of  
21 Eastwood Road and, as the crow flies, probably  
22 about two miles from Treasure Cove, so I think  
23 testing would be appropriate there.

24 And I understand her statement

1 about scale of utilities, but I still have a  
2 problem when Cape Fear Public Utilities just had  
3 a price increase and their rate, the Cape -- the  
4 Carolina Water Service rate would increase about  
5 two and a half times for that average usage,  
6 based on what Cape Fear Public Utilities just  
7 did.

8 The last couple of times I've  
9 called to report red water on the weekends there  
10 was no answer, no voice mail. Customer service  
11 appeared to be non-existent. The system used to  
12 be flushed regularly. I have not seen it happen  
13 in a long time. The few times that it has  
14 happened, months ago, no warning was given. A  
15 small sign was placed by Middle Sound Loop Road  
16 so if somebody did not leave the neighborhood  
17 that day, they had no idea that their water was  
18 going to be red.

19 I figure that the extra cost for  
20 me to use that water and treat appliances and  
21 everything else probably costs me another \$30 to  
22 \$40 a month, in addition to my water bill.

23 And basically in summarizing, I'd  
24 say the Company has had many years to improve the

1 system and water quality, and the only thing I  
2 have seen is somewhere back in the '90's, they  
3 added generators; they put some small buildings  
4 over the pumps and they put a fence around the  
5 whole thing. The only thing I've seen -- those  
6 are the only improvements I've seen, but at the  
7 same time, we continue to get requests for rate  
8 increases. And I have not opposed one in the  
9 past because I think everybody deserves to make a  
10 profit, but it needs to be a fair profit.

11 Q Yes, I have some follow-up questions. You say  
12 you must hand wipe the dishes coming out of the  
13 dishwasher. What color is the residue, the  
14 mineral residue? Is it whitish or gray or black  
15 or --

16 A It's kind of a calcium white.

17 Q It's the calcium so it's the hardness then?

18 A Right.

19 Q And you said you used a chemical to -- well, you  
20 used two different ones - one was in the  
21 dishwasher and the other was -- where was it?

22 A The one for the dishwasher, what I'm using there  
23 now is a two part deal where there's a booster  
24 that you put into the prewash and then another

1 thing to follow it up, and, of course, a rinse  
2 solution. For the dishwasher and also for the  
3 washing machine there's a scale remover that you  
4 buy a bottle of it. I'm not sure if I brought  
5 all of that with me or not. But it does remove  
6 the scale. And then the system that I'm using in  
7 the dishwasher now does produce clear glassware  
8 but it still needs to be wiped down.

9 Q Okay. Did -- has anyone from the Company ever  
10 advised you to use citric acid to remove the  
11 scale or Tang or something that contains a lot of  
12 citric acid?

13 A Actually, the one I use is -- mainly is called  
14 Finish and it has a citrus smell to it --

15 Q Okay.

16 A -- but nobody advised me.

17 Q Okay. Thank you. Now with respect to when you  
18 say they used to flush the system regularly,  
19 when -- back when they flushed it regularly, how  
20 often was that approximately?

21 A Probably three or four times a year, not  
22 frequent, but occasionally.

23 Q How often do they do it in say the last two  
24 years?

1 A I haven't seen it done probably in the last two  
2 years.

3 Q You mentioned that the last time they flushed  
4 they put only a small sign out front.

5 A Yes.

6 Q Did the Company send any notice to the -- letters  
7 to the customers or --

8 A Absolutely not!

9 Q -- send them email blasts or anything?

10 A None.

11 Q Obviously you'd prefer if they did send notices  
12 to all of the customers prior to flushing the  
13 system?

14 A I think an email system or a telephone call,  
15 whatever, just something to let you know because  
16 I've had that happen when I did not leave the  
17 neighborhood, ran a load of white clothes and  
18 they come out red.

19 Q But there's more than one way to leave the  
20 neighborhood, isn't there?

21 A There are two or three ways to leave the  
22 neighborhood. The only time I've seen the sign  
23 was at the entrance of North Hills Drive.

24 Q Okay. So if John Doe were to leave in a



1 different direction he wouldn't see anything?

2 A Right. And you also have the neighborhoods  
3 across the Loop Road that are served and they're  
4 all coming out in different directions.

5 MR. GRANTMYRE: Okay. Thank you. I have no  
6 further questions.

7 MS. SANFORD: And I have no questions.

8 CHAIRMAN FINLEY: Mr. Conner, you said you  
9 had some pictures, would you like to have those  
10 presented for the record?

11 THE WITNESS: Yes, these are all pictures of  
12 the -- five pictures of fire hydrants that are out of  
13 service. I do not think there's a single fire hydrant  
14 there that is in service.

15 MR. GRANTMYRE: The -- we would ask that  
16 these be identified as his exhibits 1 - 5.

17 CHAIRMAN FINLEY: The five pictures will be  
18 Conner Exhibit 1.

19 Conner Exhibit 1

20 (Identified)

21 EXAMINATION

22 BY COMMISSIONER BROWN-BLAND:

23 Q Mr. Conner, you mentioned that the last few times  
24 you had called to a service office you didn't get

1 an answer. Would you go into more detail about  
2 when you called and why you called them --

3 A It was after hours on the weekend. I called the  
4 800 number that's listed on the tank - the water  
5 was running red - and I did that a couple of  
6 times, and it's probably been a year and a half  
7 or two years ago. And since that time I haven't  
8 even tried it again because I would have expected  
9 at the minimum to have voice mail.

10 Q Did you make a complaint to anybody at the time?

11 A I did not.

12 COMMISSIONER BROWN-BLAND: Thank you.

13 CHAIRMAN FINLEY: Other questions?

14 MS. SANFORD: No.

15 CHAIRMAN FINLEY: Thank you, Mr. Conner.

16 MR. GRANTMYRE: Thank you.

17 (The witness is excused.)

18 MR. GRANTMYRE: Ferrell Drewry.

19 **FERRELL DREWRY;** was duly sworn and

20 testified as follows:

21 DIRECT EXAMINATION

22 BY MR. GRANTMYRE:

23 Q Please state your name and your address.

24 A Ferrell Drewry, 508 Azalea Drive, Hampstead,

1 North Carolina.

2 Q And you are a customer at Belvedere, correct?

3 A That's correct.

4 Q Please proceed with your statement.

5 (At the request of the Court  
6 Reporter, the witness spelled his  
7 last name.)

8 A D-R-E-W-R-Y. Commissioners, I want to thank you  
9 for coming to Wilmington, and for allowing me to  
10 share my opinion about the water rate increase  
11 requested by Carolina Water Service, a division  
12 of Utilities, Inc., in Northbrook, Illinois,  
13 which itself is a division of Corix  
14 Infrastructure in Vancouver, British Columbia.

15 I learned from the Utilities  
16 Commission website that the law requires that  
17 utility companies must provide reasonably good  
18 service and must be fairly paid for doing so. In  
19 setting prices, the Commission must be fair and  
20 reasonable to both the public utilities and their  
21 customers. It's a quote from your website. My  
22 opinion is that Carolina Water Service is not  
23 providing reasonably good service and that  
24 Carolina Water Service is already being paid a

1 rate comparable to public utilities providing a  
2 much better quality product and service. I think  
3 that Carolina Water Service quality has  
4 deteriorated significantly in the last nine  
5 months and, during that time, Carolina Water  
6 Service has failed to consistently notify  
7 customers in a timely manner of water quality  
8 issues. There have also been water quality  
9 issues where no notification was received from  
10 Carolina Water Service. As a result, residents  
11 in our area served by Carolina Water Service have  
12 had increased home infiltra- -- excuse me,  
13 increased in-home filtration costs, the need to  
14 purchase bottled water or to boil water for human  
15 consumption, and clothing and bed linen stained  
16 due to poor water quality.

17 I am regularly seeing total  
18 dissolved solids, or TDS, readings of greater  
19 than 100 parts per million for my water. This  
20 morning, the reading with 235 parts per million.  
21 By contrast, cheap bottled water has a TDS  
22 reading of approximately .05 ppm and small filter  
23 systems produce water with a TDS reading of less  
24 than 0.01. This means that my water quality --

1       excuse me, this means that my water this morning  
2       from Carolina Water Service had approximately  
3       4600 times more TDS than a gallon of spring water  
4       from Walmart. That's about one gram of TDS that  
5       people are consuming for every two gallons of  
6       Carolina Water Service water. Clearly, Carolina  
7       Water Service is not producing a reasonably good  
8       product.

9                       I understand that a high mineral  
10       content can be expected in ground water systems  
11       and that flushing is a common solution to  
12       alleviate the high content. Due to the water  
13       quality and outages we have experienced in the  
14       Belvedere Plantation Subdivision in Hampstead, I  
15       question whether or not Carolina Water Service  
16       has maintained a proper flushing and preventative  
17       maintenance schedule to ensure a reasonably good  
18       and reliable product to N.C. residents. I also  
19       question whether Carolina Water Service has  
20       complied with notification requirements set forth  
21       by your Commission and the NC Department of  
22       Environmental Quality.

23                      I've also heard that at least one  
24       home sale was terminated after the prospective

1 buyer learned of the water quality issues in our  
2 neighborhood. The real or perceived loss of  
3 property values in our neighborhood could become  
4 a significant additional cost to customers of  
5 Carolina Water Service.

6 Regarding a utility being fairly  
7 paid, my water rate is currently on par with the  
8 rate charged by Pender County. My research shows  
9 the following water rates in my area; I didn't  
10 show wastewater; and I have a table in here. But  
11 for Carolina Water Service, it's already been  
12 stated that it's about \$6.40 per 1000 gallons,  
13 it's \$22.40 per month is the basic fee. Pender  
14 County is \$27.50 per month as the basic fee at  
15 \$6.50 per 1000 gallons. Cape Fear Public Utility  
16 Authority is \$33.34 as a base monthly fee and  
17 it's \$3.85 per 1000 gallons. And Aqua North  
18 Carolina charges in the Cape Fear Subdivision in  
19 the New Hanover County area just south of  
20 Wilmington, they charge \$21.09 per month and they  
21 charge a hundred -- excuse me, \$1.42 per  
22 1000 gallons.

23 Belvedere Plantation in Hampstead and the  
24 Cape Fear Subdivision, which is approximately a

1 thousand homes near Wilmington, are similar golf  
2 course communities where the water is provided by  
3 private utilities. While the base water rate per  
4 month is comparable, Carolina Water Service is  
5 currently charging residents over four times more what  
6 Aqua is charging for water usage. It appears to me  
7 that Carolina Water Service is currently getting a  
8 more than reasonable rate or fair rate without  
9 providing a reasonable product.

10 Therefore, I respectfully request that the  
11 Commission reject the rate increase requested by  
12 Carolina Water Service. I also request the Commission  
13 take steps to determine whether or not Carolina Water  
14 Service should maintain their franchise or certificate  
15 of authority versus moving the affected residents to  
16 the Pender County water -- the Pender County Utilities  
17 Department system. My understanding is that the  
18 respective water systems are interconnected for  
19 emergency needs so it seems like a simple matter to  
20 switch residents to a better system. My opinion is  
21 that Carolina Water Service has not reinvested  
22 properly into our NC community and, therefore, does  
23 not deserve to continue to be permitted to serve our  
24 NC community.

1 I also request the Commission and its  
2 counterparts in NC DEQ to conduct a thorough audit of  
3 Carolina Water Service facilities and their records  
4 provided to the respective agencies to ensure that  
5 Carolina Water Service is following the procedures  
6 required to provide safe and reliable water to our NC  
7 community. Thank you for your time.

8 Q Did you read that verbatim from --

9 A I did.

10 Q So we will not use that as an exhibit because it  
11 will be transcribed and on the website. I have  
12 some follow-up questions. You said the water  
13 quality has deteriorated the last nine months.  
14 Can you describe in what way it's deteriorated?  
15 Are you getting more brown or black or --

16 A Well, I've been there about four years and - this  
17 is my fifth year coming up - and we've noticed  
18 that in the last nine months there have been  
19 numerous outages which have already been talked  
20 about. I think there's probably been about six.  
21 We sometimes receive notice, sometimes we don't.  
22 If we do receive notice of any water quality  
23 issues, boil advisories, anything like that, it's  
24 well after the water quality -- in other words,



1 we have to sample the -- we have to take a glass  
2 of water in the morning to look at it to see if  
3 you can use it each day, to see the quality of  
4 the water. You can't simply just get up and  
5 brush your teeth or use the water because you  
6 don't know what you're going to get. Each day is  
7 a different situation. It has gotten -- and I  
8 have attached pictures to the information that I  
9 read and the dates on the -- when the water was  
10 sampled.

11 Q You have that in --

12 A In the document that I gave you.

13 Q You didn't read that, those dates did you?

14 A Well, I can read them.

15 Q Oh, no, no. So you did not read it verbatim?

16 A Oh, I'm sorry, I -- the part --

17 Q You almost read it verbatim.

18 A The letter part up to the signature.

19 MR. GRANTMYRE: We would ask that, since he  
20 didn't read it verbatim, we identify that as Drewry  
21 Exhibit 1 and we --

22 CHAIRMAN FINLEY: It shall be so marked.

23 MR. GRANTMYRE: -- will have that as an  
24 exhibit.

1 CHAIRMAN FINLEY: So marked.

2 MR. GRANTMYRE: Okay.

3 Drewry Exhibit 1

4 (Identified)

5 MR. GRANTMYRE: If you will just put it on  
6 the counter there I'll get it in a minute.

7 BY MR. GRANTMYRE:

8 Q Now, you also indicated that the flushing, they  
9 have not maintained proper flushing. How often  
10 do they flush that you've noticed?

11 A It would seem to me that they were flushing  
12 semi-annual up until about the last nine months.

13 Q Okay. And did they send you advance notices of  
14 the semi-annual flushing, either by letter, email  
15 or telephone call?

16 A I have received those in the past, not in the  
17 last year or two.

18 Q Thank you. Now, you were really good with your  
19 numbers there, your parts per million and your  
20 graph, are you a chemist?

21 A I am not.

22 Q Okay.

23 A I'm a trained accountant.

24 Q You're an accountant?

1 A Well, I'm a computer programmer but I was -- my  
2 educational background is accounting.

3 MR. GRANTMYRE: Okay. Thank you. No  
4 further questions.

5 MS. SANFORD: I have just a couple of  
6 questions.

7 THE WITNESS: Sure.

8 CROSS EXAMINATION

9 BY MS. SANFORD:

10 Q I am not an accountant and I'm not going to do  
11 math in public here, but I wanted to ask you a  
12 couple of questions about your table to be sure I  
13 understand it. I'll try to do some math  
14 privately later. With respect to, this is page 2  
15 of 7 of your document.

16 A I understand.

17 Q These monthly fees and 1000 gallon rates that you  
18 have listed here, particularly with respect to  
19 Carolina Water Service where you show a base  
20 monthly fee of \$22.40 and a charge per 1000  
21 gallons of \$6.40, is that current rate or  
22 requested rate?

23 A That's the rate I obtained from my bill that I  
24 received two days ago.

1 Q So that's current.

2 A Yes.

3 Q And the same for these others.

4 A The other rates I obtained from the internet,  
5 searching on the internet and by querying the  
6 respective providers for a one inch meter.

7 Q Okay. Thank you. One more question, and I hope  
8 I'm allowed to ask this. I can't remember if you  
9 spoke to it. Do you know what your average usage  
10 is per month?

11 A I don't know the gallons but our bill runs about  
12 \$107 to \$115.

13 Q Water?

14 A That's water and sewer combined.

15 Q Okay. Thank you.

16 A And the rates that I showed were water only, not  
17 wastewater.

18 CHAIRMAN FINLEY: Other questions of  
19 Mr. Drewry? Thank you, Mr. Drewry.

20 (The witness is excused.)

21 MR. GRANTMYRE: Earnest Chance.

22 **EARNEST CHANCE;** was duly sworn and  
23 testified as follows:  
24

## 1 DIRECT EXAMINATION

2 BY MR. GRANTMYRE:

3 Q Please state your name and your address.

4 A Yes. My name is Earnest Thomas Chance, Jr. I  
5 live at 122 Treasure Island Way.

6 Q And that is in Treasure Cove Subdivision?

7 A Yes, sir.

8 Q Please proceed with your statement.

9 A Yes, sir. I reside in the house directly across  
10 the street from one of the water wells, all  
11 right. And the first thing I'll say is  
12 everything that has already been said from the  
13 residents of Treasure Cove I support 100 percent  
14 and it's all correct from my view. I would like  
15 to highlight, though, it is not only a 305  
16 percent increase in usage, it's an 85 percent  
17 increase in the flat rate.18 They sent a 18-page document out  
19 that hardly anyone in our neighborhood could  
20 understand. I have a masters degree in finance  
21 and it took me about two weeks to decipher this  
22 18-page document and how it was going to affect  
23 me. On page 16, it states that it's 161 percent  
24 increase that shows a usage of about 3900

1 gallons. I have a family of four. My usage is  
2 about 7000 gallons on average. I compared these  
3 rate increases to six of my neighbors' water  
4 bills, all six of them will increase by four  
5 times the current amount.

6 Q When you say current amount, you're talking about  
7 the current rate per 1000 gallons or are you  
8 talking about --

9 A I took what they used per the 1000 gallons for  
10 the month and multiplied that by the new proposed  
11 rate and then I added the increase in the rate of  
12 the flat fee --

13 Q The base charge?

14 A -- the base charge because the base charge goes  
15 from \$14.50 to \$26.95. I took all of those and  
16 every one of the bills. The average bill went  
17 from like \$40 a month to \$160 and, no, that does  
18 not include sewer. Sewage is a whole complete  
19 different bill out there; it's not even tied  
20 together. The bill -- the 18-page document  
21 talked about uniformity of rates across North  
22 Carolina but, unfortunately, that should come  
23 with uniformity of service. And how they can  
24 propose a \$7.70 per 1000 gallons in Treasure Cove

1 when the City of Wilmington pays \$3.85, it's not  
2 justifiable.

3 I've lived in my location for five  
4 years, going on the fifth year right now. I can  
5 tell you they have never ever sent out a boil  
6 water alert and I've seen them repair the line  
7 across the street from me numerous of times.  
8 I've never received a notice of boil alert. Ever  
9 since I've moved into my neighborhood, I have  
10 never used the water for drinking. We have a  
11 water service that costs an additional \$35 a  
12 month for a family of four. Now, my family is  
13 military, prior military so we probably drink a  
14 little more water than most maybe but I'm not  
15 sure, but that's what it costs us. So, in  
16 addition to my monthly bill, I've got to pay  
17 another \$35 on top of that.

18 The repairs made were always made  
19 without notice. I see the trucks over there all  
20 the time.

21 The last thing I'd like to address  
22 about this, if they want this increase, is they  
23 need to maintain the facility that I look at  
24 every single morning when I walk out my door.

1 Now, about seven or eight months ago maybe before  
2 this merger went down, I'm not sure, they did  
3 come in and they put some new vinyl siding on the  
4 buildings to make it look new but they didn't do  
5 nothing to the inside. They cut the grass.  
6 They've never maintained the ditch over there  
7 which has caused my own personal house to flood  
8 three times in 18 months, because the growth in  
9 the ditch across the street that they're  
10 responsible to maintain has never been cut. The  
11 yard over there is cut with a guy on a riding  
12 lawn mower and he does it in about 15 minutes and  
13 he's out of there. The fence that barricades  
14 that area off has been destructed and rotten.  
15 These fences cost \$5.00 to repair. It's not on  
16 my property so I don't repair it but obviously I  
17 have to look at it every day.

18 All I'm asking for is if they want  
19 this increase, this -- especially this  
20 substantial amount of increase which it's four  
21 times -- it's very misleading on page 16 of the  
22 document. It's very extremely misleading.  
23 3900 gallons of water is not a lot of water. One  
24 of my neighbors that I actually looked at her



1 water bill and tested lives alone. She's a  
2 single person in the neighborhood and her water  
3 usage was above what they claim to be the average  
4 of 3900 gallons.

5 These bills are going to increase  
6 if this is approved, this rate is approved at  
7 this current rate, they're going to increase four  
8 times the amount. We're going to go from paying  
9 \$40 a month to \$160 per month which will then  
10 make my water bill the highest utility bill in my  
11 entire house, and we do conserve water.

12 So, with that, I have nothing  
13 further to say except for I just want to make  
14 sure that it's on the record that I agree with  
15 every statement every person made up here with  
16 regards to this Company.

17 Q Just a couple of follow-up questions. You say  
18 when they repaired a line across the street,  
19 they've done that a couple of times.

20 A Yes, sir.

21 Q And was there a water outage? Were you without  
22 water when they --

23 A No, sir. No, sir. There's not a water outage  
24 when they do these because there's multiple wells

1 on this system.

2 Q Okay. So they don't single -- close the valves?  
3 Are they doing a service line, a small line or  
4 the water main?

5 A It's got to be a main line coming out of there  
6 because it's right at the well every single time.

7 Q Oh, at the well.

8 A It's right at the well every single time. This  
9 is a lot that is literally across from my house  
10 where this well sits. Mostly these people in  
11 here know who I am now because I just said that.  
12 They've seen my house flood three or four times.  
13 This is right across the street from my house.  
14 I'm in the construction business. I understand  
15 what it means when an Excavator 300 rolls up.  
16 That means they're going for the deep pipe,  
17 otherwise, you'd have a Bobcat that could get you  
18 down to six or seven feet. But they roll in,  
19 they repair it, it's quick, and they're in and  
20 out. But all I'm saying is I recognize it  
21 immediately and I have never received any  
22 notification from CWS that a repair was made and  
23 it should have been boiled. Because we all know  
24 that even if they turn the valves off and change

1 the water around, that water still has to be  
2 boiled. It's coming through that system for 24  
3 hours. There's no way for them to flush an  
4 internal line in the middle of a system.

5 Q With respect to the consumption that you talked  
6 about, you said that your water usage is  
7 approximately 7000 gallons a month; is that  
8 correct?

9 A Yes, sir.

10 Q And you also looked at the bills of several of  
11 your neighbors and they were about 7000 a month  
12 or in the same general range?

13 A Everybody seemed to be somewhere in that general  
14 range than some people that used more irrigation.  
15 And, just to be clear, I don't use any irrigation  
16 whatsoever.

17 Q Now, you understand the 3900 gallons that they  
18 listed in the notice, that's their statewide  
19 average, that doesn't really single out Treasure  
20 Cove?

21 A Again, the document is very misleading then  
22 because you're using a statewide average and  
23 you're going to tell us that our rates are going  
24 to increase 161 percent when actually it's going

1 to increase four times what we're paying.

2 Q So if, in fact, you use, let's say 7000 gallons  
3 which is 3100 gallons more than the 3900 that  
4 they list, your commodity charge portion would go  
5 up way more than the 305 percent because you're  
6 using a lot more water; is that correct? Is that  
7 what you're saying?

8 A Well, the actual commodity -- if you take \$1.90  
9 to \$7.70, that's a 305 percent increase, as one  
10 of my neighbors just said up here. However,  
11 there's an additional 85 percent increase in the  
12 base flat rate alone because the base flat rate  
13 goes from \$14.50 to \$26.95. When you take the  
14 average gallon usage per numbers and put it to  
15 those numbers, you get 161 percent increase in  
16 this docket, which is the highest increase  
17 proposed; 161 percent is what you get in this  
18 document. That information is extremely  
19 misleading when you apply it to the actual bill.  
20 When you apply the numbers to the actual bill,  
21 it's on average three and a half to four times  
22 more than what we are currently paying right now  
23 is what the end result is going to be. No matter  
24 how they've, the financial wizards of whoever,

1       formed it in this document because that's how  
2       it's done. It's not based on Treasure Cove's  
3       usage and it's not -- average usage -- and it's  
4       not based on what's really going to happen to the  
5       customer. Now, what this did was, because  
6       there's a lot of retirees that live in Treasure  
7       Cove; there's a lot of people that's been there  
8       for a long time; there's a lot of people that  
9       never read this document. This document was  
10      never read and never interpreted and understood  
11      that it was a 305 percent and an 85 percent  
12      increase. I personally with another neighbor  
13      went around to every single mailbox that was hit  
14      by this thing and put a flyer in there and  
15      brought it up to their attention that it's an  
16      85 percent increase and a 305 percent increase.  
17      What's in the document is misleading, not to  
18      mention it's a very complicated document that  
19      when you first looked at it, they've mentioned  
20      all of the meter sizes. Well, I know from being  
21      in the business, and I'll tell everybody in  
22      Treasure Cove, nobody has a meter that's an inch  
23      and a half, nobody. They're residential meters,  
24      they're all one inch or less. But they sent us a

1 document that showed meters at an inch and a  
2 half, two inches, three inches, and everybody  
3 doesn't know what size meter they have, well,  
4 those are for commercial. An inch and a half and  
5 above gets into the commercial world. Very few  
6 people would have an inch and a half and nobody  
7 in Treasure Cove I believe has an inch and a  
8 half.

9 All of the meter boxes leak. I  
10 cannot turn the water off to my house right now.  
11 I cannot turn the water off to my house right  
12 now. I've had CWS employees stand right beside  
13 me and tell me we're not changing meters.

14 So all I'm asking is that if  
15 they're going to authorize this kind of increase  
16 from the Commission then I wish you would really  
17 consider what it's going to impact, the end  
18 customer. And if uniformity of rates is going to  
19 mean uniformity because that's in the document  
20 that they submitted, that it said uniformity of  
21 rates, then this uniformity of rates should go  
22 with uniformity of the service. And, if  
23 uniformity of rates are going to be the uniform,  
24 then how come the City of Wilmington through the

1 Cape Fear Public Authority pays \$3.85? And I'd  
2 also like to highlight the fact that the last  
3 gentleman on the stand brought up is the fact  
4 that CWS, yes, is owned by Illinois and it is a  
5 subsidiary owned by someone else in a foreign  
6 country. And as a veteran, I'd like that to be  
7 really be brought out. Yeah, I know Canada is  
8 our friendly neighbor but it's still a foreign  
9 country. And that should be something that is  
10 brought to light, that they came in and bought  
11 this instead of our own Cape Fear Public  
12 Authority buying this company and buying this  
13 system, they came in and bought it. Now, did  
14 they come in and buy it to make a bunch of money,  
15 I don't know, but this does appear that that's  
16 what it's about.

17 MR. GRANTMYRE: Thank you. I have no  
18 further questions.

19 MS. SANFORD: No questions. Thank you.

20 CHAIRMAN FINLEY: Thank you, Mr. Chance.

21 (The witness is excused.)

22 MR. GRANTMYRE: Tom Mathis.

23 CHAIRMAN FINLEY: How many more names do you  
24 have, Mr. Grantmyre?

1 MR. GRANTMYRE: One.

2 TOM MATHIS; was duly sworn and  
3 testified as follows:

4 DIRECT EXAMINATION

5 BY MR. GRANTMYRE:

6 Q Please state your name and your address.

7 A It's Thomas H. Mathis at 105 Robert Stephenson  
8 Drive in Treasure Cove.

9 Q Please proceed with your statement.

10 A Mr. Chance is my neighbor, and we need to thank  
11 him by the way for his service to our country.  
12 We were the ones that did deliver the notices to  
13 the mailboxes in Treasure Cove, North Hills, Glen  
14 Arbor, and Register Place. Everything that all  
15 of my neighbors have said so far, I agree, like  
16 Earnie said, 100 percent.

17 And I want to clarify one thing  
18 which Earnie was discussing, and he was talking  
19 about my bill, my personal bill. And, if anybody  
20 knows who I am, they know that I water my yard in  
21 the spring a lot. I really like my yard. So in  
22 the month of June my bill under the current rate  
23 came in at \$48.32. We had the base rate of  
24 \$14.95 and then the water usage of \$1.70 per



1 1000 gallons. Now, I expect a high bill in the  
2 month of June, that's spring. Okay, I do that  
3 one time, I get the yard going, and then I back  
4 off. With this new increase that we're going to  
5 get hit with, 85 percent increase in the base  
6 rate, 305 percent increase in the water usage, my  
7 \$48.32 bill is going to go a \$164.01. It's  
8 absurd, totally absurd. I have to back off.  
9 Next year my yard, if this increase goes through,  
10 it's going to be dust, it's gone.

11 I can't afford this, I'm retired.  
12 I look out here and I see there's a lot of other  
13 people out who are probably my age. I'm retired.  
14 I'm on social security. Is the U.S. Government  
15 going to give me an 85 percent increase next year  
16 in social security or a 305 percent increase in  
17 my social security next year? No way. So I've  
18 got to make some changes, I understand that. I  
19 understand that a company has to maybe propose  
20 some increases, if they're going to explain to us  
21 possibly a five-year capital expenditure plan.  
22 Show me a plan where you're going to use all of  
23 this extra money to improve, as everybody has  
24 indicated, the poor service that we've had.

1 We've been in our house since 1996. We're one of  
2 the older people out there in that community, in  
3 Treasure Cove.

4 I asked Ms. Gina, Gina  
5 Casselberry -- these are all of the emails by the  
6 way that we've shared since we got the package --  
7 I asked her and she was kind enough to send to me  
8 the application that CWS sent to you all to try  
9 to find out why, what was the justification,  
10 where is it in the application? And I don't know  
11 if anybody out here has seen this application,  
12 it's about 18 pdf files. You have to be a tax  
13 accountant, a tax attorney, or a lawyer to  
14 understand this application. It is so convoluted  
15 it is unbelievable. Nowhere - I read the whole  
16 thing - nowhere did I find in there any, any  
17 justification for this increase. The only thing  
18 that Earnie and I found was the words "it has to  
19 be uniform" but there was nothing there. So we  
20 said okay, uniform, let's be uniform to what's  
21 happening with the City of Wilmington, which he  
22 stated the rate in the City of Wilmington is  
23 \$3.85 per 1000 gallons. Personally, I would  
24 accept that. We're paying \$1.90 now. If it went

1 to \$3.85, I could accept that, but I would like  
2 to see some improvements as our other speakers  
3 mentioned. So my point is and I think -- Gina,  
4 you have a copy of this that I sent to you for  
5 the record and then you have a copy of that --  
6 this is what we put on everybody's mailbox.

7 MS. CASSELBERRY: (Nods head affirmatively).

8 A I need for CWS to explain to me in detail how  
9 they can justify an 85 percent increase in the  
10 flat rate and a 305 percent increase in the water  
11 usage rate. And you, as Commissioners, I hope  
12 you seriously look at this and see how convoluted  
13 it is and how ridiculous this increase request  
14 is. Thank you.

15 MR. GRANTMYRE: I have no further questions.

16 MS. SANFORD: I have one question.

17 THE WITNESS: Sure.

18 CROSS EXAMINATION

19 BY MS. SANFORD:

20 Q Is a copy of the notice in the mailbox in the  
21 record or --

22 MS. CASSELBERRY: I think -- I think --

23 A What we put in the mailboxes?

24 Q Yes.

1 A I can give you a copy.

2 CHAIRMAN FINLEY: Have you got a copy there,  
3 Mr. Mathis?

4 THE WITNESS: I sure do.

5 CHAIRMAN FINLEY: We'll mark that as Mathis  
6 Exhibit 1.

7 Mathis Exhibit 1

8 (Identified)

9 CHAIRMAN FINLEY: Thank you, sir.

10 A That probably went to maybe 300 households in the  
11 five subdivisions in the Ogden area.

12 MS. SANFORD: Thank you.

13 CHAIRMAN FINLEY: Anything else,  
14 Ms. Sanford?

15 MS. SANFORD: No, sir.

16 CHAIRMAN FINLEY: Commissioner Brown-Bland  
17 has a question for you, Mr. Mathis.

18 EXAMINATION

19 BY COMMISSIONER BROWN-BLAND:

20 Q Mr. Mathis, outside of this rate case, between  
21 the last rate case and this rate case, or in  
22 between any others, these complaints that we are  
23 hearing here tonight that you say you agree fully  
24 with, do you know if there was an occasion of

1 anybody raising them with the Company, or was  
2 this, coming to the Commission your only  
3 opportunity to do so?

4 A You're asking if we've had other rate increases?

5 Q No. In between rate increases, outside of a rate  
6 case, have you made complaints to the Company  
7 about the service level, quality of the water,  
8 leaky meters, or anything?

9 A Personally, me, no. No.

10 Q And was there a reason for that or was it --

11 A I used to work for the City of Wilmington many  
12 years ago when I was much younger, and there's an  
13 old saying "you can't fight city hall" and that's  
14 kind of the way a lot us common folk feel, that  
15 when something like this happens we're not going  
16 to win. Nobody is going to listen to us. I am  
17 really happy y'all came tonight. I'm just  
18 tickled to death that some people woke up and  
19 read this thing and came.

20 The system out there is very old.  
21 And these houses out there were built in Treasure  
22 Cove in 1972, and it was built to the standards  
23 of 1972. I used to work for the City's County  
24 Planning Department and it was adequate. It was

1           adequate at that time. It's not adequate now, no  
2           way. And that's why I don't think -- that's why  
3           Cape Fear Public Utility didn't buy it. They  
4           didn't want the headache.

5   Q       You do know who to call if you do have  
6           complaints?

7   A       I learned, yes, I sure did, yes.

8   Q       Thank you.

9   A       But I really haven't had any, myself, any  
10          personal issues. What they talked about, all the  
11          dirty water, and all the other things, oh, yes,  
12          but you -- I just live with it.

13   Q       Thank you.

14   A       You just have to pay for -- I've paid for four  
15          different hot water heaters over the years. I'm  
16          sorry.

17               CHAIRMAN FINLEY: Thank you, Mr. Mathis.

18               THE WITNESS: Thank you.

19                       (The witness is excused.)

20               MR. GRANTMYRE: Mandy Ware.

21   **MANDY WARE;**               was duly sworn and  
22                               testified as follows:  
23  
24

## 1 DIRECT EXAMINATION

2 BY MR. GRANTMYRE:

3 Q Could you please state your name and your  
4 address?5 A Sure. My name is Mandy Ware. I live at 2909  
6 Country Club Drive in Hampstead, North Carolina.

7 Q Now is that Belvedere?

8 A It is not.

9 Q Okay. So you -- are you a customer of the  
10 Company?

11 A I am.

12 Q Do you get your water from Belvedere or the  
13 Treasure Cove system or Olde North Point?

14 A Belvedere.

15 Q Okay. Go ahead.

16 A Not within the sub- -- I don't like within the  
17 subdivision.

18 Q But you get your water from Belvedere?

19 A Yes.

20 Q Thank you.

21 A You're welcome.

22 Q Please proceed.

23 A Sure. I came here today as a concerned citizen  
24 and mother.

1 CHAIRMAN FINLEY: Speak up a little bit  
2 there, Ms. Ware, so the rest of the folks can hear  
3 you.

4 A Sorry. Sure. I come here today as a concerned  
5 citizen and mother. I'm a stay-at-home mom and I  
6 have a four-year-old and three-year-old. My  
7 expectations for my water company are not  
8 extraordinary. They are quality and  
9 communication. And I feel in this juncture that  
10 I have not received an adequate expectation for  
11 those things.

12 It concerns me to have a rate  
13 increase at this point since my budget, I'm sure  
14 as others are as well, is extremely tight. It is  
15 very tender and the smallest dollar amount can  
16 tip the scales for us on a week-to-week basis.

17 My base rate is the \$22.40, just  
18 as base. I do the \$6.40 per 1000 gallons so at  
19 this point mine will increase to \$26.95 as a base  
20 rate, and \$7.70 as a per 1000 gallon. My average  
21 water usage is 5,108 gallons per month. The  
22 increase is not extraordinary especially not as  
23 others have just mentioned; however, I currently  
24 buy bottled water and gallon water whether I need



1       it or not at that particular time as a  
2       precautionary because I cannot be left without  
3       functioning water for my children while I am at  
4       home every day. And at this point I cannot count  
5       on communication from Utilities, Inc., to provide  
6       me with adequate timing and notice for me to go  
7       purchase those items if need be.

8               Currently, right now in my home I  
9       have brown water. I have not been able to bathe  
10      my children in three days. I had to go to a  
11      friend's home to utilize their water. I dare not  
12      drink it. My four-year-old knows that that water  
13      does not look safe to drink. Even though with  
14      communications from operating services have told  
15      me that however the water is not aesthetically  
16      pleasing, it is safe to drink. I would wager  
17      that no one in here would have drank that water  
18      let alone my four-year-old who does not  
19      necessarily know any better.

20              I don't know if I'm allowed to  
21      show this or not, but I cleaned my bathtub out  
22      and the --

23      Q       Is that a picture?

24      A       No, it is --

1 Q You can show that.

2 A This is what I wiped my bathtub -- this is what I  
3 wiped out of my bathtub before I came here.

4 Q Can you describe what that is?

5 A It's a wet wipe that you would use like on your  
6 child. I filled my bathtub up, I drained it and  
7 this is what I wiped up, and that was not all  
8 wiped up from one. I obviously had to go and use  
9 further than that.

10 Q And what color would you describe that as?

11 A Gray and brown.

12 Q Okay. And how often do you have this situation  
13 in the bathtub that you have to wipe it like  
14 this?

15 A At any point in which we are experiencing a  
16 discoloration of our water.

17 Q And how often does that occur approximately?

18 A Let's see, this month so far just the 21st, 22nd  
19 and the 23rd, which is currently today. And the  
20 month of July, the 12th, 13th, 14th and 15th, as  
21 well as the 28th, 29th, 30th and 31st. Once in  
22 the month of June. At that point I was not  
23 recording the actual dates of these things.  
24 Twice in the month of May and twice in the month

1 of March. Not all of which did I receive 100  
2 percent communication from and definitely none  
3 prior to the situation that I called to inform  
4 them that I had noticed.

5 Q You're reading from a chart that has a lot of the  
6 dates. Have you read all of the dates or have  
7 you just kind of summarized it so far?

8 A I read all of the dates that I have written down.

9 Q Okay. And those dates was either brown water, or  
10 gray water, or black water?

11 A Yes, to the point in which I either could not  
12 bathe my children, use my water for consumption,  
13 cooking, cleaning, washing of hands, brushing of  
14 teeth, which you can imagine with a  
15 three-year-old and a four-year-old becomes a very  
16 tiresome and inconvenient day. And to have to  
17 lean upon your village of other stay-at-home  
18 mothers which are so gracious to let us do that,  
19 but it is a strain on our gas, which we are very  
20 tender on, a strain on my good nature which is to  
21 provide them with some kind of compensation for  
22 using their home; the bottled water that I  
23 already pay for so that I know that that morning  
24 I will have water to brush my teeth with. This

1 rate increase will be an addition to what I  
2 already personally prepare for which I don't feel  
3 that I should have to do since I pay for a  
4 service that I have no alternative to go to. I'm  
5 not -- I don't have the luxury of letting my  
6 money speak for my discontent because there is no  
7 alternative to spend my money on.

8 Q Now, with respect to these houses that you go to,  
9 your friends to bathe the children, I take it  
10 these are persons, friends of yours that are not  
11 on the Belvedere water system?

12 A No, most of them are on ONWASA.

13 Q ONWASA. ONWASA?

14 A Onslow County.

15 Q Oh, Onslow County?

16 A Yes.

17 Q Okay. Thank you.

18 A So about 15 minutes so.

19 MR. GRANTMYRE: I have no further questions.  
20 I would ask that the sample of the wipe be identified  
21 as Ware Exhibit 1?

22 CHAIRMAN FINLEY: We'll identify it. Are  
23 you going to keep up with it?

24 MR. GRANTMYRE: Absolutely.

1 CHAIRMAN FINLEY: All right. So marked.

2 Ware Exhibit 1

3 (Identified)

4 THE WITNESS: Thank you.

5 CHAIRMAN FINLEY: Other questions?

6 MS. SANFORD: I have no questions. Thank  
7 you.

8 CHAIRMAN FINLEY: Thank you, Ms. Ware,  
9 appreciate you coming tonight.

10 THE WITNESS: Thank you so much. I  
11 appreciate it.

12 (The witness is excused.)

13 MR. GRANTMYRE: Chairman Finley, that is the  
14 last person that has signed up. I don't know if  
15 anyone else wants to testify. I'm going to retrieve  
16 my exhibit here.

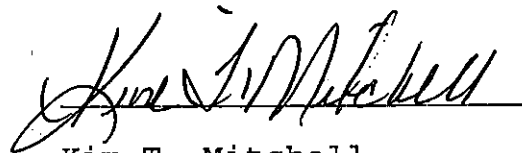
17 CHAIRMAN FINLEY: All right. Thank you,  
18 ladies and gentlemen, for coming out tonight. We  
19 appreciate what you've had to say. This is the one of  
20 a number of hearings that we have had and will have.  
21 We have another one in Raleigh Monday night and then  
22 we will have, as we mentioned in the opening  
23 statement, the technical part of the statement, where  
24 we will hear the experts from the Company and the

1 experts from the Public Staff. Ms. Casselberry and  
2 others will be auditing all of the numbers that  
3 Carolina Water Service has filed and the -- filed in  
4 their testimony and come up with their recommendation  
5 as to what increase, if any, they believe that the  
6 Company should have. And after we've heard all of the  
7 testimony, the Commission will have to issue a written  
8 order that will attempt to resolve all of the issues  
9 and we will take into account the service complaints,  
10 the other complaints and the other issues that you all  
11 have raised here tonight, and that other customers  
12 have raised throughout their systems. You can follow  
13 all of this on the web page. You're welcome to come  
14 to Raleigh and hear more about it in person if you'd  
15 like. But thank you for coming out tonight and this  
16 hearing will be adjourned.

17 (WHEREUPON, the proceedings were adjourned.)  
18  
19  
20  
21  
22  
23  
24

## C E R T I F I C A T E

I, KIM T. MITCHELL, DO HEREBY CERTIFY that  
the Proceedings in the above-captioned matter were  
taken before me, that I did report in stenographic  
shorthand the Proceedings set forth herein, and the  
foregoing pages are a true and correct transcription  
to the best of my ability.



Kim T. Mitchell  
Court Reporter II