

OFFICIAL COPY

Jarvis, Lynn

From: Hinton, Lemuel
Sent: Thursday, September 21, 2017 1:14 PM
To: Jarvis, Lynn
Subject: FW: W-354 sub 356 Questions for Hearing 09202017
Attachments: W-354 sub 356 Questions for Hearing 09202017.docx

Lynn,

Please file this email and a copy of the questions attached thereto in Docket No. W-354 Sub 356.

Lemuel

From: Hinton, Lemuel
Sent: Thursday, September 21, 2017 1:11 PM
To: 'BenninkLawOffice@aol.com' <BenninkLawOffice@aol.com>; 'gina.holt@psncuc.nc.gov' <gina.holt@psncuc.nc.gov>; 'bhallen@theallenlawoffices.com' <bhallen@theallenlawoffices.com>
Cc: Hilburn, Freda <hilburn@ncuc.net>; Kite, Bliss <kite@ncuc.net>
Subject: W-354 sub 356 Questions for Hearing 09202017

As per your request, please see attached questions that were asked by the Commission during the hearing on this matter.

Lemuel W. Hinton
(919) 733-0836

E-mail correspondence to and from this address may be subject to the North Carolina Public Records Law and may be disclosed to third parties by an authorized state official.

**CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA
DOCKET NO. W-354, SUB 356
EVIDENTIARY HEARING 9/20/2017**

Questions for the Public Staff Witness Sonja Johnson:

1. On Johnson Exhibit I, Schedule 3-4, Line 1, Column (c), the amount of rate case expense for the current proceeding is \$424,336. Would the Public Staff file a late-filed exhibit which details the major components (i.e., legal fees [including rate per hour and number of hours], postage and stock for customer notices, consulting fees, allocated salaries and wages, etc.) of the \$424,336 amount?

[Late-filed exhibit]

2. Also on Johnson Exhibit I, Schedule 3-4, Line 5, Column (c), an amount of \$285,939 is listed and described as "Sub 344 unamortized rate case expense". Footnote [3] indicates that the \$285,939 amount is "[c]alculated base[d] on amount approved in prior rate cases". Would the Public Staff file a late-filed exhibit which details the specific rate case proceedings and unamortized amounts which comprise the \$285,939 amount?

[Late-filed exhibit]

3. On Page 16, beginning on Line 19, of your prefled testimony, you discuss your adjustment to Miscellaneous Expense which included an adjustment for the amortization of excess deferred income taxes. You testified that the treatment of excess deferred income taxes is consistent with the treatment in the Company's last rate case proceeding (Sub 344). Did the Company or the Public Staff include in this proceeding an adjustment to excess deferred income taxes for the decrease from 4% to 3% in the State corporate tax rate effective January 1, 2017?

If yes, could the Public Staff file a late-filed exhibit which provides a summary of that calculation?

[Late-filed exhibit]

4. In the Stipulation, at Page 8, in Paragraph 2. Test Period, it indicates that the test period is for the 12 months ended December 31, 2016, adjusted for changes occurring or becoming known through July 31, 2017, the last sentence states "In addition, several major construction projects completed and placed in service by the date of this Joint Stipulation, have been included in rate base." Whereas, in your pre-filed direct testimony at Page 8, in lines 16-18, you state "Direct plant in service was also adjusted to include actual costs for CWIP projects that have been completed and are in service as of September 13, 2017." Which date is correct July 31, 2017, as stated in the Stipulation or September 13, 2017? Can you tell us

what those major completed projects are and/or point us to an exhibit of such projects?

[Late-filed exhibit]

5. In regard to lease revenues received from cellular phone companies for antenna space on elevated storage tanks, you stated in your pre-filed direct testimony at Page 14, beginning at line 22 the Company "recorded these revenues as purchase water for BF/FH" (Bradfield Farms/Fairfield Harbour), therefore, you made a correction to include these in miscellaneous revenues. Based upon your audit of the current rate case application, does the Public Staff believe that CWSNC has improved the accuracy of its accounting classifications and journal entries in its books and records since the last rate case in 2015?

Questions for Public Staff Witness Gina Casselberry:

1. On Page 9, Line 14-15, of your prefiled testimony you state "[a]pproximately 75% of the cost to provide water service is fixed, and approximately 90% of the cost to provide sewer service is fixed". What is the source of those percentages? Do you have any information you could provide to the Commission to document those percentages?

[Late-filed exhibit]

Are you aware, have there been any recent updates published regarding these percentages of fixed costs for water and sewer operations?

2. On Page 24 of your testimony you explain your adjustment to purchased water expense. You state on Lines 9-10 that she has reduced purchased water expense for losses greater than 20 percent.

In the Carolina Water's last general rate case proceeding (W-354, Sub 344), you made an adjustment to reduce purchased water expense for losses greater than 15 percent. Has the water loss situation worsened since the 2015 rate case proceeding? Please explain.

3. On Page 26, beginning on Line 20 of your prefiled testimony, you testified that in order to reduce "rate shock" for the customers in Treasure Cove, the Parties agreed to recommend to the Commission the same rates stipulated for the Fairfield and Bradfield Farms customers rather than the stipulated CWSNC uniform rate.

Based upon a review of Exhibit F of the Stipulation, it appears that customers in the Clearwater water operations and Sapphire Valley sewer operations will absorb rate increases significantly greater than the other service areas listed on Exhibit F if the stipulated rates are approved by the Commission.

What is the Public Staff's explanation to the Clearwater water operations and the Sapphire Valley sewer operations for the significant rate increase for these two service areas if the stipulated rates are approved by the Commission?

Please explain the unique circumstances resulting in the Parties recommending a different rate for the Treasure Cove customers.

4. On Page 28 of your testimony, beginning on Line 6, you recommend that CWSNC implement metered sewer rates for customers in it Fairfield Harbour, Bradfield Farms, and Sapphire Valley service areas in the Company's next general rate case proceeding. Approximately how many customers does this involve?

[Late-filed exhibit]

5. In Exhibit D – Rate Comparisons for CWSNC Combined Operations attached to the Stipulation, at Page 1 of 10, in the Usage Charges (for water) under section C - Purchased Water for Resale, for the White Oak Plt./Lee Forest and Winston Plt./Winston Point service areas in Johnston County it shows a recommended usage charge of \$2.28 per 1,000 gallons, which is 30% less than the existing and proposed charge of \$3.25 per 1,000 gallons, is this the correct current rate?

In addition in the same Exhibit D, at Page 6 of 10, in the Usage Charge (for sewer) per 1,000 gallons based on purchased water, the exhibit shows for the White Oak Plt./Lee Forest and Winston Pt. service areas in Johnston County a recommended usage charge of \$4.82 per 1,000 gallons, which is a 6% increase over the existing and proposed charge of \$4.55 per 1,000 gallons, is this the correct current rate?

Questions for Public Staff Witness Lindsay Quant:

1. On Page 3 of your testimony you discuss your adjustment to testing expenses. You testified that your recommendation for testing expenses reflects, among other things, new testing requirements. Could you please describe and explain what these new testing requirements are?

Questions for CWSNC Witnesses Linneman and Mendenhall:

1. Can you provide the Commission an update regarding any recent GenX test results received by the Company?
2. Regarding your call center operations, are the customer service representatives provided specific information/training concerning CWSNC's regulated operations in North Carolina? For example, Public Staff witness Casselberry states on Page 20, Lines 2-6 of her prefiled testimony, that a customer from the Carolina Trace community testified at the Raleigh hearing that the call center was not

familiar with the 18 different property owners' associations (POAs) and that many times when a bill notice is required, the contacts the wrong POA representative. What information/training does the Company provide to the customer service representatives to improve upon this situation?

3. Public Staff witness Johnson adjusted "Maintenance Expenses-Salaries and Wages" on her Johnson Exhibit I, Schedule 3(a) and 3(b), Pages 1 of 2. For "CWSNC Water Operations" the increase in Column (b) to water salaries and wages was \$114,589, an increase of approximately 4%. For "CWSNC Sewer Operations" the increase in Column (b) to sewer salaries and wages was \$225,915, an increase of approximately 17%. Can you explain the overall increase in salaries and wages for CWSNC Operations uniform rate divisions, and in particular, the significant increase to sewer salaries and wages expense?

[Late-filed exhibit]

4. On Stipulation Exhibit B, Line 16, the revenue requirement impacts of the "[a]djustment to include actual GL additions" was significant for each of the four rate divisions listed. Could you please describe some of the significant plant improvements which were completed after the end of the test year but prior to today's hearing which contributed to the total stipulated increase to revenue requirement?

[Late-filed exhibit]

5. Public Staff witness Casselberry discusses on Page 20 of her testimony her adjustment to purchased water expense. She states on Lines 9-10 that she has reduced purchased water expense for losses greater than 20 percent. What is the Company presently doing (or planning to do) in order to reduce its percentage of water loss?

In the Carolina Water's last general rate case proceeding (W-354, Sub 344), witness Casselberry's adjustment was to reduce purchased water expense for losses greater than 15 percent. Has the water loss situation improved or worsened since the 2015 rate case proceeding?

NOTE: There were other questions asked by Commissioners during the hearing for which late-filed exhibits were required. See transcript.