

1 PLACE: Buncombe County Courthouse,
2 Asheville, North Carolina
3 DATE: October 9, 2019
4 DOCKET NO.: W-354, Sub 364
5 TIME IN SESSION: 6:59 P.M. TO 8:24 P.M.
6 BEFORE: Commissioner ToNola D. Brown-Bland, Presiding
7 Chair Charlotte A. Mitchell
8 Commissioner Lyons Gray
9 Commissioner Daniel G. Clodfelter

10

11

IN THE MATTER OF:

12

Application by

13

Carolina Water Service, Inc. of North Carolina,

14

4944 Parkway Plaza Boulevard, Suite 375,

15

Charlotte, North Carolina 28217

16

for Authority to Adjust and Increase Rates for Water

17

and Sewer Utility Service in

18

All of its Service Areas in North Carolina

19

20

VOLUME 4

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24

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2

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10

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14 North Carolina Utilities Commission

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16 Raleigh, North Carolina 27699-4300

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

2 COMMISSIONER BROWN-BLAND: Good evening. Let's
3 come to order and go on the record. I am Commissioner
4 ToNola D. Brown-Bland, the Presiding Commissioner for
5 this hearing, and with me this evening our Chair
6 Charlotte A Mitchell, Commissioners Lyons Gray, and
7 Daniel G. Clodfelter.

8 I now call for hearing Docket Number W-354, Sub
9 364, in the Matter of Application by Carolina Water
10 Service, Inc. of North Carolina for Authority to Increase
11 Rates for Water and Sewer Utility Service in All Service
12 Areas in North Carolina, and in Docket Number 354, Sub
13 363, in the Matter of Carolina Water Service, Inc. of
14 North Carolina for an Accounting Order to Defer
15 Incremental Storm Damage Expenses Incurred as a Result of
16 Hurricane Florence.

17 On June 28th, 2019, Carolina Water Service,
18 Inc. of North Carolina, hereinafter CWS or Company, filed
19 with the Commission an application seeking authority to
20 increase its rates for providing water and sewer utility
21 service in all of its service areas in North Carolina.
22 CWS seeks a 15.25 percent increase in water revenue and a
23 27.51 percent increase in wastewater revenues overall.
24 The Company states in its application that it seeks this

1 increase in rates primarily to recover significant
2 capital investment it has made in its water and
3 wastewater systems in North Carolina since its last rate
4 case. According to CWS, these investments were needed to
5 replace and rehabilitate aging infrastructure, to
6 modernize and increase efficiencies, and to recover from
7 damage resulting from Hurricane Florence.

8 On July 15, 2019, the Commission issued an
9 Order Establishing General Rate Case and Suspending
10 Rates.

11 On August 2nd, 2019, the Commission issued an
12 Order Scheduling Hearings and Requiring Customer Notice
13 which, among other things, scheduled this public witness
14 hearing for today, October 9th, 2019, at this time and
15 place and scheduled an evidentiary hearing for receiving
16 expert witness testimony beginning on December 2nd, 2019,
17 at 2:00 p.m. in Raleigh. Prior public hearings were held
18 in Charlotte, Manteo, and Boone respectively, and
19 additional public hearings will be held in Raleigh and
20 Jacksonville, North Carolina.

21 On August 22nd, 2019, Corolla Light Community
22 Association, Inc. filed a Petition to Intervene in this
23 matter, and that petition was granted by Commission Order
24 issued September 5th, 2019. The intervention and

1 participation of the Public Staff, who represents the
2 Using and Consuming Public, is recognized pursuant to
3 North Carolina Statute 62 -- General Statute 62-15(d) and
4 Commission Rule R1-19(e). The Commission has received a
5 number of consumer statements of position regarding the
6 Company's application, and those statements have been
7 filed in the Commission's docket in this matter.

8 Pursuant to the State Government Ethics Act, I
9 remind members of the Commission of our duty to avoid
10 conflicts of interest, and inquire at this time as to
11 whether any Commissioner has any known conflict of
12 interest with respect to this docket?

13 (No response.)

14 COMMISSIONER BROWN-BLAND: The record will
15 reflect that no conflicts were identified.

16 I now call on the parties to announce their
17 appearances for the record, beginning with the Company.

18 MS. SANFORD: Thank you, Commissioner Brown-
19 Bland, and thank you, Commissioners Gray, Clodfelter, and
20 Chair Mitchell.

21 I'm Jo Anne Sanford with Sanford Law Office
22 representing Carolina Water Service of North Carolina
23 tonight. We appreciate the opportunity to be here before
24 the Commission and before our customers, and I would like

1 to introduce some of the members of the Company, or all
2 the members of the Company who are here tonight and
3 available to speak with customers at the close of the
4 hearing. I'll ask them to stand. Excuse me. They are
5 Don Denton, the new President of Carolina Water in North
6 Carolina; Bryce Mendenhall, Vice President of Operations;
7 Tony Konsul, Regional Director; Dwayne Lytle, Lead
8 Operator; Gary Peacock, Area Manager; Stacy Adcock, Area
9 Manager; Phillip Murphy, Lead Operator; Deb Clark,
10 Communications Manager; and Neil Reece, the Area Manager.
11 And, again, they'll be available after the hearing to
12 assist any customers. And with that I would appreciate
13 your lead to make a brief opening statement after
14 introductions. Thank you.

15 COMMISSIONER BROWN-BLAND: All right. Thank
16 you, Ms. Sanford.

17 MS. HOLT: Good evening. I'm Gina Holt with
18 Public Staff on behalf of consumers, and with me at
19 counsel table Public Staff Water Engineer, Lindsay
20 Darden.

21 COMMISSIONER BROWN-BLAND: All right. Welcome,
22 everybody. Ms. Holt, would you also like to do any
23 opening statement or do you waive such?

24 MS. HOLT: I'll waive.

1 COMMISSIONER BROWN-BLAND: All right. Thank
2 you. Are there any preliminary matters that need to come
3 to the Commission's attention at this time?

4 MS. SANFORD: No.

5 MS. HOLT: No.

6 COMMISSIONER BROWN-BLAND: All right. Ms.
7 Holt, have you identified public witnesses who wish to
8 give testimony tonight?

9 MS. HOLT: I have.

10 COMMISSIONER BROWN-BLAND: All right. Before
11 we do that I just have a few remarks and then we will --
12 before we call the witnesses we will give way for Ms.
13 Sanford's opening statement.

14 The Commission is pleased to be here with you
15 tonight to hear from you about your concerns as they
16 pertain to the application by CWS. We're glad you're
17 able to be here.

18 As you heard in the opening statement, this
19 case arose when the Company filed its application for a
20 rate increase, and in response to that the Commission has
21 scheduled these hearings essentially in two parts. The
22 first part is the public witness hearings section of it,
23 and that's the part where we, the Utilities Commission,
24 come to you to hear about your concerns and what you

1 would like to tell us as customers of the Company. We
2 want to hear from you about anything that you have to
3 tell us about your service or about the application. And
4 many times at these proceedings issues and problems get
5 resolved when you have the opportunity to speak to the
6 Company representatives such as the ones Ms. Sanford
7 introduced to you earlier.

8 The second part of the proceeding is the
9 evidentiary hearing, and the parties in this case are the
10 Public Staff, the Company, and Corolla Light Community
11 Association. And at that evidentiary hearing those three
12 parties are able to call expert witnesses to give
13 testimony, and the experts are usually accountants,
14 engineers, or economists.

15 A little bit about the Public Staff who Ms.
16 Holt and Ms. Darden are here representing tonight, but
17 they represent the Using and Consuming Public. That
18 means you, the customers. They're independent from the
19 Commission and the commissioners. They do not work for
20 us. They work on your behalf and under the direction of
21 an Executive Director. They make their own conclusions
22 about the Company's filings and application. They don't
23 just accept them because they were filed, but they go out
24 and verify. They put the Company to the test. They

1 review the books. They make sure that the facilities
2 that are claimed to be in operation and invested in truly
3 are in operation and were invested in. And they have an
4 opportunity to question the Company before we get to the
5 hearing about anything that they have questions about to
6 be satisfied of the Company's answers, satisfied or not,
7 and then they make their position publicly known.

8 Now, for the hearing tonight, these
9 proceedings, if any of you have not been here before, are
10 in the nature of court proceedings. They're not in the
11 nature of a town hall or a protest meeting. It's an
12 opportunity for you to come forth and give evidence in
13 the case, and to do so you'll be sworn in and placed
14 under oath. The court reporter who is sitting over to my
15 right will take your testimony verbatim and will make a
16 written transcript of the testimony heard here tonight.
17 And the Commissioners, who are also sitting over to my
18 right tonight, and the attorneys for both the Public
19 Staff and the Company, will have an opportunity to ask
20 you questions about what you say. And the purpose is
21 really not to challenge you here tonight, nor, of course,
22 not to embarrass you. The questions are to help make
23 sure that we understand what it is you had to tell us and
24 that the record is clear.

1 As I said earlier, we received a number of
2 statements. Those statements are official, have become
3 an official part of the Commission's file in this case.
4 If you've previously submitted one, but you're here to
5 testify, that would be a good thing because that means
6 you're subject to questions from the Commission and both
7 parties and, therefore, it will become official evidence
8 in the case.

9 Like court proceedings, you -- this is not your
10 opportunity to ask questions of us on the record. It's
11 our opportunity to hear from you. But as I already
12 indicated twice now, the Company will remain, as well as
13 the Public Staff, to answer any questions that they may
14 be able to answer, questions that may come to you during
15 the course of tonight that you just -- that you already
16 came here to have answered. I'm sure they will do their
17 best to get back to you. Also, following this hearing,
18 any concerns raised, the Company will be filing a report
19 to let us know what they're able to find out about the
20 matter or what they already know about the matter, so you
21 may be on the lookout to see that report and to
22 understand the Company's position.

23 I have a small number here tonight, so I don't
24 expect we'll have anything here but order, but generally

1 order must be maintained, so it's not the time to hiss or
2 boo or clap or interfere with the court reporter's
3 ability to hear what the other witnesses said. That
4 said, we now, the Utilities Commission, have imposed a
5 time restraint, and for tonight that allotted time is
6 three minutes. So when you see the clock -- there will
7 be a clock here that you can see. When you see it moving
8 towards the one-minute mark, gather your thoughts and try
9 to work your way to bring it to a close for us.

10 And lastly, I'll say cumulative evidence here
11 is not necessary. The main thing is to get your
12 testimony, your position, your evidence on the record,
13 and once it is, you are free to come up, be sworn in, and
14 say I agree with the prior witness, or who that witness
15 was, I adopt that testimony. You can add to it if you
16 wish, but you need not repeat it unless you just want to.

17 And with that, I'll yield to Ms. Sanford's
18 opening statement.

19 MS. SANFORD: Thank you. Well, I think if it's
20 okay with everybody, I want to stand. I don't want to
21 have my back to anybody, and it's hard in the room to
22 figure out how to do that.

23 As indicated, I'm Jo Anne Sanford, and I
24 represent the Company, Carolina Water. Many of your

1 faces are familiar to me because we've all been in this
2 courtroom before to talk about these kinds of cases.
3 Carolina Water appreciates your -- customers' concerns.
4 We appreciate your participation in this proceeding
5 tonight. We understand that nobody likes rate cases, the
6 Company doesn't like it, customers don't like it, I
7 suspect the Commission doesn't like it, but they'll speak
8 for themselves in that regard. Particularly, we
9 understand, in the face of sequential rate increase
10 requests, and in light of the fact that much of the
11 investment that is done by these companies is either
12 underground or in a sewer, water, or wastewater plant, we
13 are eager to explain to you the basis of the request and
14 we are obligated to explain to this Commission and to the
15 Public Staff and other Intervenors the basis of the
16 request.

17 These are judicial proceedings, as Commissioner
18 Brown-Bland said. They must be fact based. My client
19 makes a request for relief based upon the representation,
20 generally speaking, that the amount of investment that
21 has been made makes it no longer possible for the Company
22 to have an opportunity, not a guarantee, but an
23 opportunity to earn its authorized return. When that
24 happens we prepare these cases, we submit them to the

1 Utilities Commission. And, again, as Commissioner Brown-
2 Bland said, they are subject to rigorous scrutiny by the
3 Public Staff which is equipped with engineers and
4 attorneys and economists and a fleet of highly qualified
5 people who are specialists in this field. We must prove
6 our case. To the extent we do, we are entitled to
7 recovery, and to the extent we don't, subject to the
8 scrutiny of those who intervene and to the scrutiny of
9 the Utilities Commission, then we don't recover.

10 Your participation tonight, again, is greatly
11 appreciated for a lot of reasons, and when you testify,
12 what you say becomes evidence in this proceeding. We
13 would like to take other opportunities after the hearing
14 and after tonight, if you should be interested, to try to
15 explain why we're here. So with that, I will turn it
16 over to you. Thank you.

17 COMMISSIONER BROWN-BLAND: All right. Ms.
18 Holt, if you will call your first witness.

19 MS. HOLT: Public Staff calls Mr. Chuck Van
20 Rens.

21 COMMISSIONER BROWN-BLAND: If you'll come up to
22 the witness stand.

23 CHUCK VAN RENS; Having first been duly sworn,
24 Testified as follows:

1 DIRECT EXAMINATION BY MS. HOLT:

2 Q Please state your name and address for the
3 record.

4 A My name is Chuck Van Rens, and I live at 109
5 Woodhaven Drive, Hendersonville, in Woodhaven
6 Subdivision.

7 Q Thank you. Please proceed.

8 A Okay. Let's start the clock. I was prepared
9 for five minutes, so if things seem a little choppy,
10 that's the explanation.

11 So first of all, Chairman, thank you very much
12 for having us, and Commissioners, Public Staff, always
13 appreciate your work and involvement in the process, and
14 obviously the Carolina Water System people.

15 To be really brief about it, the -- our
16 customers in Woodhaven Drive protest the increase, both
17 on the base rate and on the usage rate this year. And
18 the protest on the base rate is based on the fact that
19 Carolina Water System does not own any property that the
20 well or the well house sits on, but sit on easements in
21 the property, neighbor's property. Consequently, they
22 don't pay any taxes, so why should our base rates be
23 calculated the same way as everybody else where the
24 situation is they own the property?

1 The usage rates, how are we to understand the
2 25 percent or 26 percent increase in usage rates? I'm
3 just -- you know, and I appreciate our position in the
4 larger picture here, but here is our picture. Our
5 picture is nobody white knighted the water system like a
6 Clean Water Act in our area. It was great water to start
7 with, all right, and there is not a complex process
8 involved in preparing that water for delivery to the
9 customers. There's a little bit of chlorine and a little
10 bit of alkaline soda to balance the pH, all right.
11 There's no large process. And there's about four miles
12 of pipe that is pushing. Everybody in the neighborhood
13 knows where the well is, knows where the well house is,
14 and they watch the process on a daily basis and then
15 adopt that the Carolina Water System people who
16 participate in maintaining the well at all. So, you
17 know, we don't see any reason why we should see a 25, 26,
18 27 percent increase in the usage rate for water, when
19 absolutely nothing has happened relative to the price of
20 the chemicals that they're using relative to delivering
21 that water.

22 Okay. So 34 seconds. I submitted a handout,
23 and there's some -- and I did this just because I wanted
24 to bring your attention to two things here. And if you

1 flip through the handout, you're going to see a chart
2 that looks like this (indicating), which is a historic
3 rate increase chart. And no matter what goes on in this
4 environment, year on year on year Carolina Water System
5 gets 50 percent of -- they get 50 percent of the rates
6 that they request. That doesn't make any sense to a
7 whole bunch of retirees who worked in private industry
8 and negotiated with unions and all the rest. And so the
9 process seems to be challenged and broken.

10 Now, the other thing that the chart is going to
11 tell you is the rate increases, the rate of the rate
12 increases is increasing. We want to see a two-year,
13 regular two-year rate increase. We can live with that,
14 all right. How about a three-year rate increase? That
15 would even be better, all right. So let's lock this
16 down, let's give everybody their deal, let's let them
17 manage their processes efficiently. But two years, you
18 know, not -- we can't turn around, we've got another rate
19 increase. Okay. So I want you to look at that chart.
20 There's some interesting information for you.

21 And for the Commissioners I have a chart on the
22 back page that looks something like this (indicating),
23 and this is a comparison chart between public and private
24 water rates in a variety of United States' states. And

1 if you look at -- now, we understand that you can't
2 compare public water rate increases with private water
3 rate increases, get to that, but given the fact that both
4 of them have rate increases, you can compare the
5 differential between them and the percentage of change.
6 And if you look carefully at this chart, you're going to
7 discover that North Carolina is the second or third
8 highest percentage of -- of increase greater than public
9 water. Everybody's a little better than public water.
10 But we're something -- let me just quickly look down here
11 because I didn't memorize this. We're 69 percent above
12 the rate of public water, okay. Neighboring people like
13 Tennessee and Kentucky who have generally the same kind
14 of geography, 20 percent. Why are we so high? So this
15 is a question that I'm asking, why don't we update this
16 chart if it's inaccurate? Thank you very much.

17 COMMISSIONER BROWN-BLAND: Thank you. Ms.
18 Holt?

19 MS. HOLT: Excuse me, Mr. Van Rens. Did you
20 want to keep -- did you want that to be entered as an
21 exhibit?

22 THE WITNESS: I do. I sent this stuff over.

23 MS. HOLT: Okay. Oh, you -- you filed it with
24 the Commission?

1 THE WITNESS: Yes, I did.

2 MS. HOLT: Okay, okay. We'll go ahead and mark
3 it.

4 THE WITNESS: Yeah. I'll give you copies.

5 MS. HOLT: Van Rens Exhibit 1, and I'll --

6 THE WITNESS: See, I'm sorry if it's not
7 distributed to you. Last round it was.

8 COMMISSIONER BROWN-BLAND: It will be so
9 marked.

10 THE WITNESS: I've got a clean copy back there.
11 I wrote my two-minute notes all over this. Any other
12 questions please?

13 MS. HOLT: I did want to ask him --

14 Q Have you had any service-related complaints --
15 I'm talking.

16 A Oh, I'm sorry.

17 Q That's all right. Any service complaints?

18 A Thanks -- thanks for asking. And the quick
19 answer is we've had a couple of water leaks in the
20 neighborhood that aren't outside of what should be
21 standard and that usually is taken care of very
22 efficiently. And I also want to take the opportunity to
23 compliment Carolina Water System personnel, specifically
24 Tracy Adcock, I think is with us, and his predecessor,

1 Gary Peacock, and Bryce Mendenhall who I see sitting in
2 the front, because we've had some extraordinary issues in
3 our neighborhood that affected Carolina Water System with
4 easements and they were tricky, and these gentleman
5 jumped on that process and resolved it and solved it in
6 the best interest of everybody, and I consider that a
7 real plus from this group of people.

8 MS. HOLT: Thank you. I have no further
9 questions.

10 COMMISSIONER BROWN-BLAND: Now, with regard to
11 the paperwork there, you're going to hand up paperwork
12 now?

13 THE WITNESS: I have a folder here in the
14 chairs, and I'll give the folder to the --

15 COMMISSIONER BROWN-BLAND: All right. Ms.
16 Holt, will you mark and give it to the court reporter?

17 THE WITNESS: That's fine. Does that work?

18 COMMISSIONER BROWN-BLAND: We're good. Ms.
19 Sanford, do you have any questions?

20 MS. SANFORD: No questions. Thank you.

21 COMMISSIONER BROWN-BLAND: Members of the
22 Commission, any questions?

23 (No response.)

24 COMMISSIONER BROWN-BLAND: All right. Thank

1 you for coming out. You may be excused. Thank you for
2 coming out. If you will hand that paperwork up to Ms.
3 Holt as soon as you get them all.

4 (Whereupon, Van Rens Exhibit
5 1 was marked for identification
6 and admitted into evidence.)

7 (Witness excused.)

8 MS. HOLT: Mr. Jack Zinselmeier.

9 JACK ZINSELMEIER; Having first been duly sworn,
10 Testified as follows:

11 DIRECT EXAMINATION BY MS. HOLT:

12 Q Could you please -- oh, I'll let you get
13 settled.

14 A That's okay. Go ahead.

15 Q State your name and address for the record.

16 A Yes. My name is Jack Zinselmeier,
17 Z-I-N-S-E-L-M-E-I-E-R, and I live at 157 Bluebird Road,
18 Lake Lure, in the Fairfield Mountains Subdivision.

19 Q Thank you. Please proceed.

20 A I'm going to talk tonight in my three minutes,
21 if I can -- if Commissioner Culpepper was here we'd have
22 the whole team that we've seen for a lot of years, so
23 I've been with you quite a few years -- I'd like to talk
24 about mainly the business case, not service issues.

1 The business case -- and I'm from the private
2 sector, not the public sector -- 2004, plus 35 percent
3 price increases; 2008, plus 38; 2011, plus 20; 2013, plus
4 10; 2015, .2, we got -- finally, the Commission heard us;
5 2017, plus 16; 2018, plus 13, and it wasn't implemented
6 until February of this year. They're now asking for a 25
7 percent increase in water rates. I guarantee you in the
8 public -- in the private sector any company that had to
9 raise prices like that and only made a three percent
10 return on revenue wouldn't be in business. So from that
11 point of view I have a difficult time with every year
12 coming and speaking here about price increases.

13 In the last three years prices have gone up, if
14 it's approved at 25 percent, over 50 percent. In that
15 interval I shared with you, that is a water increase
16 three and a half times the inflation rate. So those,
17 from a public to private sector, are major differences in
18 how the Commission is evaluating these companies' price
19 increases.

20 Also, the Commission authorized a rate of
21 return of 7.75 percent. The actual rate of return last
22 year for the Company was 3.89. They were profitable, but
23 you authorized a seven and a half or seven and three-
24 quarters percent increase. What incentive does that give

1 the Company to do things better, productivity increases
2 within the Company, do things better? Very little. In
3 my mind we sold the wells at Fairfield Mountains to the
4 Carolina Water System for a miniscule price, and they're
5 turning around -- and we have good water -- they're
6 turning around and socking it to us on the price
7 increases. That falls on deaf ears, from my point of
8 view.

9 I think also a piggyback a little bit on what
10 the previous gentleman said, I'd like to see a comparison
11 of Carolina Water prices with the other water prices in
12 North Carolina. I'd like to see that comparison as what
13 -- how their prices compare. I would assume that they're
14 very, very high.

15 I also think you need to look at the internal
16 structure, the salary increases within the Company, and
17 their total revenue that they're asking for across the
18 board is a 19 percent increase in revenue across all
19 their divisions. Their revenue is about \$36 million and
20 they have about 36,000 customers. That's \$1,000 per
21 customer on an annual basis, or about \$80-some a month.
22 I think that is high for water and sewer.

23 I've gone a little bit faster than I'd like to,
24 but I think the business case here is imperative, that

1 you look at the business case and not only the service
2 issues, but is this business doing business and they are
3 profitable, let them work with their profit, not give
4 them a carte blanche of 7.75 or 7.75 highlight or top on
5 their profitability. So that's all I have.

6 Q Thank you. Have you had any -- do you have any
7 service-related issues?

8 A No service issues that I want to bring up at
9 this time. I've had some in the past years. Mine was
10 the business case tonight.

11 Q Okay. Thank you.

12 COMMISSIONER BROWN-BLAND: Questions from Ms.
13 Sanford?

14 MS. SANFORD: No questions. Thank you.

15 COMMISSIONER BROWN-BLAND: Members of the
16 Commission?

17 (No response.)

18 COMMISSIONER BROWN-BLAND: All right. Mr.
19 Zinselmeier, thank you for coming out.

20 THE WITNESS: Nice to see you all again.

21 COMMISSIONER BROWN-BLAND: Good to see you.

22 (Witness excused.)

23 MS. HOLT: I would like to pass out Mr. Van
24 Rens' exhibit (distributes exhibit).

1 Mr. Jeff Geisler.

2 MR. GEISLER: Geisler.

3 MS. HOLT: Geisler. Sorry.

4 JEFF GEISLER; Having first been duly sworn,

5 Testified as follows:

6 DIRECT EXAMINATION BY MS. HOLT:

7 Q Please state and spell your name for the
8 record.

9 A Sure. Jeff Geisler, G-E-I-S-L-E-R. I am at
10 2752 Cedar Creek Road in Lake Lure. I'm the General
11 Manager of Rumbling Bald Resort, so I'm affiliated with
12 Fairfield Properties. And I wanted to make a couple of
13 points that haven't been made already.

14 The University of North Carolina School of
15 Government Environmental Finance Center, in conjunction
16 with the North Carolina League of Municipalities,
17 released a rate study that covered January 2019. There
18 were 560 participants in that study. I have to tell you
19 that from a water usage standpoint, Fairfield is in the
20 top 10 percent in their rates, so we are in the top 10
21 most expensive regions in North Carolina. From a
22 wastewater standpoint we actually overachieve; we are the
23 most expensive wastewater base rate in the state of North
24 Carolina. So I will say to you that CWS has some pretty

1 good customers in Fairfield Mountain already.

2 Using Mr. Zinselmeier's numbers, I calculated
3 since 2004 a total increase of over 300 percent, 315
4 percent. If you add the 25 percent, we will have risen
5 almost 393 percent from 2004 to present, those
6 percentages stacking on top of each other. The same
7 period of time the Southern Region of the Consumer Price
8 Index went from a 178.2 in January 2004 to a 2.-- 2.547
9 in January 2019. That is a 36 percent increase. So even
10 if the government is wrong by a measure of 2, we're still
11 a factor of 5 to 10 above what this Consumer Price Index
12 has been, and we're also one of the most expensive areas
13 in North Carolina for CWS.

14 I would suggest to you that this represents a
15 couple things. The process is broken. I can't
16 understand, as a member of the community, how this could
17 be so drastically unaligned. I can't understand how the
18 Commission's allowed what should have been a three or
19 four-year process to turn into an every-year process.
20 We've exhausted our residents. It's harder and harder to
21 get them to come out here every year. They're older
22 people. They're retired. The annual visits are tiring.
23 We used to have these meetings in the fire department on
24 property. That doesn't happen anymore. We have them in

1 Asheville. We used to have them every three to four
2 years. Now we have them every year. And instead of five
3 minutes, we get three minutes.

4 There's no check and balance, it appears to me,
5 in the process, and we are desperately -- not desperately
6 -- we are actively trying to attract new residents to the
7 state of North Carolina. We are a partially retirement
8 community. There are lots of folks in New Jersey and New
9 York that would love to be here. We'd love them to be
10 here as well. And these water rates and sewer rates make
11 that very difficult or make it harder than it needs to
12 be. Thank you.

13 MS. HOLT: Thank you. I have no further
14 questions.

15 COMMISSIONER BROWN-BLAND: Any questions, Ms.
16 Sanford?

17 MS. SANFORD: No questions. Thank you.

18 COMMISSIONER BROWN-BLAND: Any questions from
19 Commissioners?

20 (No response.)

21 COMMISSIONER BROWN-BLAND: Mr. Geisler, I do
22 have one question for you.

23 EXAMINATION BY COMMISSIONER BROWN-BLAND:

24 Q How long have you been a part of the community

1 and the CWS system?

2 A March of 2017.

3 Q All right. So a couple years. All right.

4 Thank you.

5 MS. HOLT: Mr. Phil Reitano.

6 PHIL REITANO; Having first been duly sworn,

7 Testified as follows:

8 THE WITNESS: Thank you very much.

9 DIRECT EXAMINATION MS. HOLT:

10 Q Please state your name and address for the
11 record.

12 A Oh, yes. My name is Phil Reitano,
13 R-E-I-T-A-N-O. I live at 135 Hawks Nest Trail, Lake
14 Lure, North Carolina.

15 Q And in what subdivision, Mr. Reitano?

16 A That's the Fairfield Mountain Valley or it's
17 the Rumbling Bald Community.

18 Q Thank you.

19 A I want to thank you for giving us this
20 opportunity to speak up, and I hope you take my comments
21 and the concerns of other community residents serious in
22 your decision-making process. I'm going to be short,
23 pretty much on point. I'm going to cut out some of my
24 statistics because two previous colleagues have given you

1 their's.

2 As mentioned, I live in the Fairfield Mountain
3 Valley of Rumbling Bald Community, Rutherford County. I
4 am the senior member of our POA Board, so I've been a
5 part of the community for -- I've been on the Board for
6 about six years and I've been part of the community for
7 25 years.

8 I'm appalled by these rate increases requested
9 by CWS. First of all, I, as most of my other residents,
10 are retired, unemployed, most by choice, and on a fixed
11 income. I have lived in the state of North Carolina for
12 30 years, mostly in Mecklenburg County, and the past two
13 years full-time in Rutherford County, and never paid
14 these unjustified, exorbitant rates even in Mecklenburg
15 County.

16 Carolina Water Services, or CWS, as most of us
17 refer to the Company, continues to request exorbitant
18 increases without any true justification or quantitative
19 information on the needs for additional rate increase
20 such as what's included in the infrastructure
21 improvements, their long-range plan for water resource
22 improvements, and et cetera. We heard about needs
23 qualitatively, but nothing with true substance. If our
24 community board, as myself, or our management, as Mr.

1 Geisler, imposed a dues increase by saying infrastructure
2 needs, without identifying and specifying the individual
3 cost, we'd have an uprising of some sort.

4 No doubt this is strictly an arbitrary increase
5 without substance. This is the fifth rate increase
6 request in the last eight years, three years in a row.
7 The current proposed rate, as we've heard, is between 20
8 and 40 percent, most closely in the 40 percent area. In
9 2015, the increase request was over 20 percent. Concern
10 and effort by customers, as was mentioned earlier,
11 resulted in an increase of 2 percent.

12 I'm not going to go over the statistics because
13 I can go over it annually, but I do want to mention, to
14 bring to your attention, is that in 2011 in the midst of
15 the recessionary period we had a 20 percent increase. If
16 this rate increase proposal is approved, the net impact
17 on the membership is, as you heard, 132 percent increase
18 since 2004. I'm not going to go into individual pending
19 monthly meter charges, but the proposed rate would be
20 well over \$25 into \$100 range per month, and I hope this
21 shakes your head on these numbers.

22 Commissioners, we continue to appreciate the
23 services and everything like clean water, reliable water,
24 reliable sources; however, this significantly exceeds any

1 increase in inflation. Current and future forecasts,
2 based on the federal government statistics, inflation
3 rate in 2018 was 1.9 percent. Currently, in 2019, we're
4 expected to be just under 2 percent. Core rate for 2020
5 is between 1.8 and 2 percent, whereas the last five years
6 the cumulative inflation rate has been 7.8 percent,
7 exclusion of the housing market, a little over 1.5
8 percent a year. We have run through the summary of rate
9 case adjustments which was in the documents. None of
10 this justifies an increase of 25 percent over the current
11 rates.

12 Now, in defense of CWNC and --

13 COMMISSIONER BROWN-BLAND: Mr. Reitano, you can
14 start wrapping it up, please.

15 THE WITNESS: Okay.

16 A In defense of CWS, we feel -- appreciate the
17 proposal of the \$25,000 stormwater reserves which we feel
18 that requires accountability and effective documentation;
19 however, need do I say in our defense to deny the CWSNC
20 current increase. I want to thank you very much for the
21 time, and I hope that you'll listen to this with
22 sincerity. Thank you.

23 COMMISSIONER BROWN-BLAND: Thank you. Just a
24 minute. Ms. Holt?

1 Q Mr. Reitano, have you had any service-related
2 complaints?

3 A To my knowledge, no.

4 COMMISSIONER BROWN-BLAND: Ms. Sanford?

5 MS. SANFORD: No questions.

6 COMMISSIONER BROWN-BLAND: Members of the
7 Commission?

8 (No response.)

9 COMMISSIONER BROWN-BLAND: Mr. Reitano, I
10 believe if you will stick around until when we either
11 have a break or after we adjourn, the Company and the
12 Public Staff will be happy to at least speak to you about
13 how it is they determine the amounts that's been invested
14 and where those were made and the reasons they were made.

15 THE WITNESS: Thank you.

16 COMMISSIONER BROWN-BLAND: Thank you.

17 MS. HOLT: Ms. Jeanine Moore -- Jeannie Moore.

18 JEANNIE MOORE; Having first been duly sworn,

19 Testified as follows:

20 DIRECT EXAMINATION BY MS. HOLT:

21 Q Please state your name, and spell it for the
22 record.

23 A Jeannie Moore, J-E-A-N-N-I-E, M-O-O-R-E.

24 Q And please give us your address and

1 subdivision.

2 A I live at 129 McIntosh Circle in Lake Lure.

3 I'm part of the Fairfield Mountains, Rumbling Bald

4 Community.

5 Q Thank you. Please proceed.

6 A I have been a part of the CWS group since 2002,

7 not just in the Fairfield Mountains area, but in a

8 subdivision that they had over in the Charlotte area.

9 And this seems to be the standard operating procedure, to

10 come and ask for this money, and we kind of get vague,

11 you know, infrastructure, hurricane this, this storm,

12 whatever it is, and we get these enormous amounts which

13 the prior gentlemen have discussed.

14 One of the things about -- currently at

15 Rumbling Bald is, like Mr. Reitano before who is on the

16 Board, I am on the Finance Committee, and you can

17 understand that if I have to come back and ask our POA

18 people to do an increase, this is a trickle-down effect.

19 You want more money, we have to ask for more money. And

20 our POA members, as Mr. Reitano said, are mainly retired

21 people. We do that by choice and we have worked hard all

22 our years, and now all of a sudden we get all these huge

23 bills.

24 The second part of that is we did get some

1 improvements in our area. At my home particularly, I had
2 a new meter put in, and it was supposedly to help with
3 customer service, being a benefit, yes, mainly the CWS
4 people not having to come read meters. So we were given
5 an electronic meter. My meter at my home happens to be a
6 foot to two feet below grade, and water is always rushing
7 into it. The fact that you're trying to mix electronics
8 with water, seems to me like that doesn't quite mix, and
9 it's also not very efficient if somebody's got to keep
10 coming out and looking at it. They were just recently
11 installed. I don't know if it's working. I don't know
12 if I'm going to get a huge bill, nothing like that. I
13 just have a real issue with that, and I also have an
14 issue with air in the water. We continue to have air in
15 our water at my particular home and my -- at McIntosh
16 Circle.

17 I would also like to make a brief comment on
18 the fact that these are yearly meetings instead of what
19 we've had before with the two or three years out, which
20 is, like I said, since 2002 I'm kind of aware of how the
21 Commission works and CWS works. And I would also like to
22 say that it compromises the safety of all us customers
23 that you think you're trying to help, but it is not
24 convenient for us to come to Asheville. You need to come

1 to our neighborhoods where you can have all this
2 information provided to you. This is a real issue.
3 We've gone from having hundreds of people to several --
4 several, not even 10 people here. I think that the
5 Commission needs to hear us better than this. Thank you.

6 MS. HOLT: Thank you. I just have a few
7 questions.

8 Q Following up, you stated that you're on the
9 Finance Committee of the homeowners association?

10 A Yes, ma'am.

11 Q And when rates go up, you have to pass those
12 rates, the increase, through. What exactly do you mean
13 by that? Does the --

14 A Well, we have to be profitable in our
15 homeowners association. We try to turn a profit. And if
16 our bills go up with POA, which means the things that Mr.
17 Geisler is having to manage, our infrastructure, of our
18 homeplace, when you raise our water and our sewer, that's
19 the association's bills that have to be paid in and above
20 what each individual customer is paying, each POA member
21 is paying. So we kind of get hit twice. We get hit at
22 home, plus we get hit with -- at the resort itself. So
23 as those bills keep going up, just like taxes or
24 insurance, we have to absorb them on the POA, so we're

1 getting basically double charged personally in our home
2 and then again with the POA association.

3 Q Thank you. You stated that you had problems
4 with air in the water. What exactly do you mean by that?
5 Would you describe --

6 A When you turn the tap on, instead of it being
7 clear water that comes out, it's just -- it's air
8 bubbles. And if you put it in a clear glass, the whole
9 thing is cloudy, and then it takes a while for it to --
10 the air to come out. It's just bubbles.

11 Q Is that every day?

12 A No. It's frequent. And then I'm not sure I
13 want to drink that water because I don't know what's
14 causing that, and then I have pets, and I certainly don't
15 want to poison them if there happened to be something in
16 it.

17 Q Is it weekly?

18 A Probably.

19 Q You also stated that your new meter was placed
20 two feet below ground and it gets flooded?

21 A Uh-huh.

22 Q Does it --

23 A I can't imagine why you would put an electronic
24 meter -- well, why the meter is there, and I -- I have to

1 go out and I scoop water out of it. There's a pipe that
2 comes down, and it's sitting down in there, and I have to
3 go and scoop water out. Now, why would you put an
4 electronic meter down so that it's sitting in water? I
5 have no idea.

6 Q Does the meter stop working?

7 A I have no idea that it's working. I mean, I
8 can't tell that it's working. I mean, I don't see
9 anything ticking off. I don't -- I can't read the way
10 that is, you know. Just like in a -- like an electrical
11 meter you can see the dials working. You used to could
12 see that, and I don't see that now. That may be just how
13 it's been installed. I don't know. I'm not quite sure.

14 Q Any indication on your bill whether or not it's
15 been working?

16 A I think we're just now due our first bill from
17 that, the changeover.

18 Q Okay. Thank you.

19 MS. HOLT: I have no further questions.

20 COMMISSIONER BROWN-BLAND: Any questions from
21 the Company?

22 MS. SANFORD: Couple questions.

23 CROSS EXAMINATION BY MS. SANFORD:

24 Q Ms. Moore, these are about your service issues,

1 a two-part question. Have you contacted the Company
2 about concerns about the meter or about water? I guess
3 I'll do them one at a time. That's the first one.

4 A I just found the issues with the -- well, I had
5 -- I had contacted CWS before we got the new electronic
6 meters about that the whole thing is sitting in water.
7 It's probably about that deep (indicating), you know, 12
8 to 18 inches deep. Part of it is, you know, the pipes
9 that come up to the meter. Now, with the electronic
10 thing, that's sitting now on top, so it's still at the
11 top, but the water has come up. Even with no rain in
12 that we have probably, what, the last six weeks, there
13 has been water in it, and I have to go out there and I
14 religiously scoop it out. I'm sure that's not my job.

15 Q All right. And the air, have you talked to the
16 Company about that?

17 A We have before, but --

18 Q The issue with air? I would reiterate what we
19 said before. If you have time tonight there are people
20 from the Company here who would be glad to talk to you
21 about that. And if it's not convenient tonight, then we
22 would like to follow up later, if that's okay.

23 THE WITNESS: I will say that the people who
24 are right there at our location, Buffalo Creek, the

1 people that have been dispatched out whenever they are
2 dispatched, they are some of the very nicest people that
3 you have working for you, and you need to make sure you
4 keep them because they're probably the only reason why
5 some of us don't scream louder.

6 MS. SANFORD: Well, thank you for that.

7 COMMISSIONER BROWN-BLAND: Commissioners, any
8 questions?

9 (No response.)

10 COMMISSIONER BROWN-BLAND: Ms. Moore, before
11 you leave, I have a question.

12 EXAMINATION BY COMMISSIONER BROWN-BLAND:

13 Q And I may have missed this, but the length of
14 time that you've had the air in the water issue, do you
15 recall?

16 A Since we've been there.

17 Q The whole time?

18 A Since 2017.

19 Q All right. And --

20 A We had the same issue at the other house that
21 we lived in --

22 Q In a different location?

23 A Uh-huh.

24 COMMISSIONER BROWN-BLAND: And if you would

1 just -- just as follow-up to what Ms. Sanford was saying,
2 I'm sure if you leave your contact information where they
3 can best to get in touch with you, that will aid them in
4 getting back to you.

5 THE WITNESS: Okay.

6 COMMISSIONER BROWN-BLAND: All right. Thank
7 you for coming.

8 (Witness excused.)

9 MS. HOLT: Ms. Linda Huber.

10 LINDA HUBER; Having first been duly sworn,

11 Testified as follows:

12 DIRECT EXAMINATION BY MS. HOLT:

13 Q Please state your name and address for the
14 record.

15 A My name is Linda Huber, and I live at 186
16 Stonecrest. That's part of Rumbling Bald Resort. I have
17 a condo there. And I'm one of those good customers that
18 Jeff referred to because I'm paying a very high water
19 bill. I pay \$130 a month whether I'm there or not, and I
20 think that -- I hope that's the highest that I'm going to
21 have because everything else goes up except my income,
22 and I don't think that my water bill should determine
23 whether I can afford to live in a place or not.

24 I have called and talked to them about maybe

1 reducing or some kind of lower rate for when I'm not
2 there, and I was told about the infrastructure. And I
3 said, "So in other words, the water is free?" And she
4 said, "Oh, no. No, no. The water" -- I said, "Well, it
5 costs the same whether I use any water or I don't use any
6 water." In fact, some of my bills were higher when I was
7 not there. No water was used. So it's a little hard for
8 me to be real understanding when you want to raise the
9 rates, and I hope you won't. Thank you very much.

10 MS. HOLT: I have a few follow-up questions.

11 THE WITNESS: Uh-huh.

12 Q Are you -- are you a part-time resident?

13 A Yes. I live there six months.

14 Q Six months out of the year.

15 A And my bill in Florida is about a quarter of
16 what my bill here is.

17 Q And what are the six months that you are there?

18 A I'm here from about the middle of April to the
19 middle of October, so I'll be leaving soon.

20 Q Okay. And when was your bill actually higher?

21 A January, February, March. I have the bills
22 here.

23 Q Of 2018?

24 A 2018? 20---

1 Q '19.

2 A Yeah. '19. '19.

3 Q Oh, '19.

4 A Yeah.

5 Q 2019.

6 A This year.

7 Q This year.

8 A And then when I'm here it went right down to
9 120, so -- any other questions?

10 Q Have you had any service-related concerns?

11 A No. I did take that home serve thing because
12 water is so expensive, I sure don't want to have any
13 wasted, so if there's any reason that I would need
14 service, I hope I get it.

15 Q Okay. Just for clarification on this, you said
16 your bill went down to 120 when?

17 A When I'm there in the summer.

18 Q Since you -- since you've been there in 2019
19 your bill --

20 A Yes.

21 Q -- after February?

22 A June it was 121. That's my lowest one. I had
23 company in July -- or, well, actually it was -- the
24 August bill was 140, so.

1 Q Okay.

2 A And my meter is also under water.

3 Q Okay. In July was it higher than 121, if you
4 know?

5 A No.

6 Q Okay. We can follow up on that.

7 A July was 135.

8 Q Thank you.

9 MS. HOLT: I have no further questions.

10 COMMISSIONER BROWN-BLAND: Further questions
11 from Ms. Sanford?

12 MS. SANFORD: Ms. Huber -- thank you. Ms.
13 Huber, rather than asking the specific, more specific
14 information, I just wanted, again, to reiterate we have
15 people here to talk to you and to assure you, as
16 Commissioner Brown-Bland mentioned earlier, we file
17 reports after these proceedings, and they are reports
18 about investigation into the matters that were brought
19 forth, so we will certainly do that in your instance.

20 THE WITNESS: Well, thank you.

21 MS. SANFORD: Thank you.

22 COMMISSIONER BROWN-BLAND: Questions from
23 commissioners? Commissioner Clodfelter.

24 EXAMINATION BY COMMISSIONER CLODFELTER:

1 Q Ms. Huber, do you have just water service or
2 both water and sewer service?

3 A Water and sewer.

4 Q You have both?

5 A Yes.

6 Q Thank you.

7 A Uh-huh.

8 COMMISSIONER BROWN-BLAND: Thank you, Ms.
9 Huber. You may step down.

10 COMMISSIONER CLODFELTER: Well, I'm sorry --

11 COMMISSIONER BROWN-BLAND: Oh, just a minute,
12 Ms. Huber.

13 Q The bill amount, is that a combined bill amount
14 for both your water and sewer or is it just your water?

15 A It's -- the totals that I said is a combined.

16 Q It's combined for both --

17 A Uh-huh.

18 Q -- water and sewer?

19 A Uh-huh.

20 Q That's -- thank you.

21 A Thank you.

22 (Witness excused.)

23 MS. HOLT: Mr. Brian McCarthy.

24 BRIAN MCCARTHY; Having first been duly sworn,

1 Testified as follows:

2 DIRECT EXAMINATION BY MS. HOLT:

3 Q Please state and spell your name for the
4 record.

5 A Brian McCarthy, B-R-I-A-N, M-c-C-A-R-T-H-Y.

6 Q And what is your address and subdivision?

7 A 892 Dotsi in Connestee Falls.

8 Q Thank you. Please proceed.

9 A Okay. First, I'd like to thank CWS for making
10 improvements that they have at Connestee, and they've
11 been significant this past year. What surprises me is
12 that they haven't been done sooner, considering all the
13 rate increases we've had through the years.

14 When we bought property in Connestee Falls, we
15 were told that the water and sewer rates were high, but
16 we weren't really prepared for all of the increases that
17 were to come. It would seem to me that -- and these --
18 these sewer and -- these sewer problems have been going
19 on for a long time. We often got, over the past three
20 years, notices to boil water. We also were told not to
21 swim in the lake because of sewage spills. So, again,
22 we're very appreciative that those things hopefully have
23 been taken care of. Like everybody else, we feel like
24 the rates are already excessive, and every year they seem

1 to get much higher.

2 My other -- I also wonder what the Company is
3 doing with the significant tax relief they've had with
4 the new tax bill, the federal tax bill that has passed
5 recently which probably gives them a 30 percent decrease
6 in their federal taxes, so I wonder where that money is
7 being spent as well.

8 And that's really all I have to say.

9 COMMISSIONER BROWN-BLAND: Ms. Holt.

10 Q Mr. McCarthy, have you -- how long have you
11 been in the Connestee Falls Subdivision?

12 A We've owned property there for three and a half
13 years.

14 Q You've lived there three and a half years?

15 A We've owned property there for three and a half
16 years. We live there part time.

17 Q Okay. You live part time?

18 A We live part time. We live --

19 Q How many months out of the year?

20 A Oh, it's difficult to say because we're back
21 and forth a lot.

22 Q Back and forth?

23 A We live here in Asheville as well, and we're
24 back and forth every week.

1 Q Okay, okay. And any other service-related
2 complaints other than --

3 A Well, recently we did have one that was fairly
4 significant. We got a new meter. We knew that that was
5 going to happen. And then all of a sudden, about a month
6 later we got a pretty extraordinary water bill. We
7 discovered -- I was gone for a couple of days, but we
8 discovered that the -- there was a leak in the water
9 system, and it had occurred very soon after the water
10 meter had been changed. So it was a result of the
11 changing of the meter. Maybe at some point the leak
12 would have occurred, you know, without the water meter
13 having to be changed, but it was a direct result of the
14 water meter having to change, for whatever reason.

15 When I discovered it, I immediately turned the
16 water off, called the Company, somebody came out and said
17 we had to get a plumber to take care of it. We did; we
18 called somebody. They discovered how to take care of the
19 leak. But the following month we got a bill for 8,000
20 gallons of water that had leaked, and most of it was
21 underground and wasn't noticed until it started running
22 across our driveway, because the meter is higher than our
23 driveway. I have since put in a request for a -- for a
24 rate decrease -- for a, whatever you call it,

1 compensation for that, and there is a system that they
2 allow for that. So --

3 Q Okay. Let's get the timeline right. The new
4 meter was put in when?

5 A Early July.

6 Q In July of 2019?

7 A That's correct.

8 Q Okay. And the leak occurred in that month or
9 in August?

10 A Well, it must have occurred soon after that
11 because that's when we went to very high water usage;
12 however, it wasn't noticed because it was mostly
13 underground until it fully saturated the ground and
14 started running across the driveway. We didn't know it
15 was happening.

16 Q But you were in the home at the time?

17 A I was back and forth.

18 Q Back and forth?

19 A Yes. I was back and forth, not gone for more
20 than a day or two.

21 Q So when did you discover it?

22 A Well, it's difficult to say. It was actually
23 -- it was probably late July. I don't know the exact
24 date.

1 Q Okay.

2 A But it wasn't obvious that there was a leak
3 until it surfaced, until the ground got fully saturated
4 and it surfaced and started running across the driveway.

5 Q Okay. And when did you get the bill?

6 A Well, I got two bills. The first bill I got
7 when we noticed there was a problem was in July, and that
8 was after I had discovered the leak.

9 Q Okay.

10 A I think. I don't know the exact timeline here.
11 But then the following month bill was very high as well.
12 So there was a period of time when the leak was occurring
13 that it was difficult or impossible to know that it was
14 occurring.

15 Q Okay. And in terms of contacting the Company
16 for -- to work out --

17 A Yeah. Well, what happened was I called -- I
18 remember now because it was -- it was, I think, Sunday
19 over -- I think it was Sunday right around Labor Day --

20 Q Uh-huh.

21 A -- and I called the Company and was able to get
22 the person who was on-call, and he was able to come out
23 the next day. Of course, I had turned the water off, so
24 we weren't incurring any more water usage. As soon as I

1 discovered there was problem I turned it off immediately,
2 and then he came out the next day. They responded quite
3 quickly to my -- to my request to come and take a look.

4 Q Have you heard back about your bill adjustment?

5 A No. I haven't yet because I just sent that in
6 probably two weeks ago.

7 Q Okay.

8 A I think we had a total -- I think we had to do
9 that within 90 days or something.

10 Q Thank you.

11 COMMISSIONER BROWN-BLAND: Ms. Sanford?

12 MS. SANFORD: One comment and a question.

13 CROSS EXAMINATION BY MS. SANFORD:

14 Q Mr. McCarthy, I would represent to you that the
15 Utilities Commission, in a series of proceedings last
16 year, dealt with the impact of the Federal Tax Act you
17 had inquired about --

18 A Yeah.

19 Q -- but I am certainly not going to attempt to
20 go into that this evening for many reasons. But I will
21 ask you whether you would like for us to follow up with
22 you after the proceeding and talk to you about how that
23 has been dealt with with respect to this Company. If
24 that's useful to you, we're glad to do it.

1 A Well, it might be. It might be useful to a lot
2 of people. I personal--- sure.

3 Q Okay.

4 A Sure, that would be great. I'd love to hear an
5 explanation.

6 Q If I could get your contact information before
7 you leave, that would be great.

8 A Sure.

9 Q Thank you. No other questions.

10 EXAMINATION BY COMMISSIONER BROWN-BLAND:

11 Q Mr. McCarthy, as a follow up, to the extent
12 your specific questions about tax relief or other
13 questions that similar other witnesses have raised can't
14 be answered here tonight, I'm sure also that the Public
15 Staff and perhaps the Company can tell you where to find
16 that information or who to call --

17 A Sure.

18 Q -- during the work week to get better
19 information about that.

20 I did have a follow up. You mentioned about
21 some boil water notices and an alert not to swim due to
22 sewage. Do you have a time frame for when those things
23 occurred?

24 A Oh, gosh. They've occurred periodically over

1 the last -- ever since we've been there. It would be a
2 -- we'd get an email from Conneestee about the boil water
3 alert, and how often they happen, I don't know, fairly
4 regularly. Sometimes we would go in and there'd be the
5 flag up by the gate that says you can't swim.

6 Q And as a part of that or subsequent to, did you
7 learn or discover the cause of the notices?

8 A No, but I assume that they were sewage spills
9 based on the -- the infrastructure.

10 Q Meaning --

11 A The infrastructure there, the sewer system,
12 which has been improved significantly this past six
13 months.

14 Q And --

15 A We're happy about that.

16 Q And so are you indicating that since that time
17 in the last six months there's been a decrease --

18 A Oh, yes.

19 Q -- in the sewer --

20 A Oh, yes. Oh, yes. Certainly.

21 Q So have there been any sewer spills since --

22 A No. We're hoping that that has taken care of
23 it.

24 COMMISSIONER BROWN-BLAND: All right. Is there

1 any follow up to Commission's questions?

2 MS. SANFORD: No, thank you.

3 COMMISSIONER BROWN-BLAND: All right. Thank
4 you for coming out.

5 (Witness excused.)

6 MS. HOLT: Mr. Ron Shuping.

7 RON SHUPING; Having first been duly sworn,

8 Testified as follows:

9 DIRECT EXAMINATION BY MS. HOLT:

10 Q Please state and spell your name for the
11 record.

12 A Ron, R-O-N, Shuping, S-H-U-P-I-N-G. I am in
13 the Waterman Subdivision in Nebo, North Carolina.

14 Q And what is your address, for the record?

15 A 73 Lake Mist Court, Nebo.

16 Q Thank you. Please proceed.

17 A We've driven up here tonight to ask the
18 Commission to categorically deny this latest of incessant
19 rate increases. In recent years I felt that requests by
20 this utility were excessive and I wanted to know the
21 facts, so last week I called the Commission and asked for
22 information regarding a number of CWS rate increase
23 requests in just the last five years. I was told by an
24 employee in the research department that they, UC, did

1 not have that information. I then called Senator Ralph
2 Hise's office in Raleigh and asked for help. Within 24
3 hours I received answers to all my questions from Ms.
4 Holt, and she told me to contact her if I had any other
5 questions or needs. Thank you very much.

6 Respectfully, I submit to you that I don't
7 appreciate having to pull rank. So you had data that
8 should be easily available to consumers like me. She
9 made three points, and I asked -- they've already covered
10 some of this so I'm going to try to condense it -- in the
11 last five years, four requests. How many were approved?
12 Partial increases, and that's been covered, too, in all
13 those rate cases. And why are there so many rate
14 increases so frequently, was my question, and the
15 Commission said CWS provides various reasons, it's
16 honoring its authorized rate of return and/or needs to
17 recover the costs that it has incurred since its last
18 rate increase for increased capital investments and
19 operating costs.

20 Now, point number three gives us a clue as to
21 why this latest attempt to bleed its captive consumers by
22 CWS should be completely denied. Their management is
23 unhappy with, quote, "its rate of return." Needs to,
24 quote, "recover costs for operations and capital

1 investments." This is not accurate. And if they were
2 forthright they would say this, quote -- now, I come from
3 the private sector; we don't mess around we get things
4 done on a nickel -- they would say this, instead of
5 asking for this rate increase, We did a real poor job in
6 our pro forma before buying this Company. We didn't take
7 the time to accurately weigh the cost of replacing aging
8 infrastructure and running the Company in the out years
9 following our acquisition. Now, even with the economy
10 moving lower, fuel costs and inflation practically nil,
11 it's been noted, now we propose to lay our mistakes and
12 management deficiencies on the backs of consumers who
13 cannot buy water in a competitive marketplace.

14 These are my POA covenants. "Utility companies
15 shall be the sole provider of water supplies in the
16 subdivision. No wells may be dug or constructed" -- on
17 and on it goes -- "to provide a domestic water supply."
18 I can water my grass, put in a well and do that. I'm --
19 that's why I said I'm a captive consumer. There is no
20 incentive for this Company to do better. There is no
21 incentive. Let me read on.

22 Now, I've owned the property in my subdivision
23 for 23 years. The water rates were always reasonable
24 until the annual increases began. When this Company

1 purchased our small water company in Waterman a number of
2 years ago, I do not remember when, but it could be four,
3 five, whenever, they can tell you, I told my wife, I
4 said, "This is going to be a rough, rough ride." I said,
5 "This management, CWS, and the new Company would sit in
6 Charlotte, do its best to double our monthly water
7 charges." We wouldn't receive any better service, any
8 better water. We would just pay a lot more for the same
9 thing. Sadly, that prediction's proven true.

10 Now, this is not right and just. The Utilities
11 Commission should step up, defend the public against such
12 mismanagement. I worked for an enterprise that had over
13 30,000 employees and was known for its strict style of
14 management. And as one of the managers, I was required
15 to find solutions that would yield twice the output of
16 work with half the people and -- that previously been
17 involved. And I learned something in that process,
18 gentlemen. It can be done. It can be done.

19 COMMISSIONER BROWN-BLAND: Mr. Shuping, are you
20 about at the end?

21 THE WITNESS: I'm -- just let me finish. I'm
22 wrapping --

23 COMMISSIONER BROWN-BLAND: About at the end,
24 okay.

1 THE WITNESS: Thank you.

2 A CWS needs to study its operations, learn about
3 best practices, find more efficient ways of doing things.
4 Obviously, there's a lot of we've always done it this way
5 philosophy still lining the well in this Company's
6 management. That's fine as long as you provide the
7 pinnacle water service and stay out of my wallet. The
8 problem is your annual rate increase habit with the UC is
9 always your fall position. I don't hear one thing about
10 you doing the difficult things to contain your expenses.
11 All I hear is the -- is the incessant whining of a
12 spoiled brat that's never satisfied because you're not in
13 a competitive environment, your management -- I've got
14 one more paragraph -- because you're not in a competitive
15 environment, your management always takes the path of
16 least resistance. It runs crying to the UC for more
17 money.

18 Representatives of the Utilities Commission,
19 with respect, I implore you in the name of fairness and
20 just plain good business to chasten this broke water
21 company, this utility, in its latest request by denying
22 it totally. Insist that they do a better job of running
23 their business. CWS obviously enjoys this little annual
24 argument --

1 COMMISSIONER BROWN-BLAND: All right, Mr.

2 Shuping. We've gotten the message --

3 THE WITNESS: One more sentence.

4 COMMISSIONER BROWN-BLAND: Mr. Shuping, you're
5 well over. Wrap it up.

6 THE WITNESS: Thank you.

7 COMMISSIONER BROWN-BLAND: All right.

8 Questions, Ms. Holt?

9 Q Have you had any service-related --

10 A No. They've got great people. It's
11 management.

12 Q Thank you.

13 COMMISSIONER BROWN-BLAND: Ms. Sanford, any
14 questions?

15 MS. SANFORD: I have no questions. Thank you.

16 COMMISSIONER BROWN-BLAND: Follow up from
17 Commissioners?

18 (No response.)

19 COMMISSIONER BROWN-BLAND: All right.

20 THE WITNESS: Thank you.

21 COMMISSIONER BROWN-BLAND: Thank you, Mr.
22 Shuping.

23 (Witness excused.)

24 MS. HOLT: Mr. Steve Wall.

1 THE WITNESS: Walker.

2 MS. HOLT: Walker. Okay.

3 STEVE WALKER; Having first been duly sworn,

4 Testified as follows:

5 DIRECT EXAMINATION BY MS. HOLT:

6 Q Please state your name and address for the
7 record.

8 A I'm Steve Walker. I live at 17 Sequoia Court
9 in Brevard which is within the Connestee Falls community
10 that the other gentleman -- where the other -- another
11 gentleman here tonight also resides.

12 Connestee Falls is a community of 1,500 homes,
13 and it is -- we have a very efficient and heavily
14 involved board of directors. They are made up of
15 property owners. In the past in dealing with matters
16 like this, quite often the board itself would send
17 someone to represent the entire community. In this
18 particular case, though, it appears that we've chosen to
19 make these comments on our own as individual property
20 owners.

21 I want to strongly object to any proposed
22 increase by Carolina Water Service. It seems that these
23 rate increase requests are becoming much more frequent.
24 Somebody's going to have to hand me the record, but it

1 seems like it's every six months that we're being asked
2 to pay more for water service. These increases, I will
3 say, are very frequent.

4 The water only increase that is proposed within
5 the nine-page statement that I received is 15-1/2
6 percent. I think even half that amount is preposterous,
7 and I can't subscribe to the idea that you ask for "x"
8 and hope to get half "x". My personal bill increased 28
9 percent between January-June of 2018 and January-June of
10 2019. And I'd like to know did the committee, I mean,
11 the Commission authorize this specific amount?

12 We have had -- in regard to a question that
13 you've asked frequently, Ms. Holt, this evening, we've
14 had frequent, frequent outages in our neighborhood and we
15 have had frequent boil water advisories. Now, what does
16 that mean? I can't drink the water unless I'm boiling
17 it. These -- the frequency of these seems to be every
18 two to three months, boil water advisories. Frightening.

19 Also, as I understand the regulations imposed
20 by this Commission, any request for an increase must be
21 provided with justification, and what I've heard this
22 evening -- frankly, within the nine-page statement that I
23 received, I read no justification for an increase. What
24 I have heard here tonight that I did not read in the

1 nine-page statement that I received is that we're looking
2 at -- the Company has increased its investment. What
3 does that -- that doesn't tell me anything. What does --
4 what would tell me something is if I saw a list of items,
5 a substation pump, \$596,000; 45 additional feet of 6-inch
6 diameter pipe, \$72.52. Give me some specifics, and then
7 I can say that I've been informed of the reasons for the
8 requested increase.

9 This damage -- another cause that I've heard
10 this evening, but was not covered in the nine-page
11 statement that I received, is that there's been some
12 disturbances due to Hurricane Florence. Well, I'm over
13 here in the mountains. I doubt very seriously that
14 Hurricane Florence influenced the performance of the
15 water system that we have at Connetsee Falls.

16 We have had excessive fluoride reported in our
17 system. Going back to the last report we received, which
18 is not dated this year because we haven't seen one yet,
19 to my knowledge, it's 2018, excessive fluoride. Don't
20 know what's being done about it. Some residents in our
21 community -- now, my -- I want to make sure that I'm
22 clear about this because this is very relevant. My
23 increase is a water only. I'm not a water plus sewer
24 customer. I'm a water only customer. Some of the

1 residents at Connestee Falls are reporting bills of 87
2 and \$90 a month for water only. As was stated --

3 COMMISSIONER BROWN-BLAND: Mr. Walker, if you
4 can start to wrap it up, please.

5 THE WITNESS: Okay. Yes, ma'am.

6 A As was stated by a lady earlier this evening,
7 we have residents who are being billed when they're not
8 on site, when they are out of town. I'd like to know
9 more about what you mentioned, ma'am, the authorized
10 return. You mentioned that in your opening statement.
11 What is that authorized return? To me, I don't
12 understand it if it's not a number.

13 We have a board, as I mentioned earlier, that
14 manages our community. It seems like there's very little
15 communication going on between Carolina Water Services
16 and our board. Clean water is an extremely -- is
17 extremely valuable, but it should not be a luxury. Tap
18 water should not be sold at bottled water rates. Thank
19 you.

20 COMMISSIONER BROWN-BLAND: All right. Ms.
21 Holt.

22 Q I have a few follow-up questions. You said
23 there are frequent outages and frequent boil water
24 notices.

1 A Uh-huh.

2 Q When was the last time you got a notice? When
3 was the last time there was an outage, a water outage?

4 A We receive phone calls, recordings, warning us
5 of these problems. Now, the phone calls that I've
6 received, I believe, pertain primarily to sewage
7 disruptions that affect the quality of the water. So I'm
8 not going to tell you -- my residents -- that there's no
9 water; I'm just telling you that we're being told to boil
10 the water.

11 Q Certainly. Can you recall the last time you
12 received one --

13 A Couple months ago.

14 Q Couple months ago?

15 A Uh-huh. They're two to three months.

16 Q Okay.

17 A Yes, ma'am.

18 Q All right. And are you a full-time resident?

19 A Yes, ma'am.

20 Q You stated that you received an excessive
21 fluoride notice. Was that from Carolina Water Service or
22 was it --

23 A Yes, ma'am.

24 Q It was.

1 A They submitted an entire water quality report.
2 I'm sure that's required by law. Should be. And within
3 that 2018 statement, which was the last one that I
4 received, there was a reported excess fluoride and the
5 dangers that are inherent with that.

6 Q Thank you.

7 MS. HOLT: No further questions.

8 COMMISSIONER BROWN-BLAND: Ms. Sanford?

9 CROSS EXAMINATION BY MS. SANFORD:

10 Q Quickly, Mr. Walker. May we follow up with you
11 to discuss your interest in this authorized return
12 definition? May we follow up with you after this
13 hearing? We'd be glad to do so, if you choose to.

14 A I'd appreciate that. That's great. I think --
15 I think that it might make your task a little simpler
16 rather than contacting that gentleman back there who
17 resides in our community and then separately me, maybe
18 our board of directors needs to hear from the
19 organization.

20 Q Okay. We'll talk about the best way to do
21 that --

22 A Okay.

23 Q -- but we'll get some --

24 A What I -- what I --

1 Q Secondly --

2 A I'm open to more communication, yes, ma'am.

3 Q Great. Thank you. And then secondly, if it is
4 useful to you, I can give you a link to a website which
5 is the Utility Commission's website which provides a
6 great deal of specific information about the basis of the
7 request. I'd be very glad to do that, and we can do that
8 before you leave tonight, if you would like to look on
9 the website to -- for the more specific information that
10 you want.

11 A Okay. Great. Will it tell me information such
12 as what I just mentioned, the item and the amount?

13 Q It will tell you that and a lot more.

14 A Good.

15 Q About the request. This is the Company's
16 request. And then the Public Staff will be filing --

17 A At least investment in case --

18 Q -- an answer. We'll do that --

19 A -- the money's already been spent. And so
20 that's not requested, but spent. It would --

21 Q Spent and requested.

22 A Okay. Yes, ma'am.

23 Q We'll follow up with you.

24 A Thank you.

1 COMMISSIONER BROWN-BLAND: Questions from the
2 Commissioners?

3 (No response.)

4 COMMISSIONER BROWN-BLAND: All right. Thank
5 you, Mr. Walker.

6 THE WITNESS: Thank you.

7 MS. HOLT: I don't believe there's anyone else.

8 COMMISSIONER BROWN-BLAND: It appears we've
9 exhausted the room of potential witnesses. I don't see
10 anyone coming forward, so with nothing else to come
11 before the Commission tonight, we will be adjourned.

12 (Proceedings adjourned.)

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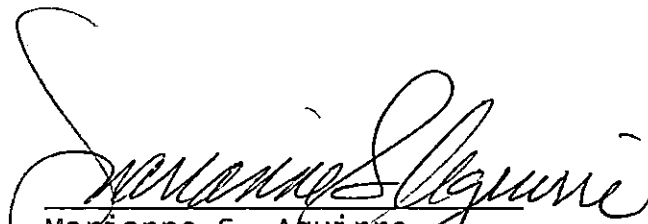
STATE OF NORTH CAROLINA
COUNTY OF RUTHERFORD

C E R T I F I C A T E

I, Marianne S. Aguirre, Notary Public/Court Reporter, do hereby certify that the foregoing hearing before the North Carolina Utilities Commission in Docket No. W-354, Sub 364 was taken and transcribed under my supervision; and that the foregoing pages constitute a true and accurate transcript of said Hearing.

I do further certify that I am not of counsel for, or in the employment of either of the parties to this action, nor am I interested in the results of this action.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 16th day of October, 2019.


Marianne S. Aguirre
Notary Public No. 19961490099

FILED

OCT 17 2019

**Clerk's Office
N.C. Utilities Commission**