



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

November 24, 2021

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

Re: Docket No. W-354, Sub 384 – Application by Carolina Water Service, Inc. of North Carolina, 4944 Parkway Plaza Boulevard, Suite 375, Charlotte North Carolina 28217 for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All of Its Service Areas in North Carolina

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the Second Supplemental Testimony of Lindsay Q. Darden, Utilities Engineer, Public Staff Water, Sewer, and Telephone Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/John D. Little
Staff Attorney
john.little@psncuc.nc.gov

Attachments

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 384

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 384

SUPPLEMENTAL TESTIMONY OF LINDSAY Q. DARDEN

**ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

NOVEMBER 24, 2021

1 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL**
2 **TESTIMONY?**

3 A. The purpose of my supplemental testimony is to discuss customer
4 complaints and witness testimony at the public hearings.

5 **Q. HAS THE PUBLIC STAFF RECEIVED ANY CUSTOMER**
6 **COMPLAINTS AS A RESULT OF THE CUSTOMER NOTICES IN**
7 **THIS PROCEEDING?**

8 A. Yes. The Public Staff has reviewed approximately 16 written customer
9 statements of position as of November 24, 2021. The statements were
10 in the forms of letters, emails, and facsimile transmissions.
11 Approximately six of the statements detailed issues with water quality.
12 Three of those statements were general statements that the water was
13 not drinkable. A statement provided by Kim and Chris Dunwiddie in
14 Brandywine Bay described the water as yellow and caused staining in
15 sinks, bathtubs, showers, and toilets. A statement provided by Danny
16 Connor described heavy mineral content in the water with “sometimes

1 inconsistent” water pressure. A statement provided by Alexia Carney
2 included pictures of discoloration occurring in their toilets due to the
3 water quality. All of the customers objected to the magnitude of the
4 proposed rate increase. Three of the statements specifically
5 mentioned the high base charge and two additional statements
6 mentioned the flat rate sewer amount.

7 **Q. PLEASE SUMMARIZE THE PUBLIC HEARINGS CONDUCTED IN**
8 **THIS CASE.**

9 A. The North Carolina Utilities Commission (Commission) conducted
10 two virtual hearings to receive testimony from public witnesses. The
11 hearings took place on November 1, 2021 at 1:30 p.m. and 6:30 p.m.
12 via Webex. Individuals testifying pre-registered for the hearing and
13 testified by calling in over the phone. Seventy-two total customers
14 pre-registered to testify at the hearings and thirty-five customers
15 testified on the record in the combination of both hearings. The
16 service areas represented and (number of customers that testified)
17 are Abington (1), Amber Acres (3), Amber Ridge (1), Amherst (2),
18 Belvedere (1), Brandywine Bay (2), Carolina Pines (3), Carolina
19 Trace (2), Connestee Falls (1), Danby (7), Elk River (1), Fairfield
20 Harbour (1), Fairfield Mountain (1), Fairfield/Sapphire Valley (1),
21 Hound Ears (2), Powder Horn Mountain (1), Riverpoint (1), Sandy
22 Trail (1), Sugar Mountain (2), and Treasure Cove (1).

1 The primary concerns of the testifying customers was the magnitude
2 of the rate increase including overall cost of service and the
3 frequency of rate increases. Customers also raised concerns about
4 base rates, comparisons of rates to municipalities, and service
5 issues.

6 The following customers opposed the proposed credit card
7 processing fee adjustment: Jessica Filter, Vince Roy, and David
8 Smoak. The Public Staff recommended alterations to Carolina Water
9 Service North Carolina's (CWSNC) proposed credit card processing
10 fee adjustment, see pages 22 through 25 of Public Staff witness
11 Darden's testimony filed on November 5, 2021 in this docket for
12 further details.

13 Rate Increase

14 Customers objected to the magnitude of the rate increase, stating
15 that CWSNC has requested rate increases several times in recent
16 years. In the past seven years, CWSNC has filed five general rate
17 cases and been granted rate increases effective on March 10, 2014¹,

¹ See, Docket No. W-354, Sub 336, Application by Carolina Water Service, Inc. of North Carolina, 2335 Sanders Roadn, Northbrook, Illinois 600602, for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All Service Areas in North Carolina, Excluding Nags Head, *Order Granting Partial Rate Increase, Approving Rate Adjustment Mechanism, and Requireing Customer Notice*, March 10, 2014;

1 December 7, 2015², November 8, 2017³, February 21, 2019, and
2 March 31, 2020⁴. Several customers mentioned CWSNC being
3 required to justify the rate increase. CWSNC filed a complete
4 Application and supporting testimony on July 2, 2021 and provided
5 the Public Staff with responses to 87 data requests sent as part of
6 the Public Staff's investigation. The Public Staff has reviewed
7 CWSNC's application for prudence and reasonableness and
8 described the findings in our testimonies and supplemental
9 testimonies. The Commission, and its staff, will also review the
10 application and supporting documentation from CWSNC and the
11 Public Staff to decide on the allowable rate increase.

12 The following customer testimonies solely opposed the rate
13 increase: James Whited, Alex Yandukin, Jennifer Nelson, Anna
14 Valdez, Lucilla Morales Vargas, Rachel Miller, David Bass, Jessica
15 Filter, John Gumbel, Nancy Deane, Lucas Medwell, Nathan Hartley,

² Docket No. W-354, Sub 344, Application by Carolina Water Service, Inc. of North Carolina, 2335 Sanders Roadn, Northbrook, Illinois 600602, for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All Service Areas in North Carolina, *Order Approving Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice*, December 7, 2015;

³ Docket No. W-354, Sub 356, Application by Carolina Water Service, Inc. of North Carolina, 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217, for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All of its Service Areas in North Carolina, Except Corolla Light and Monteray Shores Service Area and Elk River Development, *Order Approving Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice*, Novmeber 8, 2017

⁴ Docket No. W-354, Sub 364, Application by Carolina Water Service, Inc. of North Carolina, 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina, 28217, for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All of its Service Areas in North Carolina; *Order Granting Partial Rate Increase and Requiring Customer Notice*, March 31, 2020

1 Aubrey Pham, Michael Kahrimanian, Elizabeth Geary, Randy Bently,
2 James Taylor, Sara Hornby, Capri McDonald, Brenda Robertson,
3 and Elmer Purkey.

4 Base Facility Charge

5 Several customers testified objecting to the high base facility charge
6 and the effect on their total bill amount before any usage occurs.
7 Customers voiced their request for their total bills to be driven by
8 consumption and not the base facility charge. The Public Staff
9 proposed a rate design shift from CWSNC's current rate design ratio
10 of 52:48 (base facility charge: usage charges) for Uniform and
11 Bradfield Farms/Fairfield Harbor/Treasure Cove (BF/FH/TC) water
12 and 80:20 (base facility charge: usage charges) ratio for Uniform
13 Sewer to a rate design of 40:60 (base facility charge: usage charges)
14 ratio for Uniform and BF/FH/TC water and 60:40 (base facility
15 charge: usage charges) ratio for Uniform Sewer. The base facility
16 charge and rate design is discussed in further detail on pages 13
17 through 16 Public Staff witness Darden's testimony filed on
18 November 5, 2021.

19 Similar to the customer testimony regarding the base facility charge,
20 a few customers that are flat rate sewer customers testified to their
21 bill being a flat rate and not reflecting their actual consumption.

1 Comparisons to Municipalities' Rates

2 Several customers mentioned the comparison of CWSNC's rates to
3 nearby municipal rates. It is difficult to compare the rates of investor-
4 owned utilities like CWSNC that are regulated by the Commission to
5 municipal, county, or district systems. The operational costs per
6 customer can be lower for customers of municipalities because of
7 service area density and economies of scale, while larger investor-
8 owned utilities like CWSNC have fragmented service areas spread
9 across the state. Investor-owned utilities are regulated by the State
10 of North Carolina. The general statutes allow a Commission-
11 regulated utility the right to recover its operational expenses and the
12 opportunity to earn a reasonable rate of return. Government-owned
13 systems are not regulated by the Commission and may subsidize the
14 operating expenses of their utility systems through taxation. Investor-
15 owned utilities fund capital projects through private investors or
16 loans. Municipalities and county systems may qualify for grants, low
17 interest tax-free bonds, and other loans to fund capital projects.

18 Service and Water Quality Complaints

19 John Foster, a water customer on the Belvedere system, testified
20 that the water is turbid, stains appliances, and the pressure
21 fluctuates. He described experiencing "brown water" and that many
22 customers in the area have installed whole house filters to address
23 the issue. Mr. Foster had not reached out to CWSNC with a

1 compliant prior to his testimony. In its Report on Customer
2 Comments from Public Hearings Held Virtually on November 1, 2021
3 (Customer Report), filed November 15, 2021, CWSNC states that an
4 evaluation from its iron sequestering agent supplier was requested
5 to verify the current feed rates match raw water quality with results
6 expected by January 1, 2022. My understanding is this evaluation is
7 intended to better optimize the effectiveness of the iron sequestering
8 agent. In its Customer Report, CWSNC also stated:

9 A remote meeting was scheduled with all homeowners'
10 association representatives and held on October 13,
11 2021, to present the offer of a system wide softener in
12 order to better address the hardness of the water.
13 CWSNC explained the regulatory requirements and
14 cost and the nature of a Commission approved
15 surcharge that would be sought if the HOA wished to
16 proceed. Only one customer attended the meeting. A
17 similar proposal was rejected in 2019.

18 Kimberley Dunwiddie, a water and sewer customer on the
19 Brandywine Bay system, described a yellow color to the water and
20 stated that her family and several neighbors do not drink the water.
21 Ms. Dunwiddie also submitted a written customer statement. For
22 Brandywine Bay, CWSNC's customer service received six
23 complaints for discoloration, nine complaints for odor, and some
24 complaints regarding TTHM concerns in 2021. CWSNC utilizes an
25 iron sequestering agent as part of treatment for this system. CWSNC
26 states in its Customer Report that they have requested an evaluation
27 from its iron sequestering agent supplier to verify the current feed

1 rates match raw water quality with results expected by January 1,
2 2022. As stated above, my understanding is this evaluation is
3 intended to better optimize the effectiveness of the iron sequestering
4 agent. CWSNC also states that they will contact customers to
5 suggest that use of a water softener may help certain water quality
6 issues that are caused due to the high level of hardness in the water
7 provided by CWSNC in this system.

8 Paul Becton, a water and wastewater customer on the Brandywine
9 Bay system, described water quality issues that are still present after
10 he installed a whole house filter, water softeners, refrigerator filter,
11 and Brita filter on the tap. He testified that sludge collects in the back
12 of the toilet and described a “decomposing” smell in the water from
13 the faucet. CWSNC is taking the same actions described for Ms.
14 Dunwiddie. CWSNC asserted that the sludge described by Mr.
15 Becton can be a result of a home filtration system that is not serviced
16 or flushed properly.

17 Frank Piras, a water and sewer customer on the Carolina Trace
18 system, testified about the poor water quality, specifically the
19 numerous water line breaks that resulted in boil water advisories.
20 CWSNC stated that they are adding valves at every opportunity to
21 reduce the number of customers impacted by leaks.

22 Jan Bennett, a water and sewer customer on the Connestee Falls
23 system, also testified about the frequent water line breaks that result

1 in boil water advisories. CWSNC states in its Customer Report that
2 Connestee Falls experienced 16 leaks resulting in a boil water
3 advisory in 2021, three of those leaks affected Ms. Bennett's
4 address. CWSNC states that they use a pressure relief valve to test
5 areas for pressure increases and use a pressure recording device at
6 the wells to ensure steady pressure in the system.

7 Luz Velez-Salem, a water and sewer customer on the Danby system,
8 testified to poor water quality, describing a film on the water and a
9 bad odor and taste. CWSNC met with this customer subsequent to
10 the public hearing and tested the water at her home for chlorine
11 levels, pH level, and hardness. The tests determined moderately
12 hard water. CWSNC flushed the water main and Ms. Velez-Salem's
13 outside water spigot.

14 Audrey Smith, a water and sewer customer on the Danby system,
15 stated that she purchases bottled water to drink due to poor water
16 quality. CWSNC states in its Customer Report that they tested Ms.
17 Smith's water for hardness post-hearing and the results were
18 considered moderately hard.

19 Renee Davey, a water and sewer customer on the Danby system,
20 also testified to poor water quality, describing a "horrible taste" and
21 debris in the water. Ms. Davey has replaced faucets and appliances
22 due to the calcium build up from water hardness. CWSNC tested the

1 water at Ms. Davey's home for hardness post-hearing and the results
2 were moderately hard water.

3 Joe Mahaffey, a water and sewer customer on the Danby system,
4 described water main breaks that caused damage to the streets for
5 two months and a repair that resulted in a "speed bump" in the street.
6 Mr. Mahaffey also described large fluctuations in bills due to meter
7 reading inaccuracies. Like the Danby customers above, Mr.
8 Mahaffey also described issues with hard water and damages to
9 appliances. In its Customer Report, CWSNC described the leak Mr.
10 Mahaffey references was reported to CWSNC on June 21, 2021 and
11 repaired on June 27, 2021 and June 29, 2021. CWSNC states the
12 repaving was delayed due to a Covid outbreak on the contractor's
13 team and another contractor was hired and completed the work on
14 August 21, 2021.

15 Robert Harris, speaking for the homeowners' association of the Elk
16 River system, testified to service issues including six recent main
17 breaks that led to customers being without water for six to eight hours
18 and pressure issues afterwards. Mr. Harris stated that a new well and
19 pump replacement at an existing well that was expected for the
20 system has not been completed. In its Customer Report, CWSNC
21 stated that a project to install radiological treatment on Well No. 7
22 resulted in the pressure problems that Mr. Harris described. The
23 project took longer than CWSNC expected and CWSNC contacted

1 customers to voluntarily conserve water until the project could be
2 finished and the well placed back in service. The well is now back in
3 service. CWSNC stated that it has worked with Elk River POA to
4 identify future well sites. The system currently has the capacity for
5 25 additional homes with the current water supply.

6 Ron Mellow, a water and sewer customer on the Fairfield/Sapphire
7 Valley system, described experiencing 11 boil water advisories
8 recently and that the older system is in need of maintenance. Mr.
9 Mellow stated that the isolating valves in the neighborhood are
10 inoperable resulting in the entire neighborhood being cut off when
11 there is a leak. CWSNC stated in its Customer Report that the valve
12 Mr. Mellow referenced was paved over by the POA's paving
13 company and was addressed during the water main repair. CWSNC
14 replaced the valve box and cover so that the valve would be
15 accessible and operable if needed in the future.

16 Trip Stallings, a water customer on the Powder Horn Mountain
17 system, testified that the water system is old and in constant need of
18 repairs. Mr. Stallings states that the water pressure on his street is
19 at the minimum allowable pressure. Mr. Stallings and CWSNC have
20 been in constant contact the past six months to address these
21 issues. CWSNC has replaced the pressure relief valve and replaced
22 the 1-inch main in front of Mr. Stallings home. CWSNC has additional
23 improvements for the system planned that are targeted for 2022 to

1 address the mains that were not installed properly, prior to CWSNC
2 owning the system.

3 Danny Conner, a water customer on the Treasure Cove system,
4 described not seeing any significant improvements to the 40 year old
5 subdivision and stated that Well No.1 is in a flood zone and has the
6 potential to be shut down in extreme weather events. Mr. Conner
7 described inconsistent pressure and high levels of calcium, iron, and
8 manganese that require toilets and faucets to be replaced frequently.
9 Mr. Conner uses bottled water for drinking and has experienced two
10 pipe breaks on his property in the past 11 months. CWSNC stated
11 that Treasure Cove is a system with two wells. CWSNC did not
12 describe any upcoming projects planned for this system.

13 Conclusions

14 It is the Public Staff's opinion that with the exception of a few isolated
15 service issues, which the Company has addressed or is in the
16 process of resolving, the overall quality of service is adequate. It is
17 also the Public Staff's understanding that water quality generally
18 meets the standards set forth by the Safe Drinking Water Act and is
19 satisfactory. The Public Staff recommends that CWSNC consider
20 customer outreach to customers on the Danby system about how
21 they can address and manage water hardness in their homes. The
22 Public Staff requests that CWSNC share the results of the
23 evaluations from its iron sequestering agent supplier for the

1 Belvedere and Brandywine Bay systems and CWSNC continue to
2 update the Public Staff on the progress addressing those systems'
3 water quality issues. As the Public Staff has discussed before with
4 CWSNC, CWSNC should consider converting flat rate sewer
5 customers to metered sewer customers so that the customers' bills
6 would be based on usage and not a flat rate.

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

8 **A. Yes.**