

DOCKET NO. W-354, SUB 363
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc. of) NOTICE OF WITHDRAWAL
North Carolina, 4044 Parkway Plaza Boulevard,) FROM RATE CASE
Suite 375, Charlotte, North Carolina 28217, for) CONSIDERATION THE
Authority to Adjust and Increase Rates for) PROPOSED CONSUMPTION
Water and Sewer Utility Service in All Service) ADJUSTMENT MECHANISM
Areas in North Carolina) AND PILOT PROGRAM

NOW COMES Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”) to withdraw from this docket its requests for a Consumption Adjustment Mechanism (“CAM”) and for a Conservation Rate Pilot Program and Revenue Adjustment Mechanism (“Pilot Program”) at The Point Subdivision in Mooresville. In explanation and support of withdrawal of these issues from CWSNC’s pending general rate case, the Company states the following.

A. Consumption Adjustment Mechanism

On August 2, 2019, CWSNC filed the *Supplemental Direct Testimony and Exhibit* of Dante M. DeStefano in Docket No. W-354, Sub 364, the Company’s pending general rate case. By Mr. DeStefano’s supplemental testimony, CWSNC requested Commission approval to implement a water and wastewater customer usage tracking rate adjustment mechanism, known as the CAM, pursuant to the provisions of newly-enacted G.S. 62-133.12A (Session Law 2019-88, House Bill 529), which became effective on July 8, 2019. That request was consistent with the relevant provisions of the Application for a General Increase in Rates filed by CWSWNC in the Sub 364 docket on June 28, 2019.

Since CWSNC filed its Sub 364 Rate Case Application and the Supplemental Direct Testimony of Company witness DeStefano, three things have transpired that prompt this withdrawal of the CAM issue from the rate case.

First, the Commission recently initiated a rulemaking proceeding in Docket No. W-100, Sub 61 on November 14, 2019, based upon a Petition and proposed water and wastewater rules filed by the Public Staff. CWSNC sharply disagrees with the Public Staff's proposed rules and thus filed a Petition to Intervene in the rulemaking proceeding (as did Aqua North Carolina, Inc.). Both petitions to intervene were granted by the Commission in its November 14th *Order Establishing Rulemaking Proceeding and Granting Petitions to Intervene*. The Commission has established a comment period for parties to respond to the proposed rules attached by the Public Staff to its Petition, and CWSNC intends to supply comments in the rulemaking proceeding.

Second, the Public Staff's rate case testimony (filed by Staff witness Charles Junis on November 4, 2019) recommends, for a number of delineated reasons, that the Commission deny CWSNC's request to implement a CAM as part of the Sub 364 rate case. As can be seen by the Public Staff's forceful opposition to implementation of the specific CAM proposed by the Company, there are significant differences of opinion between CWSNC and the Staff as to the exact nature of the CAM rules which should be adopted by the Commission.

Third, it is anticipated that other water and wastewater providers will seek to have input on the implementation of any CAM guidelines; therefore, CWSNC submits that these contested issues are not amenable to fair and thorough, generic

resolution in this rate application docket. The issues are, however, suitable for resolution in the Docket No. W-100, Sub 61 rulemaking proceeding authorized by the referenced Order. CWSNC will actively participate in that rulemaking proceeding in an attempt to encourage adoption of water and wastewater rules which are both in the public interest and acceptable to the Company.

In sum, CWSNC strongly supports adoption by the Commission of fair and reasonable formal rules governing procedures for a water and wastewater CAM, but now believes that it is necessary for such rules to be adopted in the Commission's pending rulemaking proceeding before the Company can make a fully-informed decision whether to request implementation of a CAM pursuant to those rules.

For these primary reasons, CWSNC hereby withdraws its request for authorization to implement the Company's proposed CAM in this rate case.

B. The Pilot Program

For very similar reasons to those discussed above in conjunction with CWSNC's proposed CAM, the Company hereby notifies the Commission that it also withdraws its request for authority to implement its proposed Pilot Program at The Point Subdivision on Mooresville. CWSNC's proposed Pilot Program was described in the Company's Sub 364 Rate Case Application and in the direct testimony filed by witness DeStefano. However, as with the Company's proposed CAM, Public Staff witness Junis recommends that the Commission deny CWSNC's proposal to implement the Pilot Program as part of the Sub 364 rate case.

In addition, there is a generic rulemaking proceeding pending before the Commission in Docket No. W-100, Sub 59, initiated by Order dated March 20, 2019, "...with the goal of exploring and considering rate design proposals that may better achieve the utility's desire for revenue sufficiency and stability, while also sending appropriate signals to consumers that support and encourage water efficiency and conservation." (See *Order Establishing Generic Proceeding and Requiring Comments* at p. 2¹) This generic proceeding provides an opportunity to focus on the issues that are raised by consideration of these rate design issues, and it provides an opportunity for all interested members of the water and wastewater industry in North Carolina to participate.

Thus, on the basis of the Public Staff's demonstrated opposition to CWSNC's proposed Pilot Program in the Sub 364 rate case and the existence of the Commission's generic rate design proceeding in Docket No. W-100, Sub 59, CWSNC withdraws from this rate application docket its request to implement the Pilot Program. Instead, CWSNC requests that the Commission approve a rate design in this case consistent with the fixed-to-variable ratios presently included in the Company's water and wastewater rates of 52% fixed/48% variable for water service and 80% fixed/20% variable for wastewater service. Witness DeStefano will present and support this rate design request in his rebuttal testimony, which will be filed after the Public Staff files its anticipated supplemental accounting testimony.

¹ <https://starw1.ncuc.net/NCUC/ViewFile.aspx?id=c741d05b-a28d-4129-a380-5c4d1c16b607>

CWSNC will continue to actively participate in the Commission's Docket No. W-100, Sub 59 generic rate design proceeding to explore and consider rate design proposals that may better achieve the Company's desire for revenue sufficiency and stability, while also sending appropriate signals to consumers that support and encourage water efficiency and conservation.

WHEREFORE, CWSNC hereby withdraws the issues of consideration of a CAM and the Pilot Program from its rate case position; and confirms that it seeks, supports, and requests continuing approval by the Commission of the above-referenced existing rate design in the Company's pending Sub 364 Rate Case, pending the more comprehensive and robust discussion and deliberation regarding water and wastewater rate design and alternative ratemaking issues which are expected to take place in the generic W-100, Sub 59 and Sub 61 dockets.

Respectfully submitted, this the 18th day of November, 2019.

Electronically Submitted

/s/Jo Anne Sanford
SANFORD LAW OFFICE, PLLC
Post Office Box 28085
Raleigh, NC 27611-8085
State Bar No. 6831
Cell: 919-210-4900
sanford@sanfordlawoffice.com

/s/Robert H. Bennink, Jr.
BENNINK LAW OFFICE
130 Murphy Drive
Cary, NC 27513
State Bar No. 6502
Cell: 919-760-3185
BenninkLawOffice@aol.com

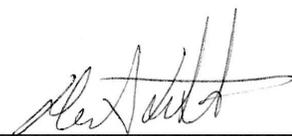
/s/Mark R. Alson
ICE MILLER LLP
One American Square, Suite 2900
Indianapolis, IN 46282-0200
Office: 317-236-2263
Cell: 317-374-8527
mark.alson@icemiller.com

**ATTORNEYS FOR CAROLINA WATER
SERVICE, INC. OF NORTH CAROLINA**

VERIFICATION

Dante DeStefano, being duly sworn, deposes and says:

That he is the Financial Planning and Analysis Director for Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in this **Notice of Withdrawal From Rate Case Consideration the Proposed Consumption Adjustment Mechanism and Pilot Program**, filed in Docket Nos. W-354, Subs 363, 364, and 365; that he has read the foregoing Notice of Withdrawal and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.



Dante DeStefano

Sworn to and subscribed before me this the 18 day of November 2019.



Notary Public

Vishal A. Vyas

Printed Name



My Commission Expires: 05/06/2024