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Mount, Gail

From: Richard Hoffmann <rhoffmann@ingaa.org>
Sent: Wednesday, June 24, 2015 1:10 PM
To: Finley, Ed; Mount, Gail; bbeaty@ncuc.net; Rabon, Susan; Bailey, Don; Dockham, Jerry; Patterson, James; Brown-Bland, ToNola
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Subject: Letter Protesting CWS rate increase in Docket No. W-354, sub 344
Attachments: NCUC-CWS CorollaLight-Hoffmann Statement 6-24-15.doc

Clerk's Office
N.C. Utilities Commission

Dear Chairman Finley, Chief Clerk Mount, and Commissioners

Please accept these comments protesting the CWS rate increase in docket no w-354 sub 344.

Richard and Lynn Hoffmann
1062 Beacon Hill Drive
Corolla, NC

Ms. Antoinette R. Wike, Chief Counsel
Public Staff
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, NC 27699-4326

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Clerk's Office
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Dear Commissioners:

We protest the rate increase that Carolina Water System (CWS) is proposing in Docket W-354, sub 344 affecting Currituck County residents of Corolla Light Resort and Monterey Shores. We request that the rate increase be denied and, in light of the evidence we're entering into the record, we're requesting refunds from CWS for systemically over charging for its sewer treatment services since July 2011 when the last rate increase and restructuring was approved. In 2013 CWS again applied for a rate increase and the rates for Corolla Light customers were not increased. The Commission should again deny this 2015 rate increase in docket no. 354 Sub 344. As we will show, this rate increases and the existing rates charged by CWS are not just and reasonable and are, in fact, based on incorrect readings of sewer usage. In our case we prove that approximately 50% of the water we use NEVER ENTERS the sewer, yet we are (or were until we took independent action) charged sewer rates for that water CWS NEVER treats.

We are: Lynni and Richard Hoffmann
1062 Beacon Hill drive
Corolla, NC 27927
email: rhoffmann@ingaa.org & lynnhoffmann11@gmail.com

We've owned in Corolla Light Resort since July 2010. We're proud to be part of the OBX community in Currituck County. On March 22, 2011 the NCUC issued an order in docket 354, sub 327 in a proceeding we were not aware of. By mid-2011 we were aware of the CWS's rate increase approved by the NCUC. At that time we wrote comments to the NCUC raising concerns about the rate increase. Unfortunately, our concerns weren't addressed.

That March 2011 order stated that the rates agreed to by public staff and the CWS were justified and reasonable and the commission subsequently approved them. Fresh water rates had been \$4.48/1000 gallons and were raised to \$7.09/1000 gallons. Sewer rates had been a flat rate of \$41.14 per month. The March 2011 order approved sewer rates with a flat rate based on meter size [\$55.54/mo. for a < 1" meter] plus a monthly metered 'usage' charge of \$7.09/1000 gallons. The 2011 'usage' charge was an increase of 58.24% over based on the water service charge over and above and in addition to the previous flat monthly meter demand charge.

The 2011 order noted that sewer charges to the average house would decrease. The math, logic and facts of that determination were incorrect. In fact, the opposite happened. The sewer 'usage' charge was based on 100% of the household's water usage—this is a flawed calculation that may hold truer in areas where people don't use water outside their homes to the extent that it is used in a vacation area such as Corolla. The misconstrued notion allows CWS to reap the benefits of overcharging its sewer customers in Corolla Light and Monterey shores since those sewer rates went into effect in July 2011. Its 2013 rate increase in sub 336 for Corolla Light customers was not approved, but now, in docket no 354 sub 344, CWS requests another large rate increase from 6.65 to 8.49 (>27%) and a higher flat rate while still basing their billing practice on meters recording 100% of fresh water usage. That is

inaccurate and will amount to the Public Utility Commission granting CWS a license to overcharge rate payers.

Basing sewer rates on 100% of water usage was incorrect and unreasonable in 2011, in 2013 and now in 2015 as well. CWS has reaped dramatic revenue increases since 2011 while reducing their expenses and returning no added value to the rate payers of Corolla Light. Evidence of the overcharges for sewer and wastewater treatment was plain to see when we installed a second non sewer use meter.

THE RATES APPROVED IN MARCH 2011 WERE AND ARE NOT JUST AND REASONABLE

The NCUC approved the March 2011 order that raised water rates and sewer rates based in large part on the cost of obtaining fresh water supplies. However, shortly after those rates went into effect, CWS sold its fresh water supply service to SOBWS. But, it retained its wastewater service and used the recently raised flat fee for metered service plus the 'usage' charge to generate much larger wastewater sewer charges. There was no accounting for, or adjustment to account for actual sewer usage. The sewer charge was just a straight calculation based on 100% of water usage. This was a flawed calculation then and it remains so now for the average outer banks home.

Any homeowner or their guests that fills a hot tub, waters their lawn, takes on outside shower, washes a car or sandy feet or fills and maintains the water level in their swimming pool or power washes their house is using water that **never enters the sewer system**---yet every resident of Corolla Light and Monterey shores is still paying CWS monthly bills for 'usage' rates for water that CWS never treats in its system. This was wrong in March 2011, remained wrong in September 2013, and continues to be wrong in 2015. It becomes even more unjust with a rate increase.

This is not water that flows into the sewer and is treated wastewater. Yet, the NCUC order has approved rates that allow CWS to bill us for that 'usage' every month for thousands of gallons that CWS doesn't receive or treat. This is not fair or reasonable. Please examine the proof. The investigation the Commission should be having with CWS on behalf of the rate payers of Corolla is about accurate reliable metering, not about yet another rate increase. The subject should be forbidden until an honest system of billing exists. The scales in grocery stores and the pumps at gas stations have been certified for accuracy for decades. The Commission should not permit this billing to continue.

WE INSTALLED A SECOND METER THAT ABSOLUTELY PROVES CWS BILLING PRACTICES ARE INCORRECT

Our water and sewer bills under the new rate structure starting July 2011 were horrendous. Combined water and sewer charges in 2010 in the late summer months of near \$200, had risen in summer 2011 to over \$1,200 in August 2011. Combined water sewer billing of \$600-800 per month were common. We took action. We stopped watering our lawn. We worked with our pool company to conserve water.

Yet the **most effective action** we took was installing a second water meter at great expense so that any water used for filling our pool or watering the plants or lawn was not sent thru the sewer meter. This meter cost us \$1650.00 to purchase, permit and install. This bypass of the metered sewer 'usage' was the most effective step we took. That was March, 2013.

As shown in the chart below, since installing meter B --the bypass meter-- that measures most of our non-sewer service water usage, on average about 50% of our water use does not enter the sewer, nor require any CWS service. However from approximately July 2011 till March 2013 we were paying CWS for service they never rendered. This is neither just nor reasonable. We aren't the exception to

the rule in Corolla and the outer banks. These are, by and large, vacation rental homes with pools, hot tubs & outdoor showers.

Most residents in Corolla Light are still paying sewer rates based on 100% of their water usage when large portions of their use never enters the wastewater system. CWS's current rates are unjust and unreasonable. The proposed rate increase is also unjustified.

So, we solved most of our problem. But most of the residents in Corolla haven't installed a second meter. The sewer service rate charged to the customers in our area based on 100% of all water usage must stop. It is simply not fair. CWS benefits from that arrangement at our expense. The NCUC must take action to stop the billing for service never rendered. The Outer Banks service area, in general, is unique due to the high concentration of vacation homes and lower percentage of full time residential users. Average usage patterns don't apply here. Our concern is that this area's water usage is misunderstood by the Commission and is being capitalized on by CWSNC. Please change that.

CWS MUST NOT RECEIVE YET ANOTHER RATE INCREASE IN THE COROLLA LIGHT AREA

As noted above, the 2011 water rate increased to \$7.09/ 1000 gallons, 58 .24% increase over previous rates. CWS received that increase and promptly spun off its freshwater service, no longer supplying water, the cost of which was used to justify the increase. It is ironic that they no longer have that obligation. However, the restructured significantly higher flat sewer rate plus the addition of new metered sewer rate afforded a windfall of new revenue for the streamlined CWS.

The current proposed 2015 increase to \$8.49/1000 gallons of sewer service is another 27% increase over 2011 rates is simply unacceptable. Piling on a second proposed increase in the flat monthly rate is even worse. Since CWSNC already fails to provide service for approximately half of the water we're paying them to treat why is this request being considered? Please deny it.

Instead, we propose that CWS either stop billing by the Gallon altogether or install wastewater / sewer meters for the purpose of initiating real and honest billing practices. And let's talk about the refunds we're owed for 2011- 2015, please.

Richard and Lynn Hoffmann

Richard and Lynn Hoffmann 6-24-15

	Meter A	Meter B: non sewer	% NOT entering sewer
3 year summary			
2013 Annual Summary	94,010	86,750	48.0%
2014 Annual Summary	103,225	91,670	47.1%
2015 Summary to May	21,480	24,100	52.9%

AVG 2013 to May of 2015—Water NOT entering sewer = 48.1%