

1 PLACE: Mecklenburg County Courthouse

2 Charlotte, North Carolina

3 DATE: Thursday, September 20, 2018

4 DOCKET NO.: W-1034, Sub 8

5 TIME IN SESSION: 7:01 P.M. TO 7:17 P.M.

6 BEFORE: Hearing Examiner Lemuel Hinton

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IN THE MATTER OF:

9

Application by Water Resources, Inc.,

10

5970 Fairview Road, Suite 710,

11

Charlotte, North Carolina 28210, for

12

Authority to Increase Rates for Water

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Utility Service in Rocky River Plantation

14

Subdivision in Cabarrus County and

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River Walk Subdivision in Mecklenburg

16

County, North Carolina

17

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Volume 1

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1 A P P E A R A N C E S:

2

3 FOR WATER RESOURCES, INC.:

4 Dennis Abbott, Pro Se

5 5970 Fairview Road, Suite 710

6 Charlotte, North Carolina 28210

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9 FOR THE USING AND CONSUMING PUBLIC:

10 John Little, Esq.

11 Public Staff - North Carolina Utilities Commission

12 4326 Mail Service Center

13 Raleigh, North Carolina 27699-4300

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

2 HEARING EXAMINER HINTON: Good evening. Let's
3 go on the record, please, and begin this hearing. My
4 name is Lemuel Hinton. I'm a Hearing Examiner with the
5 North Carolina Utilities Commission, and I have been
6 assigned to preside over this hearing tonight.

7 The Commission calls for hearing Docket No.
8 W-1034, Sub 8, which is In the Matter of a request by
9 Water Resources, Inc. for Authority to Increase Rates for
10 Water Utility Service in Rocky River Plantation
11 Subdivision, Cabarrus County, North Carolina, and River
12 Walk Subdivision in Mecklenburg County, North Carolina.

13 On April 18, 2018, Water Resources filed its
14 Application for a rate increase to the Commission. On
15 May 14, 2018, the Commission issued an Order Establishing
16 General Rate Case, Suspending Rates, Scheduling Hearing,
17 and Requiring Customer Notice. Such Order, among other
18 things, suspended proposed new rates for up to 270 days
19 pursuant to G.S. 62-134, pending investigation, that the
20 test period is the 12-month period ending December 31st,
21 2017, and set the Application for hearing at this time
22 and at this place, subject to cancellation if no
23 significant protests were received subsequent to the
24 customer notice.

1 On June 13, 2018, the Applicant filed a
2 Certificate of Service, indicating that customer notice
3 was provided as required by the May 14, 2018 Order.

4 On August 29, 2018, the Public Staff filed the
5 testimony and exhibits of June Chiu, Staff Accountant,
6 Accounting Division, the testimony exhibits of David C.
7 Furr, Director of Water, Sewer, and Telephone Division,
8 and the Affidavit of John R. Hinton, Director, Economic
9 Research Division.

10 Water Resources services approximately 114
11 residential customers in Rocky River Plantation
12 subdivision in Cabarrus County, North Carolina. The last
13 rates established in a general rate case were Docket No.
14 W-1034, Sub 4, effective December 19, 2002. These rates
15 were subsequently reduced effective January 1, 2017 for
16 the implementation of House Bill 998 in Docket No. M-100,
17 Sub 138, and Docket No. W-1034, Sub 7. The Public Staff
18 determined in its investigation of Water Resources is
19 currently charging customers in Rocky River Plantation
20 subdivision a monthly base charge of \$9.29 instead of the
21 Commission approved monthly rate of \$9.28 which became
22 effective on January 1, 2017.

23 Water Resources also provides water and utility
24 service to approximately 32 residential customers in the

1 River Walk subdivision in Mecklenburg County, North
2 Carolina. The rates were initially established for River
3 Walk subdivision in the original franchise proceeding as
4 Docket No. W-1034, Sub 6, effective August 12, 2013, but
5 were reduced effective July 1, 2014 for the
6 implementation of House Bill 998 in Docket No. M-100, Sub
7 138, and Docket No. W-1034, Sub 7.

8 Based upon the Commission approved rates, the
9 proposed rates would increase the average residential
10 monthly water bill for Rocky River Plantation subdivision
11 from \$23.67 to \$28.56, a 20.7 percent increase based on
12 an average monthly usage of 5,600 gallons. The proposed
13 rates would increase the average residential monthly
14 water bill for River Walk subdivision from \$90.42 to
15 \$97.69, an 8 percent increase based on the average
16 monthly usage of 5,600 gallons.

17 On September 12th, six consumer statements of
18 position to the Public Staff's Responses were filed with
19 the Commission. Two of the six contacts were originally
20 filed with the North Carolina Department of Justice,
21 Office of the Attorney General. All six customer
22 contacts are opposed to the rate increase and expressed
23 water quality concerns. Such water quality concerns
24 included cloudy water, iron clay in the water, damage to

1 appliances caused by the water hardness, and a recent
2 water system violation for failure to take all the
3 testing samples as required, communication issues, water
4 algae, and water overflowing out of the storage tank.
5 That brings us to date.

6 Will the parties please announce their
7 appearances, beginning with the Applicant.

8 MR. ABBOTT: Dennis Abbott, Water Resources.

9 HEARING EXAMINER HINTON: And Mr. Abbott, do --
10 you do not have an attorney, do you, sir?

11 MR. ABBOTT: That's correct.

12 HEARING EXAMINER HINTON: Okay. Thank you,
13 sir.

14 MR. LITTLE: John Little, Legal Division,
15 Public Staff. With me tonight is David Furr, the
16 Director of the Water Division of the North Carolina
17 Public Staff, and June Chiu, Accountant with the
18 Accounting Division of the North Carolina Public Staff.

19 HEARING EXAMINER HINTON: Thank you, Mr.
20 Little. I'm looking around and I don't see any public
21 witnesses or I don't see any persons other than people
22 associated with either the Company or the Public Staff.
23 Have there been any public witnesses, to your knowledge,
24 Mr. Little?

1 MR. LITTLE: No, Your Honor.

2 HEARING EXAMINER HINTON: Okay. Then I will
3 ask -- I will ask if there are any public witnesses
4 available? Seeing none, we will go on with the
5 evidentiary portion of the hearing and close the public
6 witness portion of this -- of this hearing.

7 Mr. Little, how do you wish to proceed?

8 MR. LITTLE: Your Honor, I believe the
9 Applicant and the Public Staff have agreed on the rates
10 that are contained in the testimony of David Furr and
11 June Chiu. I don't know if you'd like a summary of the
12 proposed rates, or we can just proceed by admitting the
13 testimony and exhibits into the record.

14 HEARING EXAMINER HINTON: Well, first, let me
15 inquire of Mr. Abbott, is that assertion by Mr. Little
16 correct?

17 MR. ABBOTT: Yes, sir. That is.

18 HEARING EXAMINER HINTON: So you and the Public
19 Staff have come to an agreement with regards to the rates
20 in this particular case and will accept the Public
21 Staff's recommendation; is that correct, sir?

22 MR. ABBOTT: Yes, sir. That is correct.

23 HEARING EXAMINER HINTON: Mr. Abbott, we don't
24 ordinarily let private parties who are -- well, we don't

1 ordinarily let parties who are not lawyers make
2 statements or ask questions, but if you would like to
3 make a statement at this time, you can testify, but you
4 won't be able to ask any questions or anybody ask
5 questions of you. Would you like to make a statement,
6 sir?

7 MR. ABBOTT: Yes, sir. I would. Thank you
8 very much.

9 HEARING EXAMINER HINTON: If you would like to
10 make a statement, you will need to be sworn, sir.

11 MR. ABBOTT: Okay.

12 DENNIS ABBOTT; Having been duly sworn,
13 Testified as follows:

14 HEARING EXAMINER HINTON: You may be seated,
15 sir.

16 MR. ABBOTT: Thank you, Your Honor. Water
17 Resources is a very small water utility company. We have
18 tried to run this company extremely lean for the benefit
19 of our customers, and I think our customers, if I'm not
20 mistaken, enjoy some of the lowest water utility rates in
21 the state of North Carolina. We do have a few
22 complaints. Of the 146 customers we have, the complaints
23 we've gotten represent less than 5 percent of our total
24 customer base, which I think can be interpreted that 95

1 percent of our customers don't have complaints. And so
2 we -- we are aware of a few isolated incidences, and we
3 certainly want to try to resolve those.

4 We did -- we did not provide written testimony,
5 but we did review the Public Staff's written testimony,
6 and we do accept the Public Staff's recommendations with
7 the understanding that with these rates and with some of
8 the recommendations the Public Staff is making, it will
9 create a larger Delta than we currently have between
10 revenue and expenses and create a large shortfall for us,
11 so we're going to have to come back shortly for another
12 rate increase.

13 HEARING EXAMINER HINTON: Does that conclude
14 your statement, sir?

15 MR. ABBOTT: Yes, sir.

16 HEARING EXAMINER HINTON: Mr. Little, do you
17 have any questions?

18 MR. LITTLE: No, Your Honor.

19 HEARING EXAMINER HINTON: You may step down,
20 sir.

21 MR. ABBOTT: Thank you, sir.

22 (Witness excused.)

23 HEARING EXAMINER HINTON: Mr. Little, you may
24 present the Public Staff's case.

1 MR. LITTLE: Your Honor, I'd like to have the
2 Application filed by Mr. Abbott on behalf of Water
3 Resources marked as Water Resources Exhibit 1, and the
4 testimony and exhibits of David Furr as Public Staff Furr
5 Exhibit 1 which includes his written testimony and the
6 exhibits after that testimony, and the testimony and
7 exhibits of June Chiu as Public Staff Chiu 1 which
8 includes her written testimony and her exhibits, and the
9 Affidavit of John R. Hinton, Director of the Economic
10 Research Division, marked as Hinton Exhibit 1, and would
11 like to ask that those be admitted into the record.

12 HEARING EXAMINER HINTON: Those records shall
13 be admitted to the record.

14 (Whereupon, Water Resources Exhibit 1
15 was marked for identification and
16 admitted into evidence.)

17 (Whereupon, the prefiled testimony of
18 June Chiu was copied into the record
19 as if given orally from the stand.)

20 (Whereupon, Public Staff Chiu Exhibit
21 1 was identified as premarked and
22 admitted into evidence.)

23

24

**WATER RESOURCES INC.
DOCKET NO. W-1034, SUB 8**

**TESTIMONY OF JUNE CHIU
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

August 29, 2018

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is June Chiu and my business address is 430 N. Salisbury
4 Street, Raleigh, North Carolina. I am a Staff Accountant with the
5 Accounting Division of the Public Staff – North Carolina Utilities
6 Commission, and represent the using and consuming public.

7 **Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC**
8 **STAFF?**

9 A. I have been employed by the Public Staff since October 17, 2017.

10 **Q. WILL YOU STATE BRIEFLY YOUR EDUCATION AND**
11 **EXPERIENCE?**

12 A. I am a graduate of Drake University with a Masters of Business
13 Administration degree. Prior to joining the Public Staff, I worked for
14 the Iowa state government and Fortune 500 companies including
15 Novo Nordisk and Rieter Textile. My duties there varied from
16 performing audit engagement to supervision of the accounting and
17 internal controls and preparing SEC filings.

1 Q. WHAT ARE YOUR DUTIES?

2 A. I am responsible for analyzing testimony, exhibits, and other data
3 presented by parties before this Commission. I have the further
4 responsibility of performing the examinations of books and records
5 of utilities involved in proceedings before the Commission, and
6 summarizing the results into testimony and exhibits for presentation
7 to the Commission.

8 Q. MRS. CHIU, WHAT IS THE NATURE OF THE APPLICATION IN
9 THIS PROCEEDING?

10 A. On April 18, 2018, Water Resources, Inc. (Water Resources or
11 Company) filed an application with the Commission to increase its
12 rates for providing water utility service in its Rocky River and River
13 Walk services areas in Cabarrus and Mecklenburg Counties, North
14 Carolina. My investigation included a review of the application filed
15 by Water Resources, an examination of the Company's books and
16 records for the test year, and a review of additional documentation
17 provided by the Company in response to written data requests.

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
19 PROCEEDING?

20 A. The purpose of my testimony in this proceeding is to present the
21 results of my investigation of the levels of revenue, expenses, and
22 investment filed by Water Resources in support of its requested
23 increase in operating revenues for water operations.

1 Q. WOULD YOU BRIEFLY DESCRIBE THE PRESENTATION OF
2 YOUR TESTIMONY AND EXHIBITS?

3 A. Yes. My testimony contains a discussion of each issue resulting from
4 my investigation, and my exhibit consists of schedules showing the
5 calculation of my adjustments to revenues, expenses, and rate base.
6 My schedules also reflect adjustments recommended by other Public
7 Staff witnesses. Schedules 1(a) and 1(b) of my Exhibit I present the
8 margin on operating revenue deductions requiring a return under
9 present rates, Company proposed rates, and Public Staff
10 recommended rates. Schedules 2(a) and 2(b) of my Exhibit I, along
11 with their supporting schedules, present the original cost rate base
12 for water operation. Schedules 3(a) and 3(b) of Exhibit I, along with
13 their supporting schedules, present the calculation of net operating
14 income for a return under present rates, Company proposed rates,
15 and Public Staff recommended rates. Schedules 4(a) and 4(b) of
16 Exhibit I present the Public Staff calculation of operating ratios.

17 Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE
18 COMPANY'S RATE INCREASE REQUEST FOR ROCKY RIVER
19 WATER OPERATIONS?

20 A. Based on my investigation, Rocky River's original cost rate base at
21 December 31, 2017 is \$(1,176). The level of operating revenue
22 deductions requiring a return (total operating expenses excluding
23 regulatory fee and income taxes) is \$55,981. As allowed under N.C.

1 Gen. Stat. § 62-133.1, I have used the operating ratio method to
2 evaluate the Company's proposed revenue requirement.

3 Based on the results of my investigation, I have concluded that the
4 revenues generated by the Company's proposed water rates are not
5 unreasonable and would not be unfair to its customers. Therefore, I
6 recommend that the revenue requirement as proposed by the
7 Company for water utility service in Rocky River be granted.

8 **Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE**
9 **COMPANY'S RATE INCREASE REQUEST FOR RIVER WALK**
10 **WATER OPERATIONS?**

11 A. Based on my investigation, River Walk's original cost rate base at
12 December 31, 2017 is \$21,851. The level of operating revenue
13 deductions requiring a return (total operating expenses excluding
14 regulatory fee and income taxes) is \$29,646. As allowed under N.C.
15 Gen. Stat. § 62-133.1, I have used the operating ratio method to
16 evaluate the Company's proposed revenue requirement.

17 I have calculated a decrease in the gross revenue requirement using
18 the overall rate of return of 7.5%, the reasonable rate recommended
19 by Public Staff Financial Analyst Hinton. Use of this return on
20 operating revenue deductions produces a decrease in the gross
21 water revenue requirement of \$773. The resulting total revenue
22 requirement will be \$32,593, of which \$32,696 is service revenues.

17

1 Therefore the Public Staff recommends that water service rates be
2 set to reflect a \$773 decrease, resulting in an annual level of service
3 revenues of \$32,696.

4 **Q. DOES CHIU EXHIBIT I REFLECT ADJUSTMENTS SUPPORTED**
5 **BY OTHER PUBLIC STAFF WITNESSES?**

6 A. My exhibit reflects the following adjustments supported by other
7 Public Staff witnesses:

8 1. The recommendation of Public Staff Financial Analyst Hinton
9 regarding the margin on operating revenue deductions.

10 2. The recommendation made by Public Staff witness Furr for
11 the following items:

- 12 (a) Service revenues at present rates
- 13 (b) Service revenues at Company proposed rates
- 14 (c) Maintenance and repairs
- 15 (e) Transportation
- 16 (f) Electric power
- 17 (g) Chemicals
- 18 (h) Testing
- 19 (i) Permit fees
- 20 (j) Purchased water treatment
- 21 (k) Property taxes
- 22 (l) Depreciation life
- 23 (m) Customers

24 **Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?**

25 A. The Company provided consolidated financial information for the
26 Rocky River and River Walk systems on its application. In response
27 to a Public Staff data request, Water Resources provided the amount

1 of each revenue and expense item that should be directly assigned
 2 and/or allocated to Rocky River and River Walk. I agree with the
 3 amount of revenue and expense items that should be directly
 4 assigned to each system. The remaining indirect revenue and
 5 expenses I allocated between the two systems based on the
 6 percentage of customer provided by Public Staff witness Furr. My
 7 adjustment to allocate the consolidated revenues and expenses are
 8 reflected on Schedule 3-1 of Exhibit I.

9 In addition, the accounting and ratemaking adjustments that I will
 10 discuss relate to the following items:

- 11 (a) Plant in service
- 12 (b) Accumulated depreciation
- 13 (c) Contributions in aid of construction
- 14 (d) Cash working capital
- 15 (e) Average tax accruals
- 16 (f) Other revenue
- 17 (g) Bad debt expense
- 18 (h) Administrative and office expense
- 19 (i) Rate case expense
- 20 (j) Interest expense
- 21 (k) Depreciation expense
- 22 (l) Regulatory fee
- 23 (m) State income tax
- 24 (n) Federal income tax

25 **PLANT IN SERVICE**

26 **Q. IN WHAT AREAS HAVE YOU MADE ADJUSTMENTS TO PLANT**
 27 **IN SERVICE?**

28 **A.** My review of plant in service for Rocky River began with the amount
 29 listed on the application filed with the Commission. The total amount

1 for plant in service did not tie-in to the amount that was approved by
 2 the Commission in the last rate case, Docket No. W-1034, Sub 4
 3 (Sub 4), which had a test year ending December 31, 2001.
 4 Therefore, I calculated an amount for plant in service beginning with
 5 the amount approved by the Commission in Sub 4. To this amount,
 6 I capitalized \$2,509 for a well pump motor based on the
 7 recommendation of Public Staff witness Furr.

8 My calculation of plant in service for River Walk began with the
 9 amount approved by the Commission in the franchise proceeding,
 10 Docket No. W-1034, Sub 6 (Sub 6), which had a test year ending
 11 December 31, 2010. The Company stated in response to a Public
 12 Staff data request that there have not been any additions to plant in
 13 service since the Sub 6 proceeding. Therefore, plant in service for
 14 River Walk reflects the amount approved in the initial franchise
 15 proceeding.

16 **ACCUMULATED DEPRECIATION**

- 17 **Q. HOW HAVE YOU ADJUSTED ACCUMULATED DEPRECIATION?**
 18 **A.** I have calculated accumulated depreciation based on my adjusted
 19 levels of plant in service and the service lives approved in Sub 4 for
 20 Rocky River and Sub 6 for River Walk. Accumulated depreciation
 21 also reflect the service lives recommended by Public Staff
 22 witness Furr.

1 Accumulated depreciation was also calculated based on the year
2 each plant asset was placed in service, using the half-year
3 convention in the first year of an asset's depreciable life.

4 **CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**

5 **Q. HOW HAVE YOU CALCULATED CIAC?**

6 A. I began my calculation of CIAC with the amount ordered by the
7 Commission in the Sub 4 rate case for Rocky River, and Public Staff
8 work papers used to establish CIAC in that proceeding. The Company
9 has not collected any CIAC since that proceeding. Therefore, I
10 updated CIAC to reflect the amount approved in Sub 4.

11 **CASH WORKING CAPITAL**

12 **Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING**
13 **CAPITAL.**

14 A. Cash working capital provides the Company with the funds
15 necessary to carry on the day to day operations of the Company. In
16 my calculation, I have included 1/8 of total O&M expenses, as a
17 measure of cash working capital.

18 **AVERAGE TAX ACCRUAL**

19 **Q. HOW DID YOU CALCULATE AVERAGE TAX ACCRUAL?**

20 A. Average tax accruals, calculated as 1/5 of payroll tax plus 1/2 of
21 property taxes, is a tax which the Company collects in rates but does
22 not pay to the government agency every month. Since the Company

1 has the use of this money until it is paid to the government agency,
2 this tax accrual should be deducted from rate base.

3 **OTHER REVENUES**

4 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OTHER REVENUES.**

5 A. Water Resources included \$26,741 of antenna lease revenue in
6 other revenues. Based on the recommendation of Public Staff
7 witness Furr, I removed the antenna lease revenues from other
8 revenues.

9 **BAD DEBT EXPENSE**

10 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO BAD DEBT**
11 **EXPENSE.**

12 A. The adjustment to bad debt expense includes the reclassification of
13 \$5,045 from administrative and office expenses. I amortized this
14 amount over a five year period to yield an annualized level of bad
15 debt to include in this proceeding. I allocated bad debt expense
16 between the two systems based on the percentage of customer
17 count provided by Public Staff witness Furr.

18 **ADMINISTRATIVE AND OFFICE EXPENSE**

19 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO ADMINISTRATIVE**
20 **AND OFFICE EXPENSE.**

21 A. As discussed above, I reclassified \$5,045 of bad debt expense as a
22 component of total operating revenues.

1

RATE CASE EXPENSE

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Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO RATE CASE EXPENSE.

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A. The Company did not include an amount for rate case expense on its application. Therefore, I calculated an amount for rate case expense to include the cost to mail notices to customers and the filing fee. I allocated it between the two systems – Rocky River and River Walk based on the percentage of customer count provided by the Public Staff witness Furr.

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INTEREST EXPENSE

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Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO INTEREST EXPENSE.

12

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A. It has been the Public Staff position and North Carolina Utilities Commission's continuing policy that a utility's reasonable level of interest expense should be recovered as a component of net operating income for return. Therefore, I have removed the interest expense from operating revenue deductions included by the Company.

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DEPRECIATION EXPENSE

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Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEPRECIATION EXPENSE.

21

1 A. Depreciation expense has been calculated based on my adjusted
2 level of plant in services and the service lives recommended by
3 Public Staff witness Furr.

4 **REGULATORY FEE**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REGULATORY FEE.**

6 A. I have adjusted the regulatory fee to reflect the statutory rate of .14%
7 applied to revenues under present rates, Company proposed rates
8 and Public Staff recommended rates.

9 **STATE INCOME TAX**

10 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO STATE INCOME**
11 **TAX.**

12 A. State income tax was calculated based on the adjusted levels of
13 revenues and expenses, and the State income tax rate of 3%,
14 effective January 1, 2017.

15 **FEDERAL INCOME TAX**

16 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO FEDERAL INCOME**
17 **TAX?**

18 A. Federal income tax is based on the statutory corporate rate of 21%
19 as prescribed in the Tax Cut and Jobs Act of 2017, effective January
20 1, 2018.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes, it does.

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(Whereupon, the Affidavit of
John R. Hinton was copied into
the record as if given orally from
the stand.)

OFFICIAL COPY

Oct 03 2018

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1034, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Water Resources, Inc.,)	
5970 Fairview Road, Suite 710)	AFFIDAVIT
Charlotte, North Carolina 28210, for)	OF
Authority to Increase Rates for Water)	JOHN R. HINTON
Utility Service in Rocky River Plantation)	
Subdivision in Cabarrus County and)	
River Walk Subdivision in Mecklenburg)	
County, North Carolina)	

State of North Carolina

County of Wake

I, John R. Hinton, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst and the Director of the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980, a Master of Economics from North Carolina State University in 1983. Since joining the Public Staff in May 1985, I have been involved with various electrical utility issues related to costs and planning, natural gas expansion projects, and I have testified in numerous general rate case proceedings for electric, natural gas, and water utilities,

including affidavits assessing financial viability and the fair rate of return with small water and sewer utility rate cases.

The purpose of this affidavit is to recommend to the Commission a fair rate of return to be employed as a basis for determining the appropriate revenue requirement for Water Resources, Inc. (WRI) to provide water utility service in its Rocky River Plantation and River Walk Subdivisions in Cabarrus and Mecklenburg Counties, respectively.

For the water utility service and the sewer utility service, I recommend that WRI be granted a 7.50% margin on operating revenue deductions. After investigation, the Public Staff has determined that Company's reasonable level of operating expenses is greater than its rate base for its water utility service. As allowed under N.C. Gen Stat. § 62-133.1 I have used the operating ratio method to evaluate WRI's proposed rate increase for utility service.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the

future levels of inflation. In my opinion, the recommended margin on expenses provide an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that WRI be granted a 7.50% margin on operating revenue deductions. This concludes my affidavit.

John R. Hinton
John R. Hinton

Sworn to and subscribed before me this the 29th day of August, 2018.

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.

Joanne M. Berube
Notary Public
JOANNE M. BERUBE

My Commission expires: 12/17/2022

1 MR. LITTLE: Since there was agreement between
2 Public Staff and the Applicant, Your Honor, the Public
3 Staff has no -- nothing further. We just ask that the
4 Court adopt the rates recommended by the Public Staff.

5 HEARING EXAMINER HINTON: And for my
6 edification, could someone just give a short summary of
7 what --

8 MR. LITTLE: Absolutely, Your Honor. The
9 Public Staff would call David Furr.

10 DAVID FURR; Having been duly sworn,
11 Testified as follows:

12 HEARING EXAMINER HINTON: Be seated.

13 DIRECT EXAMINATION BY MR. LITTLE:

14 Q Just to make it official, tell us your name and
15 position with the Public Staff.

16 A My name is David Furr. I'm Director of the
17 Public Staff Water, Sewer, and Telephone Division.

18 Q And you've -- your testimony has been admitted
19 into the record as evidence, and that contains
20 recommendations for the rates for Water Resources. Can
21 you give the Court just a brief summary of what you --
22 what the rates entail?

23 A The present proposed rates for Rocky River
24 Plantation, present rates base charge, zero usage is

1 \$9.28, and usage charge for 1,000 gallons is \$2.57. The
2 proposed rates is \$11.20 base charge, and \$3.10 per 1,000
3 gallons. And Public Staff recommends approval of the
4 proposed rates.

5 For River Walk, the present proposed rates --
6 present rates base charge, zero usage is \$37.67, and
7 usage charge per 1,000 gallons \$9.42. Proposed rates was
8 \$40.68 base charge, and \$10.18 per 1,000 gallons. The
9 Public Staff has recommended a slight rate reduction for
10 River Walk, and the calculated rates are base charge,
11 zero usage \$35.50, usage charge for 1,000 gallons at
12 \$9.07.

13 HEARING EXAMINER HINTON: Do you have any
14 further questions?

15 MR. LITTLE: No, Your Honor.

16 HEARING EXAMINER HINTON: That's satisfactory.
17 You can step down.

18 (Witness excused.)

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(Whereupon, the prefiled testimony of David C. Furr was copied into the record as if given orally from the stand.)

(Whereupon, Public Staff Furr Exhibits 1-8 were identified as premarked and admitted into evidence.)

**WATER RESOURCES, INC.
DOCKET NO. W-1034, SUB 8**

**TESTIMONY OF DAVID C. FURR
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITES COMMISSION**

August 29, 2018

1 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS**
2 **ADDRESS, AND PRESENT POSITION.**

3 **A.** My name is David C. Furr. My business address is 430 North Salisbury
4 Street, Dobbs Building, Raleigh, North Carolina. I am Director of the
5 Public Staff Water, Sewer and Telephone Division.

6 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE**
7 **RELATING TO YOUR PRESENT POSITION WITH THE PUBLIC**
8 **STAFF.**

9 **A.** I graduated from North Carolina State University receiving a Bachelor of
10 Science degree in Mechanical Engineering. I hold registration as an
11 Engineer-in-Training (EIT – State of North Carolina # A-7217). I've
12 received certification as a Grade 1 Wastewater Treatment Plant Operator
13 (# 17423) and Subsurface System Operator (# 19554) by the North
14 Carolina Water Pollution Control System Operators Certification
15 Commission. I have completed the North Carolina Waterworks
16 Operators School for C-well Operators. I worked with the Public Staff
17 from June 1994 to June 2001 and returned in June 2005. I became

1 Director of the Public Staff Water/Sewer Division in January 2013. I have
 2 presented recommendations in rate increase proceedings, new franchise
 3 and transfer applications and other matters relating to water and sewer
 4 utility regulation before the Commission.

5 **Q. WHAT ARE YOUR DUTIES IN YOUR PRESENT POSITION?**

6 A. My duties with the Public Staff are to monitor the operations of regulated
 7 water and sewer utilities with regard to rates and service. Included in
 8 these duties are field investigations to review, evaluate, and recommend
 9 changes, when needed, in the design, construction, and operations of
 10 regulated water and sewer utilities; presentation of expert testimony in
 11 formal hearings; and presentation of information, data, and
 12 recommendations to the Commission.

13 **Q. BRIEFLY EXPLAIN YOUR INVESTIGATION REGARDING THIS**
 14 **APPLICATION FOR A RATE INCREASE.**

15 A. On April 18, 2018, Water Resources, Inc. (Water Resources or
 16 Company) filed an application with the Commission for authority to
 17 increase its rates for providing water utility service in the Rocky River
 18 Plantation Subdivision in Cabarrus County, and River Walk Subdivision
 19 in Mecklenburg County. On May 14, 2018, the Commission issued its
 20 Order Establishing General Rate Case, Suspending Rates, Scheduling
 21 Hearing, and Requiring Customer Notice. The required Certificate of
 22 Service was filed with the Commission on June 13, 2018.

1 My investigation included a field inspection, review of company records,
 2 review of customer complaints, review of records from the North
 3 Carolina Department of Environmental Quality (DEQ), and gathering of
 4 information from other sources. I have conducted an analysis of
 5 revenues at existing and proposed rates, assisted Public Staff
 6 Accountant June Chiu in reviewing capital improvements and expenses,
 7 and designed water rates to generate the service revenue requirements
 8 determined by the Public Staff.

9 **Q. BRIEFLY DESCRIBE THE COMPANY'S SERVICE AREA.**

10 A. Water Resources provides water utility service to approximately 114
 11 residential customers in Rocky River Plantation Subdivision in Cabarrus
 12 County. Rocky River Plantation Subdivision is located off of SR 1139,
 13 Rocky River Road.

14 Water Resources provides water utility service to approximately 32
 15 residential customers in River Walk Subdivision in Mecklenburg County.
 16 The subdivision is located near SR 1349, and along the Catawba
 17 River.

18 **Q. BRIEFLY DESCRIBE THE COMPANY'S UTILITY SYSTEMS.**

19 A. The Rocky River Plantation water system contains two wells with a
 20 single entry point, well enclosures, a treatment facility building with
 21 chlorination apparatus and a six foot diameter sand filter, a 100,000
 22 gallon elevated storage tank, 8-inch, 6-inch and 2-inch distribution

1 piping, valves and other appurtenances. The plans for this system are
 2 approved for 119 lots under Division of Health Services serial number
 3 89-7189, dated April 13, 1989. In addition, bulk water service is
 4 provided to McMillian Acres through a 4-inch master meter. The plans
 5 for this connection are approved under Division of Environmental
 6 Health serial number 96-09521, dated January 17, 1996.

7 The River Walk Plantation water system contains two wells, well
 8 houses, chlorination apparatus, a 15,000 gallon ground level storage
 9 tank, two booster pumps, a 2,000 gallon hydropneumatic storage tank,
 10 and 6-inch and 2-inch distribution piping, valves and other
 11 appurtenances. The plans for this system are approved for 73 lots
 12 under Division of Environmental Health serial number 97-14045, dated
 13 December 2, 1997.

14 **Q. HAVE YOU RECEIVED ANY CUSTOMER COMPLAINTS?**
 15 **A.** To date, the Public Staff has received contacts from six customers, all
 16 in the Rocky River Plantation Subdivision. Two of the contacts came by
 17 way of the North Carolina Department of Justice. Copies of contact
 18 documents have been filed with the Commission Chief Clerk in this
 19 proceeding's docket.

20 All six contacts are opposed to the rate increase. One of the six noted
 21 that Water Resources is not currently charging the Commission
 22 approved rates.

1 All six contacts mention poor water quality. They include cloudy water,
2 iron/clay in the water, damage to appliances caused by the water,
3 hardness, and a recent water system violation for failure to take all
4 Lead/Copper testing samples as required.

5 Four of the contacts mention communications issues with Water
6 Resources. This includes the inability to get Water Resources
7 personnel on the telephone, not returning calls, poor response time and
8 multiple calls to resolve the same issue, no updates on outages, no
9 advance notice of flushing operations, and sometimes not getting
10 monthly statements.

11 Two of the contacts mention operational issues. One states there are
12 water outages several times a year, and one discusses issues with
13 water overflowing out of the elevated water storage tank.

14 One of the contacts is requesting the water system be connected to the
15 Town of Harrisburg.

16 **Q. ARE THE WATER UTILITY SYSTEMS IN COMPLIANCE WITH**
17 **NORTH CAROLINA DEPARTMENT OF ENVIRONMENTAL QUALITY**
18 **REGULATIONS?**

19 **A.** No. Neither system is in compliance with Department of Environmental
20 Quality regulations.

1 I have reviewed Public Water Supply Section (PWSS) records, and
 2 received information on the water systems from Ms. Meredith Guglielmi,
 3 EI, Assistant Regional Engineer, PWSS, Division of Water Resources,
 4 Mooresville Regional Office. Ms. Guglielmi has recently conducted
 5 sanitary surveys of both water systems.

6 A sanitary survey for Rocky River Plantation was conducted on March
 7 29, 2018. Water Resources was sent a Notice of Deficiency letter,
 8 dated April 3, 2018. The letter is attached as Furr Exhibit 1. The stated
 9 deadlines for resolving issues were extended to July 31, 2018. As of
 10 August 16, 2018, only item #1 and #4 have been resolved.

11 A sanitary survey for River Walk was conducted on December 6, 2017.
 12 Water Resources was sent a Notice of Deficiency letter, dated January
 13 2, 2018. The letter is attached as Furr Exhibit 2. The stated deadlines
 14 for resolving issues were extended to May 2, 2018. As of August 16,
 15 2018, only item #1 has been resolved.

16 Some of the same items noted by PWSS for River Walk were also
 17 noted in the Commission's Recommended Order Granting Certificate of
 18 Public Convenience and Necessity, Approving Rates, Requiring
 19 Improvements, and Requiring Customer Notice, dated January 27,
 20 2012, in Docket No. W-1034, Sub 6. Water Resources agreed to
 21 complete the improvements within six months and file a letter with the

1 Commission stating they had been completed. Improvements were not
2 completed, and no letter was filed.

3 **Q. HAVE YOU INSPECTED AND EVALUATED THE WATER UTILITY**
4 **SYSTEMS, AND IF SO, WHAT WERE YOUR OBSERVATIONS?**

5 A. Yes. I inspected the water systems on August 16, 2018, with Mr.
6 Dennis Abbott of Water Resources, and Ms. Guglielmi. My
7 observations were consistent with the Notice of Deficiency letters,
8 including the PWSS recommendations. Additional observations and
9 recommendations are as follows:

10 For the Rocky River Plantation, I place high significance on PWSS
11 recommendations #1 through #4.

12 Water Resources recently received a notification for Increased
13 Monitoring for Radionuclides: Change to Quarterly, dated August 15,
14 2018. A copy of the notification is attached as Furr Exhibit 3.

15 I have reviewed meter readings at the beginning and end of the test
16 year and believe some of the recorded/billed consumption to be low for
17 some accounts. In discussions with Mr. Abbott, he indicates that water
18 meters have never been replaced, and therefore, many are over 25
19 years old. Water meters tend to start reading low as they age, and
20 these are past their expected operational life. I recommend all the
21 water meters in Rocky River Plantation be replaced, including the 4"
22 bulk meter to McMillian Acres Subdivision.

1 While in the Rocky River Plantation Subdivision, I talked with residents
2 from two houses. I observed slightly cloudy water (suspended air)
3 drawn from a kitchen sink. The air quickly dissipated and the water
4 became clear. One resident presented pictures of brown water in water
5 fixtures, which appeared to be due to high iron content.

6 The problem with overflow of the elevated water storage tank, for the
7 most part, should be resolved. The Rocky River Plantation system has
8 been receiving its water solely from Well #2, which has automatic
9 controls to shut the well off when the elevated storage tank is full.
10 When the well went out of service, Water Resources activated Well #1
11 which only operates on manual control. Failure to monitor this
12 operation adequately resulted in overflow from the elevated storage
13 tank. Well #2 is now back in operation.

14 Water Resources needs to take steps to better monitor water quality at
15 Rocky River Plantation. This includes correcting deficiencies identified
16 by PWSS and also acting on the PWSS recommendations.

17 For the River Walk system, I place high significance on PWSS
18 recommendations #3 and #4. I also noted that insulation in the water
19 treatment building was falling out of the ceiling and needs to be properly
20 installed. This results in higher power expenses when heating during
21 cold weather. I also reviewed the power bills for this water system and
22 find them to be high for a system of this size and type of operation. I

1 recommend Water Resources investigate any possible operational
2 issues that may be causing high power expenses.

3 **Q. HAVE YOU IDENTIFIED ISSUES WITH THE COMPANY'S**
4 **CUSTOMER SERVICE?**

5 A. Yes. Water Resources needs to take steps to improve customer
6 service and communications. The evidence of the issues are found in
7 the customer complain letters discussed earlier, my personal
8 experience in contacting the company, and evidence in prior
9 proceedings before the Commission.

10 While attempting to contact Water Resources to obtain information and
11 schedule an inspection, I was only able to leave a voicemail. Part of
12 the message on the system stated Water Resources was aware of an
13 outage at Rocky River Plantation, technicians were on site, and that
14 service should be restored that afternoon. I later determined that there
15 was no outage, and the voice mail message was old. To the best of my
16 knowledge, my messages left at the number were not returned. I was
17 able to contact Water Resources by other telephone numbers, including
18 Mr. Abbott's mobile phone, and messages were returned promptly.

19 Issues with communications between customers and Water Resources
20 were identified in Water Resource's last general rate case, Docket No.
21 W-1034, Sub 4, and in the River Walk application for Certificate of

1 Public Convenience and Necessity proceeding, Docket No. W-1034,
2 Sub 6. It appears actions to resolve the issues have not been effective.

3 **Q. WHAT ARE THE PRESENT APPROVED RATES AND THE RATES**
4 **BEING REQUESTED BY THE COMPANY?**

5 A. Water Resources present and proposed monthly metered water rates in
6 Rocky River Plantation Subdivision are as follows:

	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
7 Base Charge, zero usage	\$ 9.28	\$11.20
10 Usage charge, per 1,000 gallons	\$ 2.57	\$ 3.10

11 The present rates have been in effect since January 1, 2017, when they
12 were last adjusted with implementation of House Bill 998, (Session law
13 2013-316), in Docket No. M-100, Sub 138, and Docket No. W-1034,
14 Sub 7. The last rates established in a general rate case were in Docket
15 No. W-1034, Sub 4, effective December 19, 2002.

16 Water Resources present and proposed monthly metered water rates in
17 River Walk Subdivision are as follows:

	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
18 Base Charge, zero usage	\$37.67	\$40.68
22 Usage charge, per 1,000 gallons	\$ 9.42	\$10.18

23 The present rates have been in effect since July 1, 2014, when they
24 were adjusted due to implementation of House Bill 998 (Session Law

1 2013-316), in Docket No. M-100, Sub 138, and Docket No. W-567,
2 Sub 7. The prior rates were established in the original franchise
3 proceeding in Docket No. W-1034, Sub 6, effective August 12, 2013.

4 **Q. HAS WATER RESOURCES BEEN CHARGING THE COMMISSION**
5 **APPROVED WATER RATES?**

6 A. No. One customer noted that the rates being charged in Rocky River
7 Plantation are not the Commission approved rates.

8 I have reviewed bills issued to customers in both Rocky River Plantation
9 and River Walk. It appears the January 1, 2017 rate revisions for
10 Rocky River Plantation in Docket No. W-1034, Sub 7, were never
11 implemented. This was a one cent decrease in the monthly base
12 charge. Water Resources is currently charging \$9.29, instead of the
13 now approved rate of \$9.28. The Certificate of Service included in the
14 Commission order making the rate change was not filed with the
15 Commission Chief Clerk.

16 **Q. HAVE YOU DETERMINED GROWTH FACTORS TO BE UTILIZED IN**
17 **CALCULATING REVENUES AND EXPENSES?**

18 A. No. The number of customers on the water systems did not change
19 during the test year.

1 Q. WHAT ARE THE REVENUES UNDER THE COMPANY'S PRESENT
2 RATES AND PROPOSED RATES?

3 A. For Rocky River Plantation Subdivision, I have calculated water utility
4 service revenues of \$32,829 at the Company's present rates, and
5 \$39,607 at the Company's proposed rates. The calculations are shown
6 on Furr Exhibit 4.

7 For River Walk Subdivision, I have calculated water utility service
8 revenues of \$33,468 at the Company's present rates, and \$36,157 at
9 the Company's proposed rates. The calculations are shown on Furr
10 Exhibit 5.

11 Q. WHAT ADJUSTMENTS HAVE YOU RECOMMENDED TO OTHER
12 REVENUES?

13 A. Water Resources has stated other revenues of \$26,902. Of the total,
14 \$26,740 is from lease of space on an elevated water storage tank to a
15 telecommunications company. The water storage tank is not
16 associated with either of the water systems currently operated by Water
17 Resources. The Wiltshire Manor water system was transferred to the
18 City of Charlotte in Docket No. W-1034, Sub 5, in 2006, and Water
19 Resources still owns the elevated water storage tank. This is now non-
20 utility revenue, and should be excluded from this rate case proceeding.

1 Q. WHAT ADJUSTMENTS HAVE YOU RECOMMENDED TO
2 OPERATING EXPENSES?

3 A. I have assisted Public Staff Chiu in review of operating expenses and
4 make recommendations as follows:

5 Maintenance and Repairs

6 Water Resources stated total maintenance and repair expenses of
7 \$23,968, and only provided documentation for a total of \$22,483. A
8 water pump motor replacement of \$2,509 was capitalized and assigned
9 to Rocky River Plantation. Of the remaining supported amount, I have
10 assigned \$10,149 to Rocky River Plantation, and \$9,825 to River Walk.
11 Most of this expense is the amount paid to the contract operator.

12 Transportation

13 Water Resources stated a test year transportation expense of \$516.
14 This was for a single item that should not be included in the rate case
15 as an ongoing expense. Other transportation expenses are included in
16 the contract operator's fees. There should be no separate
17 transportation expense.

18 Chemicals

19 Water Resources stated total test year chemical expenses of \$1105.
20 This amount is equivalent to 13 months expense.

1 The contract operator charges Water Resources \$85 per month for
 2 chlorine. I have allocated 12 months of chemical expense between the
 3 two water systems based on the number of customers in each system.
 4 The expense for Rocky River Plantation is \$796, and for River Walk is
 5 \$224.

6 Water Testing

7 Water Resources stated test year water quality testing expenses of
 8 \$3,090.

9 Different water quality tests have different testing frequency
 10 requirements, some being conducted only once every three or six years.
 11 This results in the test year expense not being representative of the
 12 average annual expense. Using information provided by the Company,
 13 PWSS, and K&W Laboratories, and based on current testing
 14 quantities/frequencies/costs, I have calculated average annual water
 15 quality testing expenses of \$1,823 for Rocky River Plantation and \$1,671
 16 for River Walk. My calculations are shown on Furr Exhibits 6 and 7. This
 17 is an overall increase of \$404.

18 Permit Fees

19 Water Resources stated total test year permit fees of \$620. The DEQ
 20 permit fees are assessed based on water system population. The
 21 permit fee for Rocky River Plantation is \$350, and for River Walk is
 22 \$270.

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Purchased Sewer Treatment

Water Resources stated a test year purchased water/sewer treatment expense of \$657. This is for purchased sewer treatment by the Town of Harrisburg for backwash from the Rocky River Plantation sand filter. Based on 12 annual flat rate bills of \$52.22, I recommend total purchased sewer treatment expense of \$627. All of this expense should be allocated to the Rocky River Plantation system.

Property Taxes

I have advised Public Staff Accountant Chiu to remove the property tax bill in the amount of \$702 for the Wiltshire Manor elevated water storage tank site, since the site is no longer associated with Water Resources water systems.

Q. WHAT ADJUSTMENTS HAVE YOU RECOMMENDED TO PLANT IN SERVICE?

A. I have assisted Public Staff Accountant Chiu in review of plant in service and make recommendations as follows:

Reclassified Items

As stated previously, I have recommended one item be reclassified from maintenance and repair, capitalized and assigned to Rocky River Plantation as follows:

Well Pump Motor	\$ 2,509
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1 Depreciation Lives

2 I've recommended the following service lives for capitalized items:

3 Well Pump Motor 5 years

4 **Q. WHAT ARE YOUR RECOMMENDATIONS CONCERNING THE**
5 **COMPANY'S PROPOSED RATES?**

6 A. For Rocky River Plantation, Public Staff Accountant Chiu has
7 determined that Water Resource's requested rates are justified. I
8 recommend that the requested rates be approved.

9 For River Walk, Public Staff Accountant Chiu has determined an annual
10 service revenue requirement of \$32,696, for a decrease of \$773, or
11 2.3%. Water Resources had requested an annual increase of \$2,689,
12 or 8.0%. I recommend the following rates to generate the
13 recommended annual service revenue requirement:

14 Monthly Metered Water Service:

15	Base Charge, zero usage	\$ 35.50
16	Usage charge, per 1,000 gallons	\$ 9.07

17 My rates calculation is shown on Furr Exhibit 8.

18 **Q. WHAT ARE YOUR OPERATIOINAL RECOMMENDATIONS FOR THE**
19 **WATER UTILITY SYSTEMS?**

20 A. For Rocky River Plantation, I recommend the Commission order Water
21 Resources to correct all the deficiencies identified in the Notice of

1 Deficiency letter, dated April 3, 2018, and attached as Furr Exhibit 1,
 2 within 90 days of the Commission's final order in this proceeding.
 3 I recommend the Commission order Water Resources to complete
 4 recommendations #1 through #4 within 6 months of the Commission's
 5 final order in this proceeding.

6 I recommend that Water Resources replace all the customer water
 7 meters in Rocky River Plantation.

8 For River Walk, I recommend the Commission order Water Resources
 9 to correct all the deficiencies identified in the Notice of Deficiency letter,
 10 dated January 2, 2018, and attached as Furr Exhibit 2, within 90 days
 11 of the Commission's final order in this proceeding. I recommend the
 12 Commission order Water Resources to complete recommendations #1
 13 through #4 within 6 months of the Commission's final order in this
 14 proceeding.

15 I recommend Water Resources investigate any possible operational
 16 issues that may be causing high power expenses at River Walk.

17 **Q. WHAT ARE YOUR CUSTOMER SERVICE RECOMMENDATIONS**
 18 **FOR WATER RESOURCES?**

19 A. In Docket No. W-1034, Sub 6, Water Resources agreed to, and the
 20 Commission ordered, that Water Resources keep a log book of
 21 customer complaints. I recommend that Water Resources be ordered

1 to keep a log book of customer complaints. The log should include the
2 date and time the customer contacted Water Resources or its
3 answering service, a description of the complaint, what was done to
4 resolve the issue, and the date and time that resolution of the issue was
5 communicated back to the customer. A copy of these records should
6 be filed in this docket on a quarterly basis until further order of the
7 Commission.

8 In Docket No. W-1034, Sub 6, Water Resources agreed to, and the
9 Commission ordered, that Water Resources return customer calls
10 within 60 minutes of receipt. I recommend that the Commission order
11 the same once again, and that Water Resources be ordered to
12 document this in the log book of customer complaints.

13 In Docket No. W-1034, Sub 6, Water Resources agreed to, and the
14 Commission ordered, that Water Resources respond to outages within
15 60 minutes of receiving an outage report from a customer. I
16 recommend that the Commission order the same once again, and that
17 Water Resources be ordered to document this in the log book of
18 customer complaints.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A.** Yes, it does.

1 HEARING EXAMINER HINTON: Mr. Abbott, if you'd
2 just step up for a -- step back on the stand for a
3 moment.

4 MR. ABBOTT: Yes, sir.

5 DENNIS ABBOTT; Having been previously sworn,
6 Testified as follows:

7 EXAMINATION BY HEARING EXAMINER HINTON:

8 Q And I forgot to ask you at the time to give
9 your full name and your address, and tell us how you're
10 associated with this case.

11 A Yes, sir. Full name is Dennis Abbott.

12 Q Could you spell that for us?

13 A A-B-B-O-T-T. I'm the President of Water
14 Resources. My address is 5970 Fairview Road in
15 Charlotte, North Carolina.

16 Q Thank you, sir.

17 HEARING EXAMINER HINTON: Do you have any
18 questions on those questions?

19 MR. LITTLE: No, Your Honor.

20 HEARING EXAMINER HINTON: You may step down.

21 MR. ABBOTT: Thank you, sir.

22 (Witness excused.)

23 HEARING EXAMINER HINTON: Mr. Little, I take it
24 you have no further evidence at this time?

1 MR. LITTLE: That's correct, Your Honor.

2 HEARING EXAMINER HINTON: And I will again
3 inquire if there's any person who's come in that wishes
4 to make a statement on behalf of the public at this time?

5 (No response.)

6 HEARING EXAMINER HINTON: Hearing none and
7 seeing none, I will declare -- well, let me ask you a
8 question. We will end this hearing, but let me ask you a
9 question, Mr. Little. We would normally have a proposed
10 order within 30 days of the mailing of the transcript.
11 Does that seem sufficient to you?

12 MR. LITTLE: That's reasonable, Your Honor.

13 HEARING EXAMINER HINTON: So the Court will
14 order -- the Commission will order that the proposed
15 order will be filed with the Commission within 30 days
16 after the transcripts have been mailed.

17 Are there any further matters that need to be
18 taken care of at this time?

19 MR. LITTLE: Nothing from the Public Staff,
20 Your Honor.

21 HEARING EXAMINER HINTON: Then at this time I
22 would declare this hearing adjourned.

23 (The hearing was adjourned.)

24

STATE OF NORTH CAROLINA
COUNTY OF RUTHERFORD

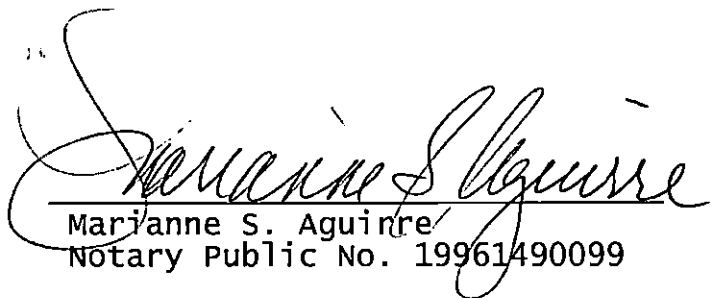
C E R T I F I C A T E

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-1034, Sub 8, 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 3rd day of October, 2018.

[Faint, illegible text]


Marianne S. Aguirre
Notary Public No. 19961490099

FILED

OCT 03 2018

Clerk's Office
N.C. Utilities Commission

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Oct 03 2018