

INFORMATION SHEET

PRESIDING: Commissioner Daniel Clodfelter, Presiding; and Commissioners Brown-Bland, and Hughes

PLACE: Mecklenburg County Courthouse, Charlotte, North Carolina

DATE: October 26, 2022

TIME: 7:05 p.m. to 8:31 p.m.

DOCKET NO.: W-354, Sub 400

COMPANIES: Carolina Water Service, Inc. of North Carolina

DESCRIPTION: In the Matter of 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 and for Approval of a Water and Sewer Investment Plan

VOLUME NUMBER: 5

APPEARANCES

See attached

WITNESSES

See attached

EXHIBITS

See attached exhibits

REPORTED BY: Julie Surles
TRANSCRIBED BY: Julie Surles
DATE FILED: November 4, 2022

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2 Charlotte, North Carolina
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6 BEFORE: Commissioner Daniel G. Clodfelter, Presiding
7 Commissioner ToNola D. Brown-Bland
8 Commissioner Jeffrey Hughes
9
10

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12 Carolina Water Service, Inc. of North Carolina,
13 4944 Parkway Plaza Boulevard, Suite 375,
14 Charlotte, North Carolina 28217
15 for Authority to Adjust and Increase Rates
16 for Water and Sewer Utility Service
17 in All Its Service Areas in North Carolina
18 and for Approval of a Water and Sewer Investment Plan
19

20 VOLUME 5
21
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NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE: October 26, 2022

DOCKET #: W-354, Sub 400

PUBLIC STAFF ATTORNEYS: William Freeman

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COMMUNICATIONS: _____

ENERGY: _____

ECONOMICS: _____

LEGAL: William.Freeman@psncuc.nc.gov

TRANSPORTATION: _____

WATER: Evan.Houser@psncuc.nc.gov

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/s/ William Freeman

/s/ Evan Houser

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE: 04 26, 2022 DOCKET NO.: W-354, Sub 400

ATTORNEY NAME and TITLE: Kay Pashos

FIRM NAME: Ice Miller LLP

ADDRESS: One American Square, Suite 2900

CITY: Indpls STATE: IN ZIP CODE: 46282-0200

APPEARANCE ON BEHALF OF: Carolina Water Service of North Carolina

APPLICANT: COMPLAINANT: INTERVENOR:

PROTESTANT: RESPONDENT: DEFENDANT:

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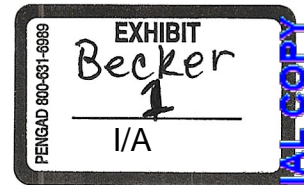
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Statement of Fred R. Becker, Jr.
Before The North Carolina Utilities Commission
On Behalf of The Harbour Ownership Association
October 26, 2022



OFFICIAL COPY
Nov 04 2022

Good Evening Commissioners, my name is Fred Becker. I reside in The Harbour, a three-hundred and thirty four (334) homeowner community in Iredell County. I am here on behalf the Harbour Homeowner's Association (HOA).

First, I want to thank you and your staff for your government service.

I would also like to thank you and your staff for the work that you do in ensuring fair regulation of public utilities in the public interest, as well as just and reasonable rates and charges to us, the customer.

We are dismayed by Carolina Water System's (CWSNC) proposed 19.7% increase in water rates in 2023, after having increased the cost of our water by fifty two percent (52%) since 2017. We also have concerns regarding the quality of our water. We recognize that direct responsibility for water quality rests with of the North Carolina Department of Environmental Quality (DEQ), nevertheless "higher pricing demands higher quality" (CWSNC' own "2021 Water Quality Report," CWSNC states that it is responsible for providing "high quality" drinking water).

As we understand it, CWSNC, Inc. (a private equity company), obtained The Harbour's water systems from Utilities, Inc. Utilities, Inc., a private equity company, is now the parent company of CWSNC, as well as other water services providers in seven (7) states. The ownership structure of Utilities, Inc. runs through another private equity company (Corix Infrastructure, Inc.) to British Columbia Investment Management Corporation (BCI) (a Canadian Trust Company). (See Attachment 1) Consequently, despite Mr. Don Denton's (CWSNC President) statement in CWSNC "2021 Annual Water Quality Report," that, "Transparency ...are (is a) key priorities (priority) in the company's efforts" there is no public information as to CWSNC's or its parent companies (two (2) other private

equity companies) returns and profit margins. Further, CWSNC's "2021 Water Quality Report" does not provide a detailed water quality summary; it is a marketing brochure that provides no listing of basic water quality components such as pH, hardness (although they say they monitor it), or Total Dissolved Solids (TDS). CWSNC's water samples are taken from the wellhead, not at the end of the delivery pipe (where other contaminants can enter the water, including elevated levels of debris).

In late 2017, before CWSNC obtained the HOA's water system, Utilities, Inc. was charging \$6.40/1,000 gallons. The next month CWSNC immediately increased the rate to \$7.70/1,000 gallon – a twenty percent (20%) increase. CWSNC has continued to raise its rates to the current rate of \$11.71/1,000 gallons (a fifty-two percent (52%) increase in five (5) years). (By way of comparison, if tied to the rate to the Consumer Price Index (CPI) over the period of 2017 to present the current rate would be \$7.65/1,000 gallons (fifty three percent (53%) less.) Further, CWSNC has now proposed another 29% increase over the next three (3) years, which would bring the rate to \$15.44/1,000 gallons in 2025 (a one hundred forty-two percent (142%) increase in just eight (8) years).

CWSNC's letter to its customers, dated September 16, 2022, states it is, "*looking for the opportunity to earn a fair return of up to 10.7 percent for its investment in the system,*" a return that is well above the average return on investment (ROI) of:

- a. The water supply industry - 5.39% (average last six (6) quarters) (CSIMarket (an independent digital financial media company and provider of integrated financial information and analytical applications to the global investment community)), and
- b. Duke Energy - 3.4% (average last six (6) quarters) (*Macrotrends* (an investor research platform)).

Now, in its "Report on Customer Comments" from the hearing held in Raleigh, North Carolina on October 3, 2022, they say "they want to clarify" that 10.7% is their desired return on equity (ROE). As the commission knows there is a significant difference in the terms, as ROI measures the percentage

return on an investment, i.e. its “profitability,” whereas ROE measures the percentage return on the equity invested, i.e. the "efficiency" of the investment.

Confused – we certainly are? There is no doubt CWSNC staff carefully reviewed the letter to customers – its signed by Don Denton, the President. How could they have made a mistake of that magnitude? What other mistakes have they made? We, of course, have no way to examine this hope you and your staff will do that for us.

Water utilities are a minimal risk investment. The risk premium in the utilities industry is lower than that of companies that provide other services and products, i.e. the likelihood that homeowners will not pay their water bills is minimal. Consequently, any risk premium that CWSNC may be entitled to is minimal.

As a basis for the requested rate increase, CWSNC has stated that, in 2023, it will be running a pipe from, and purchasing water from, the city of Mooresville. CWSNC has further indicated it will be installing new water meters within the HOA. As amortization of cost of the piping installation and new meters must be years, the running of the pipeline and installation of the new water meters provides no justification for a 19.7% increase in 2023 (If Carolina Water now states the meters will be replaced as meters wear out, the cost should be minimal in 2023.)

CWSNC further indicates it is abandoning twenty (20) wells in 2023. Amortization of that cost over years does not justify a 19.7% increase in 2023. Alternatively, if expensed in 2023, rates must decrease in 2024. Abandonment of the wells will also result in savings because CWSNC will not have to maintain and service the wells.

We also understand that the city of Mooresville will be charging CWSNC a “bulk rate,” of \$3.72/1,000 gallons of water. CWCNC’s proposed rate of \$14.71 in 2023 is almost four (4) times greater.

CWSNC's rates are also well above the median. Iredell Water Corporation (in the same county) currently charges customers \$4.20/1,000 gallons. The median water rate in North Carolina is \$7.49/1,000 gallons. CWSNC will no doubt state that, as it did in its "Report on Customer Comments" from the hearing held in Raleigh, North Carolina on October 3, 2022, that this is "an apples to oranges comparison - pointing to differences such as rural and less densely populated areas. The HOA is, however, in an area that is certainly not rural, and it is far stretch to assert it is not densely populated.

Further, we have questions regarding the future status of the land where the abandoned wells are located. Is CWSNC, if it owns the land, returning it to the HOA? Alternatively, if CWSNC has easements on the land, will there be a release of those easements to the HOA?

The water provided by CWSNC, to the HOA's homeowners is extremely hard (11 grains per gallon in one Harbour home), causing white scale on their faucets, that, even with a soft water filter, is impossible to remove. The water provided to homeowners also contains significant dirt (rust and particulates). This has resulted in HOA homeowners having to buy water and saltwater filters (see Attachment two (2) for a picture of the condition of a carbon water filter installed by one Harbour homeowner after six (6) months) or use bottled water for drinking and cooking at a cost of thousands of dollars. Further, because of the highly corrosive nature of the water, the pipe fittings in homeowner's houses have deteriorated resulting in water leaks in their ceilings.

CWSNC in its letter to customers, dated September 16, 2022, indicated it is not only seeking a return on investment (10.7%) that is seventy eight percent (78%) above the average return (5.99%) of the water supply industry, but also charging, and seeking to further increase a rate that is inordinate already.

Now, in a letter to the commission dated October 24, 2022, they say "they want to clarify" that 10.7% is their desired return on equity. Confused? We certainly are – there is a substantial difference in

the terms. There can be no doubt that CWSNC's staff reviewed it carefully as its signed by Don Denton, the President. How could they have made a mistake of that magnitude on such an important document? We, of course, have no way to examine this. We hope that you and your staff will carefully do so.

Accordingly, the Harbour HOA asks that the North Carolina Utilities Commission to:

- 1) Take a "deep dive" onto CWSNCs' financial statements,
- 2) Reassess the past excessive rate increases,
- 3) Forego approval of any further increases, and,
- 4) In consult with the Department of Environmental Quality (DEQ), take the steps to ensure a significant improvement in the quality of our water.

Thank you for your time and interest.

I would be happy to answer any questions you might have.

Ownership Structure

Carolina Water Systems
(Private Equity Company)



Utilities, Inc.
(Private Equity Company)

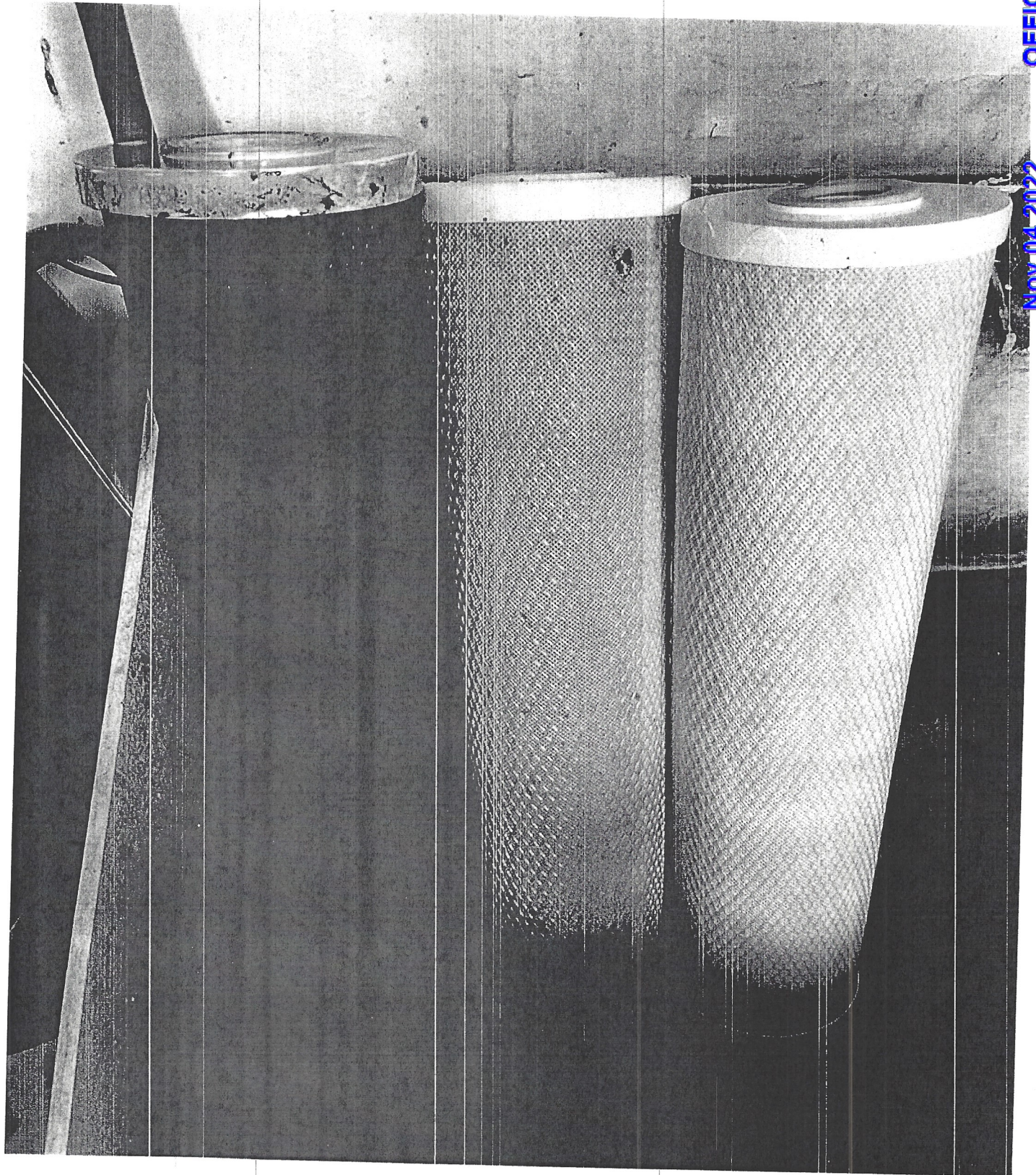


Corix Infrastructure, Inc.
(Private Company)



British Columbia Investment Management Company (BCI)
(Canadian Trust Company)

FILTER ON THE LEFT IS INLET FILTER, MIDDLE IS THE SECOND FILTER
(SAME AGE), RIGHT IS A NEW REPLACEMENT



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Nov 04 2022

Attachment Text

Classic Cost Value Model

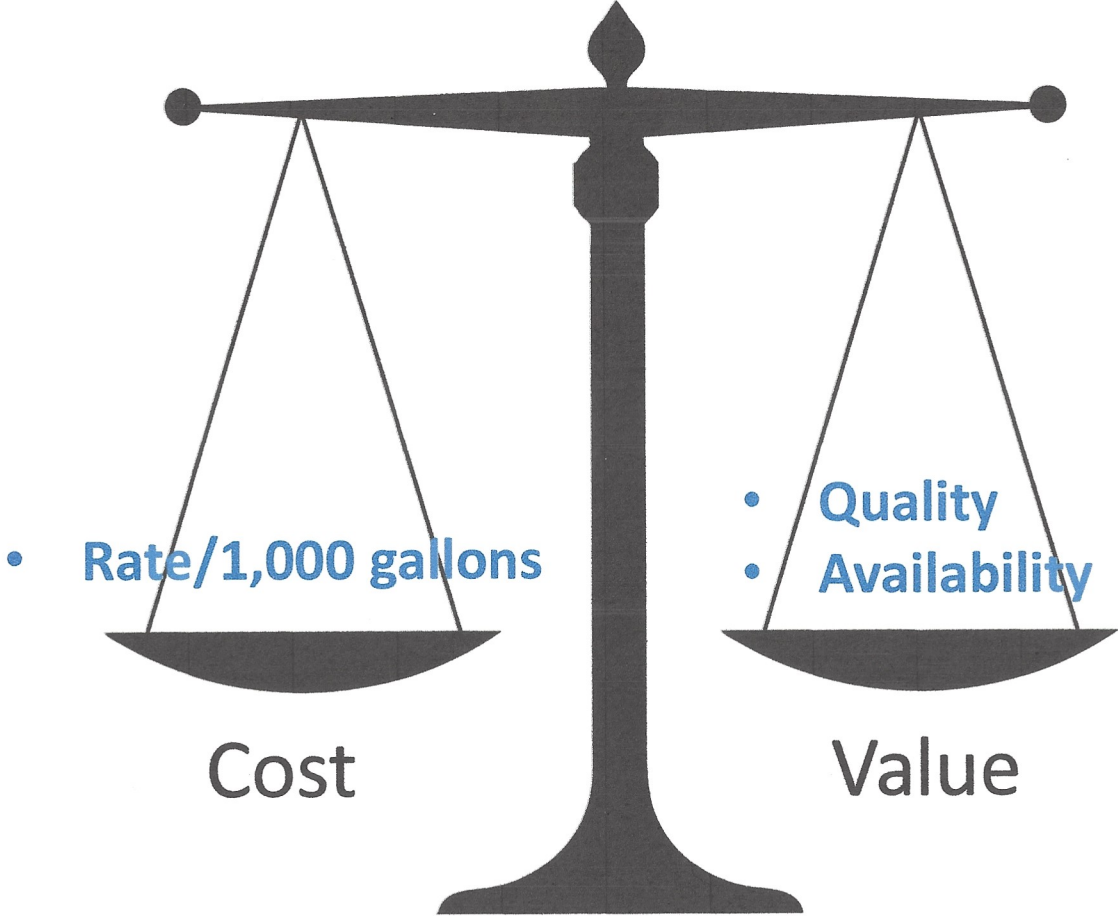
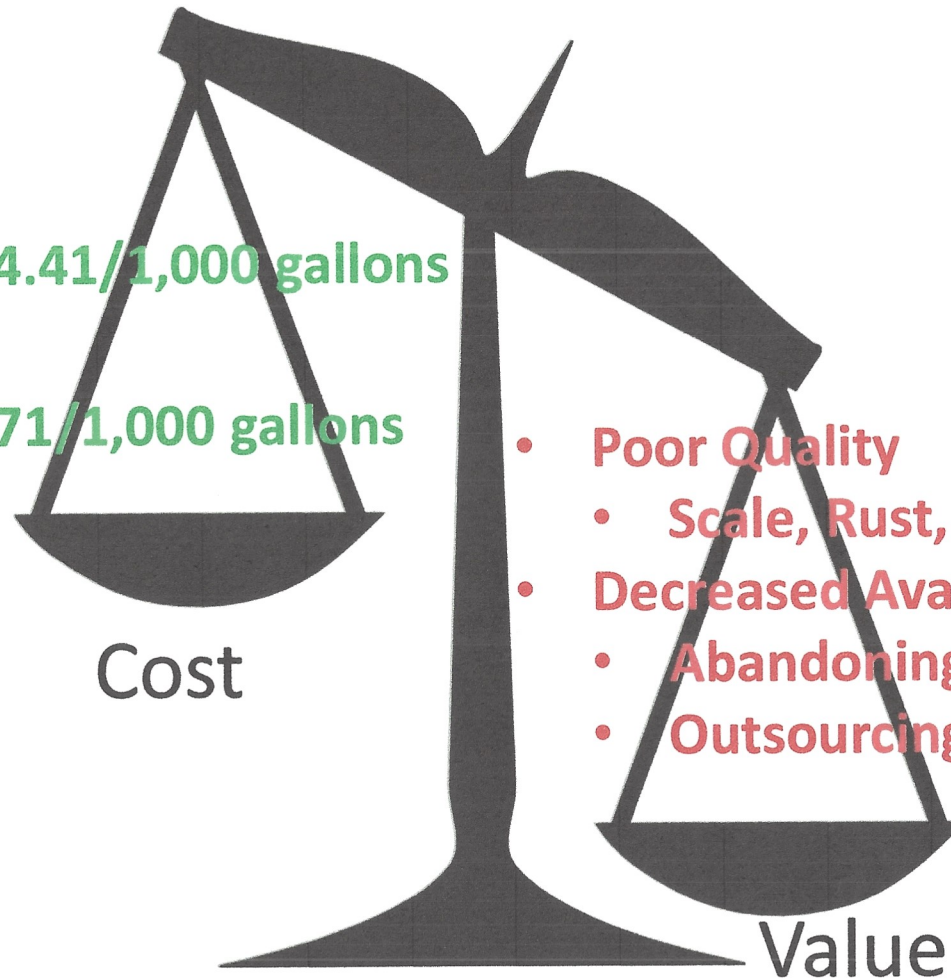


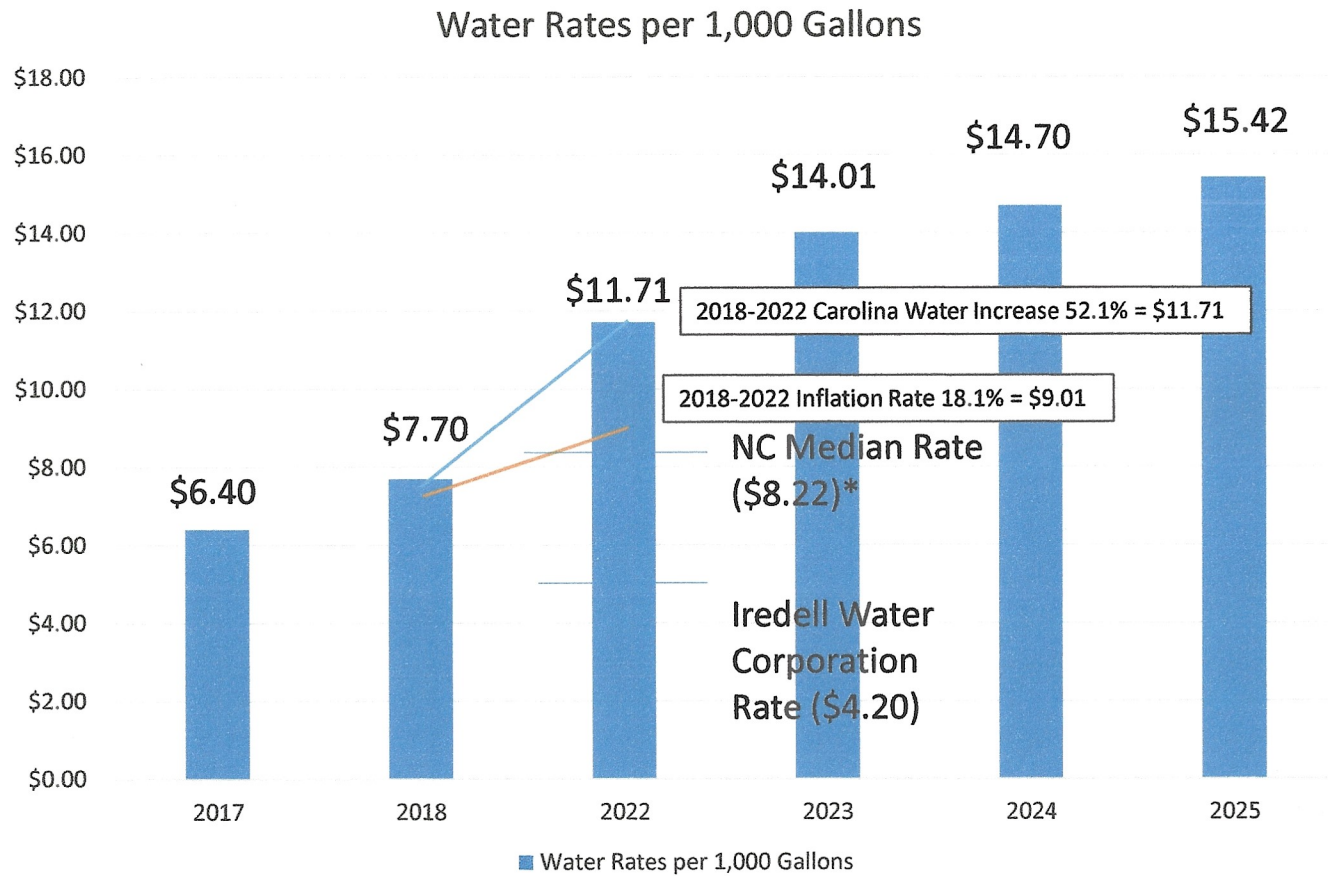
EXHIBIT
1
Godwin
PENGAD 800-831-6989

Current Cost Value Balance with Carolina Water

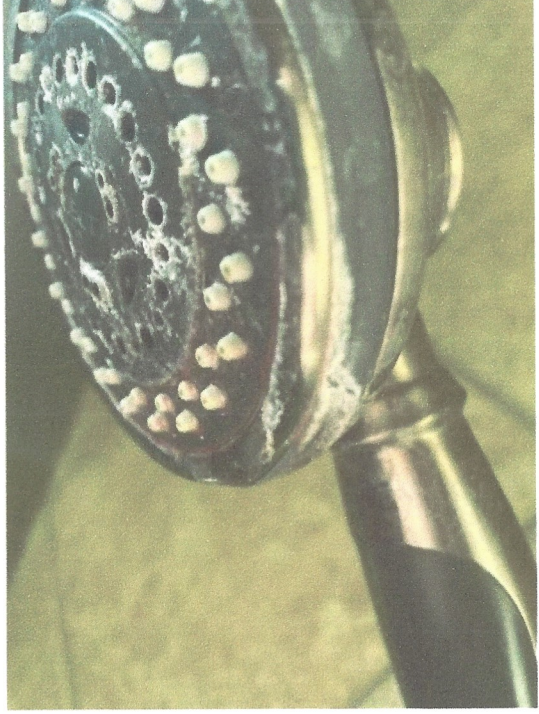
- Proposed \$14.41/1,000 gallons
- Current \$11.71/1,000 gallons



- Poor Quality
 - Scale, Rust, Dirt, Corrosion
- Decreased Availability
 - Abandoning Wells
 - Outsourcing to “City Water”



* \$8.22/1,000 gallons provided by UNC School of Government January 2022 Dashboard w/ NC League of Municipalities



What are we asking for?

1. Reassess past excessive rate increases
2. Forego approval of any further increases
3. Begin Department of Environmental Quality investigation into current quality issues

Thank you.