

INFORMATION SHEET

PRESIDING: Commissioner Floyd B. McKissick, Jr., Presiding; Chair Mitchell, and Commissioners Brown-Bland, Clodfelter, Duffley, Hughes, and Kemerait

PLACE: Via Webex

DATE: Wednesday, October 19, 2022

TIME: 6:30 p.m. – 7:29 p.m.

DOCKET NOS.: W-354, Sub 400

COMPANY: Bald Head Island Transportation, Inc.

DESCRIPTION: 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 Its Service Areas in North Carolina and for Approval of a Water and Sewer Investment Plan

VOLUME NUMBER: 2

APPEARANCES

(See attached)

WITNESSES

(See attached)

EXHIBITS

(See attached)

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DOCKET NO.: W-354, Sub 400  
BEFORE: Commissioner Floyd B. McKissick, Jr., Presiding  
Chair Charlotte A. Mitchell  
Commissioner ToNola D. Brown-Bland  
Commissioner Daniel G. Clodfelter  
Commissioner Kimberly W. Duffley  
Commissioner Jeffrey A. Hughes  
Commissioner Karen M. Kemerait

IN THE MATTER OF:

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 Its Service Areas in North Carolina  
and for Approval of a Water and Sewer Investment Plan

VOLUME: 2

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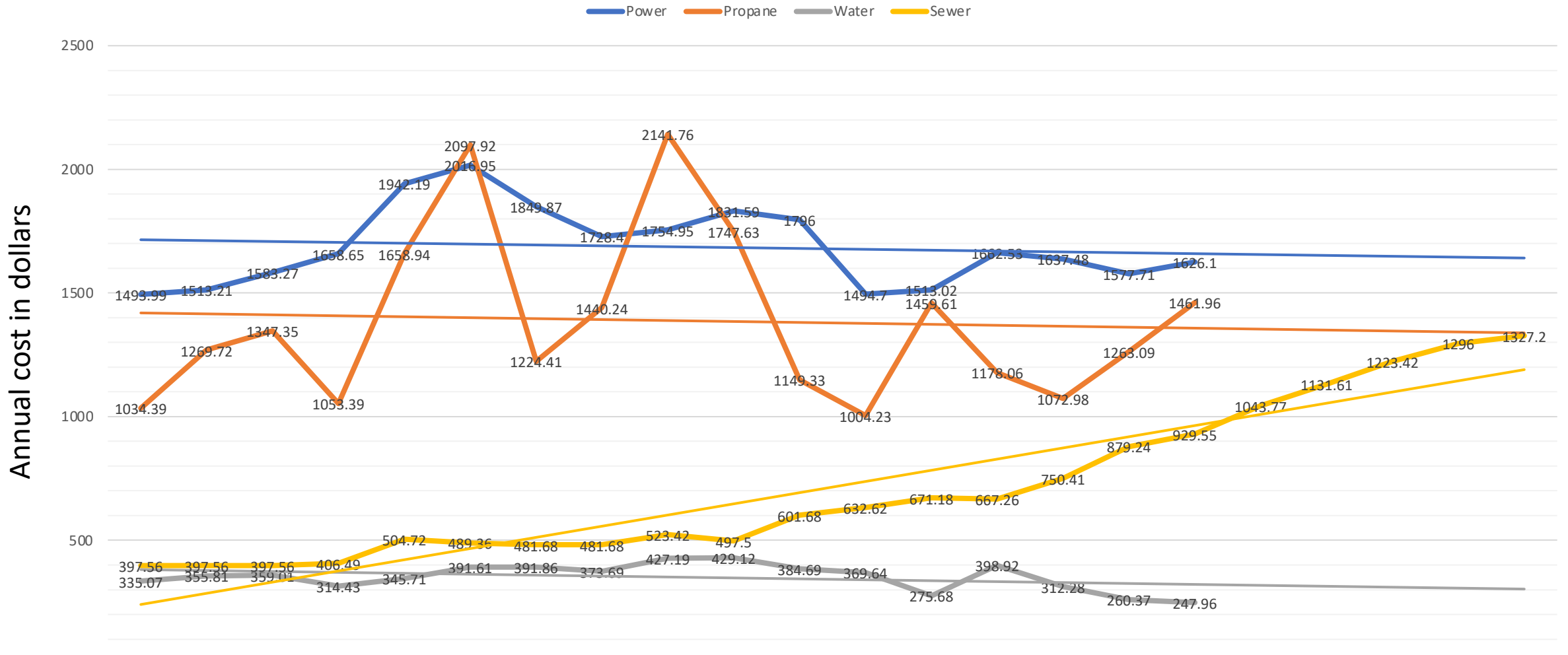
# Docket No. W-354, Sub 400 CWSNC request for four rate increases over three years

John Gumbel  
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New Bern, NC 28560  
(252) 626-5590

In Docket No. W-354, Sub 400 Carolina Water Service (CWS) is asking for rate increases of 3.75%, 11.6%, 5.9%, and 6.1% during the three year period of February 2023 through February 2026. That's a compounded rate increase of 29.93% over three years that would follow compounded increases of 55.8% over the previous two year period (Feb 2019 – Feb 2022).

Carolina Water Service is owned by the Corix Group of Companies (US) which is a private company owned entirely by the British Columbia Investment Management Corporation (BCI) located in Victoria, BC. CWS is asking for a “fair” return of 10.7% for its investments in the system. As is clear from the dockets from previous rate increase requests it's the CUSTOMERS' investment in the system, not Corix'. I would invest in The Corix Group to get a 10.7% return but I can't because it's a privately held company owned by BCI. And I can't invest with BCI because it invests only for public sector clients in British Columbia.

# Annual Utilities Cost 1 Sep - 31 Aug



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	
Power	1493.99	1513.21	1583.27	1658.65	1942.19	2016.95	1849.87	1728.4	1754.95	1831.59	1796	1494.7	1513.02	1662.53	1637.48	1577.71	1626.1						
Propane	1034.39	1269.72	1347.35	1053.39	1658.94	2097.92	1224.41	1440.24	2141.76	1747.63	1149.33	1004.23	1459.61	1178.06	1072.98	1263.09	1461.96						
Water	335.07	355.81	359.01	314.43	345.71	391.61	391.86	373.69	427.19	429.12	384.69	369.64	275.68	398.92	312.28	260.37	247.96						
Sewer	397.56	397.56	397.56	406.49	504.72	489.36	481.68	481.68	523.42	497.5	601.68	632.62	671.18	667.26	750.41	879.24	929.55	1043.77	1131.61	1223.42	1296	1327.2	

The chart on slide 3 represents what I have paid for utilities at 107 Boros Lndg, New Bern on an annual basis 1 Sep – 31 Aug. Electricity (Duke Energy) is the blue line, propane Mallard LP Gas) is orange, sewer (CWS) is yellow and water (Craven County) is grey. The sewer line shows the effect of previous rate increases and the proposed rate increase for fixed rate sewer service customers that would go into affect on 1 Feb each year beginning in 2023 and assumes no further rate increase is requested for February 2027.

It's important to note that consumers have control over their use of power, propane and water. You can see that my annual cost for power, gas and water are all trending down. We can turn the thermostat down in the winter and improve our homes' insulation to save gas. We can keep the thermostat higher in the summer and those who can afford it can replace a/c units, appliances and light bulbs with more energy efficient ones to save electricity. And we can buy water efficient washers, do laundry less often, install water efficient faucets and shower heads, take shorter showers, and water lawns less (or not at all) to save water. But there is absolutely nothing we can do to affect fixed rate sewer costs. Only the sewer trend line is pointed up. By Feb 2026 we will be paying \$1327 per year for sewer cost if this latest rate increase is approved.

The average income of the area I live in is \$65,000 per year. From July of 2009 when the fixed rate sewer rate was \$33.13 to Feb 2022 when the latest rate of \$85.12 went into effect rates have risen 157% over 13 years with a 56% increase in just over the last two years. If this latest request is approved rates will have risen 234% over 16 years. That level of rate increase is not just, fair, reasonable or sustainable for the customer and is a violation of NC General Statutes - Chapter 62 Article 7 .



**The NCUC has failed to uphold NC law with respect to the reasonableness or fairness of rate increases for customers of Carolina Water Service.**

**NC General Statutes - Chapter 62 Article 7 directs that rates MUST be just, reasonable and fair to the consumer and that rates should result in lower costs of new facilities and lower rates over the operating lives of new facilities.**

§ 62-2. Declaration of policy.

(4) **To provide just and reasonable rates** and charges for public utility services without unjust discrimination, undue preferences or advantages, or unfair or destructive competitive practices and consistent with long-term management and conservation of energy resources by avoiding wasteful, uneconomic and inefficient uses of energy;

(4a) To assure that facilities necessary to meet future growth can be financed by the utilities operating in this State on terms which are reasonable and **fair to both the customers** and existing investors of such utilities; and to that end to authorize fixing of rates in such a manner **as to result in lower costs of new facilities and lower rates over the operating lives of such new facilities** by making provisions in the rate-making process for the investment of public utilities in plants under construction;

§ 62-32. Supervisory powers; rates and service.

(a) Under the rules herein prescribed and subject to the limitations hereinafter set forth, the Commission shall have general supervision over the rates charged and service rendered by all public utilities in this State.

(b) Except as provided in this Chapter for bus companies, the Commission is hereby vested with all power necessary to require and compel any public utility to provide and furnish to the citizens of this State reasonable service of the kind it undertakes to furnish and fix and **regulate the reasonable rates and charges** to be made for such service.

§ 62-130. Commission to make rates for public utilities.

(a) The Commission shall make, fix, establish or allow **just and reasonable rates** for all public utilities subject to its jurisdiction. A rate is made, fixed, established or allowed when it becomes effective pursuant to the provisions of this Chapter.

§ 62-131. **Rates must be just and reasonable**; service efficient.

(a) Every rate made, demanded or received by any public utility, or by any two or more public utilities jointly, **shall be just and reasonable**.

§ 62-133. How rates fixed.

In fixing the rates for any public utility subject to the provisions of this Chapter, other than bus companies, motor carriers and certain water and sewer utilities, the Commission shall fix such **rates as shall be fair** both to the public utilities and **to the consumer**.

As slide 5 shows, Chapter 62 Article 7 of the NC General Statutes directs that rates MUST be just, reasonable and fair to the consumer and that rates should result in lower costs of new facilities and lower rates over the operating lives of the new facilities. Again, from July of 2009 when the CWS fixed rate sewer rate was \$33.13 to Feb 2022 when the latest rate of \$85.12 went into effect, rates had risen 157% over 13 years with a 56% increase in just the last two years. If this latest request is approved rates will have risen 234% over 16 years. Those percentages are indicative of a failure by the NCUC to uphold NC law with respect to the reasonableness or fairness of rate increases for customers of Carolina Water Service's fixed rate sewer service.

While Chapter 62 Article 7 spells out in great detail how to determine rates that are "fair and reasonable" for the utilities investor, it is silent on how to determine rates that are fair and reasonable for the consumer. That is left to the NCUC to determine. There is not even a requirement for the NCUC to look at the cumulative effect of past rate increases in determining the reasonableness of future rate increases. The result of Article 7 not proscribing how to determine fair and reasonable for the consumer and not requiring rate increase requests to be examined in relation to past increases is that the NCUC appears to have no process for determining what is fair and reasonable for the consumer. The NCUC appears to be violation of Article 7's requirement to fix rates that shall be fair to BOTH the public utilities and to the consumer. The NCUC has been excessively "fair" to Carolina Water service with the last seven years of consistent rates increases.

It is time for the NCUC to also be fair to the consumer as required by law.