1	PLACE: Onslow County Courthouse
2	Jacksonville, North Carolina
3	DATE: Tuesday, October 25, 2022
4	DOCKET NO.: W-354, Sub 400
5	TIME: 7:03 p.m 7:28 p.m.
6	BEFORE: Commissioner Floyd B. McKissick, Jr., Presiding
7	Commissioner Kimberly W. Duffley
8	Commissioner Karen M. Kemerait
9	
10	
11	IN THE MATTER OF:
12	Application by
13	Carolina Water Service, Inc. of North Carolina,
14	4944 Parkway Plaza Boulevard, Suite 375,
15	Charlotte, North Carolina 28217,
16	for Authority to Adjust and
17	Increase Rates for Water and Sewer Utility Service in
18	All Its Service Areas in North Carolina
19	and for Approval of a Water and
20	Sewer Investment Plan
21	
22	Volume 4
23	
24	

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    APPEARANCES:
 3
    FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:
    Jo Anne Sanford, Esq.
 4
 5
    Sanford Law Office, PLLC
 6
    721 North Bloodworth Street
 7
    Raleigh, North Carolina 27604
 8
    FOR THE USING AND CONSUMING PUBLIC:
 9
10
    John D. Little, Esq.
    Public Staff - North Carolina Utilities Commission
11
12
    4326 Mail Service Center
13
    Raleigh, North Carolina 27699-4300
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1	EXHIBITS
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PROCEEDINGS

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COMMISSIONER McKISSICK: The hour has arrived. Let's go ahead and begin this processed Let me thank all of you for being here this hearing. I want to thank the sheriff here, Sheriff evening. Hans Miller for opening up this courthouse. And Clerk of Superior Court, Lisa Brown, and Deputy Palma for being here this evening as well, as well as all of you that are here. I thank our court reporter who is here, Tonja Vines, and all of the Public Staff that has arrived as well, as well as those that are here on behalf of the Carolina Water System.

We are going to go ahead through the formalities of opening this hearing. I believe at this point in time, we have one witness who is here who will testify, and we thank you for being here, and we look forward to receiving your testimony. Having to go through the typical formalities that we would go through, it may sound a bit formal, but the reason is we do have a court reporter here who is transcribing all of the testimony and we want to follow all the appropriate process procedures, dot the I's and cross the T's in the event there are any questions that arise at some point in the future.

So I'm going to officially open this hearing at this time. It's several minutes past 7:00 or about three minutes past. We'll give people adequate time to get here. Let us come to order and go on the record. I'm Commissioner Floyd B. McKissick, Jr., presiding Commissioner for this hearing. With me this evening are Commissioners Kimberly W. Duffley and Karen M. Kemerait.

I now call for hearing Docket No. W-354, Sub 400, in the Matter of the Application by Carolina Water Service, Incorporated of North Carolina for Authority to Adjust and Increase Rates and Charges for Water and Sewer Utility Service in All Service Areas of North Carolina and Approval of a three-year Water and Sewer Investment Plan.

On July 1, 2022, Carolina Water Service of North Carolina, who I will refer to at times this evening simply as Carolina Water Service or the Company, filed an application with the Commission seeking authority to adjust and increase its rates for providing water and sewer utility service in all of its North Carolina service areas and for approval to establish and implement a Water and Sewer Investment Plan pursuant to North Carolina General Statute

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§ 62133.1A and Commission Rule R1-17A. Carolina Water Service proposes new rates for a base year and a three-year rate period included in its Water and Sewer Investment Plan. Carolina Water Service currently provides service to approximately 34,565 water customers and 21,469 sewer customers in 38 counties throughout the State of North Carolina. The proposed rate increase is based on a Test Period ending March 31, 2022.
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1.3

On July 22nd, 2022, the Commission issued an Order establishing a general rate case and suspending rates.

On September 2nd, 2022, the Commission issued an Order Scheduling Hearing, establishing intervention and testimony due dates, and discovery guidelines and requiring notice. The Order scheduled hearings for the purpose of taking Public Witness Testimony for tonight in Jacksonville, as well as hearings in Raleigh, Boone, and Charlotte. There was also a Public Witness Hearing held virtually by Webex. The Order further scheduled a hearing for the purpose of accepting expert witness testimony to begin on November 28, 2022 in Raleigh beginning at 2 p.m.

NORTH CAROLINA UTILITIES COMMISSION

On September 15th, 2022, Carolina Water

Service filed a Certificate of Service showing that a customer notice has been filed.

On September 19th, 2022, Carolina Water
Service filed updated information regarding its rate
case application. That brings us to today. Pursuant
to North Carolina General Statute § 138A-15,
Subsection (E), I remind Members of the Commission of
our duty to avoid conflicts of interest and inquire,
at this time, as to whether any Commissioner has any
known conflict of interest with respect to this
Docket.

(No response)

COMMISSIONER McKISSICK: Let the record reflect that I have no such conflict and that my fellow Commissioners have not identified any such conflict. I now call upon counsel for the parties to announce their appearances for the record, beginning with the Applicant.

MS. SANFORD: Thank you, Commissioner

McKissick and Commissioners Duffley and Kemerait. I'm

Jo Anne Sanford with the Sanford Law Office in Raleigh

representing Carolina Water Service, Inc. of North

Carolina this evening. With me at counsel table is

State President Don Denton of Carolina Water. And if

NORTH CAROLINA UTILITIES COMMISSION

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1
    I might, there are other representatives -- I don't
 2
    know which way to look and talk. There are other
 3
    representatives of the Company who are here tonight.
 4
    I'd like to ask them if they would stand so that the
 5
    Commission, Public Staff, and our witness know who
    they are, and they're available for discussions later
 6
 7
    or after the hearing. Would you stand, please.
 8
    have six people stand.
 9
               COMMISSIONER McKISSICK: Thank you.
10
              MS. SANFORD: Thank you. And I won't ask to
11
    make an opening statement tonight, but I will thank
12
    the Commission, Commissioners, and the witness for
1.3
    coming out to participate in this hearing.
14
    appreciate it.
15
               COMMISSIONER McKISSICK:
                                        Thank you.
                                                    Public
    Staff.
16
17
               MR. LITTLE: Yes.
                                  John Little, the Staff
18
    Attorney with the Public Staff, and also present in
19
    the courtroom is Shashi Bhatta, an Engineer with the
20
    Public Staff's Water, Sewer, and Telephone Division.
21
               COMMISSIONER McKISSICK: Are there any
22
    preliminary matters that we need to go through at this
23
    time?
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No, sir.

MS. SANFORD:

24

MR. LITTLE: None from the Public Staff.

COMMISSIONER McKISSICK: Okay. Before we begin, I would like to say a few words regarding the process for the hearing tonight. First, I'd like to say that we appreciate you coming here this evening to voice your views and perspectives relating to this important matter, and we welcome your testimony and want to hear from you.

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In conducting this hearing, the Commission functions in a judicial capacity as we're required to do by North Carolina law. Because the Commission functions as a court, we cannot respond to your questions. Instead, we are here to receive evidence from you, all of you that are in this room this evening who are here to present your testimony. Public Staff, which represents the Using and Consuming Public, is made a party to this proceeding pursuant to North Carolina General Statute § 62-15 Subsection (D) in this proceeding. The Public Staff represents you, the Using and Consuming Public, and the Public Staff will assist you in providing your testimony tonight. In order to facilitate a full and fair opportunity for all speakers to participate, we will use the following procedures:

First, witnesses who wish to testify must sign up with the Public Staff. The Public Staff will call each witness in the order listed on the roster.

1.3

Number two, in order to allow each person an equal amount of time, there will be a limit of three minutes for each witness to speak. Therefore, we would appreciate it if witnesses would try to avoid any cumulative, repetitive, and redundant testimony. I don't think we're going to have that problem this evening.

To comply with the Rules of Procedure and evidence, I must have each witness swear or affirm the truth of his or her testimony. Prior to providing that testimony, when you hear your name called, please proceed to the stand and I will deliver the oath. If you would prefer to affirm your testimony, please let me know that when you come to the stand.

After your testimony has been sworn or affirmed, I will ask you to please state your name and address for the evidentiary record and then you may provide your testimony. And please refrain from all opinions or matters that are not related to Carolina Water Services application which is before the Commission in this docket. Also, please be sure to

address your testimony to the Commission and not members of the audience. In lieu of oral testimony, you may submit written testimony as long as you swear to its accuracy. Written statements must be submitted by a person under oath during this hearing.

1.3

Number five, counsel for any party may ask questions of the witnesses tonight. In addition, the Commission will have the opportunity to ask questions. This means that if you provide testimony, you might be asked questions by the attorneys or by the Commissioners.

Number six, testimony is being recorded by a court reporter. Therefore, to ensure the accuracy of the record, we ask that you speak clearly and not engage in any conventional — unconventional modes of testimony such as singing or snapping your fingers or applause. Additionally, please remain quiet when you are not testifying so the court reporter is able to hear the testimony of testifying witnesses.

As a final reminder, the Commission and attorneys for the parties are not allowed to respond to your questions during this hearing. However, both the Public Staff and Carolina Water Service have representatives here who will be available after the

1	hearing to answer your questions.
2	Okay. Now, it's time to begin. I
3	understand there are no opening statements?
4	MS. SANFORD: No, sir.
5	COMMISSIONER McKISSICK: From the Company or
6	from the Public Staff?
7	(No response)
8	COMMISSIONER McKISSICK: So the Public Staff
9	can go ahead and call out the first witness, and we
10	appreciate it.
11	MR. LITTLE: Yes, your Honor. The Public
12	Staff would call Mr. John Gumbel to the stand.
13	COMMISSIONER McKISSICK: Mr. Gumbel, please
14	come over here to the stand, witness stand. Thank
15	you. Place your left hand on the bible.
16	JOHN GUMBEL;
17	having been duly sworn,
18	testified as follows:
19	COMMISSIONER McKISSICK: Thank you. Go
20	ahead and be seated. Adjust the microphone to where
21	it's comfortable for you, and feel free to provide
22	your testimony. We're going to be lenient when it
23	comes to that three-minute limitation because I don't
24	see a room full of witnesses waiting to testify.

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1
               THE WITNESS: So I'm John Gumbel. And any
 2
    other information you need?
 3
              COMMISSIONER McKISSICK: If you could state
 4
    your full address for the record.
               THE WITNESS:
 5
                             Sure. It's 107 Boros Landing,
 6
    New Bern, 28567
 7
              COMMISSIONER McKISSICK: And are you a
    customer of Carolina Water Service?
 8
 9
              THE WITNESS: For fixed rate sewer.
10
              COMMISSIONER McKISSICK: Okay. In what
11
    subdivision?
12
              THE WITNESS: Carolina Pines.
13
              COMMISSIONER McKISSICK: Okay. Go right
14
    ahead.
15
    STATEMENT BY MR. GUMBEL:
16
         So you've heard me speak before. I was a speaker
17
         on the 19th during one of the six people that
18
         spoke on that. I'm kind of amazed at how few
19
         people are coming because the last time I was in
20
         this courtroom, there was at least 10 us.
21
          I'm glad I didn't listen to my wife who said you
22
         need to quit testifying at these because nothing
23
         ever changes. I'm glad I came. So yes, I didn't
24
          show up for nothing. It's a long drive from
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NORTH CAROLINA UTILITIES COMMISSION

Raleigh.

But so I've had Carolina Water

Service in there since they bought out our local
sewer, and that's been, oh what, since at least
maybe 2006 I think is when they bought them out.

The rate that I was paying back in the day, you
know, when it was privately owned -- the sewer's
privately owned now, but when it was owned before

Carolina Water Service, was \$33.13. My latest
increase, which was the February, '22 increase,
is \$85.12.

So in the past, what, since 2009, it's gone up 157 percent, which is -- and that's just through the February, '22 increase. That's five and a half times the rate of inflation. And I know we don't really look at CPI that much, but I do -- you know, my degree's in economics from UCLA. I got a couple other master's degrees too, and what I see or what I have seen during this period is Carolina Water Service is doing probably what any company would do. They're taking advantage of the law, they're doing what's required by the law, and they are milking the customers for every dime they can with increase,

after increase, after increase. And
unfortunately, you know, to the Commissioners -and you haven't been the same Commissioners all
along. You know, we've had different
Commissioners over this period of time -- is that
the Commission never saw a rate increase they
didn't like, and they were almost completely
approved every time within just a hair.

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I think that 2022's increase was -- the request was for 88 bucks and it came in at 85. So now, I'm paying over \$1,000 a year just for sewer. \$1,000 a year. And with the requested increases, it would go to \$1,327. the last two years of increases, the 2021 and the 2022, totaled 56 percent compounded. And now, they're asking for another 30 percent compounded over a three-year period. And now, that brings us to what, 234 percent in increases over the last 16 years, which is well beyond the rate of inflation. But we don't consider the rate of inflation, and we don't consider any past increase. It's not even prescribed in Chapter 62, Article 7. It does not tell us how to take care of the consumer. What it says is

you must -- to the Commission, you must be fair, reasonable, and just to the consumer. Must, m-u-s-t, is in the law, but it does not prescribe how to do that. It prescribes in infinite detail how to be fair and just to the provider, but nothing is completely silent on how to be fair to me and my fellow consumer. That is left to you to decide how to do. You have the capability and you have the leeway to determine how to be fair and just. But if you never look back at previous increases, you won't have any idea what's being done to the consumer.

And I've asked about that before with the Public Staff and others how do you measure compared to what you've done in the past, and the answer is we don't because we are not required to because it's not prescribed in the law. But again, the law does say that you must be fair, must be fair, just, and reasonable to the consumer. And I don't understand. I don't think in any court of law that I could bring the statistics that are easily available to me and that I've compiled over the years that shows the rate of these increases compared to either the

CPI or compared to my other utilities: my electric, my propane, my water, all of which have trended down, and I've grasped -- which I've already provided to the Commission. And you've seen what I've provided. My trend lines are all down on those, from 2006 to now, are all down with one exception. And its that, because I have no control over fixed rate sewer.

I have lowered my water usage since 2006 until now. I've lowered my electrical usage because I've used LED bulbs and high-efficiency items. I've lowered my gas usage, my propane usage. I can't do anything with my sewer. Now, in some of the previous hearings, we've listened to customers talk about the -- that have variable rates where they have the fixed portion and variable portion, and I think it was the last hearing that we've decided that we would put more into the variable portion because people, you know, wanted to be able to have some control of their efficiencies, that they'd get some reduction from that.

Of course that does nothing for me with fixed rate. Nothing. So mine just keeps

going up. Things like, you know -- I don't know. I got some other issues in there too that I should probably bring up before I could get to, one of which -- I'll just bring it up now so I don't forget to do it. We got a letter this week from Carolina Water Service saying "Hey, guess what? You can now use any form of payment and we're not going to charge you for it." You know, you can now use credit cards or you can have debit or you can have, you know, whatever you can, like whatever you want to use on that.

1.3

That was approved last February and went into the rates last February. There was an increase that was authorized to do that. And now, they're just turning it on now, and we've been paying those rates since February. And oh, by the way, when I went in there today to their website to turn that on for me, it still lists all the charges you have to pay to do that. They're all on there. So you've been getting paid since February 1st and you're just turning it on now. And oh, by the way, your website doesn't reflect that. It lists charges for credit cards, charges for debit. It lists

charges for direct debit from checking accounts, still on the website.

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So that to the Commission, you allowed them an increase to fix that, and here it is it's the end of October and yet you've collected that money since the 1st of February, and they're just turning that on now. So that's a side point, but my major point is that -- that the Commission has a requirement in the law to be fair and reasonable and just to the consumer. And just because it's not prescribed how to do that doesn't alleviate that responsibility. I have never seen that portion of it being done because they get every rate increase. And oh, by the way, it says in the law that the rates must come down because of efficiencies gained by these improvements. I have never had a rate decrease. It does not come down unless it was for a tax reason, you know, like Trump's tax cut or something. Then, I've gotten a slight decrease, but all that happens is the rates go up and up, and they compound on each other.

So in the letter that we got from Bob, it said that "Hey, this is far more

efficient for us to do it this way," to ask for four rate increases in three years, and they keep coming back here every year. It may be efficient It's not so efficient for me, but he for him. wants the 10 percent, 10.7 percent return on investment. If you notice from this, they don't make the investment. We do. That there is no risk. And if I had a 10.7 percent return from a no-risk investment, I would take it in a heart beat, but I can't invest with them. They're owned by the Forest Group up there, but they're in Victoria, Brittish Columbia which works only for public investment funds up there in Canada, so I can't buy into that. So 10 percent -- 10.7 percent return when there is no risk whatsoever involved because every bit of this improvement comes from these rate increases. You know, no -they shouldn't be getting 10.7. I mean -- as an economist, that's absurd for an understatement. I -- you know, I'm -- I'm glad you

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I -- you know, I'm -- I'm glad you gave me an opportunity to vent because, you know, I've been in here many times. I've been into the New Bern courthouse. I've been on the phone since we've started -- doing them on the phone

during Covid. And each of these comments, taking time with us every day, I really appreciate that, and I appreciate this but, you know, having an opportunity to say pretty much everything I've been wanting to say for these last, you know, 15 years just has been pretty helpful to me and I'll be able to tell my wife that it was worth the 50-mile drive, you know, down here to do this.

1.3

So I'm begging you guys and I'm asking the Commission this time, please, this time, ask the economist that's on the Public Staff because they have one. Ask them to produce the data on Carolina Water Service going back at least the last 10 years and maybe the last 15, and compare it to the CPI, and you could see that they're 550 percent above the CPI without this latest increase. And that, you know -- anyway, I've burned up enough of your time.

COMMISSIONER McKISSICK: Well, let me thank you for testimony. We had ability to provide some flexibility this evening because we don't have a courtroom full of witnesses. You referred to a document at times. Do you want to submit that as an exhibit?

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1
               THE WITNESS: It is submitted already from
 2
    the --
 3
               COMMISSIONER McKISSICK:
                                        Okay. Can you
    identify what it is then, and what was the date of the
 4
 5
    letter? Where's it to, where's it from?
 6
               THE WITNESS: Yeah. John, you distributed
 7
    it already to the Commissioners and it's posted under
 8
    the, you know, public comments pages, so it's
 9
    already --
10
              MR. LITTLE: It's under the consumer
11
    statements of position under the Sub 400 Docket on the
12
    Commission's website, your Honor. It was the letter
13
    that was submitted electronically on the October 19th,
14
    2022 virtual Webex hearing.
15
               COMMISSIONER McKISSICK: Same document?
16
              MR. LITTLE: Same document, your Honor.
17
               COMMISSIONER McKISSICK: Yeah. I'm familiar
18
    with that, very familiar with it.
19
               THE WITNESS: This one then, you saw the
20
    graph and you saw my quotes from the North Carolina
21
    General Statute.
22
              COMMISSIONER McKISSICK: Okay. Thank you.
23
    As long as we can incorporate it by reference since it
24
    has been previously submitted.
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1
              MR. LITTLE: Yes, it has been.
 2
              COMMISSIONER McKISSICK: Are there any
 3
    questions?
 4
              MS. SANFORD: Nothing on his comment. I
    just want to be sure I'm clear. Mr. Gumbel testified
 5
 6
    at the virtual hearing?
               COMMISSIONER McKISSICK: He did.
 7
 8
              MS. SANFORD: Okay. That's it. Thank you.
 9
              COMMISSIONER McKISSICK: Any questions from
10
    Public Staff?
11
              MR. LITTLE: No, your Honor.
12
              THE WITNESS: Oh, come on. We've got lots
13
    of time.
14
              COMMISSIONER McKISSICK: Any questions from
15
    the Commissioners?
16
              COMMISSIONER KEMERAIT: I do have a
17
    question.
    EXAMINATION BY COMMISSIONER KEMERAIT:
18
19
         You talked about that Carolina Water purchased
20
         the wastewater system in 2006. What was the
21
         entity that owned it prior to that transaction?
22
         It was Carolina Pines. The only thing is it was
    Α
23
         a development.
24
         Okay.
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A And they had put it in there so they could develop the property, so it was privately owned by the actual community. Well, they didn't own a share of it, but the development owned it, and then they sold it to Carolina Water Service. And Carolina Water Service has a track record of buying them, and then raising rates and for sewer.

1.3

The Public Staff asked me, you know, on a phone call, was it four -- asked me is your service okay? And to that, I always say it's sewer, you know. There's not much damage you can really do unless it backs up somehow, but I listen to the public testimony from the people that have water service, and that is remarkable that everybody buys bottled water. You know, not everybody. That's an exaggeration, but, you know, an awful lot of people.

And they testified again, and again, and again, and again to brown water and having to buy bottled water, and nothing ever changes except the rates go up. Except for my sewer, nothing ever changes. I mean, it's sewer, you know, for

what? You know, for \$1,000 a year, you know, not to be too facetious here, but they should be coming to my house to clean the bathrooms for \$1,000 bucks a year. I mean, it's sewer. I've got a grinder pump system that -- it goes going down and then my own pump pumps it into their sewer lines. I have to maintain that. I change the pumps out personally, the floats.

1.3

The control panel, they don't pay for any of that. For \$1,000 bucks a year, they don't even touch my system. And now, we're going to \$1,300 bucks a month. That's what the guy said on the phone. It's going to be more than my mortgage. If I was still paying my mortgage, that would be more than my mortgage. That would be one of my last few years of mortgage payment, would be what I'd be paying for this sewer. And then pretty soon, it's about to cross the line I spent for heating gas, for propane. It's well above water. I mean, my water's a quarter or less than a quarter of that.

COMMISSIONER McKISSICK: Were there any other questions, Commissioner?

COMMISSIONER KEMERAIT: I was going to ask

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1
    about service but you went ahead and answered that, so
 2
    thank you.
 3
               THE WITNESS:
                             Yeah.
               COMMISSIONER McKISSICK: Okay. Since there
 4
 5
    are no further questions, I want to thank you for your
 6
    testimony and sharing with us here your views and
 7
    perspective.
 8
               THE WITNESS:
                             I appreciate it, again, being
 9
            And I'm sorry everybody had to come all the
10
    way out here for just me, but I thought there would be
11
    more of us.
12
               COMMISSIONER McKISSICK: All right.
                                                    I will
13
    look to the Public Staff and ask if there are any
14
    other witnesses who would have entered the courtroom
15
    or who have signed up.
16
               MR. LITTLE: The Public Staff is not aware
17
    of any other witnesses, your Honor.
               COMMISSIONER McKISSICK: All right.
18
19
    there any other matters we need to attend to this
20
    evening, at this time?
21
              MS. SANFORD: No, sir, not from Carolina
22
    Water.
23
               COMMISSIONER McKISSICK: Any from the Public
    Staff?
24
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1	MR. LITTLE: None, your Honor.
2	COMMISSIONER McKISSICK: On that note, let
3	me thank you-all for being here and we thank you for
4	coming in to testifying, sir, and we hereby stand
5	adjourned.
6	
7	WHEREUPON, the proceedings were adjourned.)
8	
9	CERTIFICATE
LO	I, TONJA VINES, DO HEREBY CERTIFY that the
L1	proceedings in the above-captioned matter were taken
L2	before me, that I did report in stenographic shorthand
L3	the Proceedings set forth herein, and the foregoing
L 4	pages are a true and correct transcription to the best
L 5	of my ability.
L 6	
L 7	
L 8	
L 9	Tonja Vines
20	
21	
22	
23	
24	