

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-354, SUB 356

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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 of Its)
Service Areas in North Carolina, Except)
Corolla Light and Monteray Shores)
Service Area and Elk River)
Development)

**AFIDAVIT OF J. BRYCE
MENDENHALL IN RESPONSE
TO COMMISSION QUESTIONS**

NOW COMES J. Bryce Mendenhall, Vice-President of Operations for Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company"), being first duly sworn, deposes and says the following:

1. I was sworn and qualified as a witness on behalf of CWSNC in Docket No. W-354, Sub 356 in a general rate case hearing held before the North Carolina Utilities Commission ("NCUC" or "Commission") on September 20, 2017 in the Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.
2. The Commission has addressed a series of questions to the Public Staff of the North Carolina Utilities Commission ("Public Staff") and CWSNC, to be answered by late-filed documents. This filing contains responses to those questions which were addressed to me or are within the purview of my

responsibility with the Company, as well as certain questions posed to the Public Staff. The topics, questions, and answers follow:

A. Purchased Water Expense. Public Staff engineer Gina Casselberry discusses on page 20 of her pre-filed testimony her adjustment to purchased water expense. She states on lines 9-10 that she reduced purchased water expense for losses greater than 20%. The Commission expressed interest in: (a) the rationale for the change in negotiated position from a 15% threshold in prior cases to the 20% negotiated position in the current settlement proposal; and (b) whether the level of “water loss” experienced by CWSNC has improved or worsened since the Company’s 2015 rate case.

Company Response: The Company’s position, over time, has been that a 15% threshold for water loss, for ratemaking purposes, was too restrictive and that 20% was the more reasonable figure. The Public Staff disagreed and held its line, for settlement purposes, at 15% in previous cases. In CWSNC’s last general rate case proceeding (Docket No. W-354, Sub 344), witness Casselberry adjusted and reduced purchased water expenses for losses greater than 15%. While not agreeing with that position, the Company accepted that ratemaking adjustment for settlement purposes. In this case, the Company and the Public Staff negotiated an agreement to the

20% threshold. In response to the Commission's interest in this topic, I will address the rationale for the negotiated agreement to a 20% reduction threshold, as well as the Company's commitment and continuing efforts to minimize "water loss" throughout its drinking water systems.

The Company respectfully submits that in broad terms the "water loss situation" has improved since 2015, but still maintains that 20% is the more reasonable figure for purposes of this settlement. First, the Company is now strategically focused upon identifying and reducing non-revenue water ("NRW"), as I describe in more detail below. Second, the Company has initiated the development of its asset management plan for North Carolina, including the identification and replacement of water mains contributing to NRW. Third, CWSNC is now performing annual "top-down" water audits (and reviewing the validity of such audits) to ensure that the Company's investments are focused upon the worst problems first. Finally, given the wet weather in 2017 and the commensurate reduction of pumped water, it is likely that the "water losses" (otherwise referred to as "real losses") have decreased overall due to reduced pumping and pressure demands throughout the Company's distribution systems. This will likely be confirmed through the next iteration of top-down water audits performed by the Company.

The Company has focused considerable effort on water loss and is eager to explain these efforts to the Commission. In late-2015, the Company formulated its first NRW strategy to address the identification and reduction of both apparent losses and real losses (“real losses” are typically synonymous with “water losses”). This strategy is consistent with the principles of the American Water Works Association (“AWWA”) M36 Manual (“Water Audits and Loss Control Programs”). In short, the purpose of the strategy is to address NRW based upon the system-specific economic level of intervention (“ELI”), otherwise referred to as the economic level of leakage (“ELL”). The Company’s strategy includes or anticipates (1) the completion of a “top-down” water audit for each system on an annual basis; (2) assessment of source meter accuracy; (3) customer billing and data audits; (4) large meter replacements; (5) plans for system-specific evaluations of the cause(s) of real losses; and (6) the development of NRW-related key performance indicators (“KPIs”). The Company reviews and, as necessary, updates its strategy on a regular basis.

Additionally, in 2016, the Company met with representatives of the Public Staff to discuss NRW, including (1) the water sector’s movement away from the terms “unaccounted for water” and “water loss” to the more appropriate term “non-revenue water”; (2) the relevance of “economic level of leakage” as opposed to “percent water loss;” and (3) the progress the

Company had made and intended to make regarding its strategy and water auditing.

Finally, through the development and maturation of its asset management plan, the Company will continue to increase—and strategically focus—its investments in the renewal and replacement of water mains consistent with the results of water audits, especially in purchased water systems.

B. Road Repairs to Greenview Court, Belvedere Plantation.

Commissioner Brown-Bland inquired about the repairs to Greenview Court in Belvedere Plantation.

Company Response: The Company accepts full responsibility for what it believes was an unacceptable delay in the repair to Greenview Court. Because of customer concerns expressed at the Hampstead meeting and the Wilmington hearing, the Company reviewed not only the Greenwood Court issue but also its practices and protocols regarding these types of road repairs. Specific factors involved with the Greenview Court matter included diversion of attention to capital projects, recent loss of staff (turnover is often a significant problem with respect to attention to ancillary issues such as road repairs), and undue reliance on the paving contractor. Furthermore, CWSNC has discussed the importance of timeliness of these

types of repairs with staff and expects, in the future, to ensure they are completed within ten (10) days.

C. Carolina Trace Service Area – Standard Operating Procedures Regarding Notice of Water Line Breaks.

Chairman Finley asked certain questions regarding how CWSNC communicates with the eighteen (18) Property Owners Associations (“POAs”) in the Company’s Carolina Trace service area when issues such as boil water notices must be communicated to affected customers.

Company Response: The attached “standard operating procedure” or “SOP” (“Mendenhall Late-Filed Exhibit 1”) dated July 23, 2014, was adopted after collaboration with the master homeowners’ association which represents all of Carolina Trace. The SOP sets forth procedures for CWSNC operators to follow during an event affecting any of the 18 individual units or POAs representing the Carolina Trace development.

Please note that the highlighted contact name set forth in the attached SOP for the Carolina Trace service area is Mr. Alan Dirk, who serves as CWSNC’s designated primary contact person for notice regarding water leaks/breaks within Carolina Trace. There is a standing agreement between CWSNC and Carolina Trace that the responding staff member contact those persons listed within the SOP upon knowledge of a “water event.” It is furthermore understood that Mr. Dirk, the Master POA

President, will then contact the individual POA President representing the area that is affected by the “water event.” Once the responding CWSNC staff member has contacted all persons designated within the SOP, the staff member then proceeds with notification to immediate Company supervisors and customer service support staff, who will distribute a Voice Reach to the affected residents.

Based upon my discussions with CWSNC staff personnel, this has been and continues to be the accepted practice within Carolina Trace.

D. GENX Sampling.

Chairman Finley inquired regarding the status of GenX sampling undertaken by the Company and the results thereof.

Company Response: CWSNC sampled seven well sites, testing for the presence of components related to the GenX compound. The results of each of the tests at all seven well sites demonstrated “no detections” for the GenX compound. The following well sites were tested:

Belvedere Well #1 and Well #2
Olde Point Well #1 and Well #2
Mason Landing Well #1
Treasure Cove Well #1 and Well #2

E. Complaint of Ms. Mandy Ware, Belvedere Plantation Customer

Ms. Ware testified at the Wilmington public hearing on August 23, 2017. The Company's response to her complaints was contained in its filing of September 18, 2017, captioned "Report on Customer Comments from Public Hearings in Wilmington and Raleigh" and excerpted below:

Mandy Ware, 2909 Country Club Drive, Belvedere customer. Tr. Vol. 5, pp. 86-93

Ms. Ware addressed her concerns about water quality, communications, and price. Her objections included the cost and need for a constant supply of bottled water, the uncertainty about when the water will be usable for bathing her children, and the deposits left in her tub and sink from the water when it is discolored. The expense of a rate increase, combined with her additional costs to address the discoloration issues, were also a focus of her testimony.

RESPONSE: *The Company apologizes to Ms. Ware for the inconvenience she has experienced due to the inconsistency in water quality. As indicated at the Hampstead public meeting on August 16, 2017 and reiterated above, the Company has rectified the "discoloration" issue (through the use of Well No. 1 and with the nearly-completed repair to Well No. 2) and is in the process of addressing the hardness issues that prompted several of Ms. Ware's concerns.*

Company Response: I contacted Ms. Ware again on September 21, 2017, and she reported that—since the Wilmington public hearing—she has seen improvements in both water quality and customer communications. First, regarding water quality, Ms. Ware indicated that the "film" that had been covering her bathtub has not been present in the weeks since the August 23, 2017, public hearing. She further indicated that, aside from the unanticipated water main break on September 12, 2017, she has not

detected “discolored water.” Overall, Ms. Ware appears to have been pleased with the service CWSNC has provided to her within the past 30 days and seems to appreciate our efforts to resolve her water quality concerns.

Second, regarding customer communications, a CWSNC staff member previously provided his cell number to Ms. Ware so she could communicate with the Company in the event of any further concerns. On September 21, 2017, Ms. Ware also was provided with my contact information---both e-mail and cell number. She confirmed receiving “Voice Reach” calls for the water main break on September 12, 2017, which included both the initial Boil Water Advisory and the Rescind notice. Ms. Ware was able to communicate directly with a CWSNC staff member to discuss how the water main break was impacting her water service. She also complimented CWSNC for promptly repairing the water main break and restoring her water service.

F. Call Center Issues

Commissioner Gray posed questions regarding the Company’s call center operations, particularly concerning training given to third-party contractor employees.

Company Response: CWSNC appreciates the concerns expressed by the Commission and customers and acknowledges that the Company (1) is

likely going to switch third-party after-hours call center vendors; (2) commits to providing the Carolina Trace SOP information to both the existing and new vendor (consistent with the discussion set forth above under Paragraph C); and (3) commits to reviewing its after-hours call center procedures to ensure that issues such as those that have been discussed with customers and the Commission do not arise in the future.

G. Chlorination Practices and Procedures

Commissioner Brown-Bland asked questions about the Company's chlorination practices and procedures at Belvedere and raised the issue of whether the Company is willing to do additional testing (more frequently than monthly).

Company Response: CWSNC agrees to review the Company's sampling and analysis frequency applicable to its Belvedere service area and will consider increased sampling intervals to ensure customer satisfaction.

H. Customer Communication Improvements

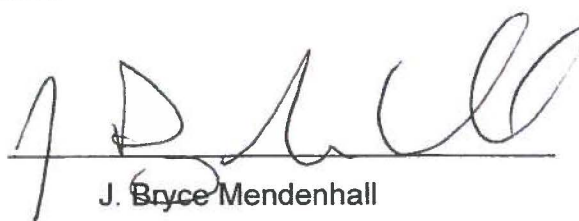
Commissioner Brown-Bland asked questions about whether the Company should give additional alerts to customers during outages which extend for multiple days, such as over weekends particularly when things like boil water notices are in effect.

Company Response: CWSNC has recently augmented its communications capacity by hiring a Communications Coordinator and is working diligently on developing additional means to communicate with its customers. As stated in our *Reports on Customer Comments from Public Hearings*, emphasis will be on enhancing the Company's ability to communicate electronically. For instance, CWSNC is in the process of developing and launching a website for Belvedere customers to complement and enhance the customer communication and notice activity. The success of this approach will depend on the availability and accuracy of various modes of contact, and will thus be a function of customer permission and homeowners' association participation. Customers have very different preferences for how they communicate with the Company, and CWSNC is working to maximize the capacity of the various means of communication.

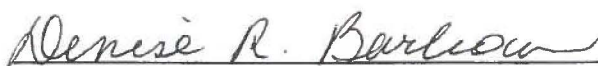
In addition, consistent with Commissioner Brown-Bland's questions, the Company will undertake internal discussions regarding the need for additional voice reaches/communications with customers, such as when a boil water advisory is issued leading into a weekend or holiday and water sampling results will be delayed.

I. **Conclusion**

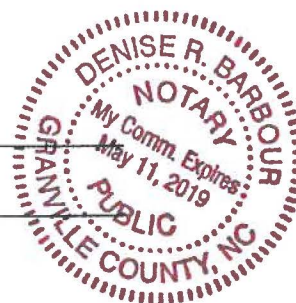
Company personnel are reviewing the Transcript and working with the Public Staff to ensure that all the Commission's questions are addressed promptly and thoroughly. If additional responses are required, then I will be pleased to provide them.


J. Bryce Mendenhall

Sworn to and subscribed before me this
the 29 day of September, 2017.



Notary Public



My Commission Expires: May 11, 2019

CAROLINA TRACE
STANDARD OPERATING PROCEDURES FOR WATER LINE BREAKS
7/23/2014

1. When an operator receives notification of a water leak, determine first that the leak is ours and that our contractor needs to be called.
2. Upon arriving at the location of the water line leak, determine if it is a main water line or a service line and if a contractor will be needed or if it can be handled in-house. _Contact Bill Villa at 919-770-9175 to inform him that we have a leak and the address of the leak. Describe the extent of the leak and begin closing valves, blocking the street, etc.
3. Place a call to NC ONE Call (811)

If it is determined that it is a "main water line," contact the following people and inform them we have a main water line break.

Todd McNeill 919-770-4667 Fire Chief

Alan Dirk 919-356-9371 President, Carolina Trace POA

Dwight Harris 919-608-2471 or 919-791-4295 State public water

supply #

"State" On call # 1-800-608-2159 If can't get in contact with Dwight

4. Email notification to ORC, Area Manager, Regional Manager and Customer Service
5. Determine what street(s) will have to be turned off to make the repair. Send an e-mail with specific details including the name of the street(s) affected to all of the following requesting a Boil Water Advisory be sent

Tricia Anderson

Sam Tackett

Linda Schnauffer

Matt Chandler

tdanderson@uiwater.com

srtackett@uiwater.com

ldschnauffer@uiwater.com

MRChandler@uiwater.com

6. You will receive a reply email from one of the contacts above confirming your request. You will be included on the email as FYI once the phone notification has gone out.

7. After the repair has been made and water service is back on, contact the following people.

Todd McNeill 919-770-4667 Fire Chief
Alan Dirk 919-356-9371 President, Carolina Trace POA

8. Flush the affected area to remove air, dirty water and proceed to pull samples asap.
9. Contact customer service, ORC, Area Manager, and Regional Manager to advise service has been restored.
10. Make sure the work area is left in a safe condition.
11. Email customer service, ORC, Area Manager, Regional Manager to advise that the lab sample(s) is good and to rescind the Boil Water Advisory. Call Alan Dirk 919-356-9371 President, Carolina Trace POA to advise that the Boil Water Advisory has been rescinded.

CERTIFICATE OF SERVICE

I hereby certify that on this the 29th day of September, 2017, a copy of the foregoing **AFFIDAVIT OF J. BRYCE MENDENHALL IN RESPONSE TO COMMISSION QUESTIONS** has been duly served upon all parties of record by electronic service, as follows:

Gina C. Holt
Staff Attorney, Legal Division
North Carolina Utilities Commission - Public Staff
gina.holt@psncuc.nc.gov

William E. Grantmyre
Staff Attorney, Legal Division
North Carolina Utilities Commission - Public Staff
william.grantmyre@psncuc.nc.gov

Dwight W. Allen
Britton H. Allen
Brady W. Allen
The Allen Law Offices
dallen@theallenlawoffices.com
bhallen@theallenlawoffices.com
brady.allen@theallenlawoffices.com

Electronically Submitted
/s/Jo Anne Sanford
State Bar No. 6831
SANFORD LAW OFFICE, PLLC
Post Office Box 28085
Raleigh, North Carolina 27611-8085
Tel: (919) 210-4900
sanford@sanfordlawoffice.com

**ATTORNEY FOR CAROLINA WATER
SERVICE, INC. OF NORTH CAROLINA**