

NORTH CAROLINA UTILITIES COMMISSION

RALEIGH

DOCKET NO. W-1300, SUB 60

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

IN THE MATTER OF:

APPLICATION BY OLD NORTH STATE WATER COMPANY, LLC
FOR AUTHORITY TO ADJUST AND INCREASE RATES FOR PROVIDING
WATER UTILITY SERVICE IN ALL ITS SERVICE AREAS IN NORTH CAROLINA

PRE-FILED SUPPLEMENTAL REBUTTAL TESTIMONY

OF

LAURIE OAKMAN

ON BEHALF OF

OLD NORTH STATE WATER COMPANY, LLC

March 4, 2022

1 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, POSITION WITH OLD**
2 **NORTH STATE WATER COMPANY, LLC, AND YOUR BUSINESS ADDRESS.**

3 A. My name is Laurie Oakman, and I am the Accounting Manager of Integra Water, LLC
4 (Integra). I oversee accounting for Old North State Water Company, LLC (ONSWC or
5 Company) because Integra has an operating agreement whereby it provides support
6 services to ONSWC. My business address is 3212 6th Avenue South, Suite 200,
7 Birmingham, AL 35222.

8 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I filed direct testimony on June 29, 2021, and rebuttal testimony on February 22, 2022.

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**
11 **TESTIMONY?**

12 A. The purpose of my supplemental rebuttal testimony is to respond to issues raised in the
13 Public Staff's supplemental testimony that was filed on March 1, 2022. However, the
14 Company and the Public Staff are discussing settlement possibilities, so some or all of the
15 issues in this proceeding may be resolved after we file this testimony.

16 **Q. DO YOU HAVE ANY SUPPLEMENTAL REBUTTAL EXHIBITS?**

17 A. Yes, Oakman Supplemental Rebuttal Exhibit I shows a reconciliation with line item
18 differences between the Company and the Public Staff on revenue requirement issues.

19 **Q. WHAT IS YOUR RESPONSE TO THE SUPPLEMENTAL TESTIMONY OF**
20 **WITNESS JUNIS ON UTILITY PLANT IN SERVICE?**

21 A. The Company accepts the positions stated in pages 3 – 8 of Mr. Junis' supplemental
22 testimony. We have provided the Public Staff with an estimate of the amount of uncollected

1 contribution in aid of construction (CIAC) income tax gross-up for the three systems in
2 issue, as discussed on page 7 of witness Junis' testimony, and we are waiting to hear if the
3 Public Staff agrees with those amounts.

4 **Q. WHAT IS YOUR RESPONSE TO THE SUPPLEMENTAL TESTIMONY OF**
5 **WITNESS JUNIS ON BILLING ANALYSIS AND RATE DESIGN?**

6 **A.** ONSWC agrees with the number of customers and annual consumption shown on page 9
7 of Junis' supplemental testimony and in his Exhibit 2 (Revised).

8 **Q. WHAT IS YOUR RESPONSE TO THE SUPPLEMENTAL TESTIMONY OF**
9 **WITNESS JUNIS ON BILLING ANALYSIS AND RATE DESIGN?**

10 **A.** The ONSWC position on the Public Staff recommendation for a 30% / 70% ratio of fixed
11 charge to variable charge is addressed in the ONSWC rebuttal testimony of witness
12 McDonald, and that has not changed as a result of the supplemental testimony of witness
13 Junis at page 11.

14 The service revenue requirement and recommended rates of the Public Staff, stated in the
15 supplemental testimony of witness Junis at page 11, should be adjusted to reflect the
16 correction to Bella Vista consumption that witness Junis accepted in this supplemental
17 testimony. I understand the Public Staff has agreed to make that change, which has a
18 \$51,243 revenue impact, in its accounting exhibits. I reflect the adjustment to service
19 revenues correction for test year usage on Line 12 of Oakman Supplemental Rebuttal
20 Exhibit I.

21 **Q. WHAT IS YOUR RESPONSE TO THE SUPPLEMENTAL TESTIMONY OF**
22 **WITNESS MORGAN ON HER ADJUSTMENTS?**

1 A. At pages 3 – 7 of her supplemental testimony, witness Morgan lists Public Staff
2 adjustments to plant in service, accumulated depreciation, CIAC, accumulated
3 amortization of CIAC, customer advances, miscellaneous expense (bond expense),
4 depreciation expense, and amortization expense for CIAC. ONSWC accepts these
5 adjustments.

6 Q. **WHAT IS YOUR RESPONSE TO THE ACCOUNTING RECOMMENDATION IN**
7 **THE SUPPLEMENTAL TESTIMONY OF WITNESS MORGAN?**

8 A. On pages 7 – 8 witness Morgan makes an accounting recommendation and states that “No
9 amount of the taxes paid by ONSWC should be included in the Company’s rate base or
10 otherwise reflected in the Company’s revenue requirement.” I have committed to not seek
11 recovery of uncollected CIAC tax gross-up from ratepayers, and ONSWC stands by that
12 commitment. The taxes on CIAC that ONSWC must pay, and that were not collected from
13 developers, will be absorbed by ONSWC; they are not included in the cost of service in
14 the present case and will not be included in the cost of service in future rate requests.

15 The Public Staff asked in supplemental testimony that ONSWC show what accounting
16 entries it will make for the uncollected CIAC tax gross-up. ONSWC has provided an
17 example in Excel format, and we are waiting to hear from the Public Staff if it is acceptable
18 to them.

19 In addition, the Company requests to be allowed to file an exhibit updating its rate case
20 expense through the close of the evidentiary hearing and its estimating costs for any work
21 on a proposed order. We understand the Public Staff is agreeable to this request, with no
22 return on the unamortized balance. ONSWC also requests that if the Company does not

1 recover all its rate case expense before the next general rate case, that it be allowed to roll
2 any unamortized balance of this rate case expense into expenses in its next rate case.

3 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?**

4 **A.** Yes, it does.