

**SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law**

July 13, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Delivery

Re: Carolina Water Service, Inc. of North Carolina and Water Resource Management LLC
Docket Nos. W-354, Sub 396 and W-1073, Sub 7
Application for Authority to Transfer the Echota Water Utility System, the Seven Devils Wastewater Utility System, and Public Utility Franchise in Watauga County, North Carolina, and for Approval of Rates
Comments of Carolina Water Service, Inc. of North Carolina in Response to Recommended Order

Dear Ms. Dunston:

On June 29, 2023, Commissioner Hearing Examiner Freda Hilburn entered a Recommended Order in these dockets. Attached please find the Comments of Carolina Water Service, Inc. of North Carolina in Response to the Recommended Order.

I hereby certify that by copy of this letter, I have served this filing on the parties of record.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford
North Carolina State Bar No. 6831
Attorney for Carolina Water Service, Inc. of
North Carolina

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 396
DOCKET NO. W-1073, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc. of)
North Carolina, 5821 Fairview Road, Suite 401,)
Charlotte, North Carolina 28209 and Water)
Resource Management LLC, 151 Mr. Bish)
Boulevard, Boone, North Carolina 28607, for)
Authority to Transfer the Echota Water Utility)
System, the Seven Devils Wastewater Utility)
System, and Public Utility Franchise in Watauga)
County, North Carolina, and for Approval of)
Rates)

COMMENTS IN
RESPONSE TO
RECOMMENDED
ORDER

Now comes Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”), by and through the undersigned counsel, in response to the Recommended Order of Hearing Examiner Freda H. Hilburn, filed in this docket on June 29, 2023. CWSNC respectfully disagrees with the decision regarding adoption of stand-alone rates and the rejection of the W-354, Sub 384 docket uniform rates in conjunction with the transfer. Nevertheless, CWSNC has determined that it will not file Exceptions to the Recommended Order and requests the Commission’s leave to provide a limited explanation of the Company’s position for reasons having to do with acquisition policy and with potential impacts on other cases---pending and anticipated.

The Company’s request for approval of transfer of Water Resource Management LLC’s (“WRM”) water and sewer service areas in Watauga County,

North Carolina, from WRM to CWSNC, and for approval of rates, was filed April 22, 2022, was heard in Raleigh on December 8, 2022 by Hearing Examiner Dustin Rhodes, presiding, and was the subject of a Recommended Order issued by Hearing Examiner Freda H. Hilburn, on June 29, 2023.

CWSNC has carefully weighed the merits of filing Exceptions to the Recommended Order, which would address important matters of policy and practice, against the addition to the time to resolve and the cost of this proceeding---which concerns a needed transfer of a relatively small water and sewer system. The Company's interest in putting these evolving policy issues before the Commission itself is strong. However, that interest is outweighed by consideration of the press of the time and expense of this particular transaction.

So that there are no surprises and to reflect compliance with the Commission's directives regarding installation of water meters at the WRM water system, the Company wishes to note on the record that it will move as quickly as possible to install the meters that are planned, in accordance with Ordering Paragraph No. 4, at page 24 of the Recommended Order. CWSNC will also move promptly to make any other prudent water and sewer investments, as necessary, and plans to file a stand-alone general rate case when the Company's level of capital investment and cost recovery of full due diligence costs related to this proceeding make it reasonable to do so. Further discussion of the proliferation of stand-alone rates, particularly for acquired, troubled systems---and of the resulting need for stand-alone general rate cases and costs attendant on them---will therefore be addressed in another docket.

With respect to other dockets---pending and anticipated as future acquisition opportunities arise---the Company wishes to state clearly that its decision to not contest the Recommended Order is limited to the unique facts and circumstances of this case, including the significant ratio of time and expenditures already incurred in conjunction with this acquisition in comparison to the size and cost of the relatively small WRM water and sewer systems in question. Concern also exists for the Seller's longstanding, increasingly urgent need to move to a conclusion of this transaction. The decision to defer filing Exceptions to the Recommended Order and to proceed with this acquisition is not, in any way, a concession of CWSNC's strongly-held position with respect to the efficacy of the use of uniform rates in utility system transfer proceedings, particularly in consideration of a likely proliferation of stand-alone rate recommendations in future water and sewer system transfer cases.

Respectfully submitted, this the 13th day of July, 2023.

Electronically Submitted

/s/Jo Anne Sanford

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