



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 18, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket Nos. W-354, Sub 411 and W-1148, Sub 22 – Application for Authority to Transfer the Mountain Air Water and Wastewater Utility Systems and Public Utility Franchise in Yancey County, North Carolina, and for Approval of Rates

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced dockets is the joint settlement testimony of D. Michael Franklin, Public Utilities Engineer, Water Sewer, and Telephone Division and Lynn Feasel, Financial Manager of the Water, Sewer, and Telecommunications Sections, Accounting Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Gina Holt
Staff Attorney
gina.holt@psncuc.nc.gov

Attachments

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

CERTIFICATE OF SERVICE

I certify that a copy of this Joint Settlement Testimony has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 18th day of August, 2023.

Electronically submitted
/s/ Gina Holt
Staff Attorney

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 411
DOCKET NO. W-1148, SUB 22

In the Matter of
Application by Carolina Water)
Service, Inc. of North Carolina, 5821)
Fairview Road, Suite 401, Charlotte,)
North Carolina 28209 and Mountain)
Air Utilities Corporation, Post Office)
Box 1090, Burnsville, North Carolina)
28714, for Authority to Transfer the)
Mountain Air Water and Wastewater)
Utility Systems and Public Utility)
Franchise in Yancey County, North)
Carolina, and for Approval of Rates)

**JOINT SETTLEMENT
TESTIMONY OF
LYNN FEASEL AND
D. MICHAEL FRANKLIN
PUBLIC STAFF –
NORTH CAROLINA
UTILITIES COMMISSION**

August 18, 2023

1 **Q. Ms. Feasel, please state your name, business address, and**
2 **present position.**

3 A. My name is Lynn Feasel. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am the Public Utility
5 Regulatory Analyst Supervisor of the Water, Sewer, and
6 Telecommunications Sections with the Accounting Division of the
7 Public Staff – North Carolina Utilities Commission (Public Staff).

8 **Q. Are you the same Lynn Feasel who filed direct testimony on**
9 **behalf of the Public Staff in this proceeding on July 6, 2023?**

10 A. Yes.

11 **Q. Are your qualifications and duties the same as stated in your**
12 **direct testimony?**

13 A. Yes.

14 **Q. Mr. Franklin, please state your name, business address, and**
15 **present position.**

16 A. My name is D. Michael Franklin. My business address is 430 North
17 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities
18 Engineer with the Water, Sewer, and Telephone Division of the
19 Public Staff.

1 **Q. Are you the same D. Michael Franklin who filed direct testimony**
2 **on behalf of the Public Staff in this proceeding on July 6, 2023?**

3 A. Yes.

4 **Q. Are your qualifications and duties the same as stated in your**
5 **direct testimony?**

6 A. Yes.

7 **Q. What is the purpose of your settlement testimony in this**
8 **proceeding?**

9 A. The purpose of our settlement testimony is to support the Settlement
10 Agreement and Stipulation (Stipulation) filed on August 18,
11 2023, entered into between Carolina Water Service, Inc. of North
12 Carolina (CWSNC), Mountain Air Utilities Corporation (MAUC), the
13 Mountain Air Homeowners Association, Inc. (MAPOA), and the
14 Public Staff (collectively, the Stipulating Parties), regarding the
15 transfer of the water and wastewater utility systems and public utility
16 franchise serving the Mountain Air Development in Yancey County,
17 North Carolina, from MAUC to CWSNC.

18 **Q. Please briefly describe the Stipulation.**

19 A. The Stipulation sets forth agreement between the Stipulating Parties
20 in the following areas:

21 1. CWSNC implementing the Company's Sub 400 base year
22 rates for water and wastewater utility service to Mountain Air

1 customers plus a monthly flat rate per-equivalent residential
2 connection (ERC) surcharge for recovery of a lien release, due
3 diligence and transaction costs, and unrecovered operating reserve
4 incurred as emergency operator.

5 2. The creation of a regulatory asset for the lien release,
6 levelized and amortized over a period of 40 years, beginning in the
7 month recovery is implemented, including a return at the Company's
8 weighted average cost of capital.

9 3. Due diligence and transaction costs capped at \$75,000 and
10 amortized over a period of 40 years, beginning in the month recovery
11 is implemented, including a return at the Company's weighted
12 average cost of capital.

13 4. Unrecovered operating reserve incurred as emergency
14 operator levelized for cost recovery over five years including a return
15 at the Company's cost of debt.

16 5. The usage of the Public Staff proposed depreciation rates on
17 capital investments made with CWSNC acting as the emergency
18 operator, and CWSNC Uniform Water and Sewer depreciation rates
19 on all future capital investments in the Mountain Air water and
20 wastewater systems.

1 6. CWSNC may propose in its next general rate case that the
2 Mountain Air water and wastewater system be consolidated into the
3 Company's Uniform Water and Wastewater rate divisions, provided
4 that it has demonstrated that (1) CWSNC's Uniform Rate Division
5 customers are not adversely impacted; and (2) Mountain Air
6 customers are not materially impacted.

7 **Q. Please explain how the Stipulation benefits ratepayers.**

8 A. The Stipulation provides for the transfer of the Mountain Air water
9 and wastewater systems to CWSNC, currently the Emergency
10 Operator (EO). Mountain Air customers benefit by gaining certainty
11 over the utility systems' future by having the utility system owned and
12 operated by a utility company that has the financial, technical, and
13 managerial capabilities to own and operate the water and
14 wastewater systems. CWSNC is adequately capitalized and able to
15 address repairs and capital improvements that may be required to
16 ensure continued safe and reliable service. Further, CWSNC has a
17 proven track record as an EO and public utility providing water and
18 sewer utility service to approximately 35,000 water customers and
19 21,000 wastewater customers located in 38 counties across North
20 Carolina. As the EO for Mountain Air, CWSNC has made significant
21 investments in the water and wastewater systems to improve quality
22 of service and meet regulatory requirements.

1 The Stipulation also provides a means to ensure, for the first time,
2 that ownership of property required for utility operations and
3 maintenance is in the utility's full control and removes liens that were
4 a hindrance to previous transfer attempts. The Stipulation provides
5 that the customers directly benefiting from the transfer are assigned
6 the costs of the transfer through rates and surcharges.

7 **Q. What is the Public Staff's recommendation with regard to the**
8 **transfer?**

9 A. The Public Staff recommends that the Commission approve the
10 terms of the Stipulation reached by the Stipulating Parties, and that
11 the transfer be approved.

12 **Q. Does this conclude your testimony?**

13 A. Yes.