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Oct 24 2022

October 24, 2022

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

Via Electronic Delivery

Re: Application by Carolina Water Service, Inc. of North Carolina for Fair Value Determination and for Certificate of Public Convenience and Necessity to Serve Current Territory of Carteret County Water System  
NCUC Dockets No. W-354, Sub 398 and 399  
Rebuttal Testimony of Eugene Foxworth

Dear Ms. Dunston:

Attached please find the Rebuttal Testimony of Eugene Foxworth, offered pursuant to the Commission's Scheduling Order in this docket and in rebuttal to the Public Staff's testimony.

I hereby certify that a copy of this filing has been served on the Public Staff and on Carolina Water Service, Inc. of North Carolina.

Thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Sincerely,



**Claud R. Wheatly, III**  
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STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-354, SUB 398 AND 399

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
 Application by Carolina Water Service, )  
 Inc. of North Carolina For Election to )  
 Establish Rate Base for Carteret County )  
 Water System Under Fair Value )  
 Methodology Authorized by N.C.G.S. § ) REBUTTAL TESTIMONY OF  
 62-133.1A, and ) EUGENE FOXWORTH ON  
 ) BEHALF OF CARTERET  
 ) COUNTY  
 Application of Carolina Water Service, )  
 Inc. of North Carolina, 5821 Fairview )  
 Road, Suite 401, Charlotte, North )  
 Carolina 28209, for a Certificate of )  
 Public Convenience and Necessity to )  
 Provide Water Utility Service to the )  
 Carteret County Water System, and for )  
 Approval of Rates )

October 24, 2022

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Eugene Foxworth, and my business address is 210 Turner St,  
3 Beaufort, NC 28516.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am an Assistant County Manager with Carteret County. I oversee the  
6 Planning and Inspections Department for the County as well as Public  
7 Utilities, Public Works, Public Buildings, Parks and Recreation, and Public  
8 Transportation Departments for the County, and I discharge other duties  
9 as assigned.

10 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
11 BACKGROUND.

12 A. I hold a Bachelor of Science Degree from East Carolina University. I have  
13 worked in North Carolina for a Council of Government as well as for  
14 Municipal and County Governments since 2001.

15 Q. WHAT ARE YOUR DUTIES AS ASSISTANT COUNTY MANAGER WITH  
16 CARTERET COUNTY?

17 A. I am responsible for the management of the departments listed above.

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
19 PROCEEDING?

20 A. My testimony explains the process and timeline of the County in the sale of  
21 the Water System as well as why this transaction serves the public interest.

1 Q. PLEASE DESCRIBE THE HISTORY AND PROCESS THE COUNTY  
2 USED TO REACH THE ASSET PURCHASE AGREEMENT WITH  
3 CAROLINA WATER.

4 A. The process began in in 2019 when the County received a NCDEQ Water  
5 Infrastructure Grant to study the merger of the County water system with  
6 the Town of Beaufort Water System. This initiative, by the State, is to  
7 “encourage water and wastewater utilities to become viable and more  
8 proactive in the management and financing of their systems”. At the  
9 conclusion of the study in March of 2020 and after both representatives of  
10 Draper Ayden and the County Manager and I had discussed results of the  
11 study with the Town of Beaufort, the Beaufort Town Manager informed us  
12 that the Town was not interested in pursuing merging the systems. In the  
13 meantime, Aqua NC contacted the County about potentially acquiring the  
14 water system. After consulting the County Commissioners and County  
15 Attorney we advised Aqua NC that our only viable and transparent means  
16 of selling the System was under NCGS 160A-269, the upset bid process.  
17 In June of 2020 Carolina Water Service contacted the County after learning  
18 of the Merger Study and inquired about purchasing the system. Both of  
19 these companies learned of the potential disposition of the system through  
20 articles in the local newspaper. In February 2021 Aqua NC offered a bid of  
21 \$7 million dollars for the system. That bid was upset, and advertised in the

1 paper five times, until Carolina Water Service ultimately bid \$9.5 million  
2 dollars in May of 2021. The County Commissioners approved the Asset  
3 Purchase Agreement with Carolina Water Service at their October 18, 2021  
4 Meeting.

5 **Q. HOW IS THE PUBLIC INTEREST SERVED BY THE SALE OF THIS**  
6 **SYSTEM?**

7 **A.** No one knows better what serves the public interest in their community than  
8 the local elected officials, as these officials, elected by the people, live and  
9 work in the communities they serve. Currently the system serves 1254  
10 households in a Water District that includes 3,875 parcels. Starting in 2011  
11 and until two years ago the owners of property in this district were paying  
12 5.5 cent per hundred dollars of valuation on both real and personal property,  
13 whether they were users of the system or not. They represented a very  
14 small percentage of our total population. This taxing district was needed to  
15 support the system because of the limited density in district, namely 1254  
16 customers on 54 miles of water line. Additionally, contributions from the  
17 General Fund were needed over the years to subsidize the system; those  
18 contributions were paid for by the approximately seventy thousand citizens  
19 of the county. If the system were sold at the Fair Value represented in the  
20 Asset Purchase Agreement, the debt on the system would be retired from  
21 the proceeds and the citizens of the County would receive approximately  
22 \$8 million dollars to help with other public necessities.

1 **Q. WHY IS THE UPSET BID PROCESS THE MOST FAIR AND EQUITABLE**  
2 **WAY TO DISPOSE OF PUBLIC PROPERTY AND DID THE PUBLIC**  
3 **PARTICIPATE IN THIS PROCESS?**

4 Under NCGS 160A-269 local governments in North Carolina may dispose  
5 of property by upset bid. This is a very commonly used process that has  
6 been used broadly and frequently by NC Local Governments. What is  
7 especially transparent about this process is that every upset bid must be  
8 advertised so that not only the bidders are aware but that the public is aware  
9 as well. In this particular instance these bids were advertised 5 times. The  
10 local newspaper covered the sale of the water system several times, which  
11 the County appreciated. A small group of citizens spoke at several  
12 meetings, most of which were represented at the October 18, 2022 NC  
13 Utilities Commission Hearing held in Beaufort. This purchase under  
14 N.C.G.S. § 62-133.1A is specific in how fair value is determined. I  
15 understand that this may be the first sale of its kind, but the plain language  
16 of NCGS 62-133-1A (b) c. states that for ratemaking purposes the "fair  
17 value" shall be the average of the three appraisals. All three appraisals  
18 were completed by NCUC approved appraisers and comply with the statute.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A. Yes.**