

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**DOCKET NO. W-354, SUB 412**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Carolina Water Service, Inc. of North Carolina, along with Corix Infrastructure (US) Inc. and SW Merger Acquisition Corp., for Approval of a Business Combination Transaction	) DIRECT TESTIMONY OF DONALD H. DENTON III ON BEHALF OF JOINT APPLICANTS

---

**Direct Testimony of**

**Donald H. Denton III**

**on behalf of**

**JOINT APPLICANTS**

**November 23, 2022**

**TABLE OF CONTENTS**

I. WITNESS INTRODUCTION AND BACKGROUND ..... 1

II. BACKGROUND OF THE COMPANY ..... 2

III. CWSNC'S MISSION AND VALUES ..... 4

IV. SUMMARY OF THE PROPOSED TRANSACTION ..... 5

V. IMPACT ON CWSNC ..... 6

VI. IMPACT ON THE COMMUNITIES SERVED BY CWSNC ..... 7

VII. OPERATIONAL BENEFITS ..... 9

VIII. COMMITMENTS FROM THE JOINT APPLICANTS ..... 11

1 **I. WITNESS INTRODUCTION AND BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Donald H. Denton III, and my business address is 5821 Fairview  
4 Road, Suite 401, Charlotte, North Carolina 28209.

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

6 A. I am Senior Vice President, East Operations for Corix Infrastructure Inc.  
7 (“CII”). I oversee the operations of Carolina Water Service, Inc. of North  
8 Carolina (“CWSNC” or “Company”), Blue Granite Water Company in South  
9 Carolina, and Sunshine Water Services Company in Florida, all of which  
10 are subsidiaries of Corix Regulated Utilities (US) Inc. (“CRU US”). In  
11 addition, I serve as President of CWSNC and Blue Granite Water  
12 Company.

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
14 **BACKGROUND.**

15 A. I hold a Bachelor of Aerospace Engineering from The Georgia Institute of  
16 Technology as well as an Executive Masters in Business Administration  
17 from Queens University in Charlotte, North Carolina. I have worked in the  
18 utility sector for over 24 years in multiple capacities ranging from  
19 engineering to strategic planning and major project execution and  
20 operations.

21 **Q. WHAT ARE YOUR DUTIES AS PRESIDENT OF CWSNC?**

NCUC Docket No. W-354 Sub 412

1 A. I am responsible for the Company's regulated water and sewer operations  
2 in North Carolina, including facility operations, finance, business  
3 development, safety, compliance, regulatory affairs, and customer service.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 A. My testimony will provide background on the history and structure of  
7 CWSNC; a brief summary of the transaction; anticipated impacts on  
8 CWSNC of the merger; and other commitments.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY PUBLIC UTILITY**  
10 **COMMISSIONS?**

11 A. Yes. I have provided written and oral testimony before public utilities  
12 commissions in multiple states. State commissions where I have presented  
13 testimony include Ohio, Indiana, North Carolina, and South Carolina.

14 **II. BACKGROUND OF THE COMPANY**

15 **Q. PLEASE DESCRIBE THE WATER AND SEWER OPERATIONS OF**  
16 **CWSNC IN NORTH CAROLINA.**

17 A. CWSNC is an investor-owned public utility pursuant to N.C. Gen. Stat. § 62-  
18 3, does business as a regulated water and sewer utility in North Carolina,  
19 and is subject to the regulatory oversight of the North Carolina Utilities  
20 Commission ("NCUC" or "Commission"). The Company presently serves  
21 approximately 35,000 water customers and 21,000 sewer customers in

NCUC Docket No. W-354 Sub 412

1 North Carolina and operates approximately 93 water systems and 38 sewer  
2 systems in the State. The Company's service territory spans 38 counties in  
3 North Carolina, from Corolla in Currituck County to Bear Paw in Cherokee  
4 County.

5 N.C.G.S. § 62-131(b) requires that every public utility in North  
6 Carolina shall provide service to its customers which is "...adequate,  
7 efficient, and reasonable..." CWSNC is proud of the quality of service which  
8 it consistently provides to its water and sewer customers in this state. In  
9 CWSNC's most recently decided rate case in Docket No. W-354, Sub 384,  
10 the Commission, consistent with N.C.G.S. § 62-131(b), described the  
11 overall quality of service provided by the Company as "...adequate, reliable,  
12 and economical." (*See the April 8, 2022, Docket No. W-354 Sub 384 Rate*  
13 *Case Order at pages 6 and 16*).

14 Another significant indicium of the quality of water and sewer service  
15 provided by CWSNC in North Carolina is the fact that, upon  
16 recommendation by the Public Staff, the Company has been appointed to  
17 serve on multiple occasions as the emergency operator of water and/or  
18 sewer systems. In fact, CWSNC is presently serving as the emergency  
19 operator of four troubled or defunct public utilities in North Carolina: Harrco  
20 Utility Corporation (Docket No. W-796, Sub 12); Cross-State Development  
21 Company (Docket No. W-408, Sub 9); Mountain Air Utilities Corporation

NCUC Docket No. W-354 Sub 412

1 (Docket No. W-1148, Sub 20); and Outer Banks/Kinnakeet Associates, LLC  
2 (Docket Nos. W-1125, Subs 9 and 10).

3 Furthermore, subsequent to serving as the Commission-appointed  
4 emergency operator of two additional troubled utility systems in  
5 North Carolina (the Riverbend Estates water system in Macon County  
6 [Docket Nos. W-390, Subs 13 and 14 and W-354, Sub 358] and the  
7 Silverton water and sewer system in Cabarrus County [Docket Nos. W-354,  
8 Sub 361 and W-1046, Sub 5], CWSNC acquired those systems in system  
9 transfer cases by Orders entered on May 16, 2019, and August 6, 2019,  
10 respectively.

11 Thus, CWSNC has a strong history of demonstrating the willingness  
12 to assist and acquire troubled and struggling water and sewer utility systems  
13 in North Carolina.

14 **III. CWSNC'S MISSION AND VALUES**

15 **Q. WHAT ARE THE COMPANY'S MISSION AND VALUES?**

16 A. CWSNC's vision is to be the preferred utility delivering water and  
17 wastewater solutions to our customers. Our Company's values include  
18 safety, integrity, connection, and excellence. Our values enable our  
19 customers and stakeholders to enjoy a better life by improving utility  
20 infrastructure and operations while ensuring strong environmental  
21 stewardship in each community served.

1 **Q. HOW DOES CWSNC WORK TO ACHIEVE THIS VISION?**

2 A. We plan and work to achieve our vision by accomplishing the following  
3 strategic goals:

- 4 • Operational and Service Excellence – developing our people,  
5 strengthening our processes, and investing in our technology to  
6 support a high-performance organization and a culture of continuous  
7 improvement.
- 8 • Collaboration and Engagement – communicating and engaging with  
9 our team members, customers, and communities with relevant and  
10 timely billing, service, and operational information to improve  
11 stakeholder awareness and collaboration.
- 12 • Strong Financial Performance – managing and planning business  
13 costs, pursuing growth, and prudently mitigating enterprise risks to  
14 engender trust and confidence in our financial responsibility and  
15 ensure access to needed capital.
- 16 • World Class Talent -- attracting and retaining top talent to deliver  
17 dependable, timely, courteous, and quality service.

18 **IV. SUMMARY OF THE PROPOSED TRANSACTION**

19 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE PROPOSED**  
20 **TRANSACTION.**

NCUC Docket No. W-354 Sub 412

1 A. As discussed by other witnesses, on August 26, 2022, CII, Corix  
2 Infrastructure (US) Inc. (“Corix US”), IIF Subway Investment LP (“IIF  
3 Subway”), SW Merger Acquisition Corp. (“SWMAC”) and SouthWest Water  
4 Company (“SouthWest”) entered into a transaction agreement. Upon  
5 consummation of the transaction (“Proposed Transaction”), CII and an  
6 affiliate or affiliates of CII will own 50% of Corix US and SWMAC Holdco,  
7 an entity to be formed by SWMAC’s shareholders before closing, will own  
8 the remaining 50% of Corix US. Corix US will own all of the stock of a new  
9 holding company, Intermediate Newco, and Intermediate Newco will  
10 indirectly own CWSNC.

11 **V. IMPACT ON CWSNC**

12 **Q. HOW WILL CWSNC OPERATE AFTER THE PROPOSED**  
13 **TRANSACTION?**

14 A. As Mr. DeStefano and Mr. Bahr explain, being locally led and locally  
15 operated are important to both CII and SouthWest. CWSNC will continue to  
16 operate under its existing name and brand in North Carolina. Customers in  
17 this state will continue to be served by a team of passionate, dedicated  
18 employees and leaders with local responsibility and accountability.

19 CWSNC will continue to provide safe and reliable water and  
20 wastewater service to its customers. The Company will maintain



NCUC Docket No. W-354 Sub 412

1 employees, offices, and facilities consistent with its obligation to serve  
2 customers and intends to maintain a local presence.

3 **VI. IMPACT ON THE COMMUNITIES SERVED BY CWSNC**

4 **Q. PLEASE DESCRIBE CWSNC'S COMMUNITY ENGAGEMENT**  
5 **ACTIVITIES.**

6 A. At CWSNC, we understand the important role we play in the communities  
7 we serve. In addition, many of our employees work and live in the areas we  
8 serve and act as ambassadors for the Company.

9 The goals of our community engagement activities include, but are  
10 not limited to, educating customers to better understand their own water  
11 usage, water conservation, water quality, rate changes, project updates,  
12 emergent issues and general safety tips. We engage in a number of  
13 meaningful ways, including via our Website, Twitter, Facebook and through  
14 meetings with neighborhood and customer groups, such as homeowners'  
15 associations ("HOA"), as well as conversations with individual customers.  
16 To date, our staff has attended regular face-to-face and virtual meetings in  
17 15 of the largest communities we serve including The Point, the Farms, the  
18 Harbour, Bradfield Farms, Skyleaf, Wolf Laurel, Fairfield Harbour,  
19 Brandywine Bay, Carolina Trace, the Villages of Nags Head, Mountain Air,  
20 Kinnekeet, Forest Hills, and Connestee Falls.

21 **Q. PLEASE DESCRIBE HOW CWSNC SUPPORTS ITS COMMUNITIES.**

NCUC Docket No. W-354 Sub 412

1 A. At CWSNC, our core purpose is to help people enjoy a better life and help  
2 communities thrive. We believe this is achieved not only through the safe  
3 and reliable treatment and delivery of local, life-sustaining water and the  
4 proper treatment and disposal of wastewater, but also through a  
5 commitment to connecting with the communities we serve. In addition to  
6 engaging directly with customers and stakeholders, our staff members  
7 participate in a variety of community and public service events in North  
8 Carolina including Water for People 5k races, street and stream clean-ups,  
9 HOA and property owners' association board meetings, beach restoration  
10 efforts on the coast, food drives, Charlotte Mecklenburg Schools  
11 International Center, American Red Cross blood drives, support of  
12 employees who coach little league teams, and tree and water saving  
13 landscaping planted in various communities.

14 **Q. WILL CWSNC CONTINUE ITS COMMUNITY SUPPORT AND**  
15 **COMMUNITY ENGAGEMENT ACTIVITIES?**

16 A. Absolutely. Both CII and SouthWest are dedicated to engaging with our  
17 customers and supporting our communities. The combined company will  
18 maintain that shared commitment to our communities and to high customer  
19 service levels.

1 **VII. OPERATIONAL BENEFITS**

2 **Q. WHAT OPERATIONAL BENEFITS DO YOU BELIEVE THIS BUSINESS**  
3 **COMBINATION WILL PRODUCE?**

4 A. SouthWest and CII share common values centered on safety,  
5 environmental stewardship, integrity, employee empowerment, and  
6 excellence in serving our customers and delivering on our commitments to  
7 stakeholders. These shared values provide an opportunity for operational  
8 improvement that follows from sharing prudent practices and resources.

9 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY SHARING OF PRUDENT**  
10 **PRACTICES.**

11 A. Sharing prudent practices is part of continuous improvement, which we  
12 strive for at CII and in our local operations, like CWSNC. Sharing these  
13 practices involves identifying optimal ways of efficiently performing certain  
14 tasks and operations and then adopting those practices deemed prudent.

15 **Q. HOW CAN SHARING OF PRUDENT PRACTICES BETWEEN CII AND**  
16 **SOUTHWEST IMPROVE THEIR UTILITY SUBSIDIARIES'**  
17 **PERFORMANCE – INCLUDING CWSNC?**

18 A. The sharing of prudent practices increases a company's knowledge base  
19 and enables improved decision-making through enhanced efficiency and  
20 competence. Examples of prudent practices that could benefit our  
21 customers include: methods of addressing customer service

NCUC Docket No. W-354 Sub 412

1 questions/complaints; compliance with environmental regulations and  
2 safety initiatives; and management of safety initiatives, data security  
3 programs, and operational techniques. In short, sharing of prudent practices  
4 promotes continuous improvement, which ultimately leads to benefits for  
5 customers.

6 **Q. WILL THE PROPOSED TRANSACTION PROVIDE CWSNC WITH**  
7 **ACCESS TO A BROADER NETWORK FOR SHARING OF PRUDENT**  
8 **PRACTICES AND MUTUAL ASSISTANCE?**

9 A. Yes. Each water and wastewater utility within the combined company will  
10 have access to a broader network of knowledge and mutual assistance.  
11 Some examples include knowledge transfer, advanced technology, and  
12 greater efficiency. Likewise, if a natural or man-made disaster (e.g., a  
13 hurricane or cyber breach) were to disrupt CWSNC's operations or  
14 operations staff, we would be able to draw from a larger pool of employees  
15 familiar with CWSNC's processes, and these employees would be ready,  
16 willing and able to assist our operations.

17 **Q. DOES RESOURCE SHARING REDUCE OPERATIONAL RISK?**

18 A. Yes. Being part of a larger organization results in more resources, such as  
19 equipment, tools, inventory, and other assets that can be shared or  
20 leveraged in response to emergencies and natural disasters. Accordingly,  
21 sharing can reduce operational risk by connecting to a broader group of

1 vendors, providing for optionality in day-to-day operations and  
2 emergencies.

3 **VIII. COMMITMENTS FROM THE JOINT APPLICANTS**

4 **Q. THE JOINT APPLICATION DESCRIBES SEVERAL CUSTOMER**  
5 **PROTECTION COMMITMENTS. WOULD YOU PLEASE COMMENT ON**  
6 **THESE COMMITMENTS?**

7 A. I agree with all of the commitments included in the Joint Application.  
8 CWSNC will continue to focus on providing high-quality water and  
9 wastewater services to its customers while maintaining a strong local  
10 presence in North Carolina in terms of employees, facilities, offices, and  
11 community support. CWSNC also reiterates its commitment to refrain from  
12 any involuntary reductions in force related to the combination for the first 12  
13 months after the Proposed Transaction closes, and to present any new or  
14 amended affiliated interest agreement to the Commission for approval  
15 pursuant to N.C.G.S. § 62-153.

16 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

17 A. Yes. It does.