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PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Monday, October 3, 2022

DOCKET NO. W-354, Sub 400

TIME: 7:00 p.m. to 7:47 p.m.

BEFORE: Commissioner Karen M. Kemerait, Presiding

Chair Charlotte A. Mitchell

Commissioner ToNola D. Brown-Bland

Commissioner Kimberly W. Duffley

Commissioner Floyd B. McKissick, Jr.

Commissioner Jeffrey A. Hughes

IN THE MATTER OF:

Application by

Carolina Water Service, Inc. of North Carolina,

4944 Parkway Plaza Boulevard, Suite 375

Charlotte, North Carolina 28217

for Authority to Adjust and Increase Rates

for Water and Sewer Utility Service

in All Its Service Areas in North Carolina

and for Approval of a Water and Sewer Investment Plan

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A P P E A R A N C E S:
FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:
Jo Anne Sanford, Esq.
Sanford Law Office, PLLC
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FOR THE USING AND CONSUMING PUBLIC:
John D. Little, Esq.
Public Staff
North Carolina Utilities Commission
4326 Mail Service Center
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P R O C E E D I N G S

1
2 COMMISSIONER KEMERAIT: Good evening. Let
3 us come to order and go on the record. I am
4 Commissioner Karen M. Kemerait, Presiding Commissioner
5 for this, hearing and with me this evening are Chair
6 Charlotte A. Mitchell and Commissioners ToNola D.
7 Brown-Bland, Kimberly W. Duffley, Floyd B. McKissick,
8 Jr., and Jeffrey A. Hughes. And I now call for
9 hearing in Docket No. W-354, Sub 400 which is In the
10 Matter of Application by Carolina Water Service, Inc.
11 of North Carolina for Authority to Adjust and Increase
12 Rates and Charges for Water and Sewer Utility Service
13 in All Service Areas in North Carolina and for
14 Approval of a three-year Water and Sewer Investment
15 Plan.

16 On July 1st, 2022, Carolina Water Service,
17 Inc. of North Carolina -- and I'll refer to Carolina
18 Water Service going forward as CWSNC. CWSNC filed an
19 application with the Commission seeking authority to
20 adjust and increase its rates for providing water and
21 sewer utility service in all of its North Carolina
22 service areas, and for approval to establish and
23 implement a Water and Sewer Investment Plan pursuant
24 to North Carolina General Statute § Section

1 62-133.1(b) and also pursuant to Commission Rule
2 R1-17(a).

3 CWSNC proposes new rates for a base year and
4 a three-year rate years included in its Water and
5 Sewer Investment Plan. CWSNC serves approximately
6 34,565 water customers and 21,469 sewer customers in
7 38 counties throughout the State of North Carolina.
8 The proposed rate increase is based on a test period
9 ending March 31st, 2022.

10 On July 26, 2022, the Commission issued an
11 Order Establishing a General Rate Case and Suspending
12 Rates.

13 On September 2nd, 2022, the Commission
14 issued an Order Scheduling Hearing, establishing
15 intervention and testimony due dates and discovery
16 deadlines, and requiring notice. The Order scheduled
17 hearings for the purpose of taking public witness
18 testimony for tonight in Raleigh, as well as hearings
19 in Boone, Jacksonville and Charlotte. There will also
20 be a public witness hearing that will be held
21 virtually via WebEx.

22 On September 15, 2022, CWSNC filed a
23 Certificate of Service showing that customer notice
24 has been provided as required. On September 19, 2022,

1 CWSNC filed updated information regarding its rate
2 case application. And that brings us to the
3 proceeding today. And pursuant to North Carolina
4 General Statute § Section 138(a)-15(e), I remind
5 Members of the Commission of our duty to avoid
6 conflicts of interest and inquire, at this time, as to
7 whether any Commissioner has any known conflict of
8 interest with respect to this Docket.

9 (No response)

10 COMMISSIONER KEMERAIT: Let the record
11 reflect that I have no such conflict, and that my
12 fellow Commissioners have not identified any such
13 conflicts.

14 I now call upon counsel for the parties to
15 announce their appearance for the record, beginning
16 with the Applicant.

17 MS. SANFORD: Thank you. I'm Jo Anne
18 Sanford of Sanford Law Office, representing Carolina
19 Water Service, Inc. of North Carolina. With me at
20 counsel table is Don Denton who is the State President
21 of the Company. Thank you.

22 MR. LITTLE: John Little, attorney with the
23 Public Staff. Present with me tonight is Gina Holt,
24 Manager in the Legal Division of the Public Staff,

1 Charles Junis, the Director of the Water, Sewer, and
2 Telephone Division of the Public Staff, and Shashi
3 Bhatta, Engineer with the Water and Sewer Division of
4 the Public Staff.

5 COMMISSIONER KEMERAIT: Thank you. And
6 before we get started with the hearing, do the parties
7 have any preliminary matters that need to be
8 addressed?

9 MS. SANFORD: No.

10 MR. LITTLE: Not from the Public Staff.

11 COMMISSIONER KEMERAIT: And since there are
12 no preliminary matters to address, we'll go ahead and
13 proceed with the hearing. But before we begin, I'd
14 like to say a few words about the process for the
15 hearing tonight.

16 First, I'd like to say that we appreciate
17 you coming here tonight to voice your views on the
18 supported matter, and we welcome your testimony and
19 that we want to hear to you. In conducting this
20 hearing, the Commission functions in a judicial
21 capacity as we're required to do by law in North
22 Carolina. Because the Commission functions as a
23 court, we cannot respond to your questions. Instead,
24 we are here to receive testimony from you in the form

1 of your testimony.

2 The Public Staff, which represents the Using
3 and Consuming Public, is made a party to this
4 proceeding pursuant to North Carolina General Statute
5 § Section 62-15(d). In this proceeding, the Public
6 Staff represents you, the Using and Consuming Public,
7 and the Public Staff will assist you in providing your
8 testimony tonight. In order to facilitate a full and
9 fair opportunity for all speakers to participate, we
10 will use the following procedures, and I recognize
11 that there are not that many speakers here tonight,
12 but we do have certain procedures that we will follow.

13 First, witnesses who wish to testify must
14 sign up with the Public Staff. The Public Staff will
15 call each witness in the order listed on the roster.

16 Second, in order to allow each person an
17 equal amount of time, there will be a limit of three
18 minutes for each witness to speak. Therefore, we
19 would appreciate it if witnesses would try to avoid
20 any cumulative, repetitive, and redundant testimony.

21 Third, to comply with the Rules of Procedure
22 and Evidence, I must have each witness swear or affirm
23 the truth of his or her testimony prior to providing
24 that testimony. When you hear your name called,

1 please proceed to the witness stand and I will deliver
2 the oath. If you would prefer to affirm your
3 testimony, please let me know that when you come to
4 the witness stand.

5 After your testimony has been sworn or
6 affirmed, I will ask you to please state your name and
7 address for the record, and then you can go ahead and
8 provide your testimony.

9 Fourth, please refrain from offering
10 opinions on matters which are not related to CWSNC's
11 application which is before the Commission in this
12 Docket. Also, please be sure to address your
13 testimony to the Commission and not to members of the
14 audience. In lieu of oral testimony, you may submit
15 written testimony so long as you swear to its
16 accuracy. Written statements must be submitted by a
17 person under oath during this hearing.

18 And Fifth, counsel for any party may ask
19 questions of the witnesses this evening. In addition,
20 the Commissioners will have the opportunity to ask
21 questions. This means that if you provide testimony,
22 you might be asked questions by the attorneys or by
23 the Commissioners.

24 And finally Sixth, the testimony is being

1 recorded by a court reporter. Therefore, to ensure
2 the accuracy of the record, we ask that you speak
3 clearly and not engage in any unconventional modes of
4 testimony. Additionally, please remain quiet when
5 you're not testifying so that the court reporter will
6 be able to hear the testifying witness.

7 And as a final reminder, the Commission and
8 the attorneys for parties are not allowed to respond
9 to your questions during the hearing. However, both
10 the Public Staff and CWSNC have representatives here
11 who will be available after the hearing to answer any
12 questions. And with all of that information, before
13 we begin, do CWSNC or the Public Staff wish to provide
14 an opening statement?

15 MS. SANFORD: Yes, we do. Thank you. Good
16 evening and thank you, Commissioner Kemeraut, Chair
17 Mitchell, and Commissioners Duffley, Hughes,
18 McKissick, and Brown-Bland. My name again is Jo Anne
19 Sanford, and I'm the Regulatory Attorney for Carolina
20 Water Company. We appreciate the Public Staff's
21 participation in this process and we are here tonight
22 for the customers, and we particularly appreciate you
23 going to the trouble be here.

24 We, Carolina Water, appreciate your

1 business, your interest in these proceedings, and we
2 have people here who I'll introduce in a minute who,
3 as Commissioner Kemerait indicated, are happy to talk
4 to you tonight or as a follow-up to the hearing.

5 Additionally, after this hearing, and within
6 20 days, which is allowed by the Utilities Commission,
7 we'll file a report responding to your concerns as
8 expressed here tonight. That'll be available on the
9 Web and for you to see.

10 Carolina Water, as indicated, provides
11 service across 38 counties through a very large system
12 of wells and wastewater treatment plants. The Utility
13 is subject to a range of Regulatory Oversight of
14 concern to us now, and most promptly, through the
15 Oversight of the North Carolina Utilities Commission.
16 The Oversight also comes from the Department of
17 Environmental Quality and various other entities that
18 are charged with some level of regulation or oversight
19 over the Company's business. These public hearings
20 and the evidentiary hearing that will follow in
21 November are a critical part of that regulatory
22 oversight.

23 This Company is regulated in many respects,
24 but principally for our purposes tonight in its rates

1 and with respect to its service. The Company is
2 applying for a rate increase, and as was indicated,
3 we're applying under a new statute that allows the
4 Company the opportunity to request of the Utilities
5 Commission a three-year rate plan.

6 As you know, you're probably long-time
7 customers. I believe you are. The Companies, this
8 one and others, have come in on an annual basis or on
9 an 18-month basis. They come in more frequently
10 because the level of investment has driven them in for
11 a rate request. This new statute allows the
12 opportunity, subject to decision by the Commission, to
13 establish a three-year plan which we believe is a more
14 efficient way to set rates and to run the operational
15 part of the business.

16 Again, this is subject to a fully litigated
17 hearing that will take place in this room in November,
18 and the Company isn't entitled to charge any more in
19 rates than it proves to this Commission over the
20 strenuous participation and audit of the Public Staff,
21 and perhaps of others. They're not allowed to recover
22 any more in rates than they proved. We have to
23 present evidence. It's subject to cross-examination,
24 and that's what this process is about. Your remarks

1 tonight will be part of that official record. So we
2 thank you for being here and we look forward to
3 talking to you afterwards, if it's helpful.

4 COMMISSIONER KEMERAIT: Thank you,
5 Ms. Sanford. Does the Public Staff wish to make an
6 opening statement?

7 MR. LITTLE: No. The Public Staff is ready
8 to proceed with the hearing, your Honor.

9 COMMISSIONER KEMERAIT: Please go ahead and
10 call your first witness.

11 MR. LITTLE: The Public Staff would call
12 David Smoak. Have I pronounced your name correctly?

13 MR. SMOAK: Yes.

14 MR. LITTLE: Thank you.

15 COMMISSIONER KEMERAIT: Good evening,
16 Mr. Smoak. Will you place your left hand on the bible
17 and raise your right hand. And do you wish to affirm?

18 MR. SMOAK: Swear is fine.

19 COMMISSIONER KEMERAIT: Okay.

20 DAVID SMOAK;
21 having been duly sworn,
22 testified as follows:

23 COMMISSIONER KEMERAIT: Could you state your
24 name and address for the record.

1 THE WITNESS: David Smoak, S-m-o-a-k. The
2 address is 96 North Ridge Trail, Sanford, North
3 Carolina 27332.

4 COMMISSIONER KEMERAIT: And you're welcome
5 to sit down, if you would prefer.

6 THE WITNESS: I did prepare three copies of
7 my statement. I will have to edit it due to time
8 constraint.

9 MR. LITTLE: Mr. Smoak, let me interrupt
10 you. I'm sorry.

11 THE WITNESS: Yes.

12 DIRECT-EXAMINATION BY MR. LITTLE:

13 Q Before you proceed, there are a few more
14 preliminary questions I want to ask. You said
15 you're from Sanford, and I'm assuming you're a
16 Carolina Water customer?

17 A Yes.

18 Q And what subdivision do you live in Sanford?

19 A So it's grouped together as Carolina Trace
20 subdivision. That subdivision is subdivided
21 further within the north shore.

22 Q Carolina?

23 A Yes, north shore part of that.

24 Q And you are -- you're about to testify about the

1 rate increase. Is that correct?

2 A Yes, sir.

3 Q And you have a written document that you'd like
4 to -- would you like to read that or would you
5 like to enter that into the record?

6 A I plan on reading it. Due to the three-minute
7 time constraint, I'll have to edit it. Part of
8 it, though, I'll have to edit out is actually
9 positive things I wanted to say about Carolina
10 Water Service, so I can't represent the things
11 that my residents wants me to say. If they ask
12 me to read my positive comments at the end, then
13 I'd be glad to read it into the record as well.

14 COMMISSIONER KEMERAIT: I'll just interrupt
15 for a minute. Since we only have just a few witnesses
16 here this evening, we will give you the time that you
17 need to read your entire statement.

18 THE WITNESS: Thank you, ma'am.

19 BY MR. LITTLE:

20 Q So why don't you tell us what you'd like the
21 Commission to hear. And then if you'd like to
22 read your statement, you can go ahead and do
23 that.

24 A I will do that by reading my statement.

1 Especially in this environment, I pretty much put
2 everything I wanted to say on paper.

3 STATEMENT BY MR. SMOAK:

4 Q Good evening, Commissioners. My name is David
5 Smoak, as I've already introduced myself. This
6 is my third time speaking before you about CWS's
7 proposed rate hikes and my fourth and last year
8 as President of Carolina Trace Association, which
9 represents the 18 property owner associations,
10 representing over 1600 homes in Carolina Trace
11 and customers of CWS.

12 Over the years, I have learned and
13 thought a lot about our private water and sewage
14 utility system. It is an unusual system that
15 most citizens are never exposed to in their
16 lifetime. Most of our new residents express
17 their shock and outrage on social media like next
18 door when receiving their first bills from CWS
19 which can easily be over \$200 when new fees and
20 security deposits are rolled into that first
21 bill.

22 Like some of you, I've even been
23 accused of being in collusion with CWS or
24 receiving some sort of kickbacks from them. I

1 have a military background in logistics and even
2 took some classes in federal contracting. I have
3 also become a regular consumer of the information
4 shared on the UNC Environmental Finance Center
5 which conducts annual analyses of state, water,
6 and waste treatment rates, and have learned about
7 the difference between rates charged for internal
8 versus external customers. That's the good part.

9 I deeply appreciate that CWS
10 provides services that makes my community
11 inhabitable. Nobody wants to bribe this Company
12 of the necessary resources and thereby create
13 situations like those being faced in Jackson,
14 Mississippi. I know that CWS provided emergency
15 services for numerous water breaks in my
16 community, and they have been investing in
17 numerous infrastructure projects to manage our
18 waste, and they have recently started a rebate
19 program to reward customers who purchase and
20 install various home appliances to conserve
21 water. During Covid times, CWS also became more
22 flexible with residents having payment issues.
23 And I know the number of their monthly shut-offs
24 have decreased.

1 Finally, I would express gratitude
2 to the Public Staff and you Commissioners who
3 recently forced a large change in our monthly
4 rate structures that pushed down the monthly base
5 charges while increasing the variable consumption
6 rates. I've had several owners that have split
7 residences in different areas of the country, and
8 their monthly bills, without any usage, dropped
9 from around \$90 to \$65.

10 I do object to the proposed rate
11 hikes for several reasons. First of all, I see
12 it as a way for CWS to undue what is probably a
13 hard-one concession to recently lower our base
14 rates. I've already expressed my support for the
15 recent initiatives to promote conservation. And
16 if these rate hikes are passed, our base charges
17 will almost be back to what you just reduced them
18 from within a few years. And edit my own
19 writing. I understand the attraction of high
20 base rates for providing a steady and reliable
21 income stream to CWS, especially when they are in
22 talks to merge with another company, but I know
23 you-all understand how consumer activity is
24 impacted when they don't see a reward for their

1 conservation. I have two suggestions on this
2 topic.

3 First, I would like to see how our
4 usage rates have been impacted under the current
5 rate structure which does reward conservation,
6 acknowledging that it's only been in effect for a
7 few months. Please.

8 Secondly, if CWS is so determined
9 to push up our base charges to preserve their
10 income stream, then offset it with some sort of
11 base usage allowance such as a thousand gallons
12 per household, and then the variable usage rates
13 would kick in. I object to the wording of the
14 recent notification, just like I objected to it
15 last time. I understand the wisdom of a unified
16 rate increase application to conserve both CWS
17 and State resources. I do not understand,
18 though, why space cannot be dedicated to telling
19 each community specifically what their proposed
20 increases are. My own residents are upset, but
21 don't even know what they're upset about in this
22 recent notice.

23 The vast majority of my residents
24 don't even understand this Multiyear Rate hike,

1 although it did help that Mr. Don Denton, their
2 Senior VP, sent out a supplemental letter to
3 explain their reasoning. As a fairly intelligent
4 and experienced consumer, I still find it
5 confusing that on page 5 of the notice, I looked
6 for the line labeled Carolina Trace for water
7 utility service hikes, but on the next page
8 addressing sewer utility service, I am supposed
9 to read the Uniform Metered Rate line.

10 In this eight-page notification
11 document, there are five pages of rate
12 information for all the communities. That's CWS
13 services, and we customers are ultimately trying
14 to pick through those pages to read the four to
15 five lines of information that actually impact
16 us. Please improve this document.

17 I object to any Multiyear rate
18 agreement at this time. Once again, we all
19 appreciate how nice it is for CWS to be able to
20 count on a smooth, predictable rise in their
21 income forecast. I will point out that these are
22 very uncertain economic times, as you-all know.
23 I understand that by locking in future rates,
24 that there is some risk assumed by CWS if

1 economic conditions push up their own costs
2 faster than their projected increases. I also
3 know that if economic conditions were so bad that
4 they would lose money, they would simply file to
5 amend those rates based on exceptional
6 circumstances, but there is no protection for us
7 consumers if the opposite happens.

8 I would ask that their request for
9 a Multiyear increase be denied or as a minimum,
10 that they be tied to certain economic indicators,
11 be they the CPI, PPI, or other inflationary
12 statistics. I know this rate hike process is
13 tedious and expensive, but it does remain the
14 only real feedback that we customers do have to
15 influence you regulators and CWS. In a sense, by
16 keeping this a tedious and expensive process
17 every time they ask, we could hopefully persuade
18 CWS to pursue these rate hikes less often, which
19 leads me to my last comment.

20 Finally, I would address the very
21 nature of our relationship with CWS. I have
22 become familiar with how so many
23 government-funded utilities undercharge their
24 residents by either underfunding their

1 infrastructure or by hiding some of those costs
2 in their local tax structure. I've told my own
3 residents that I would easily lower their monthly
4 water bills by \$50 a month, and all I have to do
5 is raise their annual assessments by \$1,000.
6 Maybe that's how I can get some of that kickback
7 money they accused me of receiving. In reality,
8 we customers generate costs to CWS that they
9 document and present to you those costs, and
10 according to their own letter, ask for a fair
11 return of up to 10.7 percent.

12 In the federal government, we call
13 these cost-plus types of contracts, which were
14 usually reserved for newer risky propositions
15 when there wasn't enough competition, experience,
16 or time to competently bid against. By providing
17 CWS a cost-plus type of incentive program, we are
18 limiting the ability of a private corporation to
19 thoughtfully and creatively innovate their way
20 into greater profits. If CWS spends \$100,000 on
21 emergency repairs in my community, then by their
22 logic, we should pay a reasonable \$110,700. That
23 model does not encourage innovative ways to avoid
24 those costs in the first place. I know their

1 costs are scrutinized and reviewed for being
2 reasonable to industry standards, but I can
3 continue to believe that this reimbursement plan
4 has only prompted CWS to be creative and
5 innovative in how they have filed for their rate
6 increases. I fully admit it is a thin line to
7 balance between putting pressure on this Company
8 to be inventive and profitable versus motivating
9 them to be cheap and risk the quality of their
10 services.

11 Thank you for your time and
12 attention on this matter. I have submitted
13 copies of this for your review. Thank you.

14 MR. LITTLE: Do you have anything else you
15 wish to say?

16 THE WITNESS: No, sir.

17 MR. LITTLE: The Public Staff has no
18 questions.

19 COMMISSIONER KEMERAIT: Are there any
20 questions for CWSNC?

21 MS. SANFORD: We have no questions. Thank
22 you.

23 THE WITNESS: Thank you.

24 COMMISSIONER KEMERAIT: Are there any

1 questions from the Commissioners? Chair Mitchell?

2 EXAMINATION BY CHAIR MITCHELL:

3 Q Mr. Smoak, thank you for your testimony tonight
4 and for all of your remarks. It's nice to hear
5 from a customer of the Utility, and I appreciate
6 everything that you've shared with us here. I
7 have two questions for you. The first has to do
8 with the public notice. So the Utility sends out
9 one -- prepares and sends one public notice that
10 covers all of its systems.

11 A Customers, right.

12 Q And I hear in your testimony tonight that that
13 can be frustrating or difficult for a customer to
14 understand because he or she has to pick through
15 all of the pages and the information provided to
16 find only that which is specific to his or her
17 system. Is there anything else -- what
18 recommendation, what specific recommendation can
19 you make to the Commission about the public
20 notice to make it more customer friendly?

21 A So at the end of the rate notification document,
22 they already break out between the uniform meter
23 rates versus -- in both the water suppliers and
24 the sewer suppliers, there's already a list of

1 communities that do not fall under those
2 uniformed rates for each service. Honestly, each
3 line -- the easiest way would just to list each
4 community. You know, I said Carolina Trace is
5 listed under the water rates. There should be a
6 line under the sewer rates that says specifically
7 Carolina Trace, you know, you follow this rate
8 too.

9 Even if it's the same thing as the
10 uniform water rate, it's just one extra line.
11 That's one way to do it beyond -- I did think
12 about it a little bit, ma'am. You know, right
13 now, the document is organized, you know, by the
14 services they provide. You know, the other way
15 to do it would be to organize it by, you know,
16 the communities they service saying, you know,
17 they would have separate sections, you know, for
18 Carolina Trace, for Wake Forest or, you know, all
19 these other communities, you know, existing
20 proposed, you know. Next community, existing,
21 proposed, you know. That's how it would be
22 listed. Because, you know, once again, we have a
23 very diverse community. A lot of them are
24 elderly. They don't really know what's in the

1 rate document. They just see oh, you know,
2 another rate, another rate increase. You know,
3 they don't really know how much it is or, you
4 know, the extent of this document, the extent of
5 this current proposal that covers many years, I
6 believe.

7 Q Okay. All right. Thank you for those
8 suggestions. The second question has to do with
9 the changes in the rate design you spoke of. You
10 indicated that the base charge has been reduced
11 and the variable charge has been increased, and
12 you discussed the increase in variable charge in
13 the context of conservation. And then you said
14 it would be nice to know how -- I want you to
15 restate that portion of your testimony. Is it
16 that you want to see how the new rate design has
17 impacted usage in your community?

18 A Yes, ma'am.

19 Q Okay.

20 A Right. I don't remember -- I don't know when the
21 current rate structure went into effect. It was
22 somewhere around March of this year. So we've
23 had about six months of bad -- I don't know. Has
24 our usage decreased, you know, compared to the

1 same period last year?

2 Q Do you think that that's something that your
3 neighbors would be interested in as well?

4 A Yes.

5 Q Has there been discussion about that among your
6 neighbors?

7 A So among the neighbors, ma'am, there has been
8 people that said, you know, it's just a couple
9 people in our household, you know. We are
10 thrifty with our water usage and our mouths are a
11 reasonable amount, you know, 70, 90, under \$100 a
12 month. Being with larger families, there is
13 empathy because obviously they're using a lot
14 more money, but part of the conversations I've
15 seen on next door, they do say well, you know,
16 try to take steps to find and conserve water,
17 even in your own household. Even if it's a
18 larger household, obviously they're going to use
19 more water than the smaller ones.

20 Q Okay.

21 A So I had seen more conversations on next door
22 about conserving water under the current rate
23 hikes --

24 Q Okay. And then last question for you.

1 A -- current rate structure.

2 Q You mentioned the rebate program where the
3 Company is offering a rebate for the purchase of
4 certain types of fixtures or equipment. Have you
5 taken advantage of the rebate program?

6 A I have not personally, no, ma'am.

7 Q Do you know of whether any of your neighbors
8 have?

9 A I have heard talk of it, but I have not heard of
10 anyone taking advantage of it yet, ma'am.

11 Q Okay. All right.

12 CHAIR MITCHELL: Well, thank you again for
13 your testimony.

14 THE WITNESS: Thank you, Chairwoman.

15 COMMISSIONER KEMERAIT: Mr. Smoak, thank you
16 for your testimony. There's no further questions for
17 you, so you may be excused. And again, thank you for
18 coming this evening.

19 THE WITNESS: Thank you.

20 COMMISSIONER KEMERAIT: And the Public Staff
21 can go ahead and call the next witness, please.

22 MR. LITTLE: The Public Staff would call
23 Mr. Roy.

24 COMMISSIONER KEMERAIT: Good evening,

1 Mr. Roy If you can place your left hand on the bible
2 and raise your right hand.

3 VINCE ROY;
4 having been duly sworn,
5 testified as follows:

6 COMMISSIONER KEMERAIT: And Mr. Roy, can you
7 state -- please go ahead and be seated. Mr. Roy, can
8 you state your name and address for the record,
9 please.

10 THE WITNESS: Vince Roy, 237 Lakeview Drive,
11 Sanford. I'm living in Carolina Trace.

12 COMMISSIONER KEMERAIT: Mr. Little, I'll
13 turn it over to you.

14 MR. LITTLE: Thank you.

15 DIRECT-EXAMINATION BY MR. LITTLE:

16 Q Mr. Roy, you're Carolina Trace. Are you a
17 Carolina Water customer of Carolina Trace?

18 A Yes, I am. For 16 years, I've been the
19 water/sewer representative for the community. We
20 have right at the 1,625 houses there on about
21 another 900 undeveloped at this time, and about
22 4,000 total residents.

23 Q And you have a document, two-page typed document.
24 Is this what you would like for the Commission to

1 read or would you like to summarize it or would
2 you like read it into the record?

3 A I'd like to submit it for the record, and I'll
4 just summarize it for the record.

5 Q Why don't you summarize it, then we'll go through
6 the process of getting it into admitted into
7 record.

8 A Sure. We've been -- about five or six years ago,
9 Carolina Water Service, in the interest of saving
10 time and money on proposals for each community,
11 developed the Uniformed Rate Division, and
12 Carolina Trace is one of 16 in our division. We
13 happen to be the largest, and that was all done
14 as for the same reason they're requesting a
15 Multiyear rate increase to allow them to
16 facilitate all the paperwork it takes for them to
17 file a rate increase. And I missed the other
18 part of your question. I'm sorry.

19 Q Is that what you'd like for the Commission to
20 hear? Is there more?

21 A Yes, as I submitted my two-page document, the
22 major complaints, recommendations I should say,
23 because I don't want to put it in the terms of
24 complaint. From our dealings with the Carolina

1 Water Service organization at Carolina Trace,
2 I've been there for 22 years, been doing this
3 project for 16 years representing the population
4 there, and we have a good relationship with the
5 working staff, all the way up into the
6 headquarters in Charlotte. We get things done.

7 For example, we had a -- we have a
8 315-acre lake with 18 different POAs, which makes
9 it administratively uncomfortable to operate, but
10 Dave Smoak is our president who was just here
11 before me, does a good job in trying to keep
12 everybody together. And for example, about four
13 Fridays ago, we had a two-inch line break in both
14 a POA on the north and another two-inch line
15 break on the south side of the lake, and it was a
16 good example of the camaraderie between the
17 residents and the water company because they only
18 man the water/sewer operation at Carolina Trace
19 on a five-day eight-hour a day basis. And when
20 something occurs on the weekend or at night, then
21 you must rely on their organization out of
22 Pinehurst to provide the manpower, and we
23 have a -- they have a construction company called
24 Billy Vea who's been working and doing all of the

1 repairs on lines for the last 30 years. And
2 Billy Vea and his construction company know more
3 about the sewer and water lines than anybody ever
4 existed, and they do a good job.

5 And what was so complementary
6 about it was that the -- well, the water company
7 first held -- they came to check. And what
8 happened on that two-inch break on both sides of
9 the lake simultaneously in getting the
10 construction people out there later that evening,
11 we saw the residents in both those communities
12 working with the water company and directing
13 traffic, and then guarding the workers as they
14 started digging and trying to fix the break. And
15 we really enjoy that relationship with the local
16 water company, although we don't enjoy the
17 relationship with the senior people always
18 wanting rate increases.

19 Q So fair to say that you're happy with the quality
20 of service from Carolina Water?

21 A Well, the quality of service we get, it's good.

22 Q Now, let's talk about the rate increase request
23 that we're here for tonight.

24 A Yes.

1 Q You have -- in your letter, you have some items,
2 the timing of the request.

3 A As we look at the rate increase at this time in
4 the United States, with the recession now in
5 full-blown, and having three-quarters of GDP and
6 negative, and also the high rate of cost of goods
7 these days, it seems to be out of context with
8 everything else going on to have the water
9 company call -- come by and not want a rate
10 increase in the water and sewer services. I
11 understand -- in some raising on what I've said
12 here -- I understand as a business man the need
13 to make a profit.

14 In this particular case, I think
15 their request for a 10.7 percent profit margin is
16 probably a little high at this time, and that's
17 what I'm trying to say here. That the -- as a
18 claim in the documentation, that it's very
19 efficient for them to be able to do this on a
20 three-year basis rather than a 12 or 18-month
21 basis, but that was the same rationale when they
22 consolidated us all into a uniformed rate
23 program. And so as I understand in talking to
24 their people periodically, that everything is

1 automated in terms of database and income of
2 funds and outgoing that I think that's not a very
3 valid excuse to ask for a three-year rate
4 increase.

5 And secondly, when you look at the
6 statistics that's provided in the eight-page
7 document that we received, you see clearly that
8 the rationale for the rate increases is to
9 reinstate a higher base rate, and I refer to the
10 Docket 354, Sub 384 which was issued,
11 the final -- the results from the Commission was
12 issued on April 8th of this year where for the
13 first time in years, we saw a decrease in the
14 base rate, and that -- for the conservationists
15 that live in Carolina Trace. And I can't refer
16 to other communities, but for our community, we
17 have conservationists that don't hesitate to
18 knock on my door and complain about the rate
19 increase because we have -- you show in the
20 documents that you submitted an average of 3,810
21 gallons a month for water.

22 At Carolina Trace, we average
23 about 34 to 3,500 gallons a month per resident,
24 and we have some that come and knock on my door

1 complaining about that because they don't use
2 more than a thousand gallons a month. And what
3 they do in the way of conservationism, they have
4 big barrels under the downspots coming off the
5 roof gutters, and they use that water for any
6 water needs for around the house, not inside but
7 outside, even washing their cars with it. And
8 they are true conservationists and they strongly
9 object to these rate increases. And they find --
10 they take pleasure in the fact that the rate
11 increase we received April 8th showed a decrease
12 in the base rates, both for water and sewer, a
13 significant decrease, and of course they make it
14 up by increasing utilization rate. They can't do
15 that with the water because of Chapter 62, and
16 it's a pasture for them.

17 We pay \$2.10 for a thousand
18 gallons, but they almost triple the usage rate on
19 the sewer part of things, but our
20 conservationists can accept that because they can
21 control that by the amount of water they use.
22 And I argue that point on their behalf, and my
23 request in my document is that using that 354,
24 384 case which the Commissioners took an

1 extraordinarily long time on the time that they
2 took to have their answer by February. It took
3 them until April 8th to issue the document, and
4 we applaud them though. We just wish we could
5 have been in that room listening to all the
6 inward fighting going on between the staff as to
7 what is the base rate. But we applaud them and
8 we take exception to the fact that with this
9 Multiyear program, what you see in there is the
10 effort to go back and increase the base rates
11 again after the Commission did such a great job
12 in decreasing them in the last docket case.

13 Q Let me ask you. You are active in the community
14 in Carolina Trace. Can you give us a sense for
15 what you are hearing from other residents about
16 the rate increase request?

17 A Yeah. Their response has been typical from the
18 point of view that when they go do their
19 shopping, they find everything is going up in
20 price from week to week or whatever the case is,
21 and then you throw on top of them, especially the
22 military families. We have active duty military
23 families living in Carolina Trace. It typically
24 is rentals because it's stationed on the Fort

1 Bragg which is 20 miles south of Carolina Trace
2 on Route 87. And while us retired military don't
3 get a pay increase with the COLA -- those of us
4 on social security do get one, but active
5 military people at Carolina Trace and other
6 places in North Carolina, they're going to get a
7 4.6 salary increase with the NDA. That's the
8 Congress right now, the National Defense
9 Authorization Act. It's giving them 4.6 percent
10 rate increase. And when they get that money into
11 their household -- and then we got the Carolina
12 Water Service asking for a 10.7 percent rate
13 increase. It rubs them the wrong way, especially
14 with everything else changing so rapidly in the
15 country as a whole.

16 Q Thank you, Mr. Roy. Is there anything else you'd
17 like to say tonight?

18 A Well, in regard to what I just made comment
19 about, the military people, there's not that
20 many. And looking at the fact that North
21 Carolina has a situation, what they call a lower
22 income waiver where people that can prove
23 their -- that status, they can get discounts in
24 certain areas, I would think that the water

1 company would take a look at our military people,
2 active duty living in Carolina Trace and other
3 places, of the 38 counties they work in, and see
4 if they can offer them a discount for their water
5 and sewer usage.

6 And they've make great strides in
7 the way that they're shutting down water for
8 people that have been paying their bills. A
9 couple years ago, on a 4th of July weekend, I had
10 a young lady knocking on my front door with four
11 children and her sister carrying a bunch of water
12 they had just bought at Walmart to drink because
13 the water company had turned them to off because
14 they hadn't paid their bill. And the problem with
15 them was her husband was in the Army in
16 Afghanistan and she's there with the children.
17 And since that time, you know, Carolina Water
18 Service has, in fact, modified and improved the
19 methodology to use before they turn the water off
20 on any family, and I compliment them on that.

21 Q Mr. Roy, can you just give me -- bear with me for
22 just one minute.

23 MR. LITTLE: Chair, Mr. Roy, I believe,
24 would like to introduce his letter into the record.

1 Would you like to take care of that, marking it now or
2 after Ms. Sanford has an opportunity?

3 COMMISSIONER KEMERAIT: We can do it at the
4 end of the hearing. I think there's two exhibits that
5 will need to be introduced in the record for both
6 witnesses.

7 MR. LITTLE: Yes. Okay. Public Staff has no
8 further questions.

9 COMMISSIONER KEMERAIT: Does CWSNC have any
10 questions of the witness?

11 MS. SANFORD: We have no questions, and
12 thank you, Mr. Roy.

13 COMMISSIONER KEMERAIT: Does the Commission
14 have any questions?

15 (No response)

16 COMMISSIONER KEMERAIT: Okay. Mr. Roy,
17 thank you very much for your testimony. We appreciate
18 you coming this evening and you may be excused.

19 THE WITNESS: Thank you. And again, I leave
20 you with the final thought that take a good look at
21 the 10 percent increase they want and do what you did
22 for the 354, 384 docket you completed on April 8th.
23 And if you could, you could work to where that you
24 finish all your negotiations and come up with the

1 final results sometime earlier than March because
2 March is my birthday. It's my 96th birthday -- 92nd
3 birthday, and that would be a great birthday present
4 for me.

5 COMMISSIONER KEMERAIT: Well happy early
6 birthday.

7 THE WITNESS: Thank you.

8 COMMISSIONER KEMERAIT: Thank you.

9 COMMISSIONER DUFFLEY: Mr. Roy, just be
10 careful. Some people trip when they -- there's a
11 raised area.

12 THE WITNESS: I'll try not to fall.

13 COMMISSIONER DUFFLEY: Many people have, so
14 I just wanted to warn you.

15 COMMISSIONER KEMERAIT: Do you have any
16 additional witnesses?

17 MR. LITTLE: No. That's all the witnesses
18 that the Public Staff has identified, your Honor.

19 COMMISSIONER KEMERAIT: Okay. Thank you.
20 And since we've heard from all of the witnesses, is
21 there anything that the Public -- any motions that the
22 Public Staff would like to make?

23 MR. LITTLE: Only to admit the two exhibits
24 into evidence, your Honor.

1 COMMISSIONER KEMERAIT: Both exhibits are
2 admitted into the record. Thank you.

3 (Whereupon, Smoak Exhibit 1 was identified and
4 admitted into the record.)

5 (Whereupon, Roy Exhibit 1 was identified and
6 admitted into the record.)

7 MR. LITTLE: Thank you.

8 COMMISSIONER KEMERAIT: Are there any
9 additional matters that need to be addressed by CWSNC
10 or by the Public Staff?

11 MS. SANFORD: There is one, and I failed to
12 do it earlier when I was supposed to. I would like to
13 ask that the representatives of Carolina Water who are
14 here, who I think are well-known to our witnesses, but
15 I would like to ask them to stand. They're Tony
16 Konsul; Deb Clark, Director of Communications; Neal
17 Franklin, the Customer Experience Manager, Steven
18 Harrell, Area Manager; and Jeff Cooke, Lead Operator.
19 And thank them for being here, and these are the
20 people who interact with our customers.

21 COMMISSIONER KEMERAIT: And I'd also like
22 to, on behalf of the Commission, to thank
23 representatives of CWSNC for coming to the hearing as
24 well. Any additional matters that need to be

1 addressed?

2 MR. LITTLE: Yes, your Honor. I apologize.
3 I think I kind of jumped the gun. I'm asking that the
4 exhibit be admitted. I don't think they were properly
5 identified for the record.

6 COMMISSIONER KEMERAIT: So I think we will
7 have Mr. Smoak's statement identified as his exhibit
8 to his testimony, and then Mr. Roy's statement will be
9 identified as Roy Exhibit to his testimony as well.

10 MR. LITTLE: Thank you, your Honor.

11 COMMISSIONER KEMERAIT: Thank you. So we
12 are now at the conclusion of the hearing and the
13 hearing's now adjourned. And again, I want to thank
14 the witnesses for coming this evening and providing
15 testimony, and also thank you to Carolina Water for
16 coming as well.

17 (Whereupon, the proceeding was adjourned at 7:47 p.m.)

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C E R T I F I C A T E

I, TONJA VINES, DO HEREBY CERTIFY that the proceedings in the above-captioned matter were taken before me, that I did report in stenographic shorthand the Proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.



Tonja Vines