

1 PLACE: Watauga County Courthouse,  
2 Boone, North Carolina  
3 DATE: July 26, 2017  
4 DOCKET NO.: W-354, Sub 356  
5 TIME IN SESSION: 7:00 P.M. TO 7:13 P.M.  
6 BEFORE: Commissioner Bryan E. Beatty, Presiding  
7 Commissioner ToNola D. Brown-Bland  
8 Commissioner Jerry C. Dockham  
9 Commissioner James G. Patterson  
10 Commissioner Lyons Gray  
11 Commissioner Daniel G. Clodfelter

12  
13 IN THE MATTER OF:  
14 Application by Carolina Water Service, Inc. of North  
15 Carolina, 5701 Westpark Drive, Suite 101, Charlotte,  
16 North Carolina 28217 for Authority to Adjust and  
17 Increase Rates for Water and Sewer Utility Service in  
18 All of its Service Areas in North Carolina, Except  
19 Corolla Light and Monteray Shores Service Area and  
20 Elk River Development

21  
22 Volume 2

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1 A P P E A R A N C E S:

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3 FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:

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6 Post Office Box 28085-8085

7 Raleigh, North Carolina 27611

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10 FOR THE USING AND CONSUMING PUBLIC:

11 Gina C. Holt, Esq.

12 Public Staff

13 North Carolina Utilities Commission

14 4326 Mail Service Center

15 Raleigh, North Carolina 27699-4326

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1	T A B L E O F C O N T E N T S	
2	E X A M I N A T I O N S	
3		PAGE
4	HOWELL SHARPE	
5	Direct Examination by Ms. Holt.....	10
6	Examination by Commissioner Brown-Bland.....	13
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12	E X H I B I T S	
13	(No exhibits were marked.)	
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1 P R O C E E D I N G S

2 COMMISSIONER BEATTY: Good evening. Let's come  
3 to order, please, and go on the record.

4 I'm Commissioner Bryan E. Beatty. With me this  
5 evening are Commissioners ToNola D. Brown-Bland, Jerry C.  
6 Dockham, James G. Patterson, Lyons Gray, and Daniel G.  
7 Clodfelter.

8 The Commission now calls for hearing, for the  
9 purpose of taking non-expert public witness testimony,  
10 Docket Number W-354, Sub 356, In the Matter of  
11 Application by Carolina Water Service, Incorporated,  
12 North Carolina for Authority to Increase Rates for Water  
13 and Sewer Utility Service in All Service Areas in North  
14 Carolina.

15 On March 31st, 2017, Carolina Water Service  
16 filed an application with the Commission seeking  
17 authority to increase its rates in providing water and  
18 sewer utility service in all its service areas in North  
19 Carolina.

20 On April 26, 2017, the Commission issued its  
21 Order Establishing General Rate Case pursuant to G.S. 62-  
22 137 and suspending the proposed new rates for up 270 days  
23 pursuant to G.S. 62-134.

24 Participation in this docket by the Pubic Staff

1 - North Carolina Utilities Commission is recognized  
2 pursuant to G.S. 62-15(d) and Commission Rule R1-19(e).

3 On May 23rd, 2017, Corolla Light Community  
4 Association, Incorporated filed a Petition to Intervene  
5 in this matter which was granted by Commission Order  
6 issued June 16th, 2017.

7 On July 13th, 2017, the Board of Directors of  
8 the Bradfield Farms Homeowners Association represented by  
9 William R. Colyer filed a Petition to Intervene in this  
10 matter.

11 On June 2nd, 2017, the Commission issued its  
12 Order Scheduling Hearings and Requiring Customer Notice  
13 which, among other things, scheduled the application for  
14 evidentiary hearing for September 20th, 2017, and  
15 scheduled this public witness testimony hearing for this  
16 date, at this time, and in this place.

17 On July 21st, 2017, Carolina Water filed its  
18 Notice Regarding Semi-Annual Water System and Sewer  
19 System Improvement Surcharge Application. In its filing  
20 the Company states that it does not intend to file an  
21 application for semi-annual adjustment of the Company's  
22 Commission authorized surcharge mechanism for August 1st,  
23 2017, where such rider would become effective October  
24 1st, 2017.

1           Numerous consumer statements of position have  
2   been filed in this docket.

3           Pursuant to G.S. -- excuse me -- G.S. 138A-  
4   15(e), I remind members of the Commission of their duty  
5   to avoid conflicts of interest, and inquire at this time  
6   if any member has a known conflict with regard to our  
7   docket this evening?

8                               (No response.)

9           COMMISSIONER BEATTY: Let the record reflect  
10   that no such conflicts were identified.

11           I now call upon the parties to announce their  
12   appearances for the record, beginning with the Applicant  
13   utility.

14           MS. SANFORD: Thank you, Commissioner Beatty.  
15   I'm Jo Anne Sanford representing Carolina Water. With me  
16   here tonight at counsel table is Matt Klein, who is the  
17   State President of Carolina Water. We also have Bryce  
18   Mendenhall who is the Vice President for North Carolina,  
19   Tony Konsul, Rex Woody, Richard Zimmerman, and Anthony  
20   Gray, and I think that's it. So we have a number of  
21   people here available to talk to our witness and to  
22   answer any questions that they have. Thank you.

23           MS. HOLT: Good evening. I'm Gina Holt with  
24   the Public Staff on behalf of the Using and Consuming

1 Public, and with me at counsel table is Public Staff  
2 Engineer, Gina Casselberry.

3 COMMISSIONER BEATTY: Good evening. Have you  
4 identified any witnesses, Ms. Holt?

5 MS. HOLT: Yes.

6 COMMISSIONER BEATTY: Are there any preliminary  
7 matters?

8 MS. SANFORD: We'd like to have brief opening  
9 statement, if that's agreeable. And I will apologize to  
10 our one witness, that I think this is all directed at  
11 you, but we are very happy that you're here. The Company  
12 appreciates it when customers turn out and are interested  
13 because we want to try to explain reasons for these rate  
14 increases.

15 We recognize that nobody likes them, I think,  
16 one, and -- but we're here because the Company has spent  
17 millions of dollars since the last rate case, and they  
18 are required to appear before this Commission and to deal  
19 with the Public Staff to try to recover, to get -- to  
20 recover some of those expenditures so they can continue  
21 to invest and provide high-quality water and wastewater  
22 service.

23 To get increased rates they have to prove to a  
24 highly skilled, well-trained Public Staff, which is the

1     investigative body that represents you, represents  
2     customers. There is a vigorous investigation that is  
3     well under way at this point, and then once we have made  
4     our case, or as much of our case as we can to the Public  
5     Staff, we then have to persuade this Utilities  
6     Commission, also a group of extremely qualified  
7     individuals supported by a highly-trained staff. So the  
8     burden of proof with respect to getting a rate increase  
9     is a very high one, and there are a lot of people who are  
10    vigorously engaged in representing you in opposing our  
11    request.

12               I know that we spoke briefly about the issue of  
13    what we call system-specific rates. As I indicated, the  
14    Company is moving to a consolidated rate structure. And  
15    what I found is that if you have a big part of your  
16    system that needs replacing, it's kind of natural to like  
17    that because everybody shares in the cost. If your  
18    system's in pretty good shape for the time being, it  
19    doesn't seem like such a good idea, but it is a way that  
20    power companies, for example, separates on a -- on a  
21    system-wide basis, and over time we believe produces the  
22    most efficiency and the greatest fairness.

23               That is -- is what we're pursuing in this case.  
24    And mainly we want to be available to deal with any

1 service issues and also to explain the basis for this  
2 request because we understand totally that customers need  
3 to understand it. May not like it, even if it's  
4 understood, but it's our job to help you understand it.  
5 Thank you.

6 MS. HOLT: I'd like to introduce myself to you  
7 again. I'm Gina Holt. I'm Public Staff. We're a  
8 separate entity, and we're charged by law to represent  
9 consumers in matters like this. We are comprised of a  
10 team, two lawyers, including myself; engineers, including  
11 Ms. Casselberry; accountants and economists who go over  
12 the rate case and audit it extensively, and at the end of  
13 the rate case we make our recommendations to the  
14 Commission, and we provide testimony which will also  
15 include any comments that our customers make during these  
16 hearings. Thank you.

17 COMMISSIONER BEATTY: From what I understand,  
18 we have at least one witness. And just for your benefit,  
19 the purpose of this hearing is to hear from the customers  
20 of Carolina Water Service regarding their perspective on  
21 the request for a rate increase by the Company.  
22 According to our guidelines and the statutes that govern  
23 our hearings, witnesses must be sworn, so when you're  
24 called, I'll have to ask you to come around, sit at the

1 witness stand, and I will ask you either to swear or  
2 affirm. We have a court reporter who is transcribing the  
3 hearing and will transcribe each word that is said so  
4 we'll have a record of it. And then we'll consider this  
5 along with the evidence that is presented in the other  
6 public hearings and then the evidence as presented at the  
7 evidentiary hearing on September 20th that will be held  
8 in Raleigh.

9 So with that said, Ms. Holt, if you'll call  
10 your witness.

11 MS. HOLT: Mr. Howell Sharpe?

12 THE WITNESS: Sharpe.

13 MS. HOLT: Sharpe. Okay.

14 THE WITNESS: You mean actually sit in the  
15 witness stand?

16 COMMISSIONER BEATTY: Yes.

17 HOWELL SHARPE; Being first duly sworn,

18 Testified as follows:

19 DIRECT EXAMINATION BY MS. HOLT:

20 Q Mr. Sharpe, please state your name and address  
21 for the record.

22 A Howell Sharpe, 1954 Sugar Mountain Drive, Sugar  
23 Mountain, North Carolina.

24 Q And the subdivision in which you live?

1 A On the rate increase.

2 Q Is -- what subdivision do you live in --

3 A On Sugar Mountain, I was told.

4 Q Okay. Thank you.

5 A You just want me to start?

6 Q Please proceed, yes.

7 A Okay. I'll be brief. And there's no  
8 complaints with the water service. I mean, the water  
9 service is fine. It's pretty much been in place since  
10 the '70s when it -- when the township went bankrupt and  
11 it was bought out by a private company.

12 The question I've had, and I've never been to  
13 one of these before, is it seems like every year we get a  
14 rate increase. When we first moved in about 10 years ago  
15 we were paying about \$40 for water and sewage, and now  
16 when we use zero water we get a 60 or \$70 bill.

17 Now, we're from Atlanta, and Atlanta's a lot  
18 more expensive, and our water and sewage rates are  
19 nowhere near that amount. And we're at the top of the  
20 food chain when it comes to water. All the water comes  
21 from here and it flows down into the other areas. Like  
22 we get most of our water in Atlanta from North Georgia  
23 and some from even North Carolina.

24 So I'm just kind of trying to figure out why

1 the rates are so high up here. I mean, that's -- we were  
2 just coming here for a fact-finding mission because I've  
3 never, like I said, I've never been to one of these  
4 before. So that's the -- and there's no capital  
5 improvements, and they -- and I -- and they've explained  
6 that there's capital improvements at other water systems  
7 so they spread the cost out. It's like a cellular  
8 company or Duke Power where you have subsidiaries. I  
9 understand all that, but I still don't understand why the  
10 bills are so high here, and that's the question, I guess.  
11 It's not really a question; it's just a statement.  
12 That's it.

13 COMMISSIONER BEATTY: Any questions for Mr.  
14 Sharpe?

15 MS. SANFORD: No.

16 BY MS. HOLT:

17 Q Mr. Sharpe, do you have -- are you a full-time  
18 resident?

19 A No.

20 Q Seasonal. How many months or weeks per year?

21 A Probably four to five months. That's what I  
22 say, a lot of our bills are zero usage. And I understand  
23 you have fixed costs involved, but I mean, if you break  
24 the bills down, our bills are more like 60-40, right, and

1 some of them have been 70-30, where it's the standard fee  
2 versus the usage fee. And I understand you have to have  
3 a -- you have to have a set fee. It's just that it seems  
4 like it's a little high. And most people are in that  
5 situation we're in, at least where we are at Sugar.

6 Q Now, are you a resident sporadically four to  
7 five months or a certain part of the year?

8 A Most -- I mean, now we're up here more, so  
9 maybe three months in the summer and in the winter for  
10 skiing.

11 Q Thank you.

12 COMMISSIONER BEATTY: Questions by  
13 Commissioners? Commissioner Brown-Bland.

14 EXAMINATION BY COMMISSIONER BROWN-BLAND:

15 Q Mr. Sharpe, you say you purchase water from --  
16 you get water in Atlanta. Who do you purchase that water  
17 from?

18 A From Forsyth County, Athens-Clarke County. I  
19 even called downtown Atlanta, Atlanta-Fulton County, the  
20 municipality downtown which is really expensive.

21 Q But is your provider a governmental unit?

22 A Yeah, it's government. And I understand the  
23 difference between private and government, but it seems  
24 -- it still seems a little on the high side.

1           Q     Thank you.

2                   COMMISSIONER BEATTY:  Other questions?

3     Questions based on Commission's question?

4                                 (No response.)

5                   COMMISSIONER BEATTY:  All right.  Thank you  
6     very much, Mr. Sharpe.  You may step down.

7                   THE WITNESS:  Thank you.

8                   COMMISSIONER BEATTY:  And if you'd like to  
9     remain after the hearing, I'm sure the Public Staff would  
10    be happy to talk to you and representatives from the  
11    Company.

12                   THE WITNESS:  Actually, they've answered all  
13    the questions.  I talked to them extensively beforehand.  
14    Thank you.  I do appreciate it.  Thank you.

15                   COMMISSIONER BEATTY.  Yes, sir.  Thank you for  
16    coming tonight.

17                   It appears that is all the witnesses that we  
18    have for this evening, so if there's nothing further for  
19    the Commission, we are adjourned.  Thank you.

20                                 (Proceedings adjourned.)

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STATE OF NORTH CAROLINA

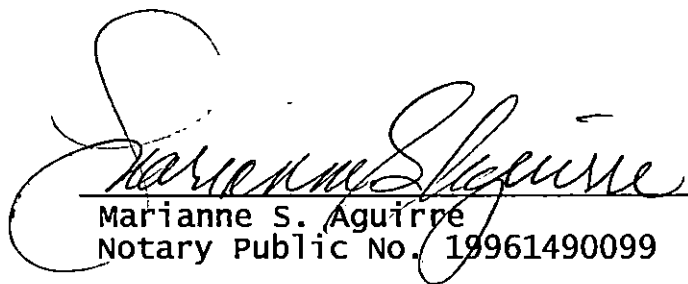
COUNTY OF RUTHERFORD

C E R T I F I C A T E

I, Marianne S. Aguirre, Notary Public/Court Reporter, do hereby certify that the foregoing hearing before the North Carolina Utilities Commission in Docket No. W-354, Sub 356 was taken and transcribed under my supervision; and that the foregoing pages constitute a true and accurate transcript of said Hearing.

I do further certify that I am not of counsel for, or in the employment of either of the parties to this action, nor am I interested in the results of this action.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 7th day of August, 2017.

  
Marianne S. Aguirre  
Notary Public No. 19961490099