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1 PLACE: Dobbs Building, Raleigh, North Carolina
2 DATE: Monday, August 28, 2017
3 TIME: 7:00 p.m. - 7:40 p.m.
4 DOCKET NO: W-354, Sub 356
5 BEFORE: Chairman Edward S. Finley, Jr., Presiding
6 Commissioner Bryan E. Beatty
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

FILED

SEP 14 2017

Clerk's Office
N.C. Utilities Commission

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 Elk
20 River Development.

22 VOLUME: 6

24
NORTH CAROLINA UTILITIES COMMISSION

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

2 **FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:**

3 Jo Anne Sanford, Esq.

4 Sanford Law Office, PLLC

5 Post Office Box 28085

6 Raleigh, North Carolina 27611

7

8 **FOR THE USING AND CONSUMING PUBLIC:**

9 Gina C. Holt, Esq.

10 William E. Grantmyre, Esq.

11 Public Staff - North Carolina Utilities Commission

12 4326 Mail Service Center

13 Raleigh, North Carolina 27699-4300

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P R O C E E D I N G S

CHAIRMAN FINLEY: Let's come to order. Good evening, ladies and gentlemen. My name is Edward Finley and with me this evening are Commissioners Bryan E. Beatty, ToNola D. Brown-Bland, Jerry C. Dockham, James G. Patterson, Lyons Gray, and Daniel G. Clodfelter.

The Commission now calls for hearing at this time for the purpose of taking non-expert, public witness testimony in Docket Number W-354, Sub 356, In the Matter of Application of Carolina Water Service, Inc. of North Carolina for Authority to Increase Rates for Water and Sewer Utility Service in Its Subdivisions in North Carolina.

On March 31, 2017, the Company filed an Application with the Commission seeking authority to increase its rates and charges for those services in the state.

On April 26, 2017, the Commission issued its Order Establishing General Rate Case and Suspending Rates. Pursuant to the Order, the Commission declared this proceeding to be a general rate case pursuant to G.S. 62-137 and suspended the proposed new rates for up to 270 days pursuant to G.S. 62-134.

1 We've had a number of interventions in the
2 case.

3 On June 2, 2017, the Commission issued its
4 Order Scheduling Hearing and Requiring Customer Notice
5 which, among other things, scheduled the Application
6 for evidentiary hearing on September 20, 2017, and
7 scheduled this public witness testimony hearing for
8 this date, at this time, and in this place.

9 On August 7, 2017, the Company filed
10 direct -- the prefiled direct testimony of Richard
11 Lineman in support of the Company's Application.

12 On August 7, 2017, the Company and the
13 Public Staff filed a Stipulation of Settlement
14 regarding rate of return on equity and capital
15 structure issues.

16 We've had numerous Consumer Statements of
17 Position that have been filed in this docket.

18 Pursuant to the State Ethics Act, I remind
19 all members of the Commission of their duty to avoid
20 conflicts of interest, and inquire whether any member
21 of the Commission has a known conflict of interest
22 with regard to the matters coming before the
23 Commission this evening?

24 (No response.)

1 There appear to be no conflicts, so we will
2 proceed and we'll call on the parties to announce
3 their appearances, beginning with the Company.

4 MS. SANFORD: Thank you, Chairman Finley and
5 Members of the Commission. I'm Jo Anne Sanford with
6 Sanford Law Office representing the Applicant,
7 Carolina Water Service of North Carolina. With me at
8 counsel table is Matt Klein who is the State President
9 of Carolina Water, and present in the audience and
10 available to assist customers after the hearing are a
11 number of representatives of the Company. And I will
12 ask you to raise your hands, please, so people will
13 know who you are. Thank you.

14 CHAIRMAN FINLEY: Ms. Holt, if you'll
15 identify yourself, please.

16 MS. HOLT: Good evening. I'm Gina Holt with
17 the Public Staff here on behalf of the Using and
18 Consuming Public. With me at counsel table are Public
19 Staff Engineer Gina Casselberry and Public Staff
20 Engineer Lindsay Quant.

21 CHAIRMAN FINLEY: Any preliminary matters?

22 MS. SANFORD: Brief opening statement, if we
23 might.

24 Thank you, again, Chairman Finley, Members

1 of the Commission, and the Public Staff. We
2 appreciate the opportunity to speak briefly to the
3 Commission and to the customers here in the audience
4 this evening about some of the issues that we know are
5 of concern to you customers.

6 First of all, as I discussed with Mr. Roy,
7 we know you don't like rate cases, but they are
8 necessary components of operating a company that is as
9 capital intensive as are these water and wastewater
10 companies, as well as these other regulated utilities.
11 We want to emphasize, because we know this has been a
12 matter of customer concern expressed in other
13 hearings, that this Company isn't allowed to recover
14 anything, no rate increase, unless they prove in what
15 is essentially a court of law, and over the opposition
16 of the consumer advocate, and of any other
17 intervenors, unless they prove to this Commission
18 by -- and they maintain the burden of proof, sustain
19 it rather, that essentially and in lay terms they
20 spent what they had to spend to do what they were
21 required to do to be able to serve you. There are
22 obligations of prudence, there's examination of
23 prudence to be sure they didn't spend too much or
24 overbuild or anything else. So that is a protection

1 that is afforded to you ratepayers, this burden of
2 proof and this obligation to prove prior to getting
3 any rate increase.

4 Secondly, the Company can't recover for any
5 investment in plant unless that investment is
6 completed - it's like a wastewater treatment plant or
7 a well - unless it is completed, in service and
8 audited and deemed prudent by the Commission in an
9 Order that allows recovery. That's true whether the
10 investment is sought to be recovered in a general rate
11 case as we are tonight or whether it's recovered
12 through a system improvement charge otherwise known as
13 a WSIC or a SSIC.

14 Third and finally, when you hear -- and
15 we've heard from a lot of customers who don't
16 understand why their costs, their rates rather, are
17 different than the rates from the various municipality
18 or from another provider. We invite you to consider
19 two or three factors when you think about that.
20 Number 1, this company recovers based upon proof of
21 costs. Not all water and wastewater providers base
22 their rates on the actual costs but we have to, and so
23 whatever we prove are the costs we're entitled to
24 recover. But I would ask you to compare the costs of

1 running a system like this with hundreds of wells
2 scattered all over the state, small waste treatment
3 facilities, and often relatively small customer bases
4 scattered, compare that to the economies of scale that
5 Raleigh or Charlotte or a larger city experiences when
6 they get water out of a river or out of a big surface
7 impoundment, their wastewater treatment facilities are
8 often large, central facilities. There are
9 differences in the cost attributes and that is much
10 the explanation for why you see differences in rates.

11 Thank you very much for the opportunity to
12 speak.

13 MS. HOLT: Good evening again. I'm Gina
14 Holt and I'm an attorney charged with representing you
15 tonight. The Public Staff - Utilities Commission is a
16 separate entity from the Utilities Commission and I'm
17 working with a team - another attorney, Bill
18 Grantmyre, who's in the back of the room; engineers -
19 Ms. Casselberry, Ms. Quant; financial analysts and
20 accountants on this case. We thoroughly audit the
21 filings of the Company and also follow up with a
22 substantial amount of data requests on what they file.
23 In a week or so, we'll be filing testimony which will
24 include our recommendations, the results of our

1 investigation and our recommendations regarding what
2 we feel is a reasonable rate increase. And after that
3 we'll have a hearing and then the Commissioners of the
4 Utilities Commission, the Commissioners up here, will
5 render their opinion on what they feel -- what they
6 would like to approve.

7 Tonight, I will call you in the order in
8 which you appear on my sign-in sheet, you'll be sworn,
9 you'll -- I'll ask you a couple of identifying
10 questions and you'll make your statement, it will be
11 transcribed and be a part of the official record. If
12 you have any documents that you'd like to admit into
13 evidence, please let me know and we'll let the Company
14 review it and hopefully it will be admitted. This is
15 not an opportunity for you to ask questions. The
16 Company and our Staff will be available after the
17 hearing to ask any additional questions that you have.
18 Thank you. Thank you for coming.

19 CHAIRMAN FINLEY: Ms. Holt, call your first
20 witness.

21 MS. HOLT: Mr. Vince Roy.

22 **VINCENT P. ROY;** was duly sworn and
23 testified as follows:

24 CHAIRMAN FINLEY: Have a seat and make

1 yourself comfortable there, Mr. Holt -- Mr. Roy.

2 MS. HOLT: Mr. Roy, can you please state
3 your name and address for the record?

4 THE WITNESS: My name is Vince Roy.
5 Address - 237 Lakeview Drive, Sanford in Carolina
6 Trace, which is a gated community just south of
7 Sanford in Southern Lee County.

8 MS. HOLT: Thank you.

9 THE WITNESS: If I -- do you have another
10 question?

11 MS. HOLT: No. You may proceed.

12 DIRECT STATEMENT

13 BY THE WITNESS:

14 And just for everybody's information,
15 Carolina Trace is a residential area in the part --
16 southern part of Lee County with some 4,000 residents.
17 We have \$2,511 lots, a 315-acre lake, and at the
18 present time we have 1,765 of the lots developed with
19 houses on it that house the 4,000 people that live
20 there.

21 I'm the utilities representative for the
22 community. It's an unpaid position and I've been
23 doing this for 12 years. And not to eat up your time
24 with stories but I'm -- you guys are too young to

1 understand what the old honeymoon TV show was with
2 Jackie Gleason and Art Carney and Jackie was the bus
3 driver and Art Carney was the sewer guy. Well, I'm
4 the sewer -- I'm the Art Carney of Carolina Trace and
5 I work these things. And I've been doing this
6 particular job for 12 years and it's my third career,
7 and this is my fourth rate case and we've had great
8 success. And I say without any reservation at all
9 that it's an interesting job; it's almost a fun job.

10 And we, as consumers, look forward to
11 whatever we can get in the way of help. And I
12 personally applaud the Public Staff because they are
13 extremely helpful in helping us understand, as
14 consumers, what is going on in the world. And, by the
15 same token, I have to admit that in the last several
16 years now we have begun quarterly meetings with
17 Utilities, Inc., CWS, and Daniel Lassiter and his crew
18 come and they meet with us every quarter, and we're
19 able to do a really good job in resolving resident
20 complaints and any Company complaints, and we get a
21 lot of stuff done that way.

22 What problems we have is with the
23 headquarters in the sense that we are -- it's
24 mandatory when we have a customer complaint that we

1 call the 800-number, and on a night or a weekend our
2 major complaint is that sometimes -- I don't know
3 who's answering the 800-number but it is not always
4 somebody that knows what sewer and water is and so we
5 end up with a dead end. And the other problem is
6 typically with a water line break or we have an outage
7 and the water is shut down and you have to boil the
8 water, and we'll get a call from -- we'll get --
9 somehow the word will get to Utilities, Inc., through
10 our local rep that there's a water outage and it's
11 shut down and then they'll start calling to notify
12 people to boil the water, and invariably they'll call
13 the wrong POA. We have 18 different POA's within the
14 community which is unworkable but that's what we have.
15 And we try to encourage the headquarters to make sure
16 they know what POA is what POA and what streets and
17 what people live on what streets, and we're still
18 working that issue. And we're working hard with Danny
19 who's here, the Regional Director that comes to our
20 quality meetings, and we really get stuff done. Like
21 I say, where we bump into things is with the
22 headquarters, not major stuff but it's stuff that is a
23 rock in the road.

24 As I said, this is my third career. I'm

1 just having fun doing it. My first career, I was in
2 the Air Force for 25 years. I flew jet fighters, had
3 a great time doing that 5000 hours; 450 hours of
4 combat time over North Vietnam; finished up there as a
5 Colonel and then I got a job working in the industry
6 doing all international work. I represented my
7 company with friendly and allied air forces and
8 friendly and allied nations and I had work in
9 Singapore, Taiwan, Egypt, then my biggest contract
10 supporting the peace on F-15 program with the Royal
11 Saudi Air Force. And I say that because with my
12 employees in those countries, believe it or not, water
13 and sewer periodically pops up as a problem,
14 especially when you're in Saudi Arabia where they're
15 desalinating the water and it doesn't always taste the
16 way you'd like it to taste and it's much more
17 difficult to handle it there than it is here where I
18 can go to the Public Staff and get that issue resolved
19 in a heartbeat.

20 But anyway I just want to talk to you
21 briefly and get my documentation entered into the
22 record for evidence. And talking first about the
23 uniform rate program that is being addressed and
24 implemented here for us for the first time. We are

1 uncomfortable with the uniform rate program based on
2 the number of communities that are accumulated in the
3 package. It's sort of a disparate group and
4 there's -- trying to find a thread of commonality
5 between us all is almost difficult because of the age
6 of the communities, the size, the distance apart, and
7 people and what they do, and we don't -- they
8 don't know us and we don't know them and yet we're
9 going to all be combined together in one package, and
10 it -- I am uncomfortable to the point that I know that
11 it's going to happen. But what I'm recommending is
12 I've broken down the group of communities that I know
13 about and it's in my documentation, but I'm showing
14 the lower -- a group of what they call the lower cost
15 group where they pay lesser for water than the higher
16 cost group. And we're, in my community we're right
17 about in the center so we're not going to be impacted
18 that much. But philosophically we felt it important
19 to bring it to your attention that there -- to start
20 this uniform rate program within our association, the
21 consortium of communities, maybe there's another way
22 to start it rather than just put us all in one lump
23 sum to begin with. Maybe you can do it regionally,
24 have the mountain communities versus the coastal

1 communities, or you can do it by group. And in the
2 document that I submitted I show in my opinion what
3 the groupings should be or could be to more equitably
4 spread the costs. Because what's going to happen with
5 the uniform rate program is that the -- this group of
6 20 plus communities that are being lumped together,
7 the lower cost communities who are paying something,
8 maybe \$1.50, \$1.70 per 1000 gallons versus the
9 other -- on the extreme end where they're paying over
10 \$9.00 a 1000, these at the lower end are probably who
11 you will get most of the complaints because they're
12 going to see a couple hundred percent increase in
13 their monthly bill. They probably don't have the
14 people coming out from the upper end because they're
15 going to get a big discount, and we're right in the
16 middle. But I would hope that the Commissioners and
17 the Public Staff would take another look at how
18 this -- how this consortium of communities is broken
19 down and maybe pair them up better and then over a
20 period of time meld them all into one big rate case.

21 The second issue I wanted to talk briefly
22 about was the base rate, the way it's being developed
23 as in accordance with the application and what I've
24 seen. And what's happening now as you all know is

1 that our base rate is being increased and our usage
2 rate is being decreased and we feel that it
3 discourages conservation. And even though as CWS
4 talks about conservation on their website, it doesn't
5 appear that they're really into that when they're
6 developing their rate case. And the -- my conclusion
7 there is that it doesn't appear that as they combined
8 the different communities that there is little to no
9 risk for Carolina Water Service. What risk is there
10 is basically on the consumer itself and with these
11 increased base rates, even with a total integration of
12 services, the base rate seems to be unfair. And one
13 of the issues I raise here in my papers, we're going
14 to pay X-amount of dollars for water and a couple of
15 pennies for every 1000 gallons. But what happens when
16 a manmade or a natural disaster, and here comes one --
17 here comes Hurricane Harvey as a good example. When
18 everything gets shut down for any period of time and
19 there's no sewer or no water coming in, no sewer going
20 out. Is there any program in being that says the base
21 rate is suspended? Are we going to continue to pay
22 that base rate even without any water coming into the
23 house? We've had a couple of instances with a tornado
24 coming through Sanford, Lee County, that affected us

1 for several days without any power and water. In my
2 opinion, in our collective opinion of our community,
3 the base rate being increased seems to us to be not
4 justified in terms of conservation and in terms of
5 usage whereby when it's not there you're still going
6 to pay that amount of money.

7 I express a concern about the Carolina Water
8 Service profit request. They're asking for a return
9 of 9.75 percent and I don't know where else they're
10 getting that but they're citing Docket W-354, Sub 344
11 where they got that, which is a couple of different
12 communities than us and it doesn't appear to me to be
13 justifiable that they should be able to cite that as
14 an authority to get 9.75 percent and use it in our
15 particular case. And I would ask you to take another
16 look at whether they should get 9.75 percent or not.

17 I touch briefly on the subject
18 of perceptions. And without intending to offend
19 anybody or claim any illegal stuff going on, based on
20 Chairman Finley's past work with Utilities, Inc., and
21 also now Director Chris Ayers for the Public Staff, it
22 would appear to us that it might be more appropriate
23 if the -- if Commissioner Finley and Director Ayers
24 recuse themselves from any negotiations regarding

1 Carolina Water Service. And, again, I don't say that
2 intending to hurt anybody's feelings but when we talk
3 about that in our private sessions at home that comes
4 up and so I'll bring it up here.

5 The last thing I wanted to show was
6 developed as part of our team -- as part of my team
7 back home I have a Certified Public Accountant, a CPA,
8 that's an extremely intelligent individual that worked
9 for the Lituation (spelled phonetically) has done this
10 kind of work for over 30 years. And in his document
11 which we have submitted for the evidentiary record,
12 you won't see it from there but, he shows a typical
13 classic cost volunteer profit model where you have
14 fixed costs and some variable costs that are pretty
15 consistent --

16 MS. HOLT: Excuse me, Mr. Roy. Do you have
17 any additional copies?

18 THE WITNESS: I have two more copies.

19 MS. HOLT: Okay.

20 THE WITNESS: Would you like that those now?

21 MS. HOLT: Yes. I hate to interrupt him but
22 I'd like to offer the summary of Mr. Roy's statement
23 as Roy Exhibit 1 for depiction --

24 CHAIRMAN FINLEY: We'll mark it as Roy

1 Exhibit 1.

2 Roy Exhibit 1

3 (Identified)

4 MS. HOLT: And its been shared with Company
5 counsel.

6 MS. SANFORD: And, if I may, I have a
7 question just for clarification. I have Mr. Roy's
8 statement and then I have two pages of graphs and then
9 I have another statement.

10 THE WITNESS: Yes, ma'am, that is -- what
11 I'm saying is rather than -- in the interest of time,
12 rather than talk to all of those I'm including that as
13 part of my package --

14 MS. SANFORD: All as one package, okay.

15 THE WITNESS: -- as one package so that
16 you'll have it. It's our CPA's comments on this whole
17 thing which is very detailed and very well developed
18 and --

19 MS. SANFORD: Right and so the last --
20 excuse me -- and I'm just trying to clarify.

21 THE WITNESS: That's fine.

22 MS. SANFORD: So the last part of your
23 package is a statement by your CPA.

24 THE WITNESS: It's our -- it's our -- he

1 developed it. It's our community statement.

2 MS. SANFORD: I see. Okay. Thank you.

3 BY THE WITNESS:

4 And what I'm showing is, and you know what
5 I'm talking about as a businessman, you start a
6 program wherever the year begins and you start out
7 with certain fixed rates. And as you start your sales
8 program somewhere along that line as sales increases
9 and your income increases you reach a breakeven point
10 and from that point on the profit starts rolling in
11 for the shareholders. What we see happening with the
12 base rate, especially with the base rate program and
13 we see that -- and the uniform rate program, the same
14 uniform line for fixed costs. But in this particular
15 case with Carolina Water Service, the profit starts on
16 day one because of the base rate program. Again,
17 whether you're using it or not you're going to pay
18 that money and that means that income is coming in and
19 so what we're showing there is that, in fact, the
20 profit line, rather than waiting for a breakeven point
21 the profit line starts immediately. And we would
22 prefer that you take a look at that and get them back
23 to the standard business profile where you have to
24 work at it and make sure that you earn what you're

1 getting.

2 And the last comment I'll make regarding the
3 rate structure is that hopefully that the Public Staff
4 will have some way of determining the efficiency of
5 the operation. In a corporation when you are
6 struggling to meet your target for your shareholders
7 the last thing you want to do is raise the price.
8 What you do is you look internally at your
9 efficiencies and is everybody working to the next
10 efficiency to make sure you're keeping your costs
11 down. It doesn't appear to me that there's any
12 incentive with the base rate program for that to
13 happen. And, secondly, there may be a program but I
14 don't know that there's a program within the
15 Commissioner's Staff or the Public Staff where you can
16 look into the companies to see, in fact, they are
17 working as efficiently as they can to justify the rate
18 structure that you're going to approve for them.

19 That ends my testimony. Any questions, I'll
20 be happy to answer.

21 CHAIRMAN FINLEY: Any questions of Mr. Roy?

22 EXAMINATION

23 BY MS. HOLT:

24 Q Mr. Roy, I'd just like to follow up on your

1 statement regarding the Company sending notices
2 to the wrong POA. How many POAs are there in
3 your --

4 A Unfortunately, we have --

5 Q -- community?

6 A We have in our 2500 acres that we have, 18 POA so
7 the developers made a great mistake in letting
8 that happen. And at my monthly CTA meeting we
9 have -- Carolina Trace Association, we have no
10 authority over the 18 POAs. They come to our
11 meetings every month as 18 sovereign nations.
12 And it's very difficult to operate when we try to
13 get a rate increase or buy something or spend
14 something. And, from the point of view of CWS,
15 they're all street addresses, of course, and we
16 presented that stuff to -- I don't know, Danny,
17 if we presented that all to you -- but we talked
18 to that -- with Danny a lot when we have a power
19 outage because who's ever making that call from
20 UI headquarters to the homeowners that are being
21 affected by the water, I said power but I mean
22 water outage, they invariably don't call the
23 right houses. I typically get a call from this
24 old lady in the community and she says, Mr. Roy,

1 I just got a call to start boiling my water and
2 nobody told me to -- or I get a call to stop
3 boiling the water and nobody told me to start it.
4 And she says am I going to die, and I say
5 probably.

6 (Laughter)

7 But it's that kind of thing
8 that -- it's not a major earthquake kind of thing
9 but it's disruptive in terms of who should be
10 boiling water, who shouldn't be boiling water,
11 and when you start and when you stop. And I said
12 at the outset, our relationship with the working
13 level people like Danny and Steve Harrell from
14 Garner, and the people right there at Carolina
15 Trace is excellent. Where we bump into the
16 headquarters is in a situation like that with a
17 water outage.

18 MS. HOLT: Thank you.

19 MS. SANFORD: I have a few questions, if I
20 might.

21 EXAMINATION

22 BY MS. SANFORD:

23 Q Mr. Roy just a few questions. First of all, has
24 anybody from the Company discussed with you the

1 new push that the Company is making to add to its
2 communications capabilities, thinking about boil
3 water notices, anybody discussed --

4 A I don't remember it. It would have to -- it
5 would come through Danny --

6 Q Right. And it's new so you may not have heard
7 about it yet.

8 A No, I don't remember that, no.

9 Q So no conversation about increasing the internet
10 capacity, the web-based capacity, the --

11 A No, I haven't heard that at all.

12 Q Two other questions. Do you -- since you seem to
13 have a lot of the institutional memory about the
14 history of these rate cases, do you recall the
15 last time Carolina Trace had a rate case?

16 A Yes, ma'am, it was 2010.

17 Q 2010.

18 A And I know it's a long time ago but a couple of
19 things have happened in the meantime. After that
20 particular rate case, if I can expand on your
21 question with an answer?

22 Q Sure.

23 A We -- they were -- Utilities, Inc., was buying
24 their water -- 70 percent of the water from

1 Sanford and paying -- they were paying the same
2 rate as the Town of Broadway which is 3000, \$0.35
3 a 1000. And I wrote a letter to the
4 Commissioners asking that they encourage
5 Utilities, Inc., to negotiate a better purchase
6 rate from Sanford which has an abundance of
7 water. The Commission said that they can't order
8 them to do that but they had recommended it. And
9 my argument at that time, and it still is a sore
10 point, that it took Utilities, Inc., their
11 attorney and Vic Czar, he's the Director of
12 Public Works in Sanford, Lee County, it took them
13 33 months to come to an agreement on the fact
14 that they would get the same rate, purchase the
15 water at the same rate as Broadway for \$2.21 a
16 1,000 and that's what they're getting it at now.

17 And I didn't mention it earlier
18 but since you raised the question, in looking at
19 profit and loss and everything else as a
20 businessman, you've got to understand that they
21 kept our rate at \$5.07 a 1,000 for the consumer
22 and while they -- while Utilities, Inc., got a
23 decrease in their purchase price, they never
24 passed that on to us. And we're burning about

1 5,000 gallons of water a month and that's about
2 \$5,000, that's about \$60,000 a year that I didn't
3 see reflected in any profit mentioned from
4 Carolina Water Service. Probably a bigger answer
5 than you wanted but I --

6 Q No, I wanted to know what your answer was.

7 A Thank you.

8 Q And we'll look at this ourselves so thank you.
9 One last question, with respect to your two
10 exhibits, these weren't done based upon any
11 specific information or data from Carolina Water,
12 is that right?

13 A Well, they were -- no, they were done based on
14 the information we got out of the application and
15 the 18-page document we received in our monthly
16 bill back in June of --

17 Q Okay. And so you and the CPA developed these
18 graphs, is that right?

19 A The CPA developed those and he talks a different
20 language. I have an MBA and half of a doctorate
21 but I don't understand everything he says.

22 MS. SANFORD: Okay. Thank you very much. I
23 have no more questions.

24 CHAIRMAN FINLEY: Questions by the

1 Commission? Thank you, Mr. Roy, we appreciate you
2 coming tonight.

3 THE WITNESS: Thank you, sir.

4 (The witness is excused.)

5 MS. HOLT: Unless there's any objection, I'd
6 like to move the admission of Roy Exhibit 1.

7 CHAIRMAN FINLEY: Any objection?

8 MS. SANFORD: No objection.

9 CHAIRMAN FINLEY: Admitted.

10 MS. HOLT: Thank you.

11 Roy Exhibit 1

12 (Admitted)

13 MS. HOLT: Mr. William Glance.

14 **WILLIAM GLANCE;** was duly sworn and
15 testified as follows:

16 MS. HOLT: Please state your name and
17 address for the record.

18 THE WITNESS: My name is William Glance. I
19 live in 49 Indian Trail, Sanford, North Carolina which
20 is in Carolina Trace.

21 MS. HOLT: Please proceed.

22 DIRECT STATEMENT

23 BY THE WITNESS:

24 I'm a customer of the Carolina Water Service

1 and I would like to begin, excuse me, begin by saying
2 that I believe privatization is a good public policy.
3 I am not dissatisfied with the water and sewer rates
4 that I have received and the proposed rate structure,
5 if approved, would have a negligible effect on me.
6 With that said, you must wonder why I'm here. Simply
7 put, I believe the proposed rate structure is
8 inconsistent with the policy of the State of North
9 Carolina and the Mission Statement of the Utilities
10 Commission.

11 Detailed written comments have previously
12 been submitted via email to the Public Staff. These
13 were written by Dave Turner. I would like to briefly
14 summarize my conclusion based on the analysis from
15 these sources. They are that the effects of the
16 proposed rate structure, if approved, would result in
17 the following: One, the benefits of the proposed rate
18 structure would accrue overwhelmingly in the favor of
19 CWSNC at the expense of the ratepayers. The
20 shareholders of the common equity of the CWSNC would
21 be granted an above-rate market return which is
22 virtually risk free investment; ratepayers in one
23 separate and distinct market will subsidize ratepayers
24 and the other -- could subsidize the ratepayers in the

1 other markets; ratepayers -- for ratepayers of a
2 relatively efficient, modern and low cost water and
3 sewer systems would also subsidize the ratepayers in
4 the less efficient, older and higher cost systems;
5 number five, ratepayers who consume less water will
6 subsidize ratepayers who consume more water; and,
7 number six, an important financial incentive to
8 conserve scarce natural resources, the water will be
9 undermined. I implore you to read and consider these
10 comments. If my conclusions are correct, I propose
11 that the rate structure be denied. Thank you.

12 CHAIRMAN FINLEY: Thank you, Mr. Glance.
13 Are there questions for Mr. Glance?

14 MS. HOLT: I have no questions.

15 MS. SANFORD: No questions. Thank you.

16 THE WITNESS: Thank you.

17 CHAIRMAN FINLEY: You're not the Jackie
18 Gleason, are you, Mr. Glance?

19 THE WITNESS: No.

20 (Laughter)

21 THE WITNESS: No, I'm not.

22 (The witness is excused.)

23 MS. HOLT: Ms. Judith Bassett.

24 **JUDITH BASSETT;** was duly sworn and

1 testified as follows:

2 THE WITNESS: I feel --

3 MS. HOLT: Please state your name and
4 address for the record.

5 THE WITNESS: Judith Basset and my address
6 is 5721 Woof Place in Knightdale. It's in Amber Acres
7 Subdivision.

8 MS. HOLT: Thank you.

9 DIRECT STATEMENT

10 BY THE WITNESS:

11 I feel a little under-classed being here.

12 CHAIRMAN FINLEY: Just relax and just tell
13 us what you want us to hear.

14 THE WITNESS: And I have never done this
15 before so please bear with me.

16 DIRECT STATEMENT

17 BY THE WITNESS:

18 I was just looking at the rate increases
19 as a senior citizen and a homeowner and I feel that it
20 is going to be a hardship on me. And the people who
21 live in the subdivision that I live in are not wealthy
22 people. They're, I would say, probably lower income
23 and I think -- I'm a single person, it's going to be
24 hard on me, what is it going to do to the families.

1 And I would like you to look at it and make sure, if
2 you do grant it, that it absolutely is necessary and
3 cannot be granted at a lower level. Thank you. Any
4 questions I can answer?

5 EXAMINATION

6 BY MS. HOLT:

7 Q Ms. Bassett, how long have you been a resident of
8 Amber Acres?

9 A Nineteen years.

10 Q And have you had any service-related problems?

11 A No, I haven't.

12 MS. HOLT: Thank you.

13 CHAIRMAN FINLEY: Thank you, Ms. Bassett.

14 THE WITNESS: Thank you.

15 (The witness is excused.)

16 MS. HOLT: Mr. Ben Farmer.

17 **BEN FARMER;** was duly sworn and

18 testified as follows:

19 MS. HOLT: Please state your name and
20 address for the record.

21 THE WITNESS: Yeah, my name is Ben Farmer.
22 I live at 6113 Jordan Woods Drive, Raleigh, North
23 Carolina.

24

1 DIRECT STATEMENT

2 BY THE WITNESS:

3 So I'm here on behalf of the Jordan Woods
4 Subdivision. We're a smaller community, only 25
5 houses or so. And I'm just here to say that when I
6 got the letter in the mail about the rate increases, I
7 used to be a math teacher so I did some quick
8 calculations and saw that my rates for my base water
9 charge were going up by 65 percent and that my charge
10 per 1000 gallons was going up by 70 percent, and I
11 found that to be a little bit high. I understand that
12 companies incur costs and inflation and other things
13 like that so anywhere from a 20 percent to a 30
14 percent, maybe even a 40 percent increase I wouldn't
15 even be here, I wouldn't care, I'd just assume it was
16 part of the business. But when it got up to those
17 kind of levels and took a bill for me that would be a
18 \$25.00 water bill and turned it into a \$42.00 water
19 bill, it kind of got my attention a little bit and the
20 same with some of my neighbors. So we were just kind
21 of concerned with that sudden change.

22 And I, being the math nerd I am, went
23 through all the other communities and saw some of the
24 other changes. And as has been said by other

1 customers here tonight about how some of the changes
2 won't affect some people very much but some of those
3 lower income communities are going to be seeing
4 100 percent or more and that could really change some
5 people's lives. I say this as somebody who is -- my
6 wife and I do a lot of budgeting so we know exactly
7 where every penny goes and what we have to spend on
8 fun things or what we have to spend on utilities so
9 when a change like this comes I quickly do the
10 calculations, plug it into my program and see how it's
11 going to affect our lives. For me personally it's not
12 going to, you know, destroy our lives, it just means
13 there's a little less money to do house repairs. But
14 for some of those -- some of those lower income
15 customers this could be something that's very
16 devastating to them, and I would just consider that
17 whenever you're looking at the rate increases. And
18 that's pretty much all I have to say. Any questions?

19 MS. HOLT: Mr. Farmer, have you had any
20 service-related concerns?

21 THE WITNESS: No, no, everything has been
22 fine.

23 MS. HOLT: Thank you.

24 CHAIRMAN FINLEY: Thank you, Mr. Farmer.

1 We're just at the request stage now, you know, and the
2 Public Staff will audit this and sometimes, in fact,
3 often is the case that what the Commission actually
4 approves is something less than what the Company asks
5 for.

6 THE WITNESS: Okay. Thank you.

7 CHAIRMAN FINLEY: Thank you for coming.

8 (The witness is excused.)

9 CHAIRMAN FINLEY: Does that conclude your
10 list?

11 MS. HOLT: We have no more names on the
12 list.

13 CHAIRMAN FINLEY: Is there anyone else in
14 the hearing room that wants to be heard tonight?

15 (No response.)

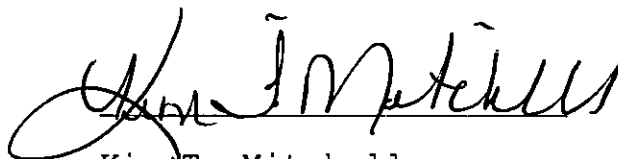
16 Very well. Those of you who have testified
17 and those of you who have come from the service areas,
18 we appreciate you coming tonight and we'll take this
19 testimony into consideration when the Commission
20 deliberates on this case, along with the other
21 evidence that we will receive later next month and
22 what we have received already from other public
23 hearings throughout the service territory, and we will
24 issue a written order that will be on the web page.

1 And, in fact, you can follow the proceedings in this
2 case on the Commission's web page, when the Public
3 Staff files its testimony, and the hearing is
4 conducted in September, if you want to come, you're
5 welcome to come, otherwise the transcript of that
6 proceeding will be on the web page as well. So the
7 hearing will be adjourned.

8 (WHEREUPON, the proceedings were adjourned.)
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C E R T I F I C A T E

I, KIM T. MITCHELL, 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.



Kim T. Mitchell
Court Reporter II

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SEP 14 2017

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N.C. Utilities Commission