

**SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

November 16, 2022

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

**Via Electronic Filing**

Re: Application for Transfer of Public Utilities Franchise and for Approval of Rates, Filed by Water Resource Management, Inc. (W-1073, Sub 7) and Carolina Water Service, Inc. of North Carolina, Inc. (W-354, Sub 396)  
RESPONSE TO CUSTOMER CONCERNS—BOONE PUBLIC HEARING

Dear Ms. Dunston:

Attached please find the response, filed by Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”) which addresses the statements made by customers at the public hearing in Boone, held on November 1, 2022 at the Watauga County Courthouse.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

**Electronically Submitted**

/s/Jo Anne Sanford  
Attorney for Carolina Water Service,  
Inc. of North Carolina

cc: Parties of Record

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, Sub 396  
DOCKET NO. W-1073, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application by Carolina Water Service, ) Inc. of North Carolina, 5821 Fairview ) Road, Suite 401, Charlotte, North ) Carolina 28209, for Application for ) Transfer of Public Utilities Franchise and ) for Approval of Rates, Filed by Water ) Resource Management, Inc. (W1073, ) Sub 7) and Carolina Water Service, Inc. ) of North Carolina (W354, Sub 396) )	RESPONSE TO CUSTOMER CONCERNS IN ECHOTA/SEVEN DEVILS TRANSFER DOCKET--- BOONE, NORTH CAROLINA PUBLIC HEARING NOVEMBER 1, 2022
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**NOW COMES** Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”) and files its report addressing customer service and service quality complaints expressed at the Boone public hearing, which was held on November 1, 2022. The Commission’s scheduling order of September 2, 2022, at Ordering Paragraph 3, page 4, required that Water Resource Management (“WRM”) and CWSNC file separate, verified reports addressing such service related complaints within 15 days of the conclusion of the public hearing.

**A. CUSTOMER PARTICIPATION—Witnesses**

The following seven witnesses testified at the public hearing in the Watauga County Courthouse:

1. **David Ervin, 208 Erskine Court, Cary, NC and 165 Summit View Parkway, Echota. *Tr. pp. 19 -- 33***

Mr. Ervin has owned a condominium in Echota for 16 years and he makes

three points:

- He fully supports the sale of WRM to CWSNC as he believes it is in the best interest of Echota owners to have a professional water company with more experience and expertise to run their system. He noted that he appreciated the service supplied by WRM.
- Though the water rate proposed seems high, he trusts the judgment of the regulatory experts on that issue; and
- Third, his objection is to paying a flat rate of \$68 prior to the installation of the meters. He believes that is unreasonable and unsupported by the actual levels of consumption.

**2. Brian Steg, 199 Hawks Peak South, Seven Devils, NC (permanent residence is in Hickory, NC) *Tr. pp. 33 -- 38***

Mr. Steg, a Board member of the Hawks Peak South Homeowners' Association, has no problem with the transfer (so long as the Commission approves it), but objects to the size of the rate increase for sewer service. He stated that the service had been excellent.

**3. Brady Hair, 165 Little Boulder Lane, Seven Devils, NC (permanent residence is in Charleston, SC) *Tr. pp. 38 – 47.***

Mr. Hair is vice president of The Lakes Homeowners' Association, where approximately 70 cabins receive wastewater service from WRM. Based on his understanding that no capital improvements are required for the wastewater system, he objects to the magnitude of the proposed rate increase. Upon a question from the Hearing Examiner, Mr. Bair stated that he had had no service problems with the wastewater service.

4. **Donna Peterson, 105 Tandy Court, Jamestown, NC and 139 Jaybird Lane, Seven Devils, NC (The Lakes Community), Tr. pp. 47—53**

Ms. Peterson----a wastewater customer over 12 years of ownership in The Lakes---objected to the magnitude of the rate increase, focusing on the intermittent occupancy of a number of residents, because it is a resort community, and on a comparison to the rates she pays to the Town of Jamestown. She testified that the service quality was fine.

5. **Robert Streightiff, 1267 Seven Devils Road, Unit 1D, Seven Devils, NC. Tr. Vol 1 pp. 53 – 61.**

Mr. Streightiff appeared as the president of the homeowners' association at The Villas at Hawks Peak, on the request of his association, to object to the amount of the water rate increase.

He first asserted a problem with notice----stating that neither the homeowners in his association nor the management company received notice of the rate increase. Responding to questions, Mr. Streightiff explained that monthly bills for wastewater service are received not by residents, but by their management company in Banner Elk. He further indicated that the management company ultimately provided residents with notice (approximately a month before the hearing, according to Mr. Streightiff's recollection).

**Company Response:** CWSNC represents that it mailed notice to customers in this docket in accordance with the Commission order and based upon the billing information provided by WRM. Thus, the notice would have been and presumably was mailed to the management company in the

same way that billing information is provided for these accounts.

WRM advised CWSNC on October 7, 2022, that the sewer account for the eight-unit Villas at Hawks Peak constitutes one “customer”, that it has been structured that way since 1998, that WRM does not have individual owners’ contact information, and that the property management company that handles billing for The Villas at Hawks Peak is the following:

The Villas at Hawks Peak  
c/o Prop. Management and Maintenance Services  
PO Box 2371  
Banner Elk, NC 28604  
828-963-6031 / 828-265-6065

Further, immediately upon notice to counsel herein by the Public Staff of a possible issue with notice, on October 5, 2022, CWSNC dispatched Operations’ personnel (that day) to the Villas to affix additional notice to the doors of these units.

**6. Doug Woodberry, 505 and 506, Hawks Peak Condominiums, Seven Devils, NC; permanent resident of Valle Crucis. *Tr. Vol. 1, pp. 61 --- 66.***

Speaking as the president of the Hawks Peak Condominiums Homeowners’ Association, Mr. Woodberry expressed no concern about the transfer or about service, but rather focused on objections to the magnitude of the proposed rate increase for wastewater service. Of the 24 units in his condominium complex, approximately five are occupied full time, and this seasonality of use is a driver of his opposition to flat rates. He also expresses concern about lower income customers.

**7. William Bair, 331 Hawks Peak South and 317 Tremont, Lenoir, NC. *Tr. Vol. 1, pp. 66 --- 72.***

Mr. Bair has no service complaints, but he objects to the magnitude of the price increase, and he does not understand the reason for it. He also speaks to the seasonality of the customer base as a reason for thinking the rate increase is unfair.

**8. Warren Brendle, 143 Hawks Lake Drive, Seven Devils, NC (full-time resident of Holly Springs) *Tr. Vol. 1, pp. 73 – 77.***

Noting that the wastewater treatment plant serving Seven Devils is compliant with its permits and providing reliable service, Mr. Brendle objects to the magnitude of the proposed rate increase and he supports a system-specific rate for Seven Devils, rather than folding the system into CWSNC's uniform rates. As bases of his opposition to the rate increase and in concern for lower income customers, he cites to rate shock, the lack of any significant investment imperative, and the compounding effect of inflation and taxes. Mr. Brendle joined other customers in indicating high approval of---and appreciation for---the quality of service provided by WRM.

**B. General Response to Testimony**

No witnesses opposed the transfer and no witnesses brought forward evidence of service or service quality deficiencies----in fact, several witnesses spoke to the high quality of the service provided by WRM. However, all witnesses were opposed to the rate structure and/or the proposed amount of the increase.

CWSNC recognizes that the evidence and argument regarding the rates and rate structure requested are before the Commission but are not the subject of this

report. As noted in Mr. Denton's testimony in this filing, the Echota and Seven Devils systems will have additional capital needs. In light of the comments received by customers in this proceeding, CWSNC submits that it is exploring methods by which to incorporate the WRM customers into the CWSNC uniform rate structure. Additionally, CWSNC is reaching out to the Town of Seven Devils, the water provider to the Seven Devils sewer system, to see if the Company can get regular water meter reads in order to bill Seven Devils customers on a volumetric basis.

Additionally, and in response to the customer input regarding some general issues and questions, CWSNC offers the following:

- Seasonality of occupancy is a challenge in ratemaking. From the customers' personal perspective, there is often the view that the price they pay for the service should reflect the fact that usage of the facility is lower or intermittent. While singular customer use may be lower with seasonal or intermittent use, with respect to costs and to obligation to serve all customers whenever called upon to provide service, there is virtually no difference in the responsibility to maintain and serve a fully occupied facility and an intermittently occupied one.
- Uniform rates, for a company like Carolina Water Service, combine under one tariff grouping a number of systems which have a range of actual, system-specific costs to serve. Some systems' costs are higher than the uniform rate, and some are lower. It has become well accepted and understood that consolidation of these systems for rate making purposes offers advantages---including an "insurance" type of benefit for

the individual systems, wherein the costs of significant upgrades or repairs are spread across a larger number of ratepayers. This tracks the rate model used for provision of electric and natural gas service, for example.

- Third, comparisons of rates among governmental systems (like municipalities) and regulated providers such as CWSNC are generally “apples and oranges” exercises. Municipal providers do not use the same accounting systems, they generally have greater density of customers, they are able to utilize taxation to impact rates, they often source water from large impoundments or rivers---there are many differences that account for different rates. Importantly, companies like CWSNC are uniquely subject to strictly examined “cost of service” ratemaking requirements, enforced by the Public Staff and subject to the oversight of the North Carolina Utilities Commission.

Respectfully submitted, this the 16<sup>th</sup> day of November, 2022.

**Electronically Submitted**

**s/Jo Anne Sanford**

Sanford Law Office, PLLC

Post Office Box 28085

Raleigh, NC 27611-8085


Telephone: (919) 210-4900

*Attorney for Carolina Water Service, Inc.  
of North Carolina*

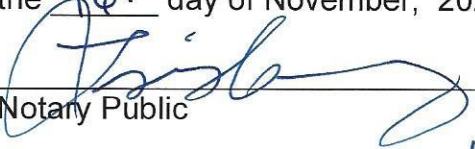


**VERIFICATION**

Tony Konsul, being duly sworn, deposes and says: that he is the Director of Operations, Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in the attached Response to customer concerns, filed by CWSNC in Docket No. W-354 Sub 396; that he has read the foregoing Response and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.

  
\_\_\_\_\_  
Tony Konsul

Sworn to and subscribed before me this  
the 16<sup>th</sup> day of November, 2022.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 04/17/2030



## CERTIFICATE OF SERVICE

On behalf of Carolina Water Services, Inc. of North Carolina, I hereby certify that I have today served a copy of the Customer Response filed in Docket Nos. W-354, Sub 396 and W-1073, Sub 7, on all parties of record in this proceeding, in accordance with North Carolina Utilities Commission Rule R1-39, either by United States mail, first class postage pre-paid; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 16<sup>th</sup> day of November, 2022.

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

SANFORD LAW OFFICE, PLLC

[sanford@sanfordlawoffice.com](mailto:sanford@sanfordlawoffice.com)

Tel: 919.210.4900

**Attorney for Carolina Water Services,  
Inc. of North Carolina, Inc.**