

1 PLACE: Craven County Courthouse
2 New Bern, North Carolina
3 DATE: Tuesday, August 22, 2017
4 TIME: 7:00 p.m. - 7:20 p.m.
5 DOCKET NO: W-354, Sub 356
6 BEFORE: Chairman Edward S. Finley, Jr., Presiding
7 Commissioner ToNola D. Brown-Bland
8 Commissioner Jerry C. Dockham
9 Commissioner James G. Patterson
10 Commissioner Lyons Gray
11

12 IN THE MATTER OF:

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

21 VOLUME: 4
22
23
24

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

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

3 Robert H. Bennink, Jr., Esq.

4 Bennink Law Office

5 130 Murphy Drive

6 Cary, North Carolina 27513

7

8 FOR THE USING AND CONSUMING PUBLIC:

9 William E. Grantmyre, Esq.

10 Public Staff

11 North Carolina Utilities Commission

12 4326 Mail Service Center

13 Raleigh, North Carolina 27699-4300

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NORTH CAROLINA UTILITIES COMMISSION

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P R O C E E D I N G S

CHAIRMAN FINLEY: Good evening, ladies and gentlemen. Let's go on the record. My name is Edward Finley and with me this evening are Commissioners ToNola D. Brown-Bland, Jerry C. Dockham, James G. Patterson, and Lyons Gray.

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, Incorporated of North Carolina for Authority to Increase Rates for Water and Sewer Utility Service in Its Subdivisions in North Carolina.

On March 31, 2017, Carolina Water Service filed an Application with the Commission seeking authority to increase its rates for providing those services in its service areas in the state.

On April 26, 2017, the Commission issued its Order Establishing General Rate Case and Suspending Rates. Pursuant to this 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.

A number of parties have intervened in the

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1 docket.

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

8 On July 21, 2017, the Company filed a Notice
9 regarding semi-annual WSIC/SSIC surcharge applications
10 that has to do with the infrastructure and improvement
11 statutes. In this filing, the Company stated that it
12 does not intend to file an application for this
13 request.

14 On October 7, 2017 (sic), Carolina Water
15 filed the direct testimony of Richard Lineman in
16 support of the Company's Application.

17 On August 7, 2017, the Company and the
18 Public Staff filed a Stipulation of Settlement
19 regarding the rate of return on equity and capital
20 structure issues in the case.

21 Numerous consumer Statements of Position
22 have been filed in this docket with respect to this
23 case.

24 Pursuant to the State Ethics Act, I remind

1 all members of the Commission of their duty to avoid
2 conflicts of interest, and inquire whether any member
3 of the Commission has a known conflict of interest
4 with regard to the matters coming before the
5 Commission this Tuesday night?

6 (No response.)

7 There appear to be no conflicts, so we will
8 proceed and I now call on the parties to announce
9 their appearances for the record, beginning with the
10 Applicant Utility.

11 MR. BENNINK: Thank you, Mr. Chairman. My
12 name is Robert Bennink. I'm a lawyer in Raleigh,
13 North Carolina, here tonight to represent Carolina
14 Water Service, Incorporated of North Carolina.

15 MR. GRANTMYRE: Good evening, Chairman
16 Finley, other Commissioners, my name is Bill
17 Grantmyre, Staff Attorney, Public Staff representing
18 the Using and Consuming Public, and with me is Gina
19 Casselberry. She's an engineer in the Public Staff,
20 Water Division.

21 MR. BENNINK: Mr. Chairman, could I do one
22 thing that I forgot to do, introduce some of the
23 people who are here tonight representing the Company
24 just so people will know who is here. We have Matthew

1 Klein who is the President of Carolina Water Service
2 in both the States of North Carolina and Tennessee;
3 Bryce Mendenhall who is the Company's Vice President
4 of Operations; Danny Lassiter, the Regional manager;
5 Richard Lineman, the Company's Financial Planning and
6 Analysis Manager; Eddie Baldwin, the Area Manager; and
7 Deb Clark, the Communications Coordinator for the
8 Company.

9 CHAIRMAN FINLEY: Okay. Are there other
10 preliminary matters we need to address? Mr. Bennink,
11 you want to make a statement?

12 MR. BENNINK: Yes, I'd like to make just a
13 brief statement if I could, Mr. Chairman. Thank you
14 very much. On behalf of Carolina Water Service, I
15 want to assure the Commission, and the Public Staff,
16 and the customers in attendance tonight that the
17 Company takes very seriously its obligations as a
18 public utility to provide quality water and sewer
19 utility services to customers in the State of North
20 Carolina.

21 The purpose of this hearing tonight, of
22 course, is to hear from customers who are served by
23 the Company. And we assure you that we're here
24 tonight to listen very carefully and to respond to

1 that testimony. And in that regard, Company personnel
2 will be available after the hearing to meet with
3 customers and respond to any questions or complaints.
4 Thank you.

5 CHAIRMAN FINLEY: Mr. Grantmyre, have you
6 got anything to say --

7 MR. GRANTMYRE: Actually, the Public Staff
8 has spoken with the customers before the hearing.
9 Thank you.

10 CHAIRMAN FINLEY: How many witnesses do you
11 have that have signed up so far?

12 MR. GRANTMYRE: I have two signed up but I'm
13 not sure if they're both going to testify. But I know
14 the first one, Simon Lock, does plan to testify and
15 the second one may or may not. We'll see.

16 CHAIRMAN FINLEY: Ladies and gentlemen,
17 usually I go through a great list of what the rules
18 and regulations are, since there are only a few of you
19 I'll sort of cut that a little bit short, but let me
20 tell you what some of the ground rules are. I heard
21 Mr. Grantmyre telling you some of those before we got
22 started. But the purpose of this is to hear what the
23 customers of this utility have to say about their
24 service and about this request. We operate like a

1 courtroom in here. We have a court reporter who takes
2 down the evidence. Witnesses have to be sworn, that's
3 by State Statute. We have an opportunity for the
4 lawyers and for the Commissioners themselves to ask
5 questions. The customers are to provide testimony.
6 They are not to ask questions at this stage of the
7 proceeding. People come here with a lot of questions
8 that they want answered but the Public Staff and the
9 Company are here after this hearing is over to the
10 extent that you have questions and there's information
11 that you would like to have. So you have to be sworn,
12 that's another State Statute that we have to comply
13 with. Witnesses have to register with the Public
14 Staff. We usually, because we have a lot of people
15 testifying, try to limit the length of time that any
16 witness can testify to five minutes. We may be a
17 little lenient tonight if there are only a few
18 witnesses but try to limit your testimony as best you
19 can to the issues that are pertinent to this
20 particular case.

21 All right, Mr. Grantmyre, call your first
22 witness.

23 MR. GRANTMYRE: Simon Lock.

24 CHAIRMAN FINLEY: Mr. Lock, if you'd come

1 around over here and be sworn please.

2 MR. GRANTMYRE: Do you need your statement
3 to refer to?

4 MR. LOCK: No, sir.

5 SIMON LOCK; was duly sworn and
6 testified as follows:

7 CHAIRMAN FINLEY: Have a seat and make
8 yourself comfortable.

9 THE WITNESS: Thank you.

10 DIRECT EXAMINATION

11 BY MR. GRANTMYRE:

12 Q Please state your name and address.

13 A My name is Simon Lock, L-O-C-K, and my address is
14 6014 Cardinal Drive, and that is in Fairfield
15 Harbour.

16 Q Please proceed with your statement.

17 A Thank you, sir. I'm going to read it if you
18 don't mind.

19 Q Yes.

20 A I'm not a very good ex- -- a very good public
21 speaker so bear with me, please. Mr. Chairman,
22 Commissioners, ladies and gentlemen, my name is
23 Simon Lock. My wife and I are residents of
24 Fairfield Harbour in New Bern and, as a result,

1 we are customers of CWS. We are hereby
2 requesting that the North Carolina Utilities
3 Commission not only deny in total the greedy
4 demands by CWS, but also require them to
5 implement a rate structure that is more soundly
6 based on actual water and sewer service used by
7 each individual customer. This would encourage
8 rather than penalize those who practice water
9 conservation to preserve and protect our precious
10 water resources.

11 To make it clear, I'm not a
12 radical environmentalist but rather believe that
13 we need to be prudent custodians of our natural
14 resources for both current and future
15 generations.

16 Firstly, the information that we
17 received from CWS is sorely lacking in details in
18 terms of where they would like to implement
19 increases since none of the proposed rates are
20 shown in this document. And I had some
21 communication with the engineer who's explained
22 it a little bit better to me but this was a
23 deficient document to start with. But for CWS to
24 come along and request an average rate increase

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1 of almost 32 percent for water, assuming a
2 consumption of just 4000 gallons, and sewer rate
3 increase of over 13 percent is outrageous and
4 totally out of touch with reality considering
5 that this Commission gave CWS an increase of
6 around 20 percent less than two years ago.
7 During this same period, inflation rates have
8 been in the order of 0.5 to 2.5 percent.

9 Secondly, the rate model is badly
10 flawed because CWS are basically punishing those
11 that consume small amounts of water by
12 proportionally demanding a greater overall rate
13 increase percentagewise for a household using say
14 1000 gallons per month versus a household that
15 uses say 5000 gallons a month.

16 I was unable to calculate relative
17 percentage increases because CWS in their flawed
18 rate proposal provided no breakdown of what they
19 are proposing to increase, but rather show
20 increases for a single hypothetical usage of 3980
21 gallons. But in the previous rate increase
22 request the person using 1000 gallons saw an
23 increase of 19 percent overall whereas the person
24 that was using 5000 gallons only saw a rate

1 increase of 15 percent. Compare that to typical
2 increases let's say in social security or in
3 general salaries of 1 to 2 percent, you realize
4 just how extortionate these rate increases really
5 are.

6 By way of background, while
7 Fairfield Harbour is not designated as a
8 retirement community, I think it would be safe to
9 say that greater than 50 percent of the residents
10 of this community are retirees, and many are
11 relying on social security and perhaps some
12 retirement funds that were adequate when they
13 moved here but are now not keeping up with
14 inflation let alone money grabs by monopoly
15 corporations like CWS.

16 Fairfield Harbour is an old,
17 well-established community that has not grown
18 substantially over the past several years. Thus,
19 CWS should have all the statistical data on water
20 consumption to be able to construct a more
21 appropriate billing system that would still allow
22 them to maintain and operate the community water
23 system and make a reasonable profit without
24 gouging their customers.

1 I also do not believe that a flat
2 sewer rate is -- or flat sewer fee is a fair and
3 equitable approach. Rather both water
4 consumption and sewage should be based on volume
5 of water used at the meter. The model that I
6 would encourage the Commissioners to mandate
7 would be the following: One, a relatively low
8 base charge for water, essentially the amount
9 that covers the cost of reading and maintaining
10 the meter; a relatively low sewer connection
11 charge that would accumulate in a fund for
12 infrequent routine repairs of the sewer lines; a
13 sliding scale that would more closely address the
14 actual cost of providing known quantities of
15 water, the first say 2000 gallons per month would
16 be a total -- at the lowest charge per gallon,
17 the next say 4000 gallons would be a slightly
18 higher rate and then the top tier of water usage
19 would be charged a much higher rate but would
20 allow CWS to start putting money in reserve for
21 any expansions required because of high water
22 consumption; a similar sliding scale would be
23 used for calculating sewer charges with the
24 assumption that a gallon of water used is

1 equivalent to a gallon of sewage treated.

2 In my written testimony, which
3 Mr. Grantmyre has, I've provided some
4 hypothetical examples of how this could work. As
5 you will see in these examples, the highest
6 volume user essentially pays a penalty that would
7 allow CWS to start putting money aside for
8 increases in capacity that might be required
9 because of the impact of the high volume users
10 and would not penalize people who act as good
11 stewards of environmental resources or are just
12 absent from their home and, therefore, not
13 incurring any costs associated with water or
14 sewage treatment.

15 I hope that the Public Utilities
16 Commission will seriously consider the
17 alternative rate approach I have proposed here
18 that would place a more equitable burden on all
19 customers rather than adversely impacting those
20 who consume the small amount -- smaller volumes
21 of water.

22 Just to put this in perspective,
23 the base charge for our electric bill is
24 presently between 15 to 20 percent of the total

1 amount of actual consumption of electricity
2 where -- I'm sorry, the base charge for
3 electricity is approximately 15 to 20 percent
4 with the actual consumption of electricity
5 accounting for 80 to 85 percent of the bill. By
6 contrast, under the current model CWS is
7 collecting about 80 to 85 percent in base charges
8 and it's only allocating 15 to 20 percent of
9 their bill to water consumption and absolutely no
10 consideration of variable cost of sewage
11 treatment based on volume. That, sir, is the end
12 of my -- what I wanted to say.

13 Q Does that conclude your statement?

14 A Yes, it does.

15 MR. GRANTMYRE: Could I have his statement
16 back? He only brought one copy of his statement which
17 what he gave was an abbreviation, but this statement
18 is dated August 22, 2017.

19 BY MR. GRANTMYRE:

20 Q Is this your statement here?

21 A Yes, sir.

22 Q Okay.

23 MR. GRANTMYRE: We would request that this
24 be identified as his exhibit one.

1 CHAIRMAN FINLEY: It will be so identified
2 as Lock Exhibit Number 1.

3 Lock Exhibit 1
4 (Identified)

5 MR. GRANTMYRE: We have no further
6 questions.

7 MR. BENNINK: No questions from the Company.

8 CHAIRMAN FINLEY: Commission? Thank you,
9 Mr. Lock. We appreciate all the hard work you've done
10 to prepare that statement. Thank you for coming out.

11 (The witness is excused.)

12 MR. GRANTMYRE: Tom Musser.

13 TOM MUSSER; was duly sworn and
14 testified as follows:

15 DIRECT STATEMENT

16 BY THE WITNESS:

17 My name is Tom Musser. I live at 1211 Santa
18 Lucia, Fairfield Harbour. And I've lived primarily in
19 three communities, two of them in Michigan and I'm
20 just new here in Fairfield Harbour. I've had -- I've
21 owned a residence for over 50 years between the two
22 states and I've never seen an increase of any type of
23 utility or anything of this magnitude. I think its
24 unconscionable that you're trying to increase the

1 rates at a 31 for us, almost a 32 percent on one and a
2 13 percent on the sewage. I've just never experienced
3 anything like that and I don't know how you can come
4 to a conclusion that you can expect or even justify
5 these rates. I know you have your engineers that
6 have, you know, gone through your calculations and
7 things like that, and I'm sure if I had the money I
8 could find my own engineers that could also come up
9 with a figure and it may even be on the negative side
10 of reducing rates as opposed to expanding rates. I
11 just -- it's just beyond my belief that you can come
12 and ask for these kinds of increases. That's all I
13 have to say.

14 CHAIRMAN FINLEY: Questions of Mr. Musser.

15 MR. GRANTMYRE: We have no other questions.
16 Sir, would you wait, the Company may have a question.

17 MR. BENNINK: No questions.

18 MR. GRANTMYRE: And the Commissioners may
19 have a question.

20 CHAIRMAN FINLEY: Any questions? No
21 questions. Thank you for coming tonight.

22 MR. GRANTMYRE: Are there any other
23 customers who want to make a statement and testify?

24 (No response)

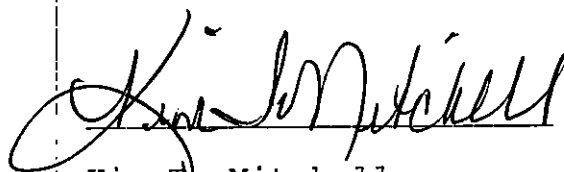
1 MR. GRANTMYRE: Let the record show,
2 although there are eight customers in the audience, no
3 other customers have stated they want to testify.

4 CHAIRMAN FINLEY: The record shall so
5 reflect. Ladies and gentlemen, this is just part of
6 the case, this is where we hear from the customers and
7 the Public Staff engineers as well as the Company's
8 engineers. We'll look at all of the -- and the
9 accountants -- we'll do a complete audit of all of
10 these numbers and determine whether or not they
11 believe that the numbers that the Company has come up
12 with and the request that they've made is justified.
13 The Commission will hear evidence from those
14 professional witnesses later on in this case, there
15 will be a record made of that. The Commission will
16 take that evidence into consideration as well as your
17 testimony here and issue a written order which will
18 attempt to resolve all of the issues that are raised
19 in this case, and we'll post that decision and make
20 you aware of it. So this is just a phase of the case.
21 We appreciate your participation in it thus far. And,
22 if there's nothing further, we shall be adjourned.
23 Thank you for coming.

24 (WHEREUPON, the proceedings were adjourned.)

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