

1 PLACE: Onslow County Courthouse
2 Jacksonville, North Carolina
3 DATE: Tuesday, October 22, 2019
4 TIME: 7:00 P.M. - 0:00 P.M
5 DOCKET NO.: W-354, Sub 364
6 BEFORE: Commissioner ToNola D. Brown-Bland, Presiding
7 Chair Charlotte A. Mitchell
8 Commissioner Lyons Gray
9
10

11 IN THE MATTER OF:
12 Application by
13 Carolina Water Service, Inc. of North Carolina,
14 4944 Parkway Plaza Boulevard, Suite 375,
15 Charlotte, North Carolina 28217
16 for Authority to Adjust and Increase Rates for Water
17 and Sewer Utility Service in
18 All of Its Service Areas in North Carolina
19

20 Volume 6
21
22
23
24

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

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7
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NORTH CAROLINA UTILITIES COMMISSION

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E X H I B I T S

IDENTIFIED/ADMITTED

No Exhibits of Record

P R O C E E D I N G S

COMMISSIONER BROWN-BLAND: Good evening.

Let's come to order and go on the record. I'm Commissioner ToNola D. Brown-Bland with the North Carolina Utilities Commission and I'm the Presiding Commissioner for this hearing. With me this evening are Chair Charlotte A. Mitchell and Commissioner Lyons Gray.

I now call for hearing Docket Number W-354, Sub 364, In the Matter of Application by Carolina Water Service, Inc. of North Carolina, for Authority to Increase Rates for Water and Sewer Utility Service in all service areas in North Carolina. And Docket Number W-354, Sub 363, In the Matter of Carolina Water Service, Inc. of North Carolina, for an Accounting Order to Defer Incremental Storm Damage Expenses Incurred as a Result of Hurricane Florence.

On June 28th, 2019 Carolina Water Service, Inc. of North Carolina, here and after CWS or the Company, filed with the Commission an Application seeking authority to increase its rates for providing water and sewer utility service in all of its service areas in North Carolina. CWS seeks a 15.25 percent increase in water revenue and a 27.51 percent increase

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1 in wastewater revenues over all.

2 The Company states in its Application that
3 it seeks this increase in rates primarily to recover
4 significant capital investment it has made in its
5 water and wastewater systems in North Carolina since
6 its last rate case. According to CWS, these
7 investments were needed to replace and rehabilitate
8 aging infrastructure, to modernize and increase
9 efficiencies, and to recover from damages resulting
10 from Hurricane Florence.

11 On July 15th, 2019, the Commission issued an
12 Order establishing general rate case and suspending
13 rates.

14 On August 2nd, 2019, the Commission issued
15 an Order Scheduling Hearings and Requiring Customer
16 Notice, which among other things scheduled this public
17 witness hearing for today, October 22nd, 2019, at this
18 time and at this place and scheduled an evidentiary
19 hearing for receiving expert witness testimony
20 beginning on December the 2nd, 2019 at two o'clock
21 p.m. in Raleigh. Prior public hearings have been held
22 in Charlotte, Manteo, Boone, Asheville, and Raleigh.

23 On August 22nd, 2019 Corolla Light Community
24 Association, Inc., filed a Petition to Intervene in

1 this matter, which was granted by Commission order
2 issued September 5th, 2019.

3 The intervention and participation of the
4 Public Staff who represents the Using and Consuming
5 Public is recognized pursuant to North Carolina
6 General Statute 62-15(d) and Commission Rule R1-19(e).
7 The Commission has received a number of consumer
8 statements of position regarding the Company's
9 Application, and those letters have been filed in the
10 docket in this matter.

11 Pursuant to the State Government Ethics Act,
12 I remind members of the Commission of our duty to
13 avoid conflicts of interest and inquire at this time
14 as to whether any Commissioner has any known conflict
15 of interest with respect to this docket. The record
16 will reflect that no conflicts were identified.
17 I now call on the parties for their appearances for
18 the record and starting with the Company.

19 MR. BENNINK: Good evening, Madam
20 Commissioner. My name is Robert Bennink. I'm a
21 lawyer in Raleigh and I'm here tonight to represent
22 Carolina Water Service, Incorporated of North
23 Carolina.

24 COMMISSIONER BROWN-BLAND: Thank you, Mr.

1 Bennink.

2 MS. DOWNEY: Good evening, Commissioners.
3 Dianna Downey on behalf of the Public Staff who
4 represent the Using and Consuming Public. With me is
5 Gina Casselberry from the Water Division.

6 COMMISSIONER BROWN-BLAND: All right. Good
7 evening to all. Are there any preliminary matters
8 before we start?

9 MR. BENNINK: None.

10 COMMISSIONER BROWN-BLAND: All right.
11 Before -- and I take it, Ms. Downey, you have
12 identified public witnesses who wish to testify?

13 MS. DOWNEY: Yes, ma'am.

14 COMMISSIONER BROWN-BLAND: All right.
15 Before we start there, just a few remarks about why
16 we're here. We're pleased to be here to come and hear
17 from the customers of CWS and we're glad that you all
18 could join us tonight.

19 As you heard in the beginning of my opening
20 statement, this case began with the Company's filing
21 an Application and in response to that, the Commission
22 paused those proposed rates, scheduled this hearing in
23 two parts. The first part is this series of public
24 hearings that we've gone around the state to hear from

1 the customers and we would like to hear your concerns
2 whether they be service issues or specifically about
3 the rate increase, whatever you have to tell us. We
4 find these to be beneficial to you and us, so that we
5 know the impact of what we do and also so that you may
6 have issues resolved. Many times company
7 representatives will be here and they can answer some
8 of the questions that you might have tonight.

9 The second part of the hearing is the evidentiary
10 hearing, which I mentioned is scheduled for December
11 2nd in Raleigh, and at that hearing we hear from
12 experts who -- experts are sponsored and brought
13 before us by the parties. The parties in this matter
14 are the Company, CWS, the Public Staff, as well as
15 Corolla Light, which is a -- represents a community
16 group out in -- from the Corolla area.

17 The expert witnesses who come to testify in
18 front of us testify about accounting matters, legal
19 matters. They're often engineers, economists,
20 accountants, professionals like that.

21 The Public Staff puts on some of these
22 witnesses. The Public Staff is -- represents the
23 consumers and the customers. They do not work for the
24 North Carolina Utilities Commission. They're --

1 they're independent and they work on behalf of the
2 customers. Their boss is an executive director and
3 they will look at the Company's Application, assess
4 it, investigate it, make determinations, their own
5 independent conclusions about whether conditions and
6 investments are as the Company has stated they are in
7 their application.

8 Once they come to their own opinion, they
9 make that public, and that's known to you and they
10 file their opinions -- usually file their opinions
11 with us and that'll be on our docket system available
12 for you all to see.

13 Now, with regard to the hearing tonight,
14 it's in the nature, we're in the courtroom. That's to
15 convey that these hearings are in the nature of a
16 court proceeding, not in the nature of a town hall or
17 a protest meeting. The court reporter is here to take
18 down what you have to tell us word for word. At the
19 end in a -- in a matter of some several days she will
20 create a transcript from everything that's said here
21 tonight and that too will be on the Commission's
22 website and you'll be able to go there and see
23 everything that's said here tonight.

24 The attorneys here, the attorneys for the

1 Public Staff, and the attorney from the Company will
2 have an opportunity to ask any witness questions and
3 we, the Commissioners will have an opportunity to ask
4 you questions. These questions are not so much to
5 challenge you or to embarrass or anything like that.
6 They're just for the purpose of making sure we've
7 understood what it is that you have to tell us, just
8 to clarify things.

9 Like court proceedings, you can't turn
10 around and ask the judge questions. We, the
11 Commissioners, are not here to answer questions
12 tonight. But, as I said, representatives of the
13 Company as well as from the Public Staff they will
14 remain after the procedures -- proceeding is over here
15 and will do their best to answer what questions they
16 are able to tonight or to get back to you at a later
17 time.

18 Also the Commission has required that the --
19 that the Company file a report following each public
20 hearing where they address matters that you might
21 raise, and so that too will be filed and put in the
22 public docket, the public record. You'll be able to
23 see it.

24 With that said, we -- because we've done so

1 where we go, we try to maintain the same process and
2 procedures, so we're asking -- we've allotted a time
3 period for each witness of three minutes. There's a
4 clock up here. It will count down and when you see it
5 get to one minute, I ask that you, you know, make
6 every reasonable attempt to try to wrap up what you
7 have to say. I really haven't had to run -- everybody
8 has been able to get out what they wanted to tell us
9 in the three-minute time and I really haven't had to
10 run anybody off, so I don't expect that to be any
11 different tonight.

12 One other thing is if someone ahead of you
13 says the same thing that you intended to say, you --
14 repetition doesn't -- doesn't really count here, so
15 you don't need to say it again. You're free to say it
16 again, but you don't need to. You can just say I
17 adopt that other person's testimony or I agree with
18 that, or you can use the time to say I agree with that
19 and I have this other additional to tell you. So that
20 part, the choice is up to you.

21 And now the -- before we get into hearing
22 from the witnesses, Mr. Bennink has asked to have a
23 moment to address you. What he says is an opening
24 statement. It is not evidence in the case. But he

1 has some information he wants to make sure you hear.
2 Mr. Bennink?

3 MR. BENNINK: Thank you, Madam Commissioner.
4 Again, my name is Bob Bennink and I'm the Company's
5 lawyer.

6 I want to just take the opportunity to thank
7 all of you for being here. The Company does
8 appreciate your attendance and we'll listen carefully
9 to what you have to say tonight.

10 I want to introduce people from the Company
11 who are here tonight. They will be available after
12 the hearing to talk with you. If you've got questions
13 you want to ask specifically of the Company employees,
14 you can do that after the hearing. And I'll ask them
15 to stand as I announce their names.

16 We have Bryce Mendenhall, who is the
17 Company's Vice President of Operations; Deborah Clark,
18 who is the Communications Director; Dana Hill, who is
19 the Regional Director; Stacy Goth, who is the Lead
20 Operator or a Lead Operator; Greg Spillman, a Lead
21 Operator; and Matthew Golden, a Lead Operator.

22 And again, we -- we thank you for being
23 here. I will say, again, the Company has the burden
24 of proof in this case to prove -- to -- to prove that

1 it is entitled to the rate increase, whatever rate
2 increase the Commission ultimately may decide to
3 allow.

4 As the Presiding Commissioner has said, you
5 can go to the Commission's website and on that website
6 you can -- you can find and review the Company's
7 Application and all the supporting documentation that
8 it is required to submit, as well as the Company's
9 expert testimony.

10 The Public Staff will file its testimony in
11 early November. That will be on the website. And
12 then to the extent there is disagreement between the
13 Company and the Public Staff, the Company will have an
14 opportunity to file rebuttal testimony. And there
15 again, that will be on the website for you to review.
16 And that's the testimony that will be presented at the
17 evidentiary hearing in Raleigh.

18 And with that, I'll conclude my statement.
19 Thank you again for coming.

20 COMMISSIONER BROWN-BLAND: All right. Ms.
21 Downey, do you have anything you would like to say
22 before we call witnesses?

23 MS. DOWNEY: No, ma'am.

24 COMMISSIONER BROWN-BLAND: All right. Then

1 you may call your first witness.

2 MS. DOWNEY: Danny Conner.

3 COMMISSIONER BROWN-BLAND: If you'd place
4 you left hand on the Bible and raise your right.

5 DANNY CONNER;

6 having been duly sworn,

7 testified as follows:

8 (Cellphone ringing)

9 OFFICER: Put cellphones on silent.

10 DIRECT EXAMINATION BY MS. DOWNEY:

11 Q Would you please state your name for the record,
12 please?

13 A My name is Danny Conner, C-O-N-N-E-R.

14 COMMISSIONER BROWN-BLAND: Just a moment.

15 Let's be sure we got the rings off. Everybody take
16 the opportunity to be sure you silence your phones.

17 Q Mr. Conner, would you please spell your last
18 name, please?

19 A C-o-n-n-e-r.

20 Q And your address, please?

21 A 231 Long John Silver Drive. That's Wilmington,
22 28411.

23 COMMISSIONER BROWN-BLAND: Mr. Conner, if
24 you could move the microphone so it will be --

1 THE WITNESS: Now?

2 COMMISSIONER BROWN-BLAND: -- closer to you.

3 THE WITNESS: Okay.

4 COMMISSIONER BROWN-BLAND: And you might
5 have to move closer to it. All right. Thank you.

6 THE WITNESS: How is that?

7 BY MS. DOWNEY:

8 Q And that's in the Treasure Cove subdivision as I
9 understand it?

10 A That is correct.

11 Q Please proceed with your statement.

12 A To begin with I oppose all the proposed -- I
13 oppose all of the proposed increases and changes
14 outlined in the document - the monthly meter
15 water service base facility charges usage charges
16 they have been asking for an increase at every
17 opportunity, but there is nothing going on in the
18 neighborhood that would justify any increases.

19 The storm reserve fund -- I have a
20 storm reserve fund. It's a savings account and
21 insurance. They need to take that with their
22 profits. I never had anybody give me money for
23 it.

24 The reconnection fee is -- the

1 proposal is outrageous. The North Carolina
2 Utility rule says it should be no more than 15
3 except when the Utility proves the actual
4 reasonable cost for restoring service is greater.
5 Their rate is currently 27 increasing to 42.
6 They tell me that their employee is 15 minutes
7 away, so I find that hard to justify that
8 increase.

9 They plan to implement the
10 proposed rates on the 28th of January if the
11 Commission has not entered a final order. I
12 request that the Commission make a expedited
13 decision and deny the increases before that due
14 date.

15 What brought me to my last
16 problems with them is May 30th when we lost all
17 the water pressure and water in less than 30
18 minutes. And after that, I sent a series of
19 questions to CWS on June the 13th. The last
20 response I had from them was June the 18th. They
21 never answered any questions. Finally, in
22 August, the 2nd, I sent a complaint to the
23 Utilities Commission and Ms. Sara Cummins was
24 able to get a reply from them on the 21st of

1 August. Some of the questions were answered.
2 Some were ignored. One answer didn't even relate
3 to the question. So based on that, I sent
4 another email to them with the remaining
5 questions and I did not get a reply to that until
6 I had to go back through the Utilities
7 Commission.

8 The outage they told me was caused
9 by someone ran into a transformer. The
10 transformer was very close to the road. It's
11 unprotected. I asked if there were any plans to
12 move the transformer to protect it. They said
13 it's not a CWS asset, so it would be up to me to
14 contact the electrical provider for response. I
15 think it's their problem. I enclosed pictures in
16 the exhibit.

17 I asked if there are permanent
18 operational generators on both wells. I asked it
19 two times. It's a simple yes/no answer. It was
20 never answered. I'm unable to see the generator
21 on Well Number 2, so my guess is there is not
22 one.

23 When we had that outage on May
24 30th, if there was a backup, Well Number 2

1 should've come on, because the power was on to
2 the entire neighborhood everything except for the
3 Well Number 1. It did not, so clearly if there's
4 a backup, it doesn't work.

5 They said they had portable
6 generators that can be deployed when needed like
7 for hurricanes, but that is probably a little bit
8 out of date with hurricanes like Florence in
9 Wilmington and Dorian in the Bahamas where it
10 lasts for three days or more.

11 I asked how many residences are
12 currently connected and how many it's designed to
13 service. They said it's designed for 300 with
14 approximately 296 connected. There is no way to
15 prove these numbers since their data is private.
16 I think they've exceeded capacity, which is
17 probably why we have such a low flow and drain
18 the system so quickly.

19 They continue to say that the
20 average family of four uses 4,000 gallons a
21 month. There is no way that's possible. There
22 are two adults in my house. We have every energy
23 saver feature there is and in the last two years
24 we've averaged 5,700 gallons a year. The people

1 around me with four people in the house, two
2 adults, two children, are running seven to 8,000.
3 So my only guess is they use that 4,000 figure to
4 keep from having everybody go into shock when
5 they see the increases proposed. Also --

6 COMMISSIONER BROWN-BLAND: Mr. Conner, are
7 you able to move -- are you able to move towards the
8 end?

9 A Well, about the only other thing I -- I can wrap
10 it up in about 30 seconds or a minute.

11 I have questioned why the fire
12 hydrants weren't in service. They were in
13 service when I moved to the neighborhood. They
14 say now they're for flushing only.

15 I question Well Number 1 is in a
16 flood zone. They came back and told me it was
17 not although I have three flood maps and a flood
18 certification that says it is.

19 I asked about the highest mineral
20 and sediment content. They said that the
21 neighborhood would have to pay for it with a cost
22 of up to \$1.2 million.

23 And I asked about testing for PFAs
24 since we now have PFAs in Cape Fear Public

1 Utility wells within about three miles on either
2 side of us. They said it's not required by DEQ,
3 so they tested it one time, but that's it.

4 All -- all of this has been sent
5 to the Utilities Commission.

6 COMMISSIONER BROWN-BLAND: All right. Are
7 there questions for Mr. Conner?

8 MS. DOWNEY: No.

9 COMMISSIONER BROWN-BLAND: From the Company?

10 MR. BENNINK: No questions.

11 COMMISSIONER BROWN-BLAND: Questions from
12 the Commissioners? All right. Thank you, Mr. Conner,
13 for coming out.

14 (The witness is excused)

15 MS. DOWNEY: Ralph Tridico.

16 RALPH TRIDICO;
17 having been duly sworn,
18 testified as follows:

19 THE WITNESS: My name is Ralph Tridico.

20 COMMISSIONER BROWN-BLAND: Mr. Tridico,
21 let's let Ms. Downey ask you the questions.

22 DIRECT EXAMINATION BY MS. DOWNEY:

23 Q Please state your name and spell your last name,
24 please.

1 A My name is Ralph Tridico, T-r-i-d-i-c-o.

2 Q And what's your address, please?

3 A 1100 Kea Court, Fairfield Harbour, North
4 Carolina.

5 Q Please proceed with your statement.

6 A I have a couple of issues. This proposed -- this
7 -- for this rating pilot program, I don't know
8 how CWS can accomplish this when they don't have
9 any automatic monitoring of their -- their water
10 meters. They have a man walking around reading
11 the meters. Sometimes they get it right.
12 Sometimes they don't. In fact, I just looked at
13 my bill for the last month, there's no reading
14 for September. So I -- I don't know how they
15 propose to accomplish this without having some
16 kind of automatic metering on -- on their --
17 their water meters.

18 There's some other issues that
19 have -- I -- I appeared before the Commission in
20 New Bern. The issue regarding chlorine or lack
21 of in the water. We get these slugs of chlorine
22 and then nothing for two or three weeks. There
23 are other people in the development that have too
24 much chlorine. I don't know how they're putting

1 the chlorine in the water. I don't know if
2 they're injecting it or if they're just dumping
3 it in or whatever, it's not consistent. That's
4 the bottom line.

5 The issue regarding rust in water,
6 it's there. It's still there. There haven't
7 been any improvements. I -- I brought some more
8 filters with me. This is a brand new filter.
9 This is a filter - we were away for almost 21
10 days in September. This -- this filter has --
11 let me -- it has 21 days of use at 58 gallons per
12 day per their number, 1,218 gallons, and it's
13 already red.

14 Now, six, seven years ago I could
15 change the filter every three months. Now I have
16 to do it every month or I get bleed through.

17 The other issue is regarding the
18 rate increase. Fairfield Harbour was devastated
19 by Florence. We have people still not in their
20 homes. I have a neighbor that's 98 years old.
21 He's not in his house, but he's paying for water
22 service. That's not right. That's absolutely
23 not right.

24 The Commission -- CWS has

1 requested rate increases that I know of that I've
2 documented since 2013 up through 2019 currently.
3 Every rate increase up until, dated 5/1, in --
4 they were granted one in '13. They requested one
5 in '15. They got in '16. And so forth and so
6 on. Okay. Where is the improvement in the
7 service? We're paying for something that's not
8 getting improved. It's the same. And I don't
9 understand where the money is going. And this --
10 this fund they want for emergencies, it should
11 come from profits. It should come out of
12 profits; a part of doing business, the cost of
13 doing business.

14 Now, I don't know what the
15 regulations are. I don't know, you know, what
16 the state allowed, what the Commission doesn't
17 allow. I know they're a monopoly and they're
18 controlled as a monopoly, but in our community
19 we're not seeing any improvements. The only time
20 we get -- get anything done is when somebody
21 breaks a water meter, they did, granted, put new
22 control systems in on some of the sewer lift
23 stations as a result of Florence, but the stuff
24 that was in there was out of date. And it should

1 -- it's -- it's part of doing business. It's
2 part of their responsibility to maintain the
3 system.

4 COMMISSIONER BROWN-BLAND: Mr. Tridico, are
5 you able to wrap up yet?

6 THE WITNESS: That's about all I have.

7 COMMISSIONER BROWN-BLAND: All right. Ms.
8 Downey, do you have any questions for Mr. Tridico?

9 MS. DOWNEY: No, ma'am.

10 MR. BENNINK: No questions.

11 COMMISSIONER BROWN-BLAND: Mr. Tridico,
12 questions from the Commission? I got just a couple.

13 EXAMINATION BY COMMISSIONER BROWN-BLAND:

14 Q You indicated that you had some bills where there
15 were no meter readings. Is that something that's
16 common?

17 A The -- the -- the bill -- the last bill I got
18 they -- they have a graph that shows monthly
19 usage and in September there was no bar on that
20 one, on September's. Why? I don't -- I don't
21 know. I know that the usage was -- was
22 substantially down. I think it was 1,300 and some
23 gallons, because we weren't home for almost two
24 and a half weeks.

1 Q So the bar was missing. Was there a numerical
2 equivalent or amount?

3 A Yeah. I had -- there was a number for usage,
4 okay, for the -- the current period. Now,
5 sometimes there will be a number in there, okay,
6 makes no sense whatsoever, because they hadn't --
7 their -- they guess at the previous number, and
8 then they -- the man came around and made (sic)
9 the reader -- read the meter. That doesn't
10 happen all the -- they don't read the meter all
11 the time every month. You know, they miss it.

12 Q Is it a common occurrence or is --

13 A Maybe three -- three times a year or four times a
14 year at the most, okay? Here's the thing. Okay.
15 If they're going to improve the system, they --
16 they've got digital readers that they can put
17 onto those meters. And most utilities have them.
18 They don't.

19 Q Do -- do --

20 A I don't mind paying increases if we're going to
21 get something for it.

22 Q Right. I was just going to ask you, you
23 understand an advanced meter is more expensive.

24 A Sure. Show me improvement and I'll pay for it.

1 I don't have a problem. We're not seeing
2 improvement. And, quite frankly, for them to
3 charge what they're charging for people that
4 aren't in their homes or, you know, they're --
5 they're still living in trailers, that's not
6 right.

7 Q And this -- that's as a result of the storm?

8 A Of Florence, yeah.

9 Q All right.

10 A We're over here now.

11 Q And another question I had --

12 A Sure.

13 Q -- with regard to the filter, what's -- what's
14 the cost of the filters? Are they very
15 expensive?

16 A Filter is about \$5.

17 Q So you -- and you put a new one on once a month?

18 A Now, yeah.

19 Q And --

20 A Plus the water softener. Plus the RO system in
21 there that I have so I can drink the water.

22 Q So that's your own filtration system?

23 A Yes. Yes. It's my own -- it's -- it's really
24 what -- what I'm doing and what a lot of people

1 in Fairfield Harbour are doing, should become a
2 water company.

3 Q How old is your system?

4 A The -- the -- well, the RO system is -- I change
5 that membrane, it's probably five years old.

6 Q All right.

7 A And there's -- there's an RO filter membrane and
8 two other filters on that. I have a primary
9 filter which is what you saw there, and it's a 5
10 micron filter. It's very effective. I have a
11 filter that's a pre-filter. I have a post-filter
12 after the softener. That's in there -- that's in
13 there nine months. It's still pure white. So
14 the filtering system is working.

15 Q All right. What -- what's the -- if you recall
16 and you recall the cost figure on your RO system?

17 A Yeah, it was about -- originally it was about
18 \$1,800. And the softener system was close to
19 \$2,000. Now that's -- that's 28 years old. It's
20 been -- it's been worked on twice in 28 years.

21 Q All right.

22 A I'm not going to do a pitch for the manufacturer,
23 but they're -- they're super.

24 Q All right.

1 COMMISSIONER BROWN-BLAND: Are there
2 questions on my questions?

3 MS. DOWNEY: No.

4 A And the other thing, the one thing, the chlorine
5 is another issue. Again, I don't know how
6 they're -- they're injecting chlorine into the
7 system or where they're doing it, but it's not
8 consistent. And -- and that's a real problem. I
9 mean, when you look at a toilet bowl and you
10 clean the toilet bowl thoroughly and a week later
11 you got black mold around the top of the rim,
12 that's a problem --

13 COMMISSIONER BROWN-BLAND: All right.

14 A -- because that's in the water.

15 COMMISSIONER BROWN-BLAND: Well,
16 Mr. Tridico, we covered if you wanted to speak with
17 one of the representatives here before you leave, and
18 perhaps they can provide some answers, and even if not
19 they will be filing a report about what you had to say
20 here tonight and you can look back and see what --

21 A The guys on site they -- they do a pretty good
22 job. But I will say this, okay? I have a fire
23 hydrant in front of my house. It's -- that
24 particular hydrant is for flushing only

1 supposedly. It's a four-inch main. I sent a
2 letter when the Commission requested comments and
3 all, I made a comment on the internet about the
4 hydrant not being flushed for, I don't know, it
5 was six or seven months, maybe a little longer.
6 It was interesting, two days later the hydrant
7 was being flushed.

8 Now, it needs to be done. I mean,
9 that would bring some more of the -- we're on a
10 dead end. We're at the end of the pipeline, so
11 that's a problem in itself, which, you know, you
12 really can't do anything about that unless you
13 have a circulating system.

14 COMMISSIONER BROWN-BLAND: All right. Well,
15 thank you, Mr. Tridico. You may step down.

16 THE WITNESS: Thank you.

17 MS. DOWNEY: Jay Kraft.

18 JAMES C. KRAFT;

19 having been duly sworn,

20 testified as follows:

21 DIRECT EXAMINATION BY MS. DOWNEY:

22 Q Please state your name and spell your last name
23 for the record.

24 A My name is James C. Kraft. My last name is

1 spelled K-R-A-F-T.

2 Q And your address, please?

3 A 215A Reserve Green Drive, Morehead City, North
4 Carolina, 28557.

5 Q And that's in Brandywine, right?

6 A That is correct.

7 Q Please proceed with your statement.

8 A My family and I arrived in Carteret County 42
9 years ago and we're now in our fourth residence.
10 The first three residences were served by wells,
11 and then the most recent one is now served by the
12 water company.

13 The wells were -- the only
14 treatment that they received was water softeners
15 and the water from the wells in this area is
16 excellent. The water from the water company is
17 not excellent. It contains a lot of sediment and
18 the pressure varies considerably. I have yet to
19 figure out how a company -- a water treatment
20 company can take perfectly good well water and
21 ruin it.

22 The water is also as the previous
23 witnesses stated has -- causes stains. We have a
24 neighborhood website that people can post things

1 on for sale, lost pets, things like that, and
2 several weeks ago a new resident posted that
3 their water was yellow and did anybody else have
4 that problem. The poster got eight comments all
5 of which replied in the affirmative they had
6 sediment. And we ourselves do have sediment from
7 time to time especially when we leave for a
8 period of time. When we come back, the water in
9 the toilet for some reason has turned kind of an
10 orange and pink color and we haven't put anything
11 in the toilets either.

12 My main concern with this request
13 is over cost. The Company currently charges a
14 monthly rate. This is a base rate of \$73.84.
15 That's water and sewer combined. This is roughly
16 75 percent of our normal monthly water bill of
17 around a hundred to \$110 per billing cycle.

18 This is upside down. We could be
19 gone for a full month during one billing cycle
20 and come back having used zero water and get a
21 bill for \$73.84. Thank you very much.

22 If the Company is interested in
23 conserving water, then the base rate should be
24 low and the water rate should be higher, so that

1 people would save water and save money in the
2 process.

3 The current -- in 2014, September
4 of 2014, the base rate was combined \$51.27. The
5 current combined base rate of \$73.84 is an
6 increase of 44 percent over five years. That is
7 a compound annual rate of return of roughly 8
8 percent. During that same timeframe, the CPI,
9 consumer price index, averaged about 2 percent a
10 year.

11 I recommend the Commission
12 consider this fact and not only grant no rate
13 increase to the Company this year, but also
14 direct the Company to calculate an overage and a
15 proposal to refund -- for a refund schedule to
16 customers for the excessive charges we have had
17 over the last few years.

18 I recommend also that the Company
19 take steps to improve water quality. I have --
20 over the last four years I have reviewed the
21 Carolina Water Service Brandywine -- for
22 Brandywine Bay and each year there is at least
23 one and upon one occasion two items that they
24 measure that were out of limits. We were never

1 notified about that that I know of.

2 And I think my time is up, so I'll
3 -- I'll close with that -- I'll close with this
4 comment. I recommend the Company takes steps to
5 improve their water quality, reduce sediments,
6 notify customers when the steps are taken, and
7 the plan implementation of -- of steps. Too many
8 customers including us have had -- through the
9 ringer. Customers have been overcharged for
10 an -- for an inferior product for years by the --
11 by a regulated monopoly over which we have no
12 control other than the North Carolina Public
13 Utilities Commission. It is time for the
14 Commission to do its job and regulate this
15 monopoly to the benefit of the North Carolinians
16 that they serve. Thank you.

17 COMMISSIONER BROWN-BLAND: All right. Are
18 there questions for the witness?

19 MS. DOWNEY: No.

20 MR. BENNINK: No questions.

21 COMMISSIONER BROWN-BLAND: Any questions
22 from the Commission? Chair Mitchell?

23 EXAMINATION BY CHAIR MITCHELL:

24 Q Have you previously communicated your concerns of

1 the water quality to the Company?

2 A No, I have not, but I have -- I have communicated
3 to the Public Utilities Commission twice.

4 Q Through public comment or how so?

5 A In an email to Ms. Casselberry.

6 COMMISSIONER BROWN-BLAND: All right. Thank
7 you, Mr. Kraft. You may be excused. Thank you for
8 coming out.

9 THE WITNESS: Thank you.

10 (The witness is excused)

11 MS. DOWNEY: John Gumbel.

12 JOHN GUMBEL;

13 having been duly sworn,

14 testified as follows:

15 DIRECT EXAMINATION BY MS. DOWNEY:

16 Q Please state your name and spell your last name
17 for the record.

18 A It's John Gumbel and it's G-U-M-B-E-L.

19 Q And your address, please?

20 A 107 Boros Landing, New Bern.

21 Q And that's in Carolina Pines?

22 A It is.

23 Q Please proceed with your statement.

24 A Like I just mentioned my name is John Gumbel.

1 I'm a retired Marine colonel and I'm going to
2 speak fast since all I have is three minutes. .

3 I live in the Carolina Pines area
4 of Craven County between the cities of New Bern
5 and Havelock and charged with a Uniform Flat Rate
6 for sewer. I have a bachelor's degree in
7 economics from UCLA and a master's in systems
8 analysis from the Naval Postgraduate School, a
9 master's in national resources strategy from the
10 Industrial College of the Armed Forces. Rate
11 increases in utilities touch on some facets of
12 all three of those degrees. If handed this rate
13 increase request as a study in any of those
14 classes for those degrees, my conclusion would've
15 been the same as it is today, which is to deny
16 the increase and to roll back the rates instead.
17 I mentioned that my degree is in economics. And,
18 unfortunately, economists use numbers to explain
19 their point and I'm going to have to use a lot of
20 numbers here. Please bear with me.

21 I feel strongly enough about this
22 issue that I skipped dinner to drive here from up
23 there and I'm missing game one of the World
24 Series, so I do feel strongly about this issue.

1 I strongly object to the proposed
2 37.43 percent increase in the Uniform Flat Rate
3 for sewer as excessive. Given the 10-year
4 history of increases in the Uniform Flat Rate, no
5 increase in the rate is currently justified when
6 the rate is compared with increases in the CPI
7 over the same period of time. Rate increases
8 have already been 3.9 times the increase in the
9 CPI over the last 10 years even without this
10 proposed increase. If anything, rates should be
11 rolled back.

12 I moved to my present home in
13 August of 2005. I got a history of the rate --
14 the rates over that period and I did send this to
15 you ahead of time. I emailed it.

16 '05 to '09, \$33.13; '09 to '11 --
17 March 11, \$42.06; April '11 to April '14, \$40.14;
18 may of '14 to July of '14, \$56.45; August -- and
19 it goes on and on and on to where we hit the
20 present rate, which is \$57.82. There was one
21 rate increase during that period in July '14
22 where it was increased 40 percent, but it was
23 deemed to be improperly approved by the
24 Commission and was rolled back to \$44.70, which

1 was still an 11.3 percent rate increase, which of
2 course was still excessive. So right now we're
3 looking at the -- at a proposal for a 37.43
4 percent increase, so nearly that 40 percent
5 increase that was rolled back.

6 If I use the Bureau of Labor
7 Statistics CPI calculator, I find that the \$33.13
8 inflated from September '05 when I moved in that
9 house to August 2019 has a value of \$42.76. So
10 using the CPI and just taking that rate that I
11 was paying inflating it, it comes to \$42.76.

12 Okay. If I inflate the same
13 \$33.13 from July 2009 which is the last time I
14 paid that rate to August 2019 its value is
15 \$39.47. So the current rate of \$57.82 is a
16 \$24.69 increase in the Uniform Flat Rate for
17 sewer from the rate I paid in July of '09. That
18 \$24.69 increase represents a 390 percent increase
19 compounded increase -- excuse me -- the \$24.69
20 increase is 390 percent above the compounded
21 increase in the CPI measured from July '09 to
22 July '19, so basically 10 years. So the CPI
23 increase in that 10-year period, what we've done
24 with the rates in the utilities, is 3.9 times

1 what the CPI increase has been. 390 percent.

2 There's no way for -- for a
3 utility or the Utility Commission to justify a
4 rate increase that's 3.9 times the CPI over 10
5 years, investment or no investment. If the rate
6 increase is allowed to increase to the proposed
7 \$79.46, the percent of increases as measured from
8 July '09 to August 2019 will be 1,253 percent of
9 the compounded CPI increase. That's 12 and a
10 half times what the CPI increase is. How could
11 you justify that? How could you justify over a
12 10-year period that we would pay 12 and a half
13 times the increases in the CPI?

14 COMMISSIONER BROWN-BLAND: Mr. Gumbel, are
15 you near the end?

16 A I'm not there, one paragraph left.

17 Not only should there be a rate
18 increase, but there should be a rate decrease to
19 bring the rates more in line with inflation. I
20 strongly recommend that the Utilities Commission
21 advocate for the consumer and not for the Utility
22 and reject this excessive increase in its
23 entirety. I note that the last time the Utility
24 granted an excessive increase, which was 40

1 percent in May of 2014, it was later found to be
2 invalid and rolled back to -- rolled back in
3 August of 2014.

4 Any questions?

5 COMMISSIONER BROWN-BLAND: All right. Any
6 questions for this witness?

7 MS. DOWNEY: No questions.

8 COMMISSIONER BROWN-BLAND: Okay. Questions
9 from the Commission? All right. Thank you. Mr.
10 Gumbel, you were able -- you were able to get through
11 everything you had there, right? Or did you --

12 THE WITNESS: Yeah, I did. I know it was a
13 little rushed, but -- and it's a lot of numbers. If
14 it's rushed, you can have a copy of that if you need
15 to put it in, but -- you know, just, you know, one
16 more thing is is, you know, and I think we've all seen
17 this where there's a request for extremely large
18 increases, and then the Commission will roll them
19 back, but doesn't roll them back enough. So the last
20 time it happened it was a 40 percent increase. It got
21 rolled back to an 11 percent increase, which was
22 excessive. So I'm hoping not to see that from the
23 Commission this time that we're looking at this 37.43
24 percent they've requested for an increase in these

1 sewer rates, that they're not just rolled back to an
2 11, because as you heard me we're already running 390
3 percent of the CPI increase over the last 10 years.

4 COMMISSIONER BROWN-BLAND: All right.

5 THE WITNESS: 390 percent.

6 COMMISSIONER BROWN-BLAND: All right, Mr.
7 Gumbel. Thank you.

8 (The witness is excused)

9 MS. DOWNEY: Dave Stevenson.

10 DAVID STEVENSON;

11 having been duly sworn,

12 testified as follows:

13 COMMISSIONER BROWN-BLAND: Ms. Downey has
14 some questions for you.

15 DIRECT EXAMINATION BY MS. DOWNEY:

16 Q Please state your name and spell your last name,
17 please.

18 A My name is David Stevenson. My last name is
19 S-T-E-V-E-N-S-O-N.

20 Q And your address, please?

21 A 903 Caroline Court. And that's Fairfield
22 Harbour. That's New Bern, 28560.

23 Q Thank you. Please proceed with your statement.

24 A I'm here, and as a matter of fact there are three

1 of us here, at the request of the POA Board from
2 Fairfield Harbour. I'm carrying a message that
3 relates to the cost of increase in rates.

4 One of the things that bothers me
5 is I look at Page 2 of the appendix of this
6 Docket 354, Sub 364. It describes that CWS is
7 now going to generate a reserve fund. It is also
8 clear from just walking around the community that
9 they had to make repairs from Hurricane Florence.
10 The thing that concerns me is this statement
11 implies, and perhaps I could be refuted on this,
12 implies that they had no insurance for flood
13 insurance and they had no reserve. It's good
14 that they're finally getting to it.

15 But I'd like to make the point
16 that this community has suffered a lot. And I
17 want to grab something. This is not a sympathy
18 request. This is just a fact. If you've never
19 lived through a -- a -- something like Florence,
20 you know, a real disaster, you don't have any
21 real concept of what the community has been going
22 through.

23 And if you ever had a rate
24 increase which is based upon costs from -- from

1 the flood, which is like salt in a wound to the
2 people who are still not in their home. One of
3 them is here tonight. And I'll give you this
4 point. If we hadn't carried flood insurance on
5 our property, which for the community is just
6 about universal, if we hadn't, you wouldn't have
7 anybody to sell water to. There would be a lot
8 of bankruptcies. There are several anyway.
9 There are some houses that have been leveled and
10 I think some are being raised and some that are
11 being sold at a great discount and being rebuilt
12 and by somebody else in effect.

13 That's my major point. My major
14 point is I don't see how you can justify any of
15 the rate increase proposed in this letter which
16 is dated August the 3rd when you haven't made any
17 provision to deal with this disaster and we have.

18 There's a lot of quality issues
19 and I'm not going to deal with them, because the
20 other two gentlemen, one has already spoken, will
21 deal with it. I'd like to say at least in the --
22 on behalf of CWS water service has not really
23 stopped even during a hurricane, at least from my
24 perspective. But I cannot in good conscious

1 accept a rate increase of any kind in this --
2 proposed in this August 3rd memo under the
3 circumstances when I don't really feel that the
4 Company has done -- has good business practices.
5 And we maintained reserves (inaudible). We have
6 insurance. And we can deal with this to the best
7 of our ability and I -- I -- my proposal is that
8 the rate increase is totally reduced, there is no
9 rate increase as proposed in the August 3rd memo.

10 That's the primary point I have.

11 COMMISSIONER BROWN-BLAND: All right. Are
12 there questions for Ms. Stevenson?

13 MS. DOWNEY: No.

14 THE WITNESS: Thank you.

15 COMMISSIONER BROWN-BLAND: Questions from
16 the Company? Mr. Bennink, questions?

17 MR. BENNINK: No questions.

18 COMMISSIONER BROWN-BLAND: Questions from
19 the Commissioners? All right. Thank you, Mr.
20 Stevenson.

21 (The witness is excused)

22 MS. DOWNEY: Irving Joffee.

23 IRVING JOFFEE;

24 having been duly sworn,

1 testified as follows:

2 DIRECT EXAMINATION BY MS. DOWNEY:

3 Q Please state your name and spell your last name,
4 please.

5 A My name is Irving Joffee, J-O-F-F-E-E.

6 Q And your address, please?

7 A 1014 -- my legal address is 1014 Pelican Drive,
8 New Bern, North Carolina 28562.

9 Q And that's in Fairfield Harbour correct?

10 A Yes, it is.

11 Q Please proceed with your statement.

12 A It's -- as I stated it as my legal address,
13 because I'm one of those people that still am not
14 yet living back in my home, because I was flooded
15 out because of Florence. And I have a few
16 statements regarding that. I'd like the
17 Commission to address -- to -- to consider this
18 rate increase in terms of three things. One in
19 terms of the quality of the water that we receive
20 and the services received. A lot of it has been
21 impressed already.

22 Also with regard to the way, the
23 lack of regard in many ways, that CWS has for the
24 community that it serves and I will address that

1 point. And also with regard I'd like the
2 Commission to look -- address the efficiency with
3 which CWS uses its resources in terms of the
4 request to continually raise the rates which they
5 do.

6 Now, a number of people have
7 addressed the water quality. I could say more.
8 I did a few years ago in a hearing. I am an
9 expert in filtration and filter -- filter
10 products and I know that the quality of water is
11 not good.

12 Right now I'm living in Trent
13 Woods because I've been flooded out of my house
14 and it's not yet rebuilt. There is no water
15 purifying system in the house that I'm living in
16 right now and the water -- we use the water as it
17 comes right out of the pipe and it -- it's clear.
18 There's no color to it. There's no chlorine odor
19 to it. There's no sulfur odor to it. It does
20 not stain our clothes when we wash with it. It's
21 fine. It's the City of New Bern water..

22 Now, with regard to the -- to the
23 cost, what I -- I'm not an expert in economics,
24 so I can't review the efficiency of operations of

1 CWS, but what I can tell you is some of the rates
2 that I pay for water. It's just relatively
3 similar to the rates that we pay for the New Bern
4 water. And I happen to own a condominium, it's
5 actually a townhouse, in Lewes, Delaware, and I
6 would like to -- my daughter pays it -- the water
7 bill, so I don't have a water bill for it, but I
8 pay the sewer tax. I -- and I'd like to tell you
9 that Fairfield Harbour right now without the
10 proposed rate increase there's a minimum sewer
11 usage fee of about \$50 per month. This is my
12 last bill for sewer -- sewer usage on -- on my
13 townhouse in Lewes, Delaware. It's \$81 for the
14 quarter.

15 Q How much?

16 A \$81 -- my last bill was \$81.40 for the last
17 quarter. That's three months, so that's less
18 than \$30 a month for sewage. And I noticed they
19 -- they bill it -- it is a townhouse. This is
20 billed, assessed by quite flat footage as most
21 apartments and townhouses are and I noticed in
22 the proposed rate increase for Apartments at
23 Hawthorne and The Grid (spelling uncertain)
24 Apartments it says on Page 3 out of 5 of Appendix

1 AH2 the current billing rate is \$50.46 and it's
2 proposed to raise it to \$55.66. Quite a bit more
3 than what -- what Lewes, Delaware is charging me
4 for sewage.

5 Now, with regard to how I feel
6 that the -- the fairness or lack of fairness with
7 which CWS does relay to the community, I'd like
8 to give you an example. CWS was very good after
9 storms, because I turned my water -- I turned --
10 had them turn the water off. They shut the water
11 off after the storm. And I was told at that time
12 there would -- that because it was due to the
13 storm, I would not have to pay a reinstatement
14 fee, which they told me was going to \$15 -- \$50
15 to reinstate the service when I finally get back
16 into the house or I have to turn the water back
17 on.

18 Well, they started raising my
19 house. I was forced to elevate my house and they
20 began to do that in June and -- and in
21 preparation after -- actually they started at the
22 end of -- at the end of March, beginning of April
23 to elevate the house. And when they got the
24 masons in there to start building the foundation,

1 so I had to have the water turned back on.
2 Eventually the water was turned -- turned on. I
3 had to pay the minimum monthly charge which was
4 again about \$50 -- roughly \$50 a month. And the
5 water usage, of course, would be minimal, far
6 below any normal usage of course. All it was
7 used for was minimal far and below because the
8 masons tapped into the house -- tapped into the
9 waterline right at the meter and they put up a
10 spigot and had it so they could use the water to
11 mix them mortar with, and that was all that was
12 used.

13 Of course, nothing went down the
14 drain, because there was no drain because my
15 house was elevated at the time. The house was
16 totally separate from the sewer system. The
17 house was not connected to the sewer system, nor
18 was it connected to the water system. So all of
19 the water went to the making of mortar and did
20 not go down the drain, because there was no
21 drain.

22 And the --

23 COMMISSIONER BROWN-BLAND: Mr. Joffe, can
24 you --

1 A I'll -- I just want to finish this one -- this
2 one last thing.

3 COMMISSIONER BROWN-BLAND: All right. I
4 want you to, but I need you to --

5 A Okay. I called the customer service at CWS and
6 when I got the first bill, you know, my bill
7 includes \$50 for sewer service. I said my house
8 is not even connected to the sewer at this time.
9 I said I would like to see if I can pay my water
10 bill, but not have to pay for sewer service,
11 because I have no sewer. And they, the customer
12 service told me yes, I'm sure if you talk to the
13 supervisors and the management they'll -- they'll
14 take it off the bill for you. You won't have to
15 pay for that if you're not connected. So I did
16 call back. I spoke to the supervisors and their
17 management and I was promptly told there's
18 absolutely no way to identify you're not
19 connected to the sewer, I have to pay for the
20 sewer service anyways no matter what. And I
21 thought that that was just outrageous. And I am
22 still not connected to the sewer.

23 I will be soon. Hopefully I'll be
24 able to get back into my house next month. But

1 at this -- at this point I'm still paying a
2 minimum water charge and paying the sewer charge
3 and I'm not -- not even living in the house.

4 So at this point I'd just like to finish up.

5 COMMISSIONER BROWN-BLAND: All right. Any
6 questions for Mr. Joffee?

7 MS. DOWNEY: No.

8 MR. BENNINK: No questions.

9 COMMISSIONER BROWN-BLAND: Any questions --
10 questions from the Commission? Mr. Joffee, you may be
11 excused. Thank you.

12 (The witness is excused)

13 MS. DOWNEY: That was the last witness I had
14 signed up.

15 COMMISSIONER BROWN-BLAND: All right. That
16 was the last witness, so that will conclude with the
17 public witness portion of this proceeding, this being
18 the last public witness hearing that's scheduled. As
19 I indicated earlier, you can follow these proceedings,
20 what the Public Staff has to say about the
21 Application, the rate increase, what the Company has
22 to say in response to what it's heard here tonight.
23 You can find all of that by going to our website
24 www.ncuc.net. If you put in the docket number, you

1 will be able to follow there where to go and -- and
2 the Public Staff and the Company will be sure to help
3 you find your way through there if you have any
4 difficulties.

5 Again, we appreciate you coming out tonight.
6 The -- the evidentiary hearing in this matter will be
7 in Raleigh on December the 2nd, and that is -- you can
8 also follow that proceeding and the transcript from
9 that proceeding will also be posted and be available
10 to you online.

11 Nothing else to cover before the Commission
12 tonight, we'll be adjourned.

13 (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

Kim T. Mitchell
Court Reporter