

**SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

December 13, 2019

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

**Via Electronic Delivery**

Re: Docket No. W-354, Sub 364  
Carolina Water Service, Inc. of North Carolina  
Late-Filed Exhibits of Dylan D'Ascendis, Dante DeStefano, and  
Bryce Mendenhall, per Commissioners' Requests at Evidentiary  
Hearing

Dear Ms. Campbell:

At the evidentiary hearing in this matter on Tuesday, December 3, 2019, requests for late-filed exhibits were posed by various Commissioners to three witnesses for Carolina Water Service, Inc. of North Carolina ("CWSNC"). Those exhibits are attached and address the following requests:

A. Chair Mitchell asked CWSNC witness Dylan D'Ascendis the effect on each of his cost of capital models of using current yields, rather than forecasted yields. (*Tr. Vol. 8, page 6, line 21 through page 7, line 22*)

Attached as D'Ascendis Late-Filed Exhibit No. 1, consisting of 31 pages, is Mr. D'Ascendis' response to the Chair's question.

B. As part of a discussion with the Chair about the predictive risk premium model, witness D'Ascendis referred to three academic articles that addressed its application to utilities. (*Tr. Vol 8, page 12, line 16 through page 13, line 16*)

Mr. D'Ascendis cited to one article that was published in the December 2011 or December 2012 time frame and to "...two other academic articles and

peer-reviewed journals on the subject.” Mr. D’Ascendis indicated that he referred to all three in his testimony (one in Rebuttal) and offered to provide all three, to which Chair Mitchell responded in the affirmative. *Id.*, page 13, lines 12-16

Subsequent discussion among Chair Mitchell, Presiding Commissioner Brown-Bland, and Mr. D’Ascendis concerned whether the citations to two of the articles were already available in the testimony, and whether the other article could be provided or cited. (*Tr. Vol. 8, pages 19-20*)

To attempt to fully address the inquiry, CWSNC is providing all three articles, and they are attached as:

- D’Ascendis Late-Filed Exhibit No. 2, Decoupling Impact and Public Utility Conservation Investment. Michelfelder, Ahern, and D’Ascendis (2019);
- D’Ascendis Late-filed Exhibit No. 3, New Approach to Estimating the Cost of Common Equity Capital for Public Utilities. Ahern, Hanley and Michelfelder (2011); and
- D’Ascendis Late-Filed Exhibit No. 4, Comparative Evaluation of the Predictive Risk Premium Model, the Discounted Cash Flow Model, and the Capital Asset Pricing Model for Estimating the Cost of Capital. Michelfelder, Ahearn, D’Ascendis and Hanley (2013).

C. Presiding Commissioner Brown-Bland requested information on the number of disconnects during the test year and the ensuing period. In the same exchange, Commissioner Hughes requested information on the difference between “...a voluntary reconnect versus a nonpayment.” (*Tr. Vol. 8, page 66 through page 67*)

Attached as Mendenhall Late-Filed Exhibit No. 1, please see the summary of reconnect orders processed by the Company by month for the Test Year (the 12 months ended March 31, 2019), and six months Post-Test Year through September 30, 2019, priced at the current \$27 reconnect charge.

Settlement Schedule 3-1 reflects the pro-forma Test Year amounts. The actual dollar amounts for the Test Year are included in the Other Water/Sewer Revenues at line 2, and the Reconnect Fee shown on this Schedule reflects the pro-forma price change from \$27 to \$42 for the Test Year activity.

D. Commissioner Clodfelter asked CWSNC witness DeStefano a series of questions focusing on the impact on revenue requirements as end-of-life replacements of plant are reached. Specifically, the request was to know the increase in annual revenue requirement for the Company's two new wastewater treatment plants (Connestee and Nags Head), over what the annual revenue requirement would have been for the old plants. (*Tr. Vol. 9, page 190, line 3 through page 192, line 15*)

Attached as DeStefano Late-Filed Exhibit No. 1 is a comparison of the revenue requirements for the Sub 360 and Sub 364 dockets related to the replaced and new Connestee Falls and Nags Head wastewater treatment plants.

. As always, thank you and your staff for your assistance.

Sincerely,

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

Attorney for Carolina Water Service, Inc.  
of North Carolina

c: Parties of Record

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing documents consisting of **Carolina Water Service, Inc. of North Carolina's Late-Filed Exhibits** have been served on the parties of record to Docket No. W-354, Sub 364, 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 13<sup>th</sup> day of December, 2019.

**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 Service,  
Inc. of North Carolina**