



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

November 15, 2019

Ms. Kimberley A. Campbell, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. W-354, Sub 364 - Carolina Water Service, Inc. of North  
Carolina - Application for Rate Increase

Dear Ms. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing  
on behalf of the Public Staff the Supplemental Testimony of Gina Y. Casselberry,  
Utilities Engineer, Water, Sewer, and Telephone Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ John D. Little  
Staff Attorney  
[john.little@psncuc.nc.gov](mailto:john.little@psncuc.nc.gov)

JDL/cla

Attachment

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Nov 15 2019

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA  
DOCKET NO. W-354, SUB 364

SUPPLEMENTAL TESTIMONY OF GINA Y. CASSELBERRY  
ON BEHALF OF THE PUBLIC STAFF

NOVEMBER 15, 2019

1 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL  
2 TESTIMONY?

3 A. The purpose of my supplemental testimony is to discuss customer  
4 complaints and witness testimony at public hearings.

5 Q. HAS THE PUBLIC STAFF RECEIVED ANY CUSTOMER  
6 COMPLAINTS AS A RESULT OF THE CUSTOMER NOTICES IN  
7 THIS PROCEEDING?

8 A. Yes. The Public Staff reviewed approximately 316 position  
9 statements from Carolina Water Service, Inc. of North Carolina  
10 (CWSNC) customers. The service areas represented are Belvedere  
11 (1), Brandywine Bay (2), Carolina Pines (1), Carolina Trace (11),  
12 Corolla Light/Monteray Shores (1), Connestee Falls (48), Fairfield  
13 Harbour (33), Kings Grant (1), Sapphire Valley (2), The Point (161),  
14 Treasure Cove (1), Ski Mountain (1), Waterglyn (1), Woodhaven (1),  
15 and unspecified service areas (51). All of the customers objected to  
16 the magnitude of the increase. Their primary concern was that

1 CWSNC was in for another rate increase when they just had an  
2 increase in March 2019, less than six months ago. Most of the  
3 customers in Connestee Falls said there was no justification for such  
4 a large increase, that they had to pay the base charge for service  
5 when they were not occupying their homes, and that they  
6 experienced numerous leaks and boil water advisory notices over  
7 the summer. The customers in Fairfield Harbour said that they were  
8 still recovering from Hurricane Florence and that they could not afford  
9 an increase. They also stated that the water quality was poor and  
10 that they had to install individual softeners and filter systems. Nearly  
11 all of the customers in The Point opposed CWSNC's proposed Pilot  
12 Program. Their primary objections were: (1) customers in The Point  
13 were being penalized and that the block rates should apply to all  
14 CWSNC customers, (2) the average consumption did not take into  
15 account customers who live on the lake and use lake water for  
16 irrigation, (3) the covenants do not allow individual wells for irrigation,  
17 and (4) the conditions and rules for landscaping would increase the  
18 average bill by approximately 30 percent if the block tiered rates were  
19 approved.

1 General Concerns

2 Rate of Return:

3 The rate of return is addressed in Public Staff Economist, John  
4 Hinton's testimony.

5 Annual Inflation/Consumer Price Index:

6 The revenue requirement used to calculate rates is based on the  
7 Public Staff's audit of actual expenses and capital expenditures. See  
8 Public Staff Accountant, Lynn Feasel's testimony.

9 Federal Tax Act:

10 The impact of the new law concerning state and federal taxes is  
11 addressed in Public Staff Accountant, Michelle Boswell's testimony.

12 Comparison between Private Utilities and Municipalities:

13 It is inappropriate to compare the rates of private Commission-  
14 regulated utilities like CWSNC to municipalities or county systems for  
15 the following reasons:

- 16 1. Economies of Scale: The operational costs per customer are  
17 lower for customers of municipalities because of service area  
18 density and economies of scale, as there are tens of  
19 thousands of customers versus thousands of customers

1 among whom the costs are divided. CWSNC serves  
2 approximately 30,800 water customers and 20,100 sewer  
3 customers; and operates 96 water systems and 37 sewer  
4 systems across 38 counties spanning from the mountains to  
5 the coast. Charlotte Water, for example, is a regional supplier  
6 of drinking water and has over 834,000 customers in one  
7 county, a much larger customer base from which to recover  
8 its fixed costs.

9 2. Water Source: The majority of CWSNC's water production is  
10 through a series of wells, utilizing ground water. The majority  
11 of municipalities, at least in North Carolina, utilize surface  
12 water. For example, the City of Sanford has an abundant  
13 water supply from a single surface water source, the Cape  
14 Fear River. The City's water treatment plant is located in close  
15 proximity to the headwaters of the Cape Fear River.  
16 Depending on the size of the service area, CWSNC may have  
17 dozens of wells throughout the service area. A single well  
18 might pump 20 gallons per minute (28,800 gallons per day),  
19 whereas the treatment facility in Sanford produces on  
20 average seven million gallons per day. When comparing  
21 CWSNC's water system to the City of Sanford's operation, it  
22 is apparent the water sources, the type of treatment,  
23 equipment, personnel, and operating expenses are very

1 different. Additionally, the economies of scale for the larger  
2 City water system are overwhelming.

3 3. Regulation: Investor-owned utilities are regulated by the State  
4 of North Carolina. The general statutes allow a utility the right  
5 to recover its operational expenses and a reasonable rate of  
6 return. Municipal or county systems are not regulated by the  
7 North Carolina Utilities Commission (Commission) and may  
8 subsidize the operating expenses of their utility systems  
9 through taxation. Capital projects: Investor- owned utilities  
10 fund capital projects through private investors or loans.  
11 Municipalities and county systems may qualify for low interest  
12 tax-free bonds and other loans to fund capital projects.

13 4. Rate of Return: Under North Carolina General Statutes,  
14 investor-owned utilities have the right to earn a rate of return  
15 on their investment and to recover their operating expenses.

16 5. Income Tax: Investor-owned utilities pay Federal and North  
17 Carolina income taxes whereas municipality owned utilities do  
18 not.

19 Comparison between Private Utility Companies:

20 The Commission approves rates for each investor owned utility  
21 company based on the company's individual books and records.

1        Justification for the Rate Increase:

2        One of the main reasons cited by CWSNC for the rate increase is to  
3        recover its investment for capital improvements. Since CWSNC's  
4        last general rate case in 2018, CWSNC has spent approximately  
5        \$20,841,126 dollars on infrastructure for water and sewer systems  
6        across North Carolina.

7        Base Facility Charge:

8        The base facility charge and rate design is discussed in Public Staff  
9        Engineer, Charles Junis' testimony.

10       The Point Subdivision:

11       The proposed pilot program for The Point service area is discussed  
12       in the testimony of Public Staff witness Junis' testimony.

13                    Service and Water Quality Complaints

14       Service and water quality issues are addressed with customer  
15       hearings.

1 **Customer Hearings**

2 **Charlotte Hearing**

3 Four customers testified at the hearing in Charlotte: William Colyer,  
4 Rachel Fields, William Michael Wade and James Sylvester. They all  
5 represented the Bradfield Farms subdivision. In regard to the rates,  
6 the primary concerns were the frequency of rate increases, 2017,  
7 2018, and again in 2019; and the magnitude of the increases. The  
8 four customers testified that the water tasted bad, that the water was  
9 hard, and that it left a white film on glasses, in ice trays, and fixtures.  
10 CWSNC's supplemental report filed on November 7, 2019, verified  
11 that the white film appeared to be consistent with dissolved  
12 compounds of calcium and magnesium. Other test results  
13 established that the water had a hardness of 143 milligrams per liter  
14 (mg/L). Water is usually considered hard when it has a calcium  
15 carbonate value between 121 to 180 mg/L. The hardness of the  
16 water or taste is not regulated by DEQ. As a result, customers who  
17 do not like the hardness or taste can choose to install their own  
18 individual filter system. However, if the majority of home owners want  
19 a central filter system, then it is the Public Staff's position that a  
20 monthly surcharge could be added to customers' bills in Bradfield  
21 Farms to recover the cost for the system. The Public Staff  
22 recommends that CWSNC provide an estimate for the cost of



1 installing a central water filter system within 60 days from the date of  
2 a final Commission order in this docket, which then could be brought  
3 before the subdivision's homeowners association for their input.

4 Manteo Hearing

5 No customers testified at the hearing in Manteo.

6 On September 25, 2019, CWSNC filed its Report on Customer  
7 Comments from Public Hearings held in Charlotte and Manteo, North  
8 Carolina on September 5 and 10, 2019, respectively. I have read the  
9 report and other than my recommendation for Bradfield Farms I have  
10 no further comments or recommendations.

11 Boone Hearing

12 No customers testified at the hearing in Boone.

13 Asheville Hearing

14 Nine customers testified at the hearing in Asheville: Chuck Van  
15 Rens, Jack Zinselmeier, Jeff Geisler, Phil Reitano, Jeannie Moore,  
16 Linda Huber, Brian McCarthy, Ron Shuping and Steve Walker,  
17 representing the Fairfield Mountain service area, Connestee Falls,  
18 and Woodhaven. All of the customers oppose the magnitude of the  
19 rate increase and the frequency of rate increases, three in the last  
20 three years. Several customers compared CWSNC's rates to

1 municipalities or other private utility companies, the Consumer Price  
2 Index, and the rate of inflation, which are addressed under general  
3 concerns. With the exception of several customers in Fairfield  
4 Mountain who stated that their new meter box was full of water,  
5 customers in both the Fairfield Mountain service area and  
6 Woodheaven Subdivision were satisfied with their service.

7 Several customers in Connetsee Falls stated that there was no  
8 justification for an increase. Customers in Connetsee Falls also  
9 complained about the number of boil water notices and that the lake  
10 was closed on several occasions due to wastewater spills. Mr.  
11 Walker stated that he was concerned with the amount of fluoride in  
12 the water.

13 Connetsee Falls

14 Under the general statutes, capital improvements must be used and  
15 useful before a utility company can recover its investment through  
16 rates. Since the last general rate case in 2018, CWSNC has spent  
17 approximately \$9,349,383 on capital improvements for the water and  
18 sewer systems in Connetsee Falls. Water and sewer projects  
19 included the following:

20	Redzone (identifying main replacement)	
21	Water main replacement	\$ 161,949
22	AMR Meter replacement	\$ 430,648
23	Lift station replacement	\$1,179,460
24	360,000 gpd WWTP replacement	\$7,577,326

1 In regard to charging the base charge when customers are not  
2 occupying their homes, CWSNC is required to provide water and  
3 sewer utility service for the entire year. In order to stay in compliance,  
4 a base charge is needed to cover a portion of the fixed costs  
5 associated with operating the water and sewer system 365 days a  
6 year. Such costs include testing, salaries, purchased power,  
7 maintenance and repairs, insurance, listing just a few.

8 I have reviewed the Report on Customer Comments from Public  
9 Hearings Held in Boone and Asheville, North Carolina on October 8  
10 and 9, 2019, respectively, and the Annual Water Quality Reports for  
11 2019; and I am satisfied that customer concerns have been  
12 addressed. CWSNC reported that the Company sent an operator to  
13 modify or raise meter boxes that were ponding and that a new  
14 automatic flushing valve was also added to Ms. Moore's line. I agree  
15 with CWSNC that replacing old lift stations in Connetsee Falls should  
16 reduce the potential for over flows and that the level of fluoride is  
17 within the maximum contaminant level (MCL) allowed. I have no  
18 further recommendations.

19 Raleigh Hearing

20 Four customers testified at the hearing in Raleigh: Alfred Rushatz,  
21 Vince Roy, Mark Gibson and David Smoak, representing Carolina  
22 Trace and Ashley Hills North. All four customers opposed the

1 magnitude of the rate increase, particularly the high base charge. Mr.  
2 Rushatz, who is a realtor in Carolina Trace, stated that the high cost  
3 of water and sewer is a deterrent to potential buyers. He also said  
4 many new home owners are unaware of the high cost of water and  
5 sewer until they receive their first bill. Mr. Roy opposed the WSIC  
6 and SSIC program. He stated that the Company would not give  
7 Carolina Trace copies of the new GPS mapping for the water and  
8 sewer systems. He also stated that the last rate increase did not  
9 include a reduction related to the recent federal "Tax Bill" and that  
10 customers were not allowed to communicate with on-site personal  
11 directly. Mr. Gibson discussed the magnitude of the rate increases  
12 from 2013 to 2019 in comparison to the Consumer Price Index (CPI).  
13 He was concerned with capital projects and questioned whether  
14 projects were constructed using subcontractors or CWSNC  
15 employees. He also questioned who was responsible for approving  
16 capital projects and monitoring the quality of the work. Mr. Smoak  
17 suggested that the notice to customers include the annual cost for  
18 water and sewer. He questioned whether homeowners could put in  
19 their own septic system or was there an agreement with CWSNC  
20 preventing customers from disconnection from the system. No  
21 specific service problems or water quality issues were raised.

22 In the last general rate case, CWSNC proposed a base charge to  
23 usage charge ratio of 60:40 for water service. The Public Staff

1 recommended a base charge to usage charge ratio of 45:55 for water  
2 service. The Commission approved a ratio of 52:48 for water service  
3 and no change to the ratio for sewer, which is approximately 80:20.  
4 In this proceeding, the Public Staff is again recommending a base  
5 charge to usage charge ratio of 45:55 without a consumption  
6 adjustment mechanism (CAM), a ratio of 30:70 with a CAM for water  
7 service; and is recommending a ratio of 65:45 without a CAM and  
8 55:45 with a CAM for sewer service as discussed in Public Staff  
9 Engineer Junis' testimony.

10 In regard to the WSIC/SSIC program, under the Commission's rules  
11 the Public Staff is required to review all potential WSIC/SSIC projects  
12 to ensure that each project qualifies under the statutory guidelines.  
13 The Public Staff also conducts a complete audit for each project and  
14 presents its recommendation to the Commission. In CWSNC's last  
15 filing, in Docket No. W-354, Sub360A, the Public Staff opposed the  
16 majority of the projects submitted, stating that, in its opinion, the  
17 Company did not meet the qualifications under the statutory  
18 guidelines, resulting in a decrease of \$0.03 for the average uniform  
19 water bill and an increase \$0.07 for the average uniform sewer bill.

20 Mr. Roy stated that CWSNC changed its mind in regard to giving  
21 copies of the GPS maps to Carolina Trace. It is the Public Staff's  
22 opinion that due to security reasons, and that it is a public water

1 supply, CWSNC should take the necessary precautions to safe  
2 guard the systems from potential harm. Mr. Roy also questioned  
3 whether customers received a refund under the Federal Tax Cuts  
4 and Jobs Act. Customers did receive a full refund. The details can  
5 be found in Public Staff Accountant Boswell's testimony.

6 In response to Mr. Gibson's concern with capital improvements, the  
7 Public Staff conducts a complete and thorough audit of capital  
8 projects. The results of the Public Staff's audit can be found in Public  
9 Staff Accountant Feasel's testimony.

10 Mr. Smoak questioned whether a utility company can prevent a  
11 customer from discontinuing service if they install their own well or  
12 septic system. Under the general statutes, a utility company cannot  
13 forces a customer to stay on their system should they have the option  
14 to install their own well or septic system. A utility company regulated  
15 by the Commission is required to provide service to any customer  
16 within its service area, with the exception for nonpayment, at the  
17 customer's request.

18 I have reviewed the Report on Customer Comments from Public  
19 Hearing Held in Raleigh, North Carolina on October 14, 2019; and I  
20 am satisfied with the Company's response. I have no further  
21 recommendations.

1 Jacksonville Hearing

2 Six customers testified at the hearing in Jacksonville: Danny Conner,  
3 Ralph Tridico, James C. Kraft, John Gumbel, Dave Stevenson and  
4 Irving Joffee, representing Treasure Cove, Fairfield Harbour,  
5 Brandywine Bay and Carolina Pines. All six customers opposed the  
6 magnitude of the increase, especially the high base charges, the  
7 frequency of rate increases and the proposed surcharge for a Storm  
8 Reserve Fund.

9 Mr. Conners stated that he sent a letter to CWSNC with a number of  
10 questions concerning the water system in Treasure Cove but the  
11 Company did not respond until he contacted the Public Staff's  
12 Consumer Services Division, twice. Mr. Connor's complaint and the  
13 Company's reply were filed with Commission in this Docket on  
14 October 15, 2019. I have read the Company's response and have no  
15 further comments.

16 Mr. Tridico, a resident of Fairfield Harbour, complained that the  
17 chlorine levels in the water system are inconsistent, that there is  
18 settlement in the water which leaves filters brown, and that the  
19 Company does not read the meters on a monthly bases. Mr. Joffee  
20 and Mr. Stevenson, also residents of Fairfield Harbour, complained  
21 as to the quality of the water.

1 In CWSNC's previous rate case in 2018, the Public Staff investigated  
2 whether installing a central water filter system for Fairfield Harbour  
3 was a prudent investment. In that proceeding, the Public Staff  
4 determined it was not prudent to install a central water filter system,  
5 because most customers had individual water softeners and filter  
6 systems in their homes and the cost in 2011 to install the system was  
7 approaching one million dollars. However, since it still remains an  
8 issue with customers, the Public Staff recommends that if the  
9 majority of homeowners want a central filter system, then a monthly  
10 surcharge could be added to customer bills in the Fairfield Harbour  
11 service area to recover the cost for the system. The Public Staff  
12 recommends that CWSNC provide an estimate for the cost of  
13 installing a central water filter system within 60 days from the date of  
14 a final Commission order in this docket, which then could be  
15 presented to homeowners for their consideration.

16 Mr. Craft, a resident of Brandywine Bay, stated that the water quality  
17 was poor and that the sediment in the water causes stains, especially  
18 when the customer leaves for an extended period of time. He also  
19 stated that, on occasion, the water has a yellowish color. It is not  
20 uncommon for sediment to collect in the pipes when the water is not  
21 in use for extended periods of time. It is recommended that  
22 customers flush their lines when they return to their homes after an  
23 extended period of time away to clear the lines of sediment buildup.



1 Mr. Gumbel resides in Carolina Pines and stated that the rate  
2 increase should be denied in comparison to the CPI. He also stated  
3 that he had no service or water quality concerns. The Public Staff  
4 recommended rates are based on its audit of Company books and  
5 records, which are presented in Public Staff Accountant Feasel's  
6 testimony.

7 Mr. Stevenson testified that he opposed the proposed Storm  
8 Reserve Fund. The Public Staff opposed the Storm Reserve Fund  
9 as discussed in Public Staff Accountant Henry's testimony.

10 On November 8, 2019, CWSNC filed its Report on Customer  
11 Comments from Public Hearing Held in Jacksonville, North Carolina  
12 on October 22, 2019. I have read the report and other than my  
13 recommendation for the Fairfield Harbour Service Area, I have no  
14 further comments or recommendations.

15 **Conclusion**

16 It is the Public Staff's opinion that with the exception of a few isolated  
17 service issues, which the Company has addressed or is in the  
18 process of resolving, the overall quality of service is good. It is also  
19 the Public Staff's opinion that water quality meets the standards set  
20 forth by the Safe Drinking Water Act and is satisfactory.

- 1 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?
- 2 A. Yes.