

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, SUB 356

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Carolina Water Service, Inc.	)
of North Carolina, 4944 Parkway Plaza	)
Boulevard, Suite 375, Charlotte, North	)
Carolina 28217, for Authority to Adjust and	)
Increase Rates for Water and Sewer Utility	)
Service in All of its Service Areas in North	)
Carolina, Except Corolla Light and Monteray	)
Shores Service Area and Elk River	)
Development	)
	ORDER APPROVING
	STIPULATIONS, GRANTING
	PARTIAL RATE INCREASE, AND
	REQUIRING CUSTOMER
	NOTICE

HEARD: Tuesday, July 25, 2017, at 7:00 p.m., in the Buncombe County Courthouse, Courtroom 1A, 60 Court Plaza, Asheville, North Carolina

Wednesday, July 26, 2017, at 7:00 p.m., in the Watauga County Courthouse, 842 W. King Street, Boone, North Carolina

Tuesday, August 1, 2017, at 7:00 p.m., in the Mecklenburg County Courthouse, Courtroom 6350, 832 East 4th Street, Charlotte, North Carolina

Tuesday, August 22, 2017, at 7:00 p.m., in the Craven County Courthouse, Courthouse Annex, Courtroom #4, 302 Broad Street, New Bern, North Carolina

Wednesday, August 23, 2017, at 7:00 p.m., in Courtroom #317, New Hanover County Courthouse, 316 Princess Street, Wilmington, North Carolina

Monday, August 28, 2017, at 7:00 p.m., and Wednesday, September 20, 2017, at 9:30 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chairman Edward S. Finley, Jr., Presiding; and Commissioners Bryan E. Beatty, ToNola D. Brown-Bland, Jerry C. Dockham, James G. Patterson, Lyons Gray, and Daniel G. Clodfelter

## APPEARANCES:

For Carolina Water Service, Inc. of North Carolina:

Jo Anne Sanford, Sanford Law Office, PLLC, P.O. Box 28085, Raleigh, North Carolina 27611-8085

Robert H. Bennink, Jr., Bennink Law Office, 130 Murphy Drive, Cary, North Carolina 27513

For the Using and Consuming Public:

Gina C. Holt and William E. Grantmyre, Staff Attorneys, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

For Corolla Light Community Association, Inc.:

Dwight W. Allen, Brady W. Allen, and Britton H. Allen, The Allen Law Offices, PLLC, 1514 Glenwood Ave., Suite 200, Raleigh, North Carolina 27608

BY THE COMMISSION: On February 24, 2017, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) filed a letter notifying the North Carolina Utilities Commission (Commission or NCUC) of its intent to file a general rate case as required by Commission Rule R1-17(a). On March 31, 2017, CWSNC filed an application for a general rate increase (the Application) seeking authority: (1) to increase and adjust its rates for water and sewer utility service in all of its service areas in North Carolina, except for the Company's Corolla Light/Monteray Shores (CLMS) and Elk River service areas; (2) to pass-through any increases in purchased bulk water rates, subject to sufficient proof by CWSNC of the increase, as well as any increased costs of wastewater treatment performed by third parties and billed to CWSNC; and (3) to increase certain other charges.

By Order issued April 26, 2017, the Commission declared the matter 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.

The intervention and participation by the Public Staff – North Carolina Utilities Commission (Public Staff) was made and recognized pursuant to G.S. 62-15(d) and Rule R1-19(e) of the Rules and Regulations of the Commission.

On May 23, 2017, the Corolla Light Community Association, Inc. (CLCA or Community Association) a customer of CWSNC, filed a petition to intervene, stating that it is the homeowners' association for the Corolla Light development; that its membership includes more than 450 residents in the development; that its members are provided wastewater treatment services by CWSNC; and that the Community Association and its

members have an interest in the subject matter of these proceedings. On May 25, 2017, CLCA filed an amended petition to intervene. CLCA's petition to intervene was granted by Commission Order dated June 16, 2017.

On June 2, 2017, the Commission issued its Order Scheduling Hearings and Requiring Customer Notice, scheduling the application for public hearings in Asheville, Boone, Charlotte, New Bern, Wilmington, and Raleigh, North Carolina, and for evidentiary hearing in Raleigh, North Carolina; establishing the dates for filing testimony; and requiring notice to all affected customers of the proposed rate increase and hearings.

On June 19, 2017, CWSNC filed the Commission-required certificate of service indicating that the notices to customers were served in conformity with the Order Scheduling Hearings and Requiring Customer Notice.

Forty-two different witnesses testified at the six public hearings and at the evidentiary hearing. Twenty-one witnesses testified in Asheville on July 25, 2017: Michael Sanders, Carl Burkhardt, Susan Kish, Phil Reitano, Jim Hemphill, Jack Zinselmeier, John Jennings, Allen Higgins, Jack Barton, Margaretta Lang, Warren Grafer, Donn Levine, Richard Adams, Vernon McMinn, James T. Cain, Dennis Shellenberger, Jerard Worster, Tom Haynes, Sean O'Meara, Chuck Van Rens, and Betty Jackson. One customer, Howell Sharpe, testified in Boone on July 26, 2017. At the Charlotte hearing, on August 1, 2017, four customers testified: William R. Colyer, Damian Michael Werner, Isaac Cochran, and Chanyne Cupil. Simon Lock and Tom Musser testified in New Bern on August 22, 2017, and in Wilmington on August 23, 2017, the following nine people testified: Frank (Frances) Carroll,<sup>1</sup> Randal Woodruff,<sup>2</sup> Diana Wooley, Edward Worrell, Danny Conner, Ferrell Drewry, Ernest Thomas Chance, Thomas Mathis, and Mandy Ware. The Raleigh public hearing was held on August 28, 2017, and the following four witnesses testified: Vincent P. Roy, William Glance, Judith Bassett, and Ben Farmer. On September 20, 2017, in Raleigh, at the start of the evidentiary hearing, public witnesses Bryan McCabe and Vincent P. Roy testified (Public witness Roy for the second time).

On July 13, 2017, William R. Colyer, in his capacity as Secretary of the Board of Directors of the Bradfield Farms Homeowners Association, filed a petition to intervene in this proceeding. On August 10, 2017, the Commission entered an Order Denying Petition to Intervene Without Prejudice which denied the petition because it had not been signed or verified by a licensed attorney as required by Commission Rule R1-5(d) and G.S. 84-2.1 et. seq.

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<sup>1</sup> Mr. Carroll spoke on behalf of himself and 28 other customers from Belvedere Plantation Subdivision who were present at the hearing and stood to indicate their collective endorsement of Mr. Carroll's comments.

<sup>2</sup> Public witness Woodruff, County Manager for Pender County, stated that he is not a customer of CWSNC. At the Wilmington hearing, he read into the record a letter dated July 24, 2017, from the Pender County Board of Commissioners concerning its constituents who reside in Belvedere Plantation Subdivision.

On July 21, 2017, CWSNC filed a notice regarding its semiannual water system improvement charge/sewer system improvement charge (WSIC/SSIC) surcharge applications pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26. The purpose of this filing was to notify the Commission, the Public Staff, and other interested parties that CWSNC did not intend to file an application for semiannual adjustments of the Company's Commission-authorized WSIC/SSIC surcharge mechanisms on August 1, 2017, to become effective on October 1, 2017.

On August 7, 2017, CWSNC filed the direct testimony and exhibit of Company witness Richard Linneman, the Company's Financial Planning and Analysis Manager.

On August 7, 2017, the Public Staff and CWSNC filed a Stipulation (First Stipulation) regarding cost of capital and capital structure issues.

On August 29, 2017, CWSNC filed a report regarding customer concerns raised at the public hearings held in Asheville and Boone on July 25, 2017 and July 26, 2017, respectively.

On September 11, 2017, CWSNC filed a report regarding customer concerns raised at the public hearings held in Charlotte and New Bern on August 1, 2017 and August 22, 2017, respectively.

On September 18, 2017, CWSNC filed a report regarding customer concerns raised at the public hearings held in Wilmington and Raleigh on August 23, 2017 and August 28, 2017, respectively.

On August 30, 2017, the Public Staff filed a motion to extend the due date for the filing of Public Staff and Intervenor testimony in this docket to September 12, 2017, and for the filing of rebuttal testimony to September 15, 2017. The motion was granted by Commission Order dated September 1, 2017.

On September 12, 2017, the Public Staff filed a Second Motion for Extension. In the Second Motion, the Public Staff stated that the Public Staff and CWSNC had reached a settlement of all issues in dispute but needed additional time for the Company to provide information regarding final capital projects that the Company seeks to include in the rate case proceeding and to allow the Public Staff time to audit those projects. Further, the Public Staff stated that all parties consented to the requested extension. The Public Staff thereafter requested that the Commission approve an extension of time until September 19, 2017, for the Public Staff and CWSNC to file a stipulation and settlement agreement and supporting prefiled testimony in this docket. The motion was granted by Order dated September 14, 2017.

On September 19, 2017, the Public Staff and CWSNC filed a Joint Stipulation (Second Stipulation) in this docket (including Joint Stipulation Exhibits A – E), which set forth the terms and conditions of the settlement agreement among those parties. In addition, on September 19, 2017, the Public Staff also filed the testimony and exhibits of

Public Staff witnesses Sonja R. Johnson, Staff Accountant, Accounting Division; Gina Y. Casselberry, Advanced Utilities Engineer, Water, Sewer, and Communications Division; Lindsay Quant, Utilities Engineer, Water, Sewer, and Communications Division; and Calvin C. Craig, III, Financial Analyst, Economic Research Division in support of the Stipulations.

On September 20, 2017, the evidentiary hearing was convened in Raleigh, North Carolina as scheduled. During the morning session of the evidentiary hearing, two public witnesses testified. In addition, the prefiled testimony and exhibits offered by CWSNC witness Linneman and Public Staff witnesses Casselberry, Quant, Johnson, and Craig were copied into the record as if given orally from the witness stand. The prefiled testimony and exhibit submitted by Company witness Linneman were admitted in evidence. The exhibits of the Public Staff witnesses were identified as marked. The following documents were admitted in evidence: CWSNC's Application, including attached exhibits and the confidential and public sections of NCUC Form W-1; the three reports filed by CWSNC related to customer testimony; the First Stipulation regarding cost of capital and capital structure issues (filed on August 7, 2017); and the Second Stipulation (filed on September 19, 2017). The Commission then recessed the hearing in order to have additional time to review the record before proceeding.

The evidentiary hearing was reconvened at 3:00 p.m. on September 20, 2017, in Raleigh, North Carolina. The Commission addressed questions to Public Staff witnesses Johnson, Casselberry, Quant, and Craig and CWSNC witness Linneman regarding their prefiled testimony and exhibits, including the two Stipulations. In addition, CWSNC witness Bryce Mendenhall, the Company's Vice President of Operations, testified in response to questions from the Commission. Witness Mendenhall did not prefile any testimony. During the course of its questioning of the above-referenced witnesses, the Commission requested that both the Company and the Public Staff provide certain information as late-filed exhibits. At the conclusion of its questions, the Chairman adjourned the evidentiary hearing, but advised the parties that the Commission reserved the right to reconvene the hearing for further questions, should it find reason to do so, after reviewing the late-filed exhibits to be submitted by the parties.

On September 26, 2017 and September 29, 2017, CWSNC filed late-filed exhibits consisting of Affidavits signed by Richard A. Linneman and J. Bryce Mendenhall, respectively, which contained their responses to questions posed by Commissioners at the September 20, 2017 evidentiary hearing.

On September 29, 2017, the Public Staff filed the late-filed exhibits of witnesses Johnson and Casselberry. On October 2, 2017, the Public Staff filed the late-filed exhibits of witness Craig.

By Order dated October 13, 2017, the Commission, after considering the late-filed exhibits and the record proper, admitted the late-filed exhibits into evidence, formally adjourned the evidentiary hearing, and required the parties to the proceeding to file briefs and proposed orders in 10 days.

On October 23, 2017, CWSNC and the Public Staff filed a Joint Proposed Order.

On October 24, 2017, CLCA filed a letter with the Commission stating that CLCA does not object to the Stipulation between the Public Staff and CWSNC.

On the basis of the Application; the First Stipulation; the Second Stipulation; the public witness testimony; the testimony and exhibits of CWSNC witnesses Linneman and Mendenhall, including their late-filed Affidavits; the testimony and exhibits of Public Staff witnesses Johnson, Casselberry, Quant, and Craig, including their late-filed exhibits; and the entire record in this proceeding, the Commission is of the opinion that the provisions of the First and Second Stipulations are just and reasonable. Accordingly, the Commission makes the following

### FINDINGS OF FACT

1. CWSNC is a corporation duly organized under the law and is authorized to do business as a regulated investor-owned water and sewer public utility in the State of North Carolina. The Company is subject to the regulatory oversight of this Commission.<sup>3</sup> CWSNC provides water and sewer utility service to customers in 38 counties in North Carolina. CWSNC is a wholly-owned subsidiary of Utilities, Inc.<sup>4</sup>

2. CWSNC is properly before the Commission pursuant to Chapter 62 of the General Statutes of North Carolina seeking a determination of the justness and reasonableness of its proposed rates and charges for its water and sewer utility operations.

3. As of the 12-month period ending December 31, 2016, CWSNC served 29,883 water customers and 20,020 sewer customers, including Elk River and CLMS; and 3,636 water and 1,224 sewer availability customers. CWSNC operates 92 water systems and 39 sewer systems in the State.

4. A total of 42 individuals<sup>5</sup>, almost all of whom are customers, testified at the six public hearings and the evidentiary hearing, with approximately 20 of those witnesses

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<sup>3</sup> On April 22, 2016, CWSNC, Bradfield Farms Water Company (Bradfield Farms), Carolina Trace Utilities, Inc. (Carolina Trace), CWS Systems, Inc. (CWSS), Elk River Utilities, Inc. (Elk River), and Transylvania Utilities, Inc. (Transylvania) filed a Joint Application for Approval of Merger with the Commission in Docket No. W-354, Sub 350, et al., requesting approval of the merger of Bradfield Farms, Carolina Trace, CWSS, Elk River, and Transylvania (all of which, like CWSNC, were wholly-owned subsidiaries of Utilities, Inc.) into CWSNC. On August 17, 2016, the Commission entered an Order Approving Merger. The Articles of Merger were filed with the North Carolina Secretary of State on August 30, 2016. Since that date, CWSNC has owned and operated all of the merged water and sewer systems previously owned and operated by the five former Utilities, Inc. subsidiaries.

<sup>4</sup> Utilities, Inc. owns regulated utilities in 16 states which provide water and sewer utility service to approximately 197,750 customers.

<sup>5</sup> One customer testified twice in Raleigh; once at the public hearing held on August 28, 2017 and again at the start of the evidentiary hearing held on September 20, 2017.

expressing service-related concerns. Such concerns included repair and maintenance issues involving main breaks, road repairs, sewage spills or backups, water quality in terms of particulate and hardness issues, and customer communications issues, including comments regarding boil water notices and the sewage spills. In addition, most, if not all, of the customers who appeared as witnesses testified in opposition to the proposed rate increase.

5. CWSNC filed three reports with the Commission, verified by Company Vice President of Operations, J. Bryce Mendenhall, addressing the service-related concerns and other comments expressed by the public witnesses who testified at the public hearings. Such reports described each of the witnesses' specific service-related concerns and comments, the Company's response, and how each concern and comment was addressed, if applicable.

6. The overall quality of service provided by CWSNC is adequate.

7. The test period for this rate case proceeding is the 12-month period ended December 31, 2016, adjusted for certain known and actual changes in plant, revenues, and costs based upon circumstances and events occurring or becoming known through September 13, 2017, prior to the close of the evidentiary hearing in this proceeding.

8. CWSNC's last general rate case (pre-merger) was decided by Order (2015 Rate Case Order) entered on December 7, 2015, in Docket No. W-354, Sub 344. Transylvania's last general rate case (pre-merger) was decided by Order entered on January 15, 2010, in Docket No. W-1012, Sub 12. Carolina Trace's last general rate case (pre-merger) was decided by Order entered on November 24, 2010, in Docket No. W-1013, Sub 9. Bradfield Farms' last general rate case (pre-merger) was decided by Order entered on March 27, 2015, in Docket No. W-1044, Sub 41. CWSS's last general rate case (pre-merger) was decided by Order entered on February 24, 2016, in Docket No. W-778, Sub 91. Elk River's last general rate case was decided by Order entered on September 20, 2016, in Docket No. W-1058, Sub 7.<sup>6</sup>

9. The present rates for water and sewer service in all CWSNC's service areas have been in effect since January 1, 2017, pursuant to the Commission's Order issued on December 20, 2016, in Docket Nos. M-100, Sub 138, M-100, Sub 142, and W-354, Sub 342.

10. On August 7, 2017, CWSNC and the Public Staff filed the First Stipulation regarding cost of capital and capital structure issues and on September 19, 2017, CWSNC and the Public Staff filed the Second Stipulation regarding all remaining terms and conditions. The First and Second Stipulations settled all issues between CWSNC and the Public Staff.

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<sup>6</sup> The Order in the Elk River rate case was issued after consummation of the merger.

11. By its Application, CWSNC initially requested a total annual revenue increase in its water and sewer rates of \$5,557,499, a 19.14% increase over the total revenue level generated by the rates currently in effect for the Company.

12. It is reasonable and appropriate to design and approve rates in this proceeding based upon CWSNC's proposal, agreed to by the Public Staff, to establish the following four Rate Divisions:

CWSNC Uniform Water  
 CWSNC Uniform Sewer  
 Bradfield Farms/Fairfield Harbour (BF/FH) Water  
 Bradfield Farms/Fairfield Harbour (BF/FH) Sewer

13. CWSNC's present and proposed service revenues for the 12-month period ending December 31, 2016, including pro forma adjustments, are shown below:

	<u>Present</u>	<u>Proposed</u>
CWSNC Uniform Water Operations	\$15,122,929	\$18,414,144
CWSNC Uniform Sewer Operations	\$11,755,741	\$13,294,803
BF/FH Water Operations	\$ 717,509	\$ 1,029,392
BF/FH Sewer Operations	\$ 1,370,666	\$ 1,792,244

14. CWSNC's total original cost rate base used and useful in providing service to its customers is \$98,278,591 for its combined operations, consisting of \$51,860,184 for CWSNC Uniform Water Operations; \$39,028,369 for CWSNC Uniform Sewer Operations; \$1,830,765 for BF/FH Water Operations; and \$5,559,273 for BF/FH Sewer Operations.

15. Accumulated depreciation consists of the following balances for water and sewer operations:

CWSNC Uniform Water Operations	\$26,418,797
CWSNC Uniform Sewer Operations	\$19,466,724
BF/FH Water Operations	\$ 1,741,151
BF/FH Sewer Operations	\$ 2,996,036

16. Contributions in aid of construction (CIAC), reduced by accumulated amortization of CIAC, consist of the following amounts for water and sewer operations:

CWSNC Uniform Water Operations	\$18,763,662
CWSNC Uniform Sewer Operations	\$18,798,350
BF/FH Water Operations	\$ 1,131,010
BF/FH Sewer Operations	\$ 4,341,809



17. The levels of total operating revenues under present rates appropriate for use in this proceeding are \$15,202,586 for CWSNC Uniform Water operations; \$11,810,369 for CWSNC Uniform Sewer operations; \$748,466 for BF/FH Water operations; and \$1,371,245 for BF/FH Sewer operations, for a total level of operating revenues for combined operations of \$29,132,666.

18. The overall levels of total operating expenses under present rates appropriate for use in this proceeding are \$12,597,944 for CWSNC Uniform Water operations; \$9,306,364 for CWSNC Uniform Sewer operations; \$752,840 for BF/FH Water operations; and \$1,165,407 for BF/FH Sewer operations, for a total level of operating expenses under present rates for combined operations of \$23,822,555.

19. It is reasonable and appropriate for CWSNC to recover total rate case expenses of \$710,275, consisting of \$424,336 related to the current proceeding and \$285,939 of unamortized rate case expense from prior proceedings, to be amortized and collected over a three-year period, for an annual level of rate case expense of \$236,758.

20. It is reasonable and appropriate that the unamortized balance of the gain on sale of systems sold to Charlotte Mecklenburg Utility Department as of December 31, 2017, should be amortized over a three-year period.

21. The testimony of Public Staff witness Craig, regarding the reasonableness of the stipulated capital structure, cost of debt, and return on equity component of the overall rate of return, adequately supports the capital structure consisting of 48.00% long-term debt and 52.00% common equity, the embedded cost of long-term debt of 5.93% and the return on common equity of 9.60% agreed to by CWSNC and the Public Staff in the First and Second Stipulations. The stipulated capital structure and debt and equity returns are just and reasonable and appropriate for use in setting rates in this proceeding. Accordingly, the just, reasonable, and appropriate components of the rate of return for CWSNC are as follows:

a. Long-Term Debt Ratio	48.00%
b. Common Equity Ratio	52.00%
c. Embedded Cost of Debt	5.93%
d. Return on Common Equity	9.60%
e. Overall Weighted Rate of Return	7.84%

22. It is reasonable and appropriate to determine the revenue requirement for CWSNC using the rate base method as allowed by G.S. 62-133.

23. It is reasonable and appropriate to use the current statutory regulatory fee rate of 0.14% to calculate CWSNC's revenue requirement.

24. It is reasonable and appropriate to use the current State corporate income tax rate of 3% and the applicable federal income tax rates to calculate CWSNC's revenue requirement.

25. CWSNC's right to charge a WSIC and SSIC was initially granted by the Commission in Docket No. W-354, Sub 336 by Order issued March 10, 2014. All of CWSNC's post-merger customers are subject to the application in this general rate case. Therefore, the Company's Commission-authorized WSIC/SSIC Mechanisms will, on a going-forward basis, apply to all customers served by CWSNC, including those customers incorporated into the Company as a result of the Commission-authorized 2016 corporate merger.

26. Pursuant to Commission Rules R7-39(k) and R10-26(k), the WSIC and SSIC presently in effect are reset at zero as of the effective date of this Order.

27. The Ongoing Three-Year Plan filed by CWSNC as Appendix C to the Rate Case Application on March 31, 2017, is reasonable and meets the requirements of Commission Rules R7-39(m) pertaining to WSIC and R10-26(m) pertaining to SSIC.

28. The agreed-upon rates will provide CWSNC with an increase in its annual level of authorized service revenues through rates and charges approved in this case by \$3,759,480, a 12.98% increase, consisting of an increase for CWSNC Uniform Water Operations of \$2,292,099, an increase for CWSNC Uniform Sewer Operations of \$871,485, an increase for BF/FH Water Operations of \$233,246, an increase for BF/FH Sewer Operations of \$362,650, and no change in revenues for the CLMS and Elk River service areas. After giving effect to these authorized increases in water and sewer revenues, the total annual operating revenues for the Company will be \$32,876,357, consisting of the following levels of just and reasonable operating revenues:

CWSNC Uniform Water Operations	\$17,486,892
CWSNC Uniform Sewer Operations	\$12,678,804
BF/FH Water Operations	\$ 979,776
BF/FH Sewer Operations	\$ 1,730,885

29. CWSNC's pump-and-haul expenses and the new spray charges are not a part of Belvedere's system modification project, but are a result of an extraordinary expense and should continue to be amortized for a 10-year amortization period with no unamortized balance included in rate base. It is reasonable and appropriate that only invoiced costs and not capitalized time or interest during construction be included. There will be no additional pump-and-haul expenses added to the current Belvedere system deferred balance in future proceedings before the Commission.

30. In this proceeding, it is reasonable and appropriate for the current, system-specific sewer rates for the CLMS service area to remain unchanged from those established in Docket Nos. W-354, Subs 327, 336, and 344 and for CWSNC's remaining CLMS revenue sewer requirement to be recovered through its Uniform Sewer Rates for other service areas, as stipulated. In future general rate case proceedings, the issue of rate disparity should be reviewed again by CWSNC, the Public Staff, and any other interested party and appropriate consideration should be given to moving the CLMS

service area toward uniform rates in light of the facts and circumstances that exist at that time.

31. In this proceeding, it is reasonable and appropriate for the current, system-specific water and sewer rates for CWSNC's Elk River service area to remain unchanged and for the Company's remaining Elk River water and sewer revenue requirement to be recovered through its Uniform Water and Sewer Rates for other service areas, as stipulated. Elk River's last general rate case was decided by Order entered on September 20, 2016, in Docket No. W-1058, Sub 7.

32. It is reasonable and appropriate for CWSNC to increase the Company's "new sewer customer charge" from \$21.95 to \$27.00; increase the meter testing fee from \$19.95 to \$20.00; increase the "new water customer charge" from \$26.93 to \$27.00; increase the reconnection charge from \$26.93 to \$27.00; and increase the charge for processing checks returned by the bank due to insufficient funds from \$24.94 to \$25.00. Under the Second Stipulation, these present charges were not increased or changed for the CLMS and Elk River customers.

33. The Schedules of Rates (attached hereto as Appendices A-1, A-2, A-3, and A-4) for CWSNC water and sewer utility service and the Schedules of Connection Fees for CWSNC Uniform Water and Uniform Sewer (attached hereto as Appendices B-1 and B-2), agreed to by CWSNC and the Public Staff, are just and reasonable and should be approved.

34. The following chart shows the average monthly customer bills at the Company's present and proposed rates, including percentage increases and decreases, compared to the Commission-approved rates in this proceeding:

## WATER OPERATIONS

			Percent		Percent
	CWSNC	CWSNC	Increase	Commission	Increase
<u>Service Area</u>	<u>Present</u>	<u>Proposed</u>	<u>(Decrease)</u>	<u>Approved</u>	<u>(Decrease)</u>
Uniform Flat	\$41.60	\$50.17	20.60%	\$47.45	14.06%
Uniform Metered	\$47.87	\$57.60	20.33%	\$55.09	15.08%
Clearwater	\$34.18	\$57.60	68.52%	\$55.09	61.18%
Treasure Cove	\$22.06	\$57.60	161.11%	\$24.81	12.47%
Forest Hill	\$43.25	\$57.60	33.18%	\$55.09	27.38%
Fairfield Mountain	\$47.49	\$57.60	21.29%	\$55.09	16.00%
Sapphire Valley	\$56.39	\$57.60	2.15%	\$55.09	(2.31)%
Connestee Falls	\$53.88	\$57.60	6.90%	\$55.09	2.25%
Carolina Trace	\$34.19	\$35.75	4.56%	\$33.24	(2.78)%
Carolina Forest	\$35.10	\$39.65	12.96%	\$37.14	5.81%
High Vista Estates	\$35.34	\$39.89	12.87%	\$37.38	5.77%
Riverpointe	\$47.47	\$52.02	9.59%	\$49.51	4.30%
Whispering Pines	\$31.28	\$35.83	14.55%	\$33.32	6.52%
White Oak/Lee F.	\$35.34	\$39.89	12.87%	\$33.51	(5.18)%
Winston Plantation	\$35.34	\$39.89	12.87%	\$33.51	(5.18)%
Winston Pointe	\$35.34	\$39.89	12.87%	\$33.51	(5.18)%
Woodrun	\$35.10	\$39.65	12.96%	\$37.14	5.81%
Yorktown	\$42.34	\$46.89	10.75%	\$44.38	4.82%
Zemosa Acres	\$43.37	\$47.92	10.49%	\$45.41	4.70%
Fairfield Harbour	\$20.44	\$26.97	31.95%	\$24.81	21.38%
Bradfield Farms	\$16.05	\$26.97	68.04%	\$24.81	54.58%

Average bill calculated using the average consumption of 3,980 gallons, based on all residential customers with 5/8-inch meter.

## SEWER OPERATIONS

			Percent		Percent
	CWSNC	CWSNC	Increase	Commission	Increase
<u>Service Area</u>	<u>Present</u>	<u>Proposed</u>	<u>(Decrease)</u>	<u>Approved</u>	<u>(Decrease)</u>
Uniform Flat	\$52.55	\$60.22	14.60%	\$56.57	7.65%
Sapphire Valley	\$35.52	\$60.22	69.54%	\$56.57	59.26%
Nags Head	\$62.65	\$60.22	(3.88)%	\$56.57	(9.70)%
Connestee Falls	\$49.92	\$59.93	20.05%	\$56.60	13.38%
Uniform Rate	\$52.31	\$59.93	14.57%	\$56.60	8.20%
White Oak Plt	\$49.47	\$54.42	10.01%	\$53.22	7.58%
Lee Forest	\$49.47	\$54.42	10.01%	\$53.22	7.58%
Winston Pt.	\$49.47	\$54.42	10.01%	\$53.22	7.58%
Kings Grant	\$46.90	\$51.85	10.55%	\$49.73	6.03%
College Park	\$53.40	\$58.35	9.27%	\$56.23	5.30%
Mt. Carmel	\$54.19	\$65.73	21.30%	\$63.61	17.38%
Fairfield Mountain	\$86.67	\$108.37	25.04%	\$106.25	22.59%
Carolina Trace	\$64.04	\$59.93	(6.42)%	\$56.60	(11.62)%
Fairfield Harbour	\$37.89	\$42.83	13.04%	\$41.40	9.26%
Bradfield Farms	\$26.56	\$42.83	61.26%	\$41.40	55.87%
Bulk Sewer	\$25.20	\$41.83	65.99%	\$40.40	60.32%

Average bill calculated using the average consumption of 3,417 gallons, based on all residential customers with 5/8-inch meter.

35. The First and Second Stipulations contain the provision that the Stipulating Parties agree that none of the positions, treatments, figures, or other matters reflected in the agreements should have any precedential value, nor should they otherwise be used in any subsequent proceedings before this Commission or any other regulatory body as proof of the matters in issue.

36. The First and Second Stipulations contain the provision that the agreements made therein do not bind the Stipulating Parties to the same positions in future proceedings, and the parties reserve the right to take different positions in any future proceedings. The Second Stipulation also contains the provision that no portion of the Second Stipulation is binding on the Stipulating Parties unless the entire Second Stipulation is accepted by the Commission.

## DISCUSSION AND CONCLUSIONS

The evidence for the following conclusions is contained in the Application; in the First Stipulation; in the Second Stipulation; in the testimony of the public witnesses; in CWSNC's Report on Customer Comments From Public Hearings in Asheville and Boone, North Carolina, filed on August 29, 2017; in CWSNC's Report on Customer Comments From Public Hearings in Charlotte and New Bern, North Carolina, filed on September 11, 2017; in CWSNC's Report on Customer Comments From Public Hearings

in Wilmington and Raleigh, North Carolina, filed on September 18, 2017; in the testimony, affidavits, and exhibits of CWSNC witnesses Linneman and Mendenhall; in the testimony and exhibits of Public Staff witnesses Johnson, Casselberry, Quant, and Craig; and in the entire record in this proceeding.

### I. Public Hearings and Service Quality

Six public hearings were held across the State for the benefit of public witnesses. Public witnesses were also given the opportunity to be heard at the evidentiary hearing which was held in Raleigh, North Carolina. Forty-two different public witnesses testified during those seven hearings; with approximately 20 of those public witnesses expressing service-related concerns.

In response to the customers' complaints, CWSNC filed three reports with the Commission, verified by Company Vice President of Operations, J. Bryce Mendenhall (collectively referenced as "Reports on Customer Concerns"), addressing the service-related and other concerns expressed by the public witnesses who testified at the six public hearings held in this docket. Such reports described each of the witnesses' specific service-related and other concerns, the Company's response, and how each concern was addressed, if applicable. The three reports are summarized as follows:

#### (1) Asheville (July 25, 2017)

Twenty-one witnesses testified at the Asheville public hearing. Each customer who testified expressed concern about the proposed percentage increase in rates. Several of the customers made positive comments about the level of service provided by CWSNC, the professionalism of Company personnel, and/or the quality of the water. However, customers variously raised issues about the level of service (including repairs), water quality, communications, and rate equity among different kinds of service providers.

The service quality issues were principally confined to three areas: (1) water main breaks; (2) delays in road-bed repairs; and (3) communications—including those relating to boil water notices, a sewage spill, and the rate increase. Other areas of customer focus included: the differential between reported "average" statewide rates for water and wastewater and the "average" for CWSNC; the move towards uniform rates; and the statutory standards that govern the Company's ability to recover in rates the increased investment in plant and costs of operation.

In its Asheville report, CWSNC offered specific responses to the customer service complaints which were voiced at the public hearing. For instance, the following service quality concerns expressed by public witnesses Michael Sanders, Jack Zinselmeier, and Margaretta Lang and the Company's responses to these concerns were contained in the Company's report filed on August 29, 2017 regarding the Asheville public hearing.

Public witness Michael Sanders expressed concern about the frequency of pipe failures and main breaks at Connestee Falls, the Company's response to a recent sewage

spill into the lake, and communications about boil water notices. The Company offered the following response to witness Sanders' testimony:

Investment. CWSNC has spent an estimated \$489,000 since 2009 on various water and sewer capital projects within the Connestee Falls subdivision. Much of the investment replaced approximately 2,040 feet of water main along Nodatsi Drive and approximately 5,000 feet of sewer force main along the lakes within Connestee Falls. Additional radiological treatment was added to a well system and permitting plans are underway to replace the aging wastewater treatment plant, which is expected to be a significant capital project (since 2015, \$236,000 has been invested in engineering costs associated with the plant).

Main and Service Line Breaks. Since January, 2016, CWSNC has experienced approximately (13) service interruptions in Connestee Falls, one of which was due to ordinary maintenance. Water main breaks are inevitable for various reasons, including aged infrastructure and a failure, upon initial installation by a developer, to properly bed the pipe. Both the Company and customers are dependent upon the integrity of the initial installations, which were generally not performed by CWSNC. CWSNC apologizes for these service interruptions and assures its customers and the Commission that the Company has taken, and will continue to take, all reasonable and necessary steps to address and satisfactorily resolve all service-related problems, including the breaks, as expeditiously and efficiently as possible. Specifically, the Company is tracking line breaks and has a replacement plan in place to address the vulnerable sections of the existing water main. In all of these instances, boil water notices were issued by use of the automated "Voice Reach" system, which delivers a voice message to the customer. Two of those main breaks occurred back-to-back, so, in those cases, only the initial advisory was issued and rescinded. In two others, the customers' doors were tagged by CWSNC personnel, since the breaks only affected a small number of customers.

Unintended Sewage Spill into Lake Atagahi. CWSNC recently experienced two "sanitary sewer overflows" ("SSOs"), which were on June 15, 2017, and July 7, 2017. These SSOs were due to lightning strikes at the lift station and resulted in Lake Atagahi being closed for recreation purposes from Friday, June 16, 2017, to Tuesday, June 20, 2017. CWSNC pulled samples and tested the water on Friday, June 16, 2017, at which time the coliform levels were elevated. The [Connestee Falls POA] tested the water on Monday, June 19, 2017, and determined that the levels were acceptable, thus allowing Lake Atagahi to re-open the next day. The SSOs were also reported to the North Carolina Department of Environmental Quality ("DEQ"), as required.

Complaint about Having to Pay for Testing. As indicated above, CWSNC sampled Lake Atagahi at its expense. The Company also understands that

the CFPOA samples and tests Lake Atagahi water on a weekly basis to monitor its suitability for recreation purposes. Thus, the Company is unclear why the CFPOA would have necessarily experienced increased costs due to the SSO incident, under the circumstances described, but apologizes if that was the case. The Company is willing in good faith to reimburse the CFPOA for the cost of this test and will contact the CFPOA representative to discuss such payment.

Poor Communication About Boil Water Notices. *Attachment 1 (omitted in this Order)* is an example of the boil water advisories that were issued by CWSNC to Connestee Falls customers in conjunction with each line break. It should be reiterated that only the customers affected by a break are notified. The boil water advisories state the specific streets (i.e., customers) that were affected. These notices are delivered by the Voice Reach system, after any break that necessitates the alert. On a going-forward basis, CWSNC will request that customers provide the Company with their best telephone and e-mail contact information, to assist in the event of future boil water advisories. Receipt of proper customer contact information facilitates proper and prompt delivery of the required customer communication.

Jack Zinselmeier complained of delayed responses to road bed repairs, on two separate instances. CWSNC offered the following statements in its Asheville Report in response to witness Zinselmeier's testimony:

CWSNC experienced a water main break in November 2016 that occurred from a sudden hydrant closing by the fire department while it battled a wildfire in the community. A road repair was necessitated by that break and delays in repair were caused by multiple factors. First, the resort was actually evacuated on November 11, 2016, due to the wildfire. Second, the asphalt plant was closed from December 5 through December 23, 2016, because of cold weather. The road repair was made on December 26, 2016, three days after the plant reopened.

On April 27, 2017, there was another road repair event, at 197 O'Brien Road. A water main leak occurred and was repaired the same day. However, the asphalt company experienced a scheduling delay in getting the road patched, which pushed road repair completion to June 12, 2017.

In her testimony, Margaretta Lang complained of boil water notices, and of the breaks that led to them. CWSNC responded to witness Lang's testimony as follows:

CWSNC experienced one water main break in 2017 which resulted in a boil water advisory that would have affected Ms. Lang. The break, which occurred on July 13, 2017, was repaired on the same day; both the boil water and rescind notices are appended as *Attachment 3 (omitted from this Order)*.



(2) Boone (July 26, 2017)

One customer testified in Boone. Howell Sharpe, Sugar Mountain subdivision, had no complaints with the water service being provided by CWSNC. He did, however, express concern about the amount and frequency of the Company's rate increases, comparing them unfavorably to his experience in Atlanta.

The Company responded to witness Sharpe's rate increase concerns in its general responses to customer issues section of its report filed on August 29, 2017.

(3) Charlotte (August 1, 2017)

A total of four witnesses testified at the Charlotte public hearing. All four witnesses reside in CWSNC's Bradfield Farms service area. Those four witnesses—William R. Colyer, Damian Michael Werner, Isaac Cochran, and Chanyne Cupil—testified primarily in opposition to the magnitude and impact of the proposed rate increase.

The witnesses generally voiced no current or ongoing service quality complaints which personally affect their respective utility service. Regarding the Company's quality of service, witness Colyer testified that:

...the folks from Utilities, Inc....have continued to provide an excellent level of service to Bradfield Farms...I mean, they're in my speed dial, and if there's a problem they are quick to respond, and we do appreciate that.

Regarding service quality, witness Cupil testified that she and her husband experienced one service-related problem in the eight years that they have been living in the community. The problem was related to a sewage backup which, although unpleasant, was resolved by the Company.

Witness Werner, who, when asked whether he had experienced any service-related problems, replied:

I have not, but I know that we have had some issues lately with sewage backing up and so forth. Those were not affecting my house, but I've heard about it throughout the neighborhood. But, no, my service has been good. And I do -- like I said, I mean, my interactions with the Company have been okay, but I just can't see the justification for that kind of an increase.

In its post-hearing report, the Company responded to witness Werner's testimony as follows (in part):

CWSNC has searched its records regarding sewage backups which occurred close in time to witness Werner's testimony on August 1, 2017. The closest event in point of time occurred on June 2, 2017, at 7:30 a.m. at 7221 Maitland Court. This sewage backup caused flooding in the home at

that address. Upon investigation, Company personnel found a backup at Maitland Court and Jardin Way. This event was caused by asphalt, rocks, and brick which were found in the manhole. A contractor (not affiliated with the Company) had repaved streets in the neighborhood prior to this backup. CWSNC contacted its insurance company and directed the insurer to take care of the affected customer; ensure that any damage to the customer's property was corrected; and then seek recompense from the contractor. Follow-up conversations with the affected homeowner indicated that all issues had been satisfactorily resolved. The Company's insurance carrier is now seeking damages against the contractor. There have been no further complaints from the affected customer.

Company records indicate that there were no other backup events during 2017, which occurred at Bradfield Farms prior to the August 1, 2017 public hearing. During 2016, there was one event which occurred on May 25, 2016. Company personnel cleaned the main and found lots of "wipes" which caused this blockage. The blockage caused a sanitary sewer overflow of approximately 600 gallons which did not reach any surface waters, just a dry ditch. The overflow did not impact any homes.

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To evaluate the integrity of the Bradfield Farms sewage collection system so as to minimize the chances for future backup problems, CWSNC contracted with a company (RedZone) to initiate a project which consists of using robotics technology to internally examine the integrity of the Company's sewer collection pipe systems. The Bradfield Farms project, which began on September 6, 2017, will examine the integrity of the entire sewage collection system. The outcome of the project allows CWSNC to identify specific points in the sewage collection system which are in need of repair, rather than the Company having to undertake an unnecessary and expensive whole-system replacement. In particular, the project concentrates on pipe integrity, possible pipe damage, root intrusion, potential or actual blockages, and identifying sources of inflow and infiltration ("I&I").

(4) New Bern (August 22, 2017)

Two customer witnesses testified at the New Bern public hearing. Both witnesses reside in CWSNC's Fairfield Harbour service area. Those two witnesses—Simon Lock and Tom Musser—testified primarily in opposition to the magnitude and impact of the proposed rate increase, including rate design issues. These customers voiced no current or ongoing service quality complaints affecting their utility service.

In its New Bern public hearing report filed on September 11, 2017, CWSNC responded to the testimony of witnesses Lock and Musser as follows (in part):

Witnesses Lock and Musser voiced no current or ongoing service quality complaints affecting their utility service. CWSNC appreciates that fact and believes that the complete lack of any testimony at the New Bern public hearing describing service problems demonstrates that the Company is providing “adequate, efficient, and reasonable service” to its Fairfield Harbour customers, as required by G.S. 62-131(b).

Regarding the testimony from witnesses Lock and Musser in opposition to the magnitude and impact of the proposed rate increase, CWSNC hereby incorporates by reference the discussion and explanation set forth above in conjunction with the Charlotte public hearing as the Company’s response. As previously stated, rate increases, while controversial, are necessary to support prudent investment in the Company’s capital-intensive water and sewer industry. In that regard, from May 2016, to date, CWSNC invested approximately \$550,000 for the...five water and sewer projects within the Fairfield Harbour service area...

*[NOTE: The specific descriptions of these five projects were provided in CWSNC’s September 11, 2017 report.]*

(5) Wilmington (August 23, 2017)

Nine witnesses testified, one of whom (Frank Carroll) spoke on behalf of himself and 28 other customers from Belvedere Plantation (Belvedere) who appeared and stood to indicate their collective endorsement of public witness Carroll’s comments.<sup>7</sup> Witness Carroll objected to the rate increase and complained about communications (generally), the number of service interruptions, the Boil Water Advisories (BWAs), hard water, the “chlorine smell,” reliability and adequacy of the system, and “discoloration” of the water.

The other witnesses were all from, or served by, either the Belvedere or the Treasure Cove systems. Each customer who testified expressed concern about the proposed percentage increase in rates, and they variously raised issues about the level of service (including repairs and maintenance), water quality (in terms of particulate and hardness issues), customer communications, and rate equity among different kinds of service providers.

The service quality issues were principally confined to three areas: (1) a few instances where there was a “discolored” water supply at Belvedere, whether caused by water main breaks or by issues with the operation of a well; (2) hardness of the water; and (3) customer communications, including information relating to BWAs and the proposed rate increase. Other areas of customer focus included the differential between

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<sup>7</sup> The Commission notes that the Company voluntarily met with a number of Belvedere customers on August 16, 2017, in Hampstead, North Carolina, the week prior to the Wilmington public hearing. Testimony in Wilmington indicated that approximately 120 interested residents attended the August meeting, along with CWSNC State President Matthew Klein and a number of his operational and executive staff members.

other providers' rates for water and wastewater service and the "average" rates for CWSNC, and the move towards uniform rates which is associated with a large percentage increase for the Treasure Cove customers.

In its post-hearing report filed on September 18, 2017, CWSNC offered specific responses to the customer service complaints which were voiced at the public hearing. For example, the following service quality concerns expressed by public witnesses Frank Carroll and Mandy Ware and the Company's responses to these concerns were contained in the Company's report filed on September 18, 2017 regarding the Wilmington public hearing.

In regard to the concerns voiced by public witness Carroll (whose testimony was approved and adopted by 28 additional customers at the public hearing), the Company responded as follows:

- Investment to improve quality of service and water quality. CWSNC has invested within Belvedere an estimated \$4,855,759 since 2015 on various water and sewer capital projects. Much of the recent investment (\$1,049,200) was for upgrades to Well Nos. 1 and 2, including an additional 150,000-gallon ground storage tank at Well No. 1; new pipeline and booster pumps at Well No. 1; SCADA controls and electrical wiring; and upgrades to Well No. 2 through a larger pump, a larger generator, new piping and SCADA controls to communicate with Well No. 1.

Additional recently-completed, active, and other planned investments to address the customers' concerns about "discolored water" and hardness, include:

- Installation of an automated flushing device on Hickory Drive in Belvedere on September 6, 2017, at a cost of \$3,200;
- Commitment to resolve "hard water" concerns by installing appropriate treatment systems at Well Nos. 1 and 2 within approximately six (6) months. Acknowledging the support of the Belvedere customers, the Company is moving forward in a timely fashion on the design, permitting, and installation of these treatment systems. On August 17, 2017, CWSNC solicited quotes from an engineering firm for the costs to install the treatment systems. The cost is estimated to be approximately \$800,000, including labor and parts.
- The Company identified the root cause of the "discolored water": sand from Well No. 2 was being brought up to the surface and pushed into the distribution system. The repair to Well No. 2 should be completed by September 25, 2017. Until then, CWSNC will continue to provide customers with clean, safe, drinking water

from Well No. 1. The project cost is estimated to be between \$30,000 and \$50,000.

- Water Main Breaks. The Company's records show: (1) a two-inch water main break on March 14, 2017; (2) a booster pump failure due to a power surge at Well No. 1 on March 22, 2017; (3) another booster pump failure on April 19, 2017, due to a generator malfunction (which was corrected); (4) a well pump leak in the well-house on April 24, 2017; (5) a water main renovation on Greenview Court on April 25, 2017; (6) a pump failure at Well No. 1 requiring the use of Well No. 2<sup>8</sup>; (7) a repair necessitated on August 23, 2017, by a contractor's backhoe operator, who hit a water main; and (8) an eight-inch main split on September 12, 2017, due to improper installation of the water main on top of a boulder. All of these instances required issuance of BWAs by use of the "Voice Response" system, which delivers a voice message to the customer.

Water main breaks are inevitable for various reasons, including aged infrastructure and a failure, upon initial installation by a developer, to properly bed the pipe. Both the Company and customers are dependent upon the integrity of the initial installations, which were generally not performed by CWSNC. CWSNC apologizes for these service interruptions.

- Poor Communication About Boil Water Advisories. BWAs are issued by CWSNC to Belvedere customers in conjunction with each line break, and it should be emphasized that only the customers affected by a break are notified. The BWAs state the specific streets (i.e., customers) that were affected. These notices are delivered by the Voice Reach system after any water main break which necessitates the alert. CWSNC will also request that customers provide the Company with their best telephone and web-based contact information, in the event of future advisories. Receipt of proper customer contact information facilitates proper and prompt delivery of the required customer communication.
- Chlorination, Haloacetic Acids, and Total Trihalomethanes. Some customers expressed concern over haloacetic acids (HAA5s) and total trihalomethanes (TTHMs). HAA5s and TTHMs are unfortunate by-products of the water disinfection process (i.e., chlorine). CWSNC

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<sup>8</sup> In this instance, the Company resorted to using Well No. 2, rather than buying from Pender County, due to concern on behalf of its customers about the "GenX issue," which was much in the news at that time concerning all water sourced from the Cape Fear River. The start-up of Well No. 2—which had been off-line due to a capital improvement project—entailed some disruption and required emergency approval from the North Carolina Department of Environmental Quality. Nonetheless, the Company's judgment was a sound and reasonable exercise of concern on behalf of its customers, under those circumstances.

keeps the water safe, but commits to work to better address the HAA5 and TTHM by-products. The combination of the age of the water, the temperature of the water, and the amount of chlorine in the water can have an impact on the presence and amount of TTHMs and HAA5s. The Company does its best to monitor and control the HAA5s and TTHMs by: (1) flushing the water distribution mains; (2) keeping the chlorine at a low, but safe level (below the maximum of 4.0 milligrams per liter (mg/L) and more than the minimum of 0.02 mg/L); (3) seeking to better circulate (i.e., “loop”) the water within the water mains to prevent “dead end” lines and improve water quality; and (4) deploying, where appropriate, automatic flushing devices throughout the water distribution system.

- GenX. As noted above, the Company has tested for GenX in its groundwater source in the Wilmington area and the reported results are “non-detect.”
- Road repairs. Greenview Court was resurfaced on August 31, 2017.

In the Affidavit filed by witness Mendenhall on September 29, 2017, witness Mendenhall supplemented the Company’s response set forth above regarding the Greenview Court road repairs, stating that:

The Company accepts full responsibility for what it believes was an unacceptable delay in the repair to Greenview Court. Because of customer concerns expressed at the Hampstead meeting and the Wilmington hearing, the Company reviewed not only the Greenwood Court issue but also its practices and protocols regarding these types of road repairs. Specific factors involved with the Greenview Court matter included diversion of attention to capital projects, recent loss of staff (turnover is often a significant problem with respect to attention to ancillary issues such as road repairs), and undue reliance on the paving contractor. Furthermore, CWSNC has discussed the importance of timeliness of these types of repairs with staff and expects, in the future, to ensure they are completed within ten (10) days.

Mandy Ware testified at the Wilmington public hearing regarding her concerns about water quality, communications, and price. Her objections included the cost and need for a constant supply of bottled water, the uncertainty about when the water will be usable for bathing her children, and the deposits left in her tub and sink from the water when it is discolored. The expense of a rate increase, combined with her additional costs to address the discoloration issues, were also a focus of her testimony.

In its post-hearing report, the Company responded to public witness Ware’s testimony as follows:

The Company apologizes to Ms. Ware for the inconvenience she has experienced due to the inconsistency in water quality. As indicated at the Hampstead public meeting on August 16, 2017 and reiterated above, the Company has rectified the “discoloration” issue (through the use of Well No. 1 and with the nearly-completed repair to Well No. 2) and is in the process of addressing the hardness issues that prompted several of Ms. Ware’s concerns.

In the post-hearing Affidavit filed by witness Mendenhall, witness Mendenhall supplemented the Company’s response set forth above regarding public witness Ware’s testimony, stating that:

I contacted Ms. Ware again on September 21, 2017, and she reported that—since the Wilmington public hearing—she has seen improvements in both water quality and customer communications. First, regarding water quality, Ms. Ware indicated that the “film” that had been covering her bathtub has not been present in the weeks since the August 23, 2017, public hearing. She further indicated that, aside from the unanticipated water main break on September 12, 2017, she has not detected “discolored water.” Overall, Ms. Ware appears to have been pleased with the service CWSNC has provided to her within the past 30 days and seems to appreciate our efforts to resolve her water quality concerns.

Second, regarding customer communications, a CWSNC staff member previously provided his cell number to Ms. Ware so she could communicate with the Company in the event of any further concerns. On September 21, 2017, Ms. Ware also was provided with my contact information---both e-mail and cell number. She confirmed receiving “Voice Reach” calls for the water main break on September 12, 2017, which included both the initial Boil Water Advisory and the Rescind notice. Ms. Ware was able to communicate directly with a CWSNC staff member to discuss how the water main break was impacting her water service. She also complimented CWSNC for promptly repairing the water main break and restoring her water service.

(6) Raleigh (August 28, 2017)

Four witnesses testified at the Raleigh public hearing. All witnesses objected to the amount of the rate increase, two customers focused on rate design and cross-subsidy issues, and two customers spoke to their concern about the financial impact of the rate increase on some customers. Public witness Vincent P. Roy commended the Public Staff, as well as the work performed with CWSNC representatives (i.e., Danny Lassiter and his team) in quarterly meetings with his homeowners’ association, held over “...the last several years.” Witness Roy also addressed concerns about an inconsistent ability to reach help via the Company’s customer service line. No other service-related complaints were expressed at the Raleigh public hearing.

In its Raleigh public hearing report, the Company responded, in part, to customer testimony, and public witness Roy in particular, as follows:

The General Response section, above, addresses the benefits of uniform rates, which balance and mitigate the burden of repairs by spreading them more broadly across the CWSNC system. Consolidated corporate organization and rate structures have many obvious and demonstrated benefits, and the Company is committed to moving towards rate uniformity over time. However, in recognition of the impact on some customers in the system, the Company is moving incrementally towards that uniformity, as is demonstrated by the stipulated rates in this case which create four rate divisions. It should also be noted that since 2009, CWSNC has invested approximately \$928,500 in Carolina Trace.

The arguments about rate design, specifically about the ratio of fixed to volumetric costs, are legion, but the essential truth is this—to tilt too far in either direction is to decidedly favor one group of customers over another. The key is balance, and the Company submits that the proposed settlement in this case achieves that balance.

As to assurance of efficiency, the Company urges all customers to understand the level of scrutiny that is imposed in the Public Staff's examination of this case – an examination that plumbs the details of Company books and management and operational decisions to ensure that rates are based on costs that flow from efficient, reasonable operation of the Company. Over fifteen (15) weeks of discovery, the Public Staff propounded fifty-four (54) sets of data requests and numerous follow-up questions and conversations. The Public Staff also conducted field inspections of the water systems at Ski Mountain, Crestview, Misty Mountain, Chapel Hill, Powder Horn Mountain, Fairfield Harbor, Belvedere Plantation, Olde Point, Treasure Cove, Bradfield Farms, Wildlife Bay, Zemosa Acres, and Kings Grant, and of the sewer systems at Fairfield Harbor, Belvedere Plantation, Bradfield Farms, Danby, Independent/Hemby and Kings Grant. Statewide public hearings were held by the Commission, and attended by representatives of the Public Staff and the Company, in Asheville, Boone, Charlotte, New Bern, Wilmington, and Raleigh. An evidentiary hearing will be held in Raleigh on September 20, 2017, to receive evidence and to examine the expert witnesses. Additionally, the Public Staff followed up on written customer protests and concerns raised at the public hearings and through e-mails and letters, and reviewed relevant North Carolina Department of Environmental Quality ("DEQ") records. The rate-setting process is rigorous and intensive, as it should be, and the burden of proof is on the utility to prove in a judicial arena that it merits additional rates.



The Raleigh public hearing report also contained the Company's responses regarding issues such as actions being taken by CWSNC to improve communications with customers, system investments undertaken to improve quality of service and water quality provided to customers, and others matters.

(7) Raleigh Evidentiary Hearing (September 20, 2017)

Two witnesses testified at the beginning of the evidentiary hearing. Public witness Bryan McCabe testified on behalf of the Pender County Board of Commissioners in opposition to the proposed rate increase and asserted that Belvedere customers "have experienced multiple service issues, including pressure problems and discolored water, which made cleaning themselves, their dishes, and their homes futile, and often ruined any light-colored clothes which they washed." Public witness Vincent P. Roy briefly repeated portions of the testimony which he previously offered on August 28, 2017 at the Raleigh public hearing.

Public Staff witness Casselberry testified that her investigation included review of customer complaints; contact with the North Carolina Department of Environmental Quality (DEQ) and the Water Quality and Public Water Supply Sections of the Division of Water Resources (DWR); and review of Company records and analysis of revenues at existing and proposed rates. Witness Casselberry testified that she had contacted representatives of all DEQ regional offices regarding the operation of the CWSNC water and sewer systems. She testified that none of the regional office personnel she contacted expressed any major concerns with the water and sewer systems serving CWSNC customers or identified any major water quality concerns.

Further, witness Casselberry testified that the Public Staff received approximately 120 email messages or letters from CWSNC customers. Witness Casselberry observed that one complaint was from Abington, six were from Belvedere, three were from Bradfield Farms, 63 were from Carolina Trace, 19 were from Connetsee Falls, one was from Fairfield Mountain, two were from Mt. Carmel, two were from Mt. Mitchell, seven were from Sapphire Valley, one was from Sugar Mountain, five were from Treasure Cove, one was from Watauga Vista, one was from Woodhaven, and eight were from unspecified service areas. She indicated that all customers objected to the magnitude of the rate increase. Many complaints received were concerning the corporate structure, rate of return, the notice to customers, and rate design. Further, witness Casselberry testified that numerous complaints received pertained to rate comparisons between CWSNC's current and proposed rates and the rates of municipalities in North Carolina and other states. She offered testimony in response to each of these customer concerns.

In regard to the service and water quality complaints registered by customers at each of the six public hearings, witness Casselberry stated that she had read each of the three reports filed by CWSNC in response to the customer concerns and complaints which were included in testimony at those six public hearings. Witness Casselberry specifically commended CWSNC in one instance for its "thorough response to customer

complaints” and further testified that she, speaking for the Public Staff, was satisfied with the Company’s responses in all three reports and had no recommendations.

With specific reference to the Belvedere and Treasure Cove systems, witness Casselberry testified that:

In regard to the situation at Belvedere, CWSNC informed the Public Staff about the problems they were having with well No. 2 and their decision not to activate the emergency connection with Pender County. The Public Staff agreed with their decision. Prior to the hearing held on August 23, 2017, I inspected the water and sewer systems serving Belvedere. At the time of my inspection, Well No. 2 was running clear.

On August 24, 2017, I inspected the water system serving Treasure Cove. The ditch causing floods is not a ditch but a small creek which runs parallels [sic] to the well lot. The well lot was mowed with the exception of approximately two feet along the bank of the creek. It is the Public Staff’s opinion that the well lot is being properly maintained.

No party contested the contents of the three service reports filed by the Company.

Based upon the foregoing, and after careful review of the testimony of the customers at the public hearings, the testimony of Company witness Mendenhall, the Reports on Customer Comments provided by CWSNC, the Public Staff’s engineering and service quality investigation, and the late-filed affidavits and exhibits filed by CWSNC and the Public Staff, the Commission concludes that the overall quality of service provided by CWSNC is adequate.

## II. Capital Structure and Cost of Capital

In its Application the Company requested an overall cost of capital of 8.55%. Such request was based on a capital structure of 47.11% long-term debt, 52.89% common equity, an embedded cost of debt of 6.58%, and a return on common equity of 10.30%. In the direct testimony of witness Linneman filed on August 7, 2017, in support of the Company’s request to increase rates, witness Linneman testified that since the filing of the Application the Company and the Public Staff have negotiated a settlement regarding the rate of return and capital structure issues. Pursuant to the First Stipulation filed on August 7, 2017, CWSNC and the Public Staff agreed that a capital structure consisting of 48.00% long-term debt and 52.00% common equity, an embedded cost of debt of 5.93%, and a return on common equity of 9.60% are appropriate for use in this proceeding.

Public Staff witness Craig testified in support of the agreed-upon capital structure and cost rates on the components of the capital structure. Witness Craig contended that it is widely recognized that a public utility should be allowed a rate of return on capital that will allow the utility, under prudent management, to attract capital under the criteria or

standards referenced by the Hope<sup>9</sup> and Bluefield<sup>10</sup> decisions. He maintained that if the allowed rate of return is set too high, consumers are burdened with excessive costs, current investors receive a windfall, and the utility has an incentive to overinvest. However, if the return is set too low and the utility is not able to attract capital on reasonable terms to meet future expansion for its service area, witness Craig asserted that future service obligations may be impaired. Witness Craig explained that because a public utility is capital intensive, the cost of capital is a very large part of its overall revenue requirement and is a crucial issue for a company and its ratepayers.

With respect to capital structure, witness Craig testified that in this proceeding, through discovery, it was determined that CWSNC was in position to update its capital structure to 47.32% long-term debt and 52.68% common equity; however, as part of the First Stipulation, CWSNC agreed to a lower (i.e., less expensive) cost capital structure consisting of 48.00% long-term debt and 52.00% common equity.

With respect to the cost of common equity, witness Craig testified that his recommendation is based on: (1) the discounted cash flow (DCF) model for water companies; and (2) the risk premium method using a regression analysis of allowed returns for water utilities. He testified that because the common equity of CWSNC is not publicly traded, he could not apply the DCF method directly to CWSNC. As such, he applied the DCF method to a comparable group of water utilities followed by Value Line Investment Survey (Value Line). Witness Craig testified that, based upon the DCF results for the comparable group of water utilities, he determined that the cost of common equity for CWSNC is within the range of 8.30% to 9.70%. He further testified that applying the risk premium method produced a predicted return on common equity of 9.65%. Based upon the results of the DCF and risk premium methods, witness Craig concluded that a reasonable range of estimates for the cost of equity for CWSNC is between 8.30% and 9.70%.

Witness Craig testified that, consistent with his analysis, he supported the stipulated settlement regarding a 9.60% return on common equity as being a reasonable compromise in this case.

Witness Craig also testified as to the extent to which the recommended cost of common equity takes into consideration the impact of changing economic conditions on customers. He testified that he is aware of no clear numerical basis for quantifying the impact of changing economic conditions on customers in determining an appropriate return on equity in setting rates for a public utility. Rather, he stated that the impact of changing economic conditions nationwide is inherent in the methods and data used in his study to determine the cost of equity for utilities that are comparable in risk to CWSNC. In addition, witness Craig stated that customer testimony at the public hearings in this proceeding focused on the amount of proposed rate increases in the various service

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<sup>9</sup> Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

<sup>10</sup> Bluefield Waterworks & Impr. Co. v. Public Service Comm'n, 262 U.S. 679, 692-93 (1923).

areas and that there was no customer testimony on the impact of changing economic conditions on the Company's cost of equity capital.

In order to obtain information on the economic conditions in the area served by CWSNC, witness Craig testified that he conducted a review of the data on total personal income for the years 2013 through 2015 as compiled by the Bureau of Economic Analysis (BEA) and data on the unemployment rate published by the North Carolina Department of Commerce for the counties within the Company's service area which have the greatest number of CWSNC customers. The Company's service area, which stretches from the mountains to the coast, consists of 38 counties and includes nine of the 10 most populous counties in North Carolina.

According to witness Craig, the three largest counties within the Company's service area, Forsyth, Mecklenburg, and Wake, experienced average growth in personal income of more than 3.7% annually during the years 2013 through 2015, while the statewide average was 3.5%. Most of the counties within its service area experienced growth in personal income from 2013 through 2015, and the overall annual average for these counties was 3.5%.

Witness Craig testified that the average unemployment rate of the 38 counties in the CWSNC service territory was 5.0% at the end of 2016, which was virtually identical to North Carolina's statewide unemployment rate of 4.9% at the end of 2016. From 2014 through 2016, the unemployment rate in the Company's service territory fell from 5.6% in 2014 to 5.0%, while the state unemployment rate fell from 5.4% in 2014 to 4.9%. The falling unemployment rate in the Company's service territory demonstrates the continued improvement in North Carolina's economy and the economy of the service territory of CWSNC.

Witness Craig stated that the determination of the rate of return for regulatory purposes must be based on the requirements of capital markets. However, as noted by the North Carolina Supreme Court in recent decisions, it is necessary to consider the impact of changing economic conditions on consumers in general rate cases. Witness Craig testified that, as noted in his discussion on present economic conditions, there are reasons to believe that the economic conditions in the nation and in North Carolina will continue to improve which should provide a benefit for many CWSNC customers.

In regard to the cost of debt, witness Craig testified that he determined that the Company's embedded cost of debt is 5.93%. He explained that the individual debt issues have contractual agreements explicitly stating the cost of each issue. Thus, the embedded annual cost of debt may be calculated by simply considering these contractual agreements and the utility's books and records.

Company witness Linneman provided a late-filed affidavit wherein, among other matters, witness Linneman stated that the stipulated embedded cost of debt of 5.93% is a weighted average cost based on the long-term debt which was issued in 2006 at a cost of 6.58% and the cost of the revolving balance loan which was issued in 2015 and carries

a variable interest rate that has fluctuated from a low of 1.70% in 2015 to a high of 2.45% in May 2017. He also commented that the long-term debt also includes a “make whole” penalty payment requirement in excess of \$50 million, should the debt be refinanced or paid in full prior to the maturity date of July 21, 2036. He further observed that there is no debt rating for Utilities, Inc.’s current outstanding debt since the debt is in the form of a commercial loan. Therefore, no debt rating is assigned to it, as would be in the case if the outstanding debt were in the form of a bond issuance.

With respect to the overall cost of capital, witness Craig recommended 7.84% as set forth in Exhibit CCC-5 of his testimony. In regard to a reasonableness assessment of financial risk with respect to his recommended return on common equity and overall cost of capital, witness Craig testified that he considered the pretax interest coverage ratio. Witness Craig testified that, based upon the recommended capital structure, cost of debt, and common equity return of 9.60%, the pretax interest coverage ratio is approximately 3.7 times, which should allow the Company to qualify for a “BBB” bond rating.

G.S. 62-133(b)(4) requires the Commission to fix rates for service which will enable a public utility, by sound management, to produce a fair profit for its stockholders, in view of current economic conditions, maintain its facilities and services and compete in the market for capital, and no more. This is the ultimate objective of ratemaking. Utilities Commission v. General Telephone Company, 281 N.C. 318, 189 S.E.2d 705 (1972). The Commission is of the opinion that there is adequate evidence in the record to support the return on equity agreed to by the Public Staff and CWSNC and that such return should allow CWSNC to properly maintain its facilities and services, provide adequate service to its customers, and produce a fair return, thus enabling the Company to attract capital on terms that are fair and reasonable to its customers and investors. Consequently, the Commission finds and concludes that the return on common equity of 9.60% that was agreed to by CWSNC and the Public Staff is just and reasonable and should be approved.

Further, in light of Public Staff witness Craig’s testimony, analysis, and exhibits (including both his direct and late-filed exhibits) and the direct testimony of CWSNC witness Linneman in support of the First Stipulation (as well as his late-filed Affidavit and exhibits), the Commission finds and concludes that there is adequate and substantial evidence in the record to support the capital structure and cost of debt agreed to by CWSNC and the Public Staff. Therefore, the capital structure consisting of 52.00% common equity and 48.00% long-term debt, an embedded cost of debt of 5.93%, and a return on common equity of 9.60% are appropriate for use in this proceeding considering the impact of changing economic conditions on customers and relevant statutory and case law.

### III. Rate Design Issues

As noted by CWSNC in its Rate Case Application and the testimony of Company witness Linneman, this is the first general rate case filed by the Company since the merger was approved by the Commission on August 17, 2016. By its Application,

CWSNC proposed to establish four Rate Divisions for ratemaking purposes in this proceeding as follows:

- CWSNC Uniform Water
- CWSNC Uniform Sewer
- Bradfield Farms/Fairfield Harbour Water<sup>11</sup>
- Bradfield Farms/Fairfield Harbour Sewer

Under the Company's proposed rate design, the CWSNC Uniform Water and Sewer Rate Divisions will consist of all water and sewer systems currently owned and operated by the Company, but excluding the Bradfield Farms and Fairfield Harbour service areas. The Bradfield Farms and Fairfield Harbour water and sewer service areas have been combined into separate Water and Sewer Rate Divisions for purposes of this case. CWSNC's Application states that its ultimate goal, in future general rate cases, is to move Bradfield Farms and Fairfield Harbour into the CWSNC Uniform Water and Sewer Rate Divisions. Additionally, in order to reduce "rate shock" for customers in the Treasure Cove service area who are presently included in CWSNC's Uniform Water and Sewer Rate Divisions, the Company and the Public Staff proposed that Treasure Cove's customers be charged the same water and sewer rates as the Bradfield Farms and Fairfield Harbour customers.

Further, as a matter of rate design in this case, CWSNC proposed no rate changes for customers in the Company's Elk River and CLMS service areas. Because customers in the Elk River service area were impacted by a recent rate increase effective September 20, 2016, the Company stated that it is reluctant, at this time, to further increase rates for those particular customers by applying CWSNC's uniform water and sewer rates to them. According to the Company, this course of action will be reevaluated in the Company's next rate case.

As for the CLMS service area, CWSNC stated that its proposal to not increase (but to hold constant) the water and sewer rates for those affected customers is consistent with the ratemaking and rate design approved by the Commission in the Company's last two general rate cases (Docket Nos. W-354, Subs 336 and 344) and will continue the orderly process of moving the CLMS service area toward full inclusion in the Company's uniform water and sewer rates in future general rate cases.

The Public Staff, through the Second Stipulation, agreed with CWSNC regarding the above-summarized rate design proposals. With respect to the base facility charge for residential sewer customers, in the Second Stipulation the parties agreed that for purposes of this rate case proceeding, in recognition of the significant impact the Company's proposed sewer base facility charge would have on a relatively small number of residential customers in this case, all residential sewer customers should pay the same base facility charge regardless of meter size.

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<sup>11</sup> Bradfield Farms is located in Mecklenburg County and Fairfield Harbour is located in Craven County.

In regard metered sewer rates for customers in Fairfield Harbour, Bradfield Farms, and Sapphire Valley service areas, in the Second Stipulation CWSNC agreed to consider implementing metered sewer rates for customers in these service areas in the Company's next general rate case filing and reserved the right to independently propose metered sewer rates for these systems.

With respect to the rates proposed for the CLMS service area, in its letter filed with the Commission on October 24, 2017, CLCA commented that system-specific rates were instituted for the CLMS service area in 2009 in Docket No. W-354, Sub 314, and the system specific rates were continued in 2011 in Docket No. W-354, Sub 327. CLCA stated that in 2013, the first efforts were made to begin returning the CLMS service area's system-specific rates to the uniform rates. CLCA noted that these efforts continued in 2015, and now continue in 2017. CLCA stated that recent actions by the Commission, the Public Staff, and CWSNC have brought CLMS service area's system-specific rates closer to parity within recent years and that the CLCA "remains patient and understands the need to gradually return its rates to parity". CLCA recognized that the Stipulation between the Public Staff and CLCA in this proceeding continues to move rates for the CLMS service area closer to parity, and consequently, expressed no objections to the aforementioned rate design proposals.

The Commission finds good cause to approve the rate design proposals as set forth above for the reasons given by the Company in its Application and in the testimony of CWSNC witness Linneman and given the Public Staff's support for such proposals as evidenced by the Second Stipulation and the testimony of Public Staff witness Casselberry. Moreover, the Commission recognizes that CLCA stated it does not object to the Stipulation between the Public Staff and CWSNC which included the rate design proposals discussed herein. Consequently, the Commission finds and concludes that the rate design proposals as set forth above are just and reasonable and should be approved.

Furthermore, the Commission finds and concludes that CWSNC should consider implementing metered sewer rates for customers in the Fairfield Harbour, Bradfield Farms, and Sapphire Valley service areas in the Company's next general rate case filing or should independently propose metered sewer rates for these systems, as stipulated.

#### IV. WSIC and SSIC

CWSNC witness Linneman testified that, pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26, in the Company's general rate case proceedings in Docket Nos. W-354, Subs 336 and 344, the Commission found it to be in the public interest to authorize CWSNC to implement and utilize a rate adjustment mechanism (WSIC/SSIC rate adjustment mechanism) to recover the incremental depreciation expense and capital costs related to eligible investments in water and sewer infrastructure projects completed and placed in service between general rate case proceedings, as provided for in the then-newly enacted G.S. 62-133.12. Witness Linneman commented that, as a result, CWSNC was authorized to implement a WSIC/SSIC rate adjustment

mechanism for recovery of such costs applicable to all of the Company's pre-merger customers.<sup>12</sup>

Witness Linneman noted that all of CWSNC's post-merger customers are subject to the application in this general rate case.<sup>13</sup> Therefore, witness Linneman contended that the Company's Commission-authorized WSIC/SSIC Mechanisms will, on a going-forward basis, apply to all customers served by CWSNC, including those customers incorporated into the Company as a result of the Commission-authorized 2016 corporate merger. Consequently, witness Linneman requested that the Commission specifically find and conclude that it is in the public interest for CWSNC's Commission-authorized WSIC/SSIC Mechanisms to henceforth apply to all customers now served by CWSNC on a post-merger basis. Further, witness Linneman stated that consistent with Commission Rules R7-39(c)(1) and R10-26(c)(1), the Company's Ongoing Three-Year Plan was included as Appendix C to the Rate Case Application filed by CWSNC on March 31, 2017.

In Paragraph 11 of the Second Stipulation, the Public Staff and CWSNC agreed that, pursuant to Commission Rules R7-39(k) and R10-26(k), CWSNC's Commission-authorized WSIC and SSIC surcharges will be reset to zero as of the effective date of new base rates established in this general rate case. Thereafter, only the incremental depreciation expense and capital costs of new eligible water and sewer system improvements that have not previously been reflected in the Company's rates will be recoverable through the WSIC/SSIC Mechanisms on a going-forward basis.

Moreover, the Public Staff and CWSNC agreed that all of CWSNC's post-merger customers are subject to the Application in this general rate case. As a result, the Stipulating Parties acknowledged and agreed that the Company's

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<sup>12</sup> CWS Systems, Inc. and Elk River Utilities, Inc. were also authorized by the Commission to implement WSIC/SSIC Mechanisms in their last pre-merger general rate cases in Docket Nos. W-778, Sub 91 and W-1058, Sub 7, respectively. Bradfield Farms Water Company, Carolina Trace Utilities, Inc., and Transylvania Utilities, Inc. did not have pre-merger general rate cases by which those companies were authorized to implement WSIC/SSIC Mechanisms; thus, to date, the WSIC/SSIC Mechanisms are not authorized and in effect for the Bradfield Farms, Carolina Trace, and Transylvania post-merger CWSNC service territories. In Paragraph 16 of its Application, CWSNC requested that the Commission specifically find and conclude that the Company's Commission-authorized WSIC/SSIC Mechanisms will, going-forward, apply to all customers now served by CWSNC on a post-merger basis.

<sup>13</sup> Decretal Paragraph 9 of the August 17, 2016 Order Approving Merger in Docket Nos. W-354, Sub 350, et al., provides as follows:

That the WSIC and SSIC Mechanisms currently in effect for CWSNC and CWSS (and Elk River, if approved by the Commission in its pending rate case in Docket No. W-1058, Sub 7) shall continue in effect post-merger, **but shall not apply to customers in the Bradfield Farms, Carolina Trace, or Transylvania service areas until such time as CWSNC has either (1) a consolidated general rate case affecting the rates applicable to customers in the areas currently served by Bradfield Farms, Carolina Trace, and/or Transylvania; or (2) a stand-alone general rate case or cases where the Company proposes implementation of a separate WSIC/SSIC Mechanism specific to one or more of the areas currently served by Bradfield Farms, Carolina Trace, or Transylvania.** (Emphasis added)



Commission-authorized WSIC/SSIC Mechanisms will, on a going-forward basis, apply to all customers served by CWSNC, including those customers incorporated into the Company as a result of the Commission-authorized 2016 corporate merger.

Further, in Paragraph 11 of the Second Stipulation, the Public Staff and CWSNC agreed that the Company's Ongoing Three-Year Plan filed by CWSNC in this docket is reasonable and meets the requirements of Commission Rules R7-39(m) and R10-26(m).

Accordingly, the Commission is persuaded by Paragraph 11 of the Second Stipulation and the testimony of CWSNC witness Linneman that it is in the public interest for CWSNC's Commission-authorized WSIC/SSIC Mechanisms to henceforth apply to all customers now served by CWSNC on a post-merger basis, subject to all statutory and regulatory requirements. The Commission finds and concludes that the three-year plan filed by CWSNC in this proceeding supports this conclusion. Furthermore, the Commission finds and concludes that the previously-authorized water and sewer system improvement charge rate adjustment mechanism continues in effect, although, pursuant to Commission Rules R7-39(k) and R10-26(k), it has been reset at zero as of the effective date of this Order. CWSNC may, under the Rules and Regulations of the Commission, next apply for a WSIC/SSIC rate surcharge on February 1, 2018, to become effective April 1, 2018. The Commission acknowledges that the WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. Further, the WSIC/SSIC surcharge is subject to Commission approval and to audit and refund provisions. Moreover, any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding.

Based on the service revenues set forth in the Second Stipulation and approved herein, the maximum revenues that could be recovered through WSIC/SSIC charges as of the effective date of this Order are:

	<u>Service Revenues</u>		<u>WSIC &amp; SSIC Cap</u>
CWSNC Uniform Water	\$17,415,028	x 5% =	\$870,751
CWSNC Uniform Sewer	12,627,226	x 5% =	631,361
BF/FH Water	950,755	x 5% =	47,538
BF/FH Sewer	1,733,316	x 5% =	86,666

#### V. Overall Conclusions

The Commission, having carefully reviewed the First Stipulation, the Second Stipulation, and all of the evidence of record, finds and concludes that the First Stipulation and Second Stipulation are the product of the give-and-take settlement negotiations between CWSNC and the Public Staff; that they constitute material evidence; that they are entitled to be given appropriate weight in this proceeding, along with all other evidence

in the record; and that they are fully supported by competent evidence in the record. Further, the Commission recognizes that CLCA stated in its October 24, 2017 filing that it does not object to the Stipulation between the Public Staff and CWSNC.

Accordingly, based on the foregoing findings of fact and the entire record in this proceeding, the Commission concludes that the stipulated rates, the stipulated capital structure and rate of return percentages, and all of the other provisions of the First and Second Stipulations, which are incorporated herein by reference, are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

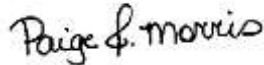
1. That the First Stipulation and the Second Stipulation are incorporated by reference herein and are hereby approved in their entirety.
2. That the Schedules of Rates, attached hereto as Appendices A-1, A-2, A-3, and A-4, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as Appendices B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to G.S. 62-138.
3. That the Schedules of Rates, attached hereto as Appendices A-1, A-2, A-3, and A-4, are hereby authorized to become effective for service rendered on and after the issuance date of this Order.
4. That the Notices to Customers, attached hereto as Appendices C-1 and C-2 shall be mailed with sufficient postage or hand delivered to all affected customers in each relevant service area, respectively, in conjunction with the next regularly scheduled billing process.
5. That CWSNC shall file the attached Certificate of Service, properly signed and notarized, not later than 10 days after the Notices to Customers are mailed or hand delivered to customers.
6. That the First Stipulation, the Second Stipulation, and the parts of this Order pertaining to the contents of those agreements shall not be cited or treated as precedent in future proceedings.

7. That CWSNC shall consider implementing metered sewer rates for customers in the Fairfield Harbour, Bradfield Farms, and Sapphire Valley service areas in the Company's next general rate case filing or shall independently propose metered sewer rates for these systems, as stipulated.

ISSUED BY ORDER OF THE COMMISSION.

This the 8<sup>th</sup> day of November, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, reading "Paige J. Morris". The signature is written in a cursive, flowing style.

Paige J. Morris, Deputy Clerk

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Corolla Light, Monterey Shores, Elk River Development, Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills and Glen Arbor/North Bend Subdivisions, Bradfield Farms, Larkhaven, Silverton and Woodland Farms Subdivisions and Hawthorne at the Green Apartments

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 24.44
1" meter	\$ 61.10
1 1/2" meter	\$ 122.20
2" meter	\$ 195.52
3" meter	\$ 366.60
4" meter	\$ 611.00
6" meter	\$1,222.00

Usage Charge:

A. Treated Water, per 1,000 gallons	\$ 7.70
B. Untreated Water, per 1,000 gallons (Brandywine Bay Irrigation Water)	\$ 4.11

C. Purchased Water for Resale, per 1,000 gallons:

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
High Vista Estates	City of Hendersonville	\$	3.25
Riverpointe	Charlotte Water	\$	6.30
Whispering Pines	Town of Southern Pines	\$	2.23
White Oak Plantation/ Lee Forest	Johnston County	\$	2.28
Winston Plantation	Johnston County	\$	2.28
Winston Point	Johnston County	\$	2.28
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston-Salem	\$	5.01
Zemosa Acres	City of Concord	\$	5.27
Carolina Trace	City of Sanford	\$	2.21

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

When because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit or other structure separately, the following will apply:

Sugar Mountain Service Area:

Where service to multiple units or other structures is provided through a single meter, the average usage for each unit or structure served by that meter will be calculated. Each unit or structure will be billed based upon that average usage plus the base monthly charge for a <1" meter.

Mount Mitchell Service Area:

Service will be billed based upon the Commission-approved monthly flat rate.

Monthly Flat Rate Water Service: (Billed in Arrears) \$ 47.45

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest  
and Woodrun Subdivisions in Montgomery County \$ 24.65

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge Subdivision	\$ 12.35
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Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 9.10
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Availability Rate: (Monthly)

Applicable only to property owners in Connestee Falls	\$ 4.80
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<u>Meter Testing Fee:</u> <sup>1/</sup>	\$ 20.00
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<u>New Water Customer Charge:</u>	\$ 27.00
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Reconnection Charge: <sup>2/</sup>

If water service is cut off by utility for good cause	\$ 27.00
If water service is discontinued at customer's request	\$ 27.00

Reconnection Charge: <sup>3/</sup> (Flat-rate water customers)

If water service is cut off by utility for good cause	Actual Cost
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Management Fee: (in the following subdivisions only)

Wolf Laurel	\$150.00
Covington Cross Subdivision (Phases 1 & 2)	\$100.00

Oversizing Fee: (in the following subdivision only)

Winghurst	\$400.00
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Meter Fee:

For <1" meter	\$ 50.00
For meters 1" or larger	Actual Cost

<u>Irrigation Meter Installation:</u>	Actual Cost
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## SEWER RATES AND CHARGES

### Monthly Metered Sewer Service:

#### A. Base Facility Charge:

Residential (zero usage)	\$ 45.97
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Commercial (based on meter size with zero usage)	
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< 1" meter	\$ 45.97
1" meter	\$ 114.93
1 1/2" meter	\$ 229.85
2" meter	\$ 367.76
3" meter	\$ 689.55
4" meter	\$1,149.25
6" meter	\$2,298.50

B. Usage Charge, per 1,000 gallons (based on metered water usage)	\$ 3.11
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Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

### Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial/per SFE (Single Family Equivalent))	\$ 36.75
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Usage charge, per 1,000 gallons based on purchased water consumption

<u>Service Area</u>	<u>Bulk Provider</u>	
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$ 4.82
Kings Grant	Two Rivers Utilities	\$ 3.80
College Park	Town of Dallas	\$ 5.70

<u>Monthly Flat Rate Sewer Service:</u>	\$ 56.57
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Multi-residential customers who are served by a master meter shall be charged the flat rate per unit.	\$ 56.57
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Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$ 6.77
Monthly Collection Charge (Residential and Commercial/SFE)	\$ 36.75
Usage Charge, per 1,000 gallons based on purchased water consumption	\$ 5.88

Regalwood and White Oak Estates Subdivision Service Areas:

Monthly Flat Rate Sewer Service	
Residential Service	\$ 56.57
White Oak High School	\$1,770.10
Child Castle Daycare	\$ 219.90
Pantry	\$ 116.80

Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area and Highland Shores Subdivision

Monthly Sewer Rates:

Residential	
Collection charge/dwelling unit	\$ 36.75
Treatment charge/dwelling unit	\$ 69.50
Total monthly flat rate/dwelling unit	<u>\$ 106.25</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$ 106.25
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Monthly collection and treatment charge for customers who do not take water service (per SFE)	\$ 106.25
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Treatment charge per dwelling unit

Small (less than 2,500 gallons per month)	\$ 78.50
Medium (2,500 to 10,000 gallons per month)	\$ 139.50
Large (over 10,000 gallons per month)	\$ 219.50

Collection Charge (per 1,000 gallons)	\$ 13.93
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Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 8.30
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Availability Rate: (Monthly)

Applicable only to property owners in Connestee Falls	\$ 4.70
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<u>New Sewer Customer Charge:</u> <sup>4/</sup>	\$ 27.00
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Reconnection Charge: <sup>5/</sup>

If sewer service is cut off by utility for good cause	Actual Cost
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MISCELLANEOUS UTILITY MATTERS

<u>Charge for processing NSF Checks:</u>	\$ 25.00
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<u>Bills Due:</u>	On billing date
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<u>Bills Past Due:</u>	21 days after billing date
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<u>Billing Frequency:</u>	Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.
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Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.
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Notes:

<sup>1/</sup> If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

<sup>2/</sup> Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>3/</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice.

<sup>4/</sup> This charge shall be waived if customer is also a water customer within the same service area.

<sup>5/</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to the customer with the cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing sewer utility service

in

COROLLA LIGHT AND MONTERAY SHORES SERVICE AREA

SEWER RATES AND CHARGES

Monthly Metered Sewer Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 52.06
1" meter	\$ 130.15
1 1/2" meter	\$ 260.31
2" meter	\$ 416.49
3" meter	\$ 780.92
4" meter	\$1,301.54
6" meter	\$2,603.07

Usage Charge, per 1,000 gallons (based on purchased water usage)	\$ 6.62
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Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

<u>New Sewer Customer Charge:</u>	\$ 21.92
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Reconnection Charge: <sup>1/</sup>

If sewer service cut off by utility for good cause	Actual Cost
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Uniform Connection Fees: <sup>2/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Corolla Light	\$ 700.00	\$ 0.00
Monteray Shores	\$ 700.00	\$ 0.00
Monteray Shores (Degabrielle Bldrs.)	\$ 0.00	\$ 0.00
Corolla Bay <sup>3/</sup>	\$ 100.00	\$1,000.00
Corolla Bay <sup>4/</sup>	\$ 700.00	\$ 0.00
Corolla Shores	\$ 700.00	\$ 0.00

One SFE shall equal 360 gallons per day of capacity.

MISCELLANEOUS UTILITY MATTERS

<u>Charge for processing NSF Checks:</u>	\$ 24.91
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be rendered monthly
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

<sup>1/</sup> The Utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish the estimate to the customer with the cut-off notice.

Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>2/</sup> These fees are only applicable one time, when the unit is initially connected to the system.

<sup>3/</sup> The connection charge of \$100 per SFE and the plant modification fee of \$1,000 per SFE specified herein apply to new wastewater connections requested at Corolla Bay prior to June 4, 2015.

<sup>4/</sup> The connection charge of \$700 per SFE applies to new wastewater connections requested at Corolla Bay on and after June 4, 2015.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ELK RIVER DEVELOPMENT

WATER UTILITY SERVICE

Monthly Metered Water Service: (Residential and Non-residential)

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 19.52
1" meter	\$ 48.79
2" meter	\$ 156.12

Usage Charge, per 1,000 gallons	\$ 4.29
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SEWER UTILITY SERVICE

Monthly Metered Sewer Service: (Residential and Non-residential)

Base facility Charge (based on meter size with zero usage)

< 1" meter	\$ 23.38
1" meter	\$ 58.45
2" meter	\$ 187.05

Usage Charge, per 1,000 gallons (based on metered water usage)	\$ 3.00
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Connection Charge:

Water	\$1,000.00
Sewer	\$1,200.00

Reconnection Charge:

If water service is cut off by utility for good cause	\$26.92
If water service is disconnected at customer's request	\$26.92
If sewer service is cut off by utility for good cause	Actual Cost <sup>1</sup>

<sup>1</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to the customer with the cut-off notice. This charge will be waived if customer also receives water service from the utility within the same service area.

(Customers who ask to be reconnected within nine months of disconnection will be charged the approved base facility charges for water and sewer for the service period during which they were disconnected.)

New Water Customer Charge: \$26.92

Bills due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Returned Check Charge: \$24.93

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

TREASURE COVE, REGISTER PLACE ESTATES, NORTH HILLS, GLEN  
ARBOR/NORTH BEND SUBDIVISIONS, FAIRFIELD HARBOUR SERVICE AREA,  
BRADFIELD FARMS SUBDIVISION, LARKHAVEN SUBDIVISION, SILVERTON AND  
WOODLAND FARMS SUBDIVISIONS AND HAWTHORNE AT THE GREEN  
APARTMENTS

WATER RATES AND CHARGES

Monthly Metered Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 11.44
1" meter	\$ 28.60
1 1/2" meter	\$ 57.20
2" meter	\$ 91.52

Usage Charge, per 1,000 gallons	\$ 3.36
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Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 3.28
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Connection Charge:

Treasure Cove Subdivision	\$ 0.00
North Hills Subdivision	\$ 100.00
Glen Arbor/North Bend Subdivision	\$ 0.00
Register Place Estates	\$ 500.00



Fairfield Harbor: <sup>1/</sup>

All Areas Except Harbor Pointe II Subdivision

Recoupment of capital fees per tap	\$ 335.00
Connection charge per tap	\$ 140.00

Harbor Pointe Subdivision and any area where mains  
have been installed after July 24, 1989

Recoupment of capital fee per tap	\$ 650.00
Connection charge per tap	\$ 320.00

Bradfield Farms:

Connection charge per tap	None
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<u>Meter Testing Fee:</u> <sup>2/</sup>	\$ 20.00
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<u>New Water Customer Charge:</u>	\$ 27.00
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Reconnection Charge: <sup>3/</sup>

If water service is cut off by utility for good cause	\$ 27.00
If water service is discontinued at customer's request	\$ 27.00

<u>New Meter Charge:</u>	Actual Cost
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<u>Irrigation Meter Installation:</u>	Actual Cost
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SEWER RATES AND CHARGES

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$ 41.40
Bulk Flat Rate, per REU	\$ 40.40

Commercial and Other:

Monthly Flat Rate (Customers who do not take water service)	\$ 41.40
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Monthly Metered Rates  
(based on meter size with zero usage)

<1" meter	\$ 11.12
1 1/2" meter	\$ 55.60
2" meter	\$ 88.96

Usage Charge, per 1,000 gallons	\$ 6.20
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Bulk Sewer Service for Hawthorne at the Green Apartments: <sup>4/</sup>

Bulk Flat Rate, per REU	\$ 40.40 per month
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(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291.)

Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 2.65
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Connection Charge:

Fairfield Harbour: <sup>1/</sup>

All Areas Except Harbor Pointe II Subdivision

Recoupment of capital fees per tap	\$ 735.00
Connection charge per tap	\$ 140.00

Harbor Pointe Subdivision and any area where mains have been installed after July 24, 1989

Recoupment of capital fee per tap	\$ 2,215.00
Connection charge per tap	\$ 310.00

Bradfield Farms:

Connection charge per tap	None
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<u>New Sewer Customer Charge:</u> <sup>5/</sup>	\$ 27.00
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Reconnection Charge:<sup>6/</sup>

If sewer service is cut off by utility for good cause

Actual Cost

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be monthly for service in arrears.

Availability billings semiannually in advance.

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

<sup>1/</sup> The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the connection charge for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

<sup>2/</sup> If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

<sup>3/</sup> Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

<sup>4/</sup> Each Apartment building will be considered 92.42% occupied on an ongoing basis for billing purposes as soon as the certificate of occupancy is issued for that apartment building.

<sup>5/</sup> This charge shall be waived if customer is also a water customer within the same service area.

<sup>6/</sup> The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to the customer with the cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

SCHEDULE OF CONNECTION FEES

FOR WATER UTILITY SERVICE UNDER UNIFORM RATES

Uniform Connection Fees: <sup>1/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$ 400.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amherst	\$ 250.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Blue Mountain at Wolf Laurel	\$ 925.00	\$ 0.00
Buffalo Creek, Phase I, II, III, IV	\$ 825.00	\$ 0.00
Carolina Forest	\$ 0.00	\$ 0.00
Chapel Hills	\$ 150.00	\$ 400.00
Eagle Crossing	\$ 0.00	\$ 0.00
Forest Brook/Old Lamp Place	\$ 0.00	\$ 0.00
Harbour	\$ 75.00	\$ 0.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 300.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Lemmond Acres	\$ 0.00	\$ 0.00
Linville Ridge	\$ 400.00	\$ 0.00
Monterrey (Monterrey LLC)	\$ 0.00	\$ 0.00
Quail Ridge	\$ 750.00	\$ 0.00
Queens Harbour/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Riverwood, Phase 6E (Johnston County)	\$ 825.00	\$ 0.00
Saddlewood/Oak Hollow (Summey Bldrs.)	\$ 0.00	\$ 0.00

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Sherwood Forest	\$ 950.00	\$ 0.00
Ski Country	\$ 100.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Wildlife Bay	\$ 870.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Winston Plantation	\$1,100.00	\$ 0.00
Winston Pointe, Phase 1A	\$ 500.00	\$ 0.00
Wolf Laurel	\$ 925.00	\$ 0.00
Woodrun	\$ 0.00	\$ 0.00
Woodside Falls	\$ 500.00	\$ 0.00

Other Connection Fees:

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

Amber Acres, Amber Acres North, Amber Ridge, Ashley Hills North, Bishop Pointe, Carriage Manor, Country Crossing, Covington Cross, Heather Glen, Hidden Hollow, Jordan Woods, Lindsey Point, Neuse Woods, Oakes Plantation, Randsdell Forest, Rutledge Landing, Sandy Trails, Stewart's Ridge, Tuckahoe, Wilder's Village, and Forest Hill Subdivisions

Connection Charge:

A. 5/8" meter	\$ 500.00
B. All other meter sizes	Actual cost of meter and installation

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows.

<u>Subdivision</u>	<u>CC</u>
Lindsey Point Subdivision	\$ 0.00
Amber Acres North, Sections II & IV	\$ 570.00
Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area	\$ 500.00
Highland Shores Subdivision	\$ 500.00
Laurel Mountain Estates	\$ 0.00
Carolina Trace	\$ 605.00
Connestee Falls	\$ 600.00

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

All Areas Except Holly Forest XI, Holly Forest XIV, Holly Forest XV, Whisper Lake I, Whisper Lake II, Whisper Lake III, Deer Run, Lonesome Valley Phases I and II, and Chattooga Ridge

Recoupment of Capital Fee (RCF) <sup>2/</sup>	\$ 0.00
Connection Charge	\$ 400.00

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows:

<u>Subdivision</u>	<u>CC</u>	<u>RCF</u>
Holly Forest XI	\$ 400.00	\$2,400.00
Holly Forest XIV	\$ 400.00	\$ 250.00
Holly Forest XV	\$ 400.00	\$ 500.00
Whispering Lake Phase I	\$ 400.00	\$1,250.00
Whispering Lake Phases II and III	\$ 400.00	\$2,450.00
Deer Run	\$ 400.00	\$1,900.00
Lonesome Valley Phases I and II	\$ 0.00	\$ 0.00
Chattooga Ridge	\$ 0.00	\$ 0.00

<sup>1/</sup> These fees are only applicable one time, when the unit is initially connected to the system.

<sup>2/</sup> The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the connection charge for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

SCHEDULE OF CONNECTION FEES FOR

SEWER UTILITY SERVICE UNDER UNIFORM RATES

Uniform Connection Fees: <sup>1/</sup>

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amber Acres North (Phases II & IV)	\$ 815.00	\$ 0.00
Ashley Hills	\$ 0.00	\$ 0.00
Amherst	\$ 500.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Brandywine Bay	\$ 100.00	\$1,456.00
Camp Morehead by the Sea	\$ 100.00	\$1,456.00
Hammock Place	\$ 100.00	\$1,456.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 30.00	\$ 0.00
Independent/Hemby Acres/Beacon Hills (Griffin Bldrs.)	\$ 0.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Kynwood	\$ 0.00	\$ 0.00
Mt. Carmel/Section 5A	\$ 500.00	\$ 0.00
Queens Harbor/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Steeplechase (Spartabrook)	\$ 0.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00



<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Willowbrook (Phase 3)	\$ 0.00	\$ 0.00
Winston pointe (Phase 1A)	\$2,000.00	\$ 0.00
Woodside Falls	\$ 0.00	\$ 0.00

Other Connection Fees:

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows:

<u>Subdivision</u>	
Carolina Pines	
Residential	\$1,350.00 per unit (including single-family homes, condominiums, apartments, and mobile homes)
Hotels	\$750.00 per unit
Non-residential	\$3.57 per gallon of daily design of discharge or \$900.00 per unit, whichever is greater

<u>Subdivision</u>	<u>CC</u>
Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald)	
Service Area	\$ 550.00
Highland Shores	\$ 550.00
Carolina Trace	\$ 533.00
Connestee Falls	\$ 400.00

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

All Areas Except Holly Forest XIV, Holly Forest XV, Deer Run, and Lonesome Valley Phases I and II

Recoupment of Capital Fee (RCF) <sup>2/</sup>	\$ 0.00
Connection Charge	\$ 550.00

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows:

<u>Subdivision</u>	<u>CC</u>	<u>RCF</u>
Holly Forest XIV	\$ 550.00	\$1,650.00
Holly Forest XV	\$ 550.00	\$ 475.00
Deer Run	\$ 550.00	\$1,650.00
Lonesome Valley Phases I and II	\$ 0.00	\$ 0.00

<sup>1/</sup> These fees are only applicable one time, when the unit is initially connected to the system.

<sup>2/</sup> The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the connection charge for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, SUB 356

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Carolina Water Service, Inc.       )  
of North Carolina, 4944 Parkway Plaza       )  
Boulevard, Suite 375, Charlotte, North       )  
Carolina 28217, for Authority to Adjust and       )  
Increase Rates for Water and Sewer Utility       )  
Service in All of its Service Areas in North       )  
Carolina, Except Corolla Light and Monteray       )  
Shores Service Area and Elk River       )  
Development       )

**NOTICE TO CUSTOMERS**

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to increase rates for water and sewer utility service in all of its service areas in North Carolina (excluding Corolla Light and Monteray Shores Service Area and Elk River Development). The new approved rates are as follows:

**WATER RATES AND CHARGES**

(Excluding Corolla Light and Monteray Shores Service Area, Elk River Development, Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills and Glen Arbor/North Bend Subdivisions, Bradfield Farms, Larkhaven Subdivision, Silverton and Woodland Farms Subdivisions and Hawthorne at the Green Apartments

Uniform Water Customers:

Monthly Metered Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 24.44
1" meter	\$ 61.10
1 1/2" meter	\$ 122.20
2" meter	\$ 195.52
3" meter	\$ 366.60

4" meter	\$ 611.00
6" meter	\$1,222.00

Usage Charge:

A. Treated Water, per 1,000 gallons \$ 7.70

B. Untreated Water, per 1,000 gallons  
(Brandywine Bay Irrigation Water) \$ 4.11

C. Purchased Water for Resale, per 1,000 gallons:

<u>Service Area</u>	<u>Bulk Provider</u>	
Carolina Forest	Montgomery County	\$ 3.19
High Vista Estates	City of Hendersonville	\$ 3.25
Riverpointe	Charlotte Water	\$ 6.30
Whispering Pines	Town of Southern Pines	\$ 2.23
White Oak Plantation/ Lee Forest	Johnston County	\$ 2.28
Winston Plantation	Johnston County	\$ 2.28
Winston Point	Johnston County	\$ 2.28
Woodrun	Montgomery County	\$ 3.19
Yorktown	City of Winston-Salem	\$ 5.01
Zemosa Acres	City of Concord	\$ 5.27
Carolina Trace	City of Sanford	\$ 2.21

Monthly Flat Rate Service: (Billed in Arrears) \$ 47.45

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest  
and Woodrun Subdivisions in Montgomery County \$ 24.65

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge  
Subdivision \$ 12.35

Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Sapphire  
Valley Service Area \$ 9.10

Availability Rate: (Monthly)

Applicable only to property owners in Connestee Falls \$ 4.80

Meter Testing Fee: \$ 20.00

New Water Customer Charge: \$ 27.00

Reconnection Charge:

If water service is cut off by utility for good cause \$ 27.00

If water service is discontinued at customer's request \$ 27.00

SEWER RATES AND CHARGES

(Excluding Corolla Light and Monterey Shores Service Area, Elk River Development, Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills and Glen Arbor/North Bend Subdivisions, Bradfield Farms, Larkhaven Subdivision, Silverton and Woodland Farms Subdivisions and Hawthorne at the Green Apartments

Uniform Sewer Customers:

Monthly Metered Service:

Base Facility Charge:

Residential (zero usage) \$ 45.97

Commercial (based on meter size with zero usage)

< 1" meter	\$ 45.97
1" meter	\$ 114.93
1 1/2" meter	\$ 229.85
2" meter	\$ 367.76
3" meter	\$ 689.55
4" meter	\$1,149.25
6" meter	\$2,298.50

Usage Charge, per 1,000 gallons \$ 3.11

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial/SFE) \$ 36.75

Usage Charge, per 1,000 gallons based on purchased water consumption

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$	4.82
Kings Grant	Two Rivers Utilities	\$	3.80
College Park	Town of Dallas	\$	5.70

Monthly Flat Rate Service: \$ 56.57

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 56.57

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge \$ 6.77

Monthly Collection Charge  
(Residential and Commercial/SFE) \$ 36.75

Usage Charge, per 1,000 gallons based on  
purchased water consumption \$ 5.88

Regalwood and White Oak Estates Subdivision Service Areas:

Monthly Flat Rate Sewer Service

Residential Service	\$ 56.57
White Oak High School	\$1,770.10
Child Castle Daycare	\$ 219.90
Pantry	\$ 116.80

Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area and Highland Shores Subdivision

Monthly Sewer Rates:

Residential:

Collection charge/dwelling unit	\$ 36.75
Treatment charge/dwelling unit	\$ 69.50
Total monthly flat rate/dwelling unit	<u>\$ 106.25</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$ 106.25
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Monthly collection and treatment charge for customers who do not take water service (per SFE)	\$ 106.25
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Treatment charge per dwelling unit	
Small (less than 2,500 gallons per month)	\$ 78.50
Medium (2,500 to 10,000 gallons per month)	\$ 139.50
Large (over 10,000 gallons per month)	\$ 219.50

Collection Charge (per 1,000 gallons)	\$ 13.93
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Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 8.30
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Availability Rate: (Monthly)

Applicable only to property owners in Connestee Falls	\$ 4.70
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<u>New Sewer Customer Charge:</u>	\$ 27.00
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Reconnection Charge:

If sewer service is cut off by utility for good cause	Actual Cost
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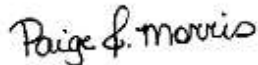
RATE ADJUSTMENT MECHANISM:

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism continues in effect and will now be applicable to all customers in CWSNC's North Carolina service areas. It has been reset at zero in the Docket No. W-354, Sub 356 rate case proceeding, but CWSNC may, under the Rules and Regulations of the Commission, next apply for a rate surcharge on February 1, 2018, to become effective April 1, 2018. The WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at [www.ncuc.net](http://www.ncuc.net), under Docket Information, using the Docket Search feature for docket number "W-354 Sub 356".

ISSUED BY ORDER OF THE COMMISSION.

This the 8<sup>th</sup> day of November, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Paige J. Morris".

Paige J. Morris, Deputy Clerk



**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, SUB 356

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application by Carolina Water Service, Inc.	)	<b>NOTICE TO CUSTOMERS</b>
of North Carolina, 4944 Parkway Plaza	)	<b>IN TREASURE COVE, REGISTER</b>
Boulevard, Suite 375, Charlotte, North	)	<b>PLACE ESTATES, NORTH HILLS,</b>
Carolina 28217, for Authority to Adjust and	)	<b>AND GLEN ARBOR/NORTH BEND</b>
Increase Rates for Water and Sewer Utility	)	<b>SUBDIVISIONS, FAIRFIELD</b>
Service in All of its Service Areas in North	)	<b>HARBOUR SERVICE AREA,</b>
Carolina, Except Corolla Light and Monteray	)	<b>BRADFIELD FARMS SUBDIVISION,</b>
Shores Service Area and Elk River	)	<b>LARKHAVEN SUBDIVISION,</b>
Development	)	<b>SILVERTON AND WOODLAND</b>
	)	<b>FARMS SUBDIVISIONS, AND</b>
	)	<b>HAWTHORNE AT THE GREEN</b>
	)	<b>APARTMENTS</b>

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina to charge the following new rates for water and sewer utility service in Treasure Cove, Register Place Estates, North Hills, and Glen Arbor/North Bend Subdivisions, Fairfield Harbour Service Area, Bradfield Farms Subdivision, Larkhaven Subdivision, Silverton and Woodland Farms Subdivisions and Hawthorne at the Green Apartments:

**WATER RATES AND CHARGES**

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 11.44
1" meter	\$ 28.60
1 1/2" meter	\$ 57.20
2" meter	\$ 91.52
Usage Charge, per 1,000 gallons	\$ 3.36

Water Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 3.28
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SEWER RATES AND CHARGES

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$ 41.40
Bulk Flat Rate, per REU	\$ 40.40

Commercial and Other:

Monthly Flat Rate (Customers who do not take water service)	\$ 41.40
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Monthly Metered Rates  
(based on meter size with zero usage)

<1" meter	\$ 11.12
1 1/2" meter	\$ 55.60
2" meter	\$ 88.96

Usage Charge, per 1,000 gallons	\$ 6.20
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Bulk Sewer Service for Hawthorne at the Green Apartments:

Bulk Flat Rate, per REU	\$ 40.40
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Sewer Availability Rate: (Monthly)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 2.65
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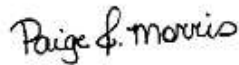
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ISSUED BY ORDER OF THE COMMISSION.

This the 8<sup>th</sup> day of November, 2017.

NORTH CAROLINA UTILITIES COMMISSION



Paige J. Morris, Deputy Clerk

CERTIFICATE OF SERVICE

I, \_\_\_\_\_, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-354, Sub 356, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

By: \_\_\_\_\_

Signature

\_\_\_\_\_  
Name of Utility Company

The above named Applicant, \_\_\_\_\_, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated \_\_\_\_\_ in Docket No. W-354, Sub 356.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2017.

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

\_\_\_\_\_  
Printed Name

(SEAL) My Commission Expires: \_\_\_\_\_  
Date