

**SANFORD LAW OFFICE, PLLC**  
**Jo Anne Sanford, Attorney at Law**

May 17, 2024

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

Via Electronic Delivery

Re: Application for Transfer of Public Utility Franchise and for Approval of Rates - Filed by Mountain Air Utilities Corporation (W-1148, Sub 22) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 411)  
Carolina Water Service, Inc. of North Carolina (Emergency Operator of Mountain Air Utilities Corporation Water and Sewer Systems) Docket No. W-1148, Sub 20  
----Compliance Filing in Response to Ordering Paragraph Nos. 12 and 13 of the Commission Transfer Order Dated November 14, 2023

Dear Ms. Dunston:

On September 26, 2022, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) and Mountain Air Utilities Corporation (MAUC) filed with the Commission an Application for Transfer of Public Utility Franchise and for Approval of Rates seeking authority to transfer the water and wastewater utility systems and public utility franchise serving the Mountain Air Development from MAUC to CWSNC and approval of rates. On November 14, 2023, the Commission entered an *Order Approving Stipulation, Approving Transfer, Granting Franchise, Approving Rates, and Requiring Customer Notice* (Transfer Order) in these dockets. On March 21, 2024, CWSNC filed a Notice in these dockets that the transfer was closed effective March 15, 2024.

Ordering Paragraph Nos. 12 and 13 of the Transfer Order (at page 20) provide as follows:

12. That CWSNC shall file a final accounting with the Commission in the EO Docket [Emergency Operator Docket - W-1148, Sub 20] within 60 days of closing on the transfer to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, as stipulated;

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May 17 2024

13. That CWSNC shall file a request with the Commission in these dockets [Transfer Dockets - W-354, Sub 411 and W-1148, Sub 22] within 60 days of closing on the transfer to establish the surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve, as stipulated. Such request shall include a proposed Notice to Customers concerning the proposed surcharges for approval by further order of the Commission...

CWSNC hereby files the information required by Ordering Paragraph Nos. 12 and 13 of the Commission's Transfer Order. This information is being filed in the following dockets: W-354, Sub 411 and W-1148, Subs 20 and 22. Specifically, the final accounting in the EO Docket to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, is contained in Appendix A attached hereto. Appendix B contains the surcharge calculations to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve. Appendix C is Company's red-lined tariff, including the surcharges. Finally, Appendix D is the proposed Notice to Customers concerning the proposed surcharges, submitted for approval by further order of the Commission.

I hereby certify that a copy of this filing has been served on the formal parties to these dockets.

Thank you and your staff for your assistance. Please feel free to contact me if there are questions or if additional information is required.

**Electronically Submitted**

**/s/Jo Anne Sanford**  
North Carolina State Bar No. 6831  
Attorney for Carolina Water Service, Inc. of  
North Carolina

VERIFICATION

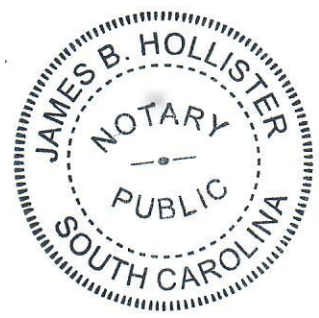
Mathew Schellinger II, being duly sworn, deposes and says that he is Vice President - Finance for Carolina Water Service, Inc. of North Carolina (CWSNC); that he is familiar with the facts set out in the attached Compliance Filing in Response to Ordering Paragraph Nos. 12 and 13 of the Commission Transfer Order Dated November 14, 2023, made by CWSNC in Docket Nos. W-354, Sub 411 and W-1148, Subs 20 and 22; that he has read the foregoing Compliance Filing and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.

Mathew Schellinger II  
Mathew Schellinger II

Sworn to and subscribed before me this  
the 17 day of May 2024.

James B. Hollister  
Notary Public

My Commission Expires: July 15 2030



**Mountain Air Utilities Corporation**  
 Carolina Water Service, Inc. of NC as EO  
 Docket No. W-1148, Sub 20  
 Plant in Service, Revenues, Expenses, and Reserve Balances  
 For Q1 2024

**Appendix A**  
**W-354, Sub 411**  
**Final Accounting of Unrecovered Operating Reserve**

Line No.	Item	Mountain Air Water (a)	Mountain Air Sewer (b)	Total (c)	[8]
1	Plant In Service	1,293,456	222,693	1,516,148	
2	Accumulated Depreciation	50,378	47,196	97,574	
3	Net Plant in Service (L1 - L2)	<u>1,243,078</u>	<u>175,497</u>	<u>1,418,575</u>	
4	Revenues	<u>43,088</u>	<u>96,803</u>	<u>139,891</u>	
5	Expenses for a return	60,507	107,391	167,898	
6	Depreciation & Amort (No Return)	9,292	6,729	16,021	
7	Regulatory fee (L4 x 0.1475%)	64	143	206	
8	Gross receipts tax (L4 x 0%)	-	-	-	
9	Pre-tax return on expenses	5,695	10,108	15,803	
10	Pre-tax return on Net Plant in Service	24,847	3,508	28,355	
11	Total expenses and return (Sum of L5 thru L10)	<u>100,404</u>	<u>127,878</u>	<u>228,283</u>	
12	Net activity for the quarter (L4 - L11)	<u>(57,317)</u>	<u>(31,075)</u>	<u>(88,392)</u>	
13	Reserve balance prior quarter	(234,231)	(204,929)	(439,161)	
14	Net activity for the quarter (L12)	(57,317)	(31,075)	(88,392)	
15	Current Reserve balance (L12 + L13)	<u>(291,548)</u>	<u>(236,004)</u>	<u>(527,552)</u>	
16	Less: Bond Funds	20,400	9,600	30,000	
17	Final Unrecovered Operating Reserve Balance	<u>(271,148)</u>	<u>(226,404)</u>	<u>(497,552)</u>	

- [1] Total plant in service from Schedule 3.  
 [2] Total accumulated depreciation from Schedule 3.  
 [3] Total revenues from Schedule 2. - Adjusted for Close effective 03/15/2024  
 [4] Total expenses for return from Schedule 2.- Adjusted for Close effective 03/15/2024  
 [5] Schedule 1(a), Line 5.  
 [6] Schedule 1(a), Line 10.  
 [7] Ending balance from prior period report.  
 [8] Column (a) plus Column (b).

**Carolina Water Service, Inc. of North Carolina  
Mountain Air Surcharge Filing**

**Appendix B  
W-354, Sub 411**

**Reserve Balance**

<u>Item</u>	<u>Mountain Air Water (a)</u>	<u>Mountain Air Sewer (b)</u>	<u>Total (c)</u>
Current Reserve balance - Q1 2024 EO Report	291,548	236,004	527,552
Less Bonds:	20,400	9,600	30,000
Reserve Balance to be Recovered Through Surcharge	271,148	226,404	497,552
Levelized Monthly Amortization	5,054	4,220	9,273
Amortization, Gross up with Utility Tax	5,061	4,226	9,286
ERC Count at 04/30/24	533	484	1,017
Monthly Surcharge per ERC - 60 months	\$ 9.49	\$ 8.73	

**Due Diligence Costs**

<u>Item</u>	<u>Mountain Air Water (a)</u>	<u>Mountain Air Sewer (b)</u>	<u>Total (c)</u>
Organizational Asset - Due Diligence Expenses	51,000	24,000	75,000
Less: 1 year amortization	(1,275)	(600)	(1,875)
Balance to be Recovered Through Surcharge	49,725	23,400	73,125
Revenue Requirement			
Amortization, Gross up with Utility Tax	1,277	601	1,878
Pre-Tax Return	4,323	2,034	6,357
Annual Revenue Requirement	5,600	2,635	8,235
ERC Count at 04/30/24	533	484	1,017
Monthly Surcharge per ERC - 480 months	\$ 0.88	\$ 0.45	

**Lien Release Regulatory Asset**

<u>Item</u>	<u>Mountain Air Water (a)</u>	<u>Mountain Air Sewer (b)</u>	<u>Total (c)</u>
Regulatory Asset - Lien Release	646,000	304,000	950,000
Balance to be Recovered Through Surcharge	646,000	304,000	950,000
Levelized Monthly Amortization	4,796	2,257	7,054
Amortization, Gross up with Utility Tax	4,803	2,260	7,064
ERC Count at 04/30/24	533	484	1,017
Monthly Surcharge per ERC - 480 months	\$ 9.01	\$ 4.67	

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service in

MOUNTAIN AIR DEVELOPMENT

Yancey County, North Carolina

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$ 25.91
1" meter	\$ 64.78
1 1/2" meter	\$ 129.55
2" meter	\$ 207.28
3" meter	\$ 388.65
4" meter	\$ 647.75
6" meter	\$1,295.50
8" meter	\$2,072.80

Usage Charge:

A. Treated Water/1,000 gallons	\$ 12.28
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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 Flat Rate Service: (Billed in Arrears) \$ 72.20

Surcharges, per Equivalent Residential Connection (ERC):

<u>Unrecovered Operating Reserve</u>	\$ 9.49
<u>Due Diligence and Transaction Costs</u>	\$ 0.88
<u>Lien Release Regulatory Asset</u>	\$ 9.01

Meter Testing Fee: <sup>1/</sup> \$20.00

New Water Customer Charge:

Reconnection Charge: <sup>2/</sup>

If water service is cut off by utility for good cause	\$42.00
If water service is discontinued at customer's request	\$42.00

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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Meter Fee:

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

Irrigation Meter Installation:

Actual Cost

Water Tap on Fee:

\$500.00

SEWER RATES AND CHARGES

Monthly Flat Rate Service, per SFE or REU:

\$ 87.27

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

\$ 87.27

Surcharges, per SFE:

<u>Unrecovered Operating Reserve</u>	\$ 8.73
<u>Due Diligence and Transaction Costs</u>	\$ 0.45
<u>Lien Release Regulatory Asset</u>	\$ 4.67

New Sewer Customer Charge: <sup>4/</sup>

\$ 27.00

Reconnection Charge: <sup>5/</sup>

If sewer service is cut off by utility for good cause:	Actual Cost
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Sewer Tap on Fees (based on meter size):

<u>Meter Size</u>	<u>Fee</u>
3/4 inch	\$ 4,310
1 inch	\$ 5,650

2 inch	\$11,480
4 inch	\$29,500
6 inch	\$66,600
8 inch	\$76,600
10 inch	\$89,600
12 inch	\$96,600

### MISCELLANEOUS UTILITY MATTERS

<u>Charge for processing NSF Checks:</u>	\$ 25.00
<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 in all service areas
<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> 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 customer with 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.

<sup>6/</sup> All nondomestic and industrial waste is subject to the Sewer Use Rule. The Sewer Use Rule can be accessed at <https://www.myutility.us/docs/default-source/carolinawater/sewer-use->



[tariff.pdf](#) and is also available upon request. The Sewer Use Rule requires Users (utility customers) to provide advance notice of any nondomestic or industrial waste discharge into the Utility's sanitary sewer systems, and to meet certain effluent limitations and pretreatment requirements. Violations of the Sewer Use Rule may result in disconnection. Reconnection will require reimbursement of the Utility's actual costs incurred as a result of the violation. Repeat violations may result in permanent disconnection.

As part of the Sewer Use Rule, the Utility may require installation and/or proper operation of grease traps or other pre-treatment devices on grease producing commercial facilities. Failure to properly operate grease traps will result in disconnection of service pursuant to Commission Rule R10-16.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**NOTICE TO CUSTOMERS  
DOCKET NO. W-354, SUB 411  
DOCKET NOS. W-1148, SUBS 20 and 22  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

On March 21, 2024, Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”) informed the North Carolina Utilities Commission (“NCUC” or “Commission”) that the Company and Mountain Air Utilities Corporation (“Mountain Air” or “MAUC”) had closed on the transfer of the MAUC systems to CWSNC. This transfer was authorized by the Commission in its Order of November 14, 2023 (“Transfer Order”); the closing and transfer took place on Friday, March 15, 2024.

The Commission’s Transfer Order required CWSNC to file (1) a final accounting with the Commission in the Emergency Operator (EO) Docket within 60 days of closing on the transfer to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, as stipulated and (2) a request to establish surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve, as stipulated.

On May 17, 2024, CWSNC made the required filing with the Commission and by order dated \_\_\_\_\_, 2024, the NCUC authorized CWSNC to charge the following monthly surcharges to the customers in the Mountain Air Development in Yancey County, North Carolina, effective for water and sewer utility service rendered on and after July 15, 2024:

Water

Surcharges, per Equivalent Residential Connection (ERC):

Unrecovered Operating Reserve	\$	9.49
Due Diligence and Transaction Costs	\$	0.88
Lien Release Regulatory Asset	\$	9.01

Sewer

Surcharges, per SFE:

Unrecovered Operating Reserve	\$	8.73
Due Diligence and Transaction Costs	\$	0.45
Lien Release Regulatory Asset	\$	4.67

Customers may review the complete Commission Order which approved the surcharges applicable to the Mountain Air Customers on the NCUC’s website

(www.ncuc.gov), by clicking on Docket Search under Dockets portal; then for Docket Number, entering W-354 Sub 411, and clicking on Documents to locate the Order dated \_\_\_\_\_, 2024.

A copy of the Company's Commission's newly-authorized Schedule of Water and Sewer Rates is attached to this Notice

The telephone number to call CWSNC for service issues and billing questions is 800-525-7990.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_ day of \_\_\_\_\_, 2024.

NORTH CAROLINA UTILITIES COMMISSION