

1 STAFF CONFERENCE

JANUARY 18, 2022

2 CHAIR MITCHELL: It is 10 o'clock. Let's go  
3 on the record, please. I'm Charlotte Mitchell, Chair  
4 of the Utilities Commission, and with me this morning  
5 are the following Commissioners. When I call your  
6 name, please announce your presence. Commissioner  
7 Gray.

8 COMMISSIONER GRAY: Aye.

9 CHAIR MITCHELL: Commissioner Clodfelter.

10 COMMISSIONER CLODFELTER: Yes. Good  
11 morning.

12 CHAIR MITCHELL: Commissioner Duffley.

13 COMMISSIONER DUFFLEY: Good morning.

14 CHAIR MITCHELL: Commissioner Hughes.

15 COMMISSIONER HUGHES: Good morning.

16 CHAIR MITCHELL: And Commissioner McKissick.

17 COMMISSIONER MCKISSICK: Good morning.

18 CHAIR MITCHELL: In compliance with the  
19 State Government Ethics Act, I remind Members of the  
20 Commission of our duty to avoid conflicts of interest  
21 and inquire, at this time, as to whether any member of  
22 the Commission has a known conflict of interest with  
23 respect to matters coming before us this morning.

24 (No response)

NORTH CAROLINA UTILITIES COMMISSION

1 CHAIR MITCHELL: Okay. The record will  
2 reflect no conflicts were identified, so we'll proceed  
3 with Public Staff, Communications Item P1.

4 Ms. Proffitt you're up.

5 MS. PROFFITT: Good morning. Item P1  
6 presents interconnection agreement amendments by AT&T,  
7 North Carolina, and Frontier that were filed for  
8 Commission approval between October 21st and  
9 October 29th, 2021.

10 The Public Staff has reviewed the filings  
11 and recommends that orders be issued approving the  
12 interconnection agreement amendments effective on the  
13 date they were filed. The Public Staff has provided  
14 Proposed Orders to the Commission Staff.

15 COMMISSIONER GRAY: Move approval.

16 COMMISSIONER McKISSICK: Second.

17 CHAIR MITCHELL: It's been moved and  
18 seconded that the item be approved as recommended by  
19 the Public Staff. Are there any questions or  
20 discussion on that motion?

21 (No response)

22 CHAIR MITCHELL: Hearing none, I'll call the  
23 roll for a vote. Indicate your support by saying aye  
24 and your opposition by saying no. Commissioner Gray.

1 COMMISSIONER GRAY: Aye.

2 CHAIR MITCHELL: Commissioner Clodfelter.

3 COMMISSIONER CLODFELTER: Aye.

4 CHAIR MITCHELL: Commissioner Duffley.

5 COMMISSIONER DUFFLEY: Aye.

6 CHAIR MITCHELL: Commissioner Hughes.

7 COMMISSIONER HUGHES: Aye.

8 CHAIR MITCHELL: Commissioner McKissick.

9 COMMISSIONER MCKISSICK: Aye.

10 CHAIR MITCHELL: And, for the record, I  
11 support the motion as well, and the motion carries.

12 (Motion carries)

13 CHAIR MITCHELL: Thank you, Ms. Proffitt.  
14 We'll proceed now to Public Staff, Water Item P1.  
15 Mr. Junis, you're up.

16 MR. JUNIS: Good morning. I'm Charles  
17 Junis, Director of the Public Staff Water, Sewer, and  
18 Telephone Division. Water Item P1, Docket Number  
19 W-218, Sub 526A, on November 1st, 2021, Aqua North  
20 Carolina, Inc. filed an application requesting  
21 authority to adjust its Water System Improvement  
22 Charges and Sewer System Improvement Charges effective  
23 January 1st, 2022.

24 Public Staff has reviewed Aqua NC's stated

1 WSIC/SSIC improvements. And based on this review, the  
2 Public Staff is recommending four adjustments to Aqua  
3 NC's proposed WSIC/SSIC revenue requirement and  
4 percentages that are discussed in the Agenda item.

5 The Company agrees with the Public Staff's  
6 recommended adjustments, except for the adjustment to  
7 impute the two percent invoice discount for well meter  
8 purchasing.

9 On January 12th, 2022, Aqua NC filed a  
10 response to the Notice of the Public Staff's plan to  
11 present comments and recommendations at Staff  
12 Conference on January 10th, 2022, which was filed on  
13 December 22nd, 2021.

14 Presentation of the Public Staff's  
15 recommendations was postponed until today for the  
16 Company to provide discovery responses.

17 Regarding the contested adjustment, Aqua NC  
18 implies that it would not be easy for it to modify its  
19 invoice payment process to pay invoices within  
20 15 days, but does not provide any material information  
21 to substantiate this or any other basis for full  
22 recovery of the well meter purchasing cost.

23 Therefore, it is the Public Staff's position  
24 that Aqua NC has failed to meet its burden of proof to

1 justify recovery of these costs. Public Staff  
2 recommends that the Commission issue the Proposed  
3 Order approving the Public Staff's recommended Water  
4 and Sewer System Improvement Charges effective for  
5 service rendered on or after January 1, 2022, subject  
6 to true-up. Thank you.

7 CHAIR MITCHELL: Thank you, Mr. Junis.

8 COMMISSIONER GRAY: Move approval.

9 CHAIR MITCHELL: Commissioner Gray, let's  
10 hold off for one minute. I have a couple of  
11 questions.

12 COMMISSIONER GRAY: Yes. Thank you. I'll  
13 hold.

14 CHAIR MITCHELL: Thank you, sir, for the  
15 Company as well as for the Public Staff. Mr. Junis,  
16 I'll start with you. There you are. Just making sure  
17 I can see you on my screen.

18 Mr. Junis, will you clarify for me that the  
19 only remaining issue and dispute on this Agenda item  
20 is the two percent invoice discount?

21 MR. JUNIS: That is correct.

22 CHAIR MITCHELL: Okay. Are you aware of  
23 other instances where Aqua has received invoices for  
24 capital projects or expenses that included this type

1 of discount, a discount if paid early?

2 MR. JUNIS: I'm not familiar with any. We  
3 are drawing a comparison to basically a late fee  
4 that -- just as if you would pay after 30 days is  
5 common, so you have a late fee. This is similar to  
6 that.

7 And being that Aqua is a professional  
8 well-capitalized Utility, that they would be capable  
9 of sort of capitalizing on this sort of benefit in  
10 reduced cost.

11 CHAIR MITCHELL: Okay. So are you aware of  
12 instances in which the Public Staff has taken the  
13 position or advocated for late payment fees to be  
14 disallowed?

15 MR. JUNIS: Yes, and commonly the Utilities  
16 would agree with such an adjustment.

17 CHAIR MITCHELL: Thank you. And does your  
18 knowledge of such an instance, specifically where late  
19 fees would be disallowed, is that -- does the Public  
20 Staff take that position across industries, Water,  
21 Electric, Natural Gas, et cetera?

22 MR. JUNIS: Yes, that would be my  
23 understanding.

24 CHAIR MITCHELL: Okay. Are you aware of any

1 instance outside of the water, wastewater context, for  
2 example, in the Electric context where there are  
3 invoices that would include or have included this type  
4 of discount provision?

5 MR. JUNIS: I am not specifically aware of  
6 such a discount provision.

7 CHAIR MITCHELL: Okay. You're just  
8 not familiar -- you've never come across one, and the  
9 Public Staff doesn't appear to have an articulated  
10 position that spans the industry. Is that right?

11 MR. JUNIS: Correct. I'm not familiar. I  
12 mean, obviously, I have had some role in some electric  
13 cases, but I don't recall of an instance directly  
14 comparable to this sort of discount.

15 CHAIR MITCHELL: Okay. Is the Public Staff  
16 aware of whether any of the payments on these invoices  
17 were made late, like post 30 days?

18 MR. JUNIS: They were not made post 30 days,  
19 to my knowledge.

20 CHAIR MITCHELL: Okay. So they were all  
21 timely made based on the terms of the invoice, just  
22 not necessarily made early to receive that discount?

23 MR. JUNIS: Correct. They were not paid  
24 within 15 days to receive the discount.

1 CHAIR MITCHELL: Okay. Mr. Junis, another  
2 question for you for the Public Staff is, has to do  
3 with the materiality of the adjustments. So, in this  
4 instance, the Commission's approval of the Public  
5 Staff's proposed adjustment on this two percent  
6 invoice term issue really wouldn't change the  
7 percentage to customers, charged to customers just due  
8 to the sum of money involved here. Is that correct?  
9 Is my understanding correct?

10 MR. JUNIS: Yes, that's correct. It does  
11 not change the percentage, but it does change the  
12 revenue requirement that is trying to be generated or  
13 recovered by that percentage.

14 CHAIR MITCHELL: Okay. Does the Public  
15 Staff consider materiality when it makes  
16 recommendations on adjustments or how does the Public  
17 Staff determine whether to make a recommendation an  
18 adjustment.

19 MR. JUNIS: Correct, we do consider  
20 materiality. I think this is -- also balances on that  
21 line of policy that we want -- you know, there's a lot  
22 of discussion about buying power and then sort of the  
23 corporate structure, especially with meter replacement  
24 projects, and this was an example that we felt that



1 that buying power or incentive was not taken advantage  
2 of.

3 CHAIR MITCHELL: Okay. Mr. Junis, question,  
4 last question for you. In terms of litigating these  
5 adjustments to the WSIC/SSIC charges, what is the  
6 Public Staff's preference here? Is it the Public  
7 Staff's preference to litigate these issues in  
8 the -- during the course of a rate case or as they  
9 come up, sort of WSIC period to WSIC period?

10 MR. JUNIS: It depends on the circumstances.  
11 I think it's clear for a bigger complicated issue like  
12 the cost of the residential meter changeouts.

13 We've taken the approach that that would be  
14 handled in a rate case because of the substantial  
15 record that exists there in recognizing that it is not  
16 our intent, and I don't think anyone has an interest  
17 of having these sort of oral arguments at a Staff  
18 Conference.

19 We understand what Staff Conference's  
20 purpose is, and, typically, we bring uncontested items  
21 here. However, given the sort of procedure, this is  
22 how it has worked out.

23 CHAIR MITCHELL: Okay. Thank you,  
24 Mr. Junis. Mr. Becker, I see you on camera. So I

1 have a few questions for the Company and will direct  
2 them to you. Mr. Becker, would you please -- I assume  
3 that you have counsel present?

4 MR. BECKER: I do. Bob Bennink is on, I  
5 believe.

6 CHAIR MITCHELL: Mr. Becker, for purposes of  
7 the record, would you introduce yourself.

8 MR. BECKER: Sure. Thank you, Chair  
9 Mitchell. My name is Shannon Becker. I'm the  
10 president for Aqua North Carolina.

11 CHAIR MITCHELL: Thank you, Mr. Becker.  
12 We've got a few questions for you on this invoice term  
13 issue. Can you help us understand what the Company's  
14 payment policy is?

15 I mean in the filing made in this docket,  
16 the Company states that Net 30 is the industry  
17 standard payment term, so payment within 30 days.  
18 Does Aqua -- so let me ask you one more question and  
19 then I'll let you go there.

20 Does Aqua receive this Net 30 payment term  
21 from all of its vendors? I mean is it Aqua's  
22 experience that this is, in fact, sort of standard  
23 practice?

24 MR. BECKER: Yeah. More important, from my

1 knowledge as a controller, Net 30 is a standard in an  
2 arrangement. There are others. I can honestly say  
3 that I am not familiar with the variation of what the  
4 standard payments are, but our policy is always to pay  
5 by the due date, you know.

6 And I would recognize, as Mr. Junis had  
7 brought up, that we are -- Aqua's a very large,  
8 professional, and well-capitalized company with a lot  
9 of standardized payment processees, accounts payment  
10 processees, approval processees.

11 And that being said, we do also have  
12 economies-to-scale for their purchasing department  
13 where we are going to negotiate, in most cases, or in  
14 the larger cases, with larger vendors, we are going to  
15 negotiate payment terms that take advantage of the  
16 volume discounts, so you're not -- from my experience,  
17 at least with Aqua, I don't see many discounted  
18 payment arrangements. They're typically already  
19 negotiated with the larger vendors.

20 And just to clarify, this was with the well  
21 metered -- well meters, which is different than our  
22 residential meters. We purchase residential meters,  
23 which is the high-volume of meters through a different  
24 vendor.

1           The well meters are purchased through this  
2 one vendor which is Sensus, and that's the one  
3 that the two percent Net 15 -- not Net 15. I  
4 apologize. I'm sorry. The payment arrangement is  
5 two percent 15, Net 30. That is the payment  
6 arrangement specific to that vendor.

7           CHAIR MITCHELL: Thank you, Mr. Becker, for  
8 that explanation. Why -- given this opportunity to  
9 save money on these particular purchases, why wouldn't  
10 the Company pay within 15 days? What is preventing  
11 the Company from doing this?

12           MR. BECKER: Chair Mitchell, I don't know  
13 exactly what would prevent us from doing it without  
14 investigating it further. I would say when this was  
15 brought up in our WSIC findings from the Public Staff,  
16 that was the first I had heard about this discount  
17 with this vendor.

18           So, you know, I don't think the question or  
19 to challenge it, I would have to look into determining  
20 whether or not we could meet that term on time. It is  
21 Net 15 from the invoice date, so the invoices are sent  
22 to us and printed, I would assume, on the 15th.

23           There's delivery time, receipt time,  
24 recording time, approval time, holding time, and then

1 we'd have to process it and turn it around and pay it  
2 within two days. Can that be done? Possibly. We  
3 have not looked into it, though I would think that --  
4 well, does that answer your question?

5 CHAIR MITCHELL: It does. Thank you. Last  
6 question for you, Mr. Becker. Would the Company agree  
7 that it is a cost to rate payers if a utility doesn't  
8 take the discount offered by a vendor or a  
9 third-party?

10 MR. BECKER: I would say that it's a benefit  
11 if we're able to. I wouldn't say it's an extra cost.  
12 You know, I look at this as, you know -- the projects  
13 that we submit through the WSIC/SSIC program, or any  
14 program, actually through a rate case, you know, are  
15 they reasonably and prudently incurred and meeting the  
16 standard payment arrangements of Net 30 and Net 20 and  
17 whatever that might be if we are not incurring a  
18 penalty, which we do not ask for recovery on when that  
19 does happen.

20 And that is sometimes -- that does happen in  
21 the normal course of business when there are people  
22 that are out, invoices get sent to the wrong place.  
23 Sometimes, we do have to pay late payment charges, so  
24 we do not request that of the customer as an added

1 cost.

2 This is a discount, so it would be -- and we  
3 would have to expedite things and potentially incur  
4 additional costs to be able to do that, whether it  
5 be -- it depends on the volume of what would be needed  
6 to be able to do that, but expediting that could have  
7 an incremental cost.

8 So we haven't looked into -- I think, you  
9 know, the Public Staff's position here is indicating  
10 that it is a penalty. Not taking this discount as a  
11 penalty is going against what is reasonable and  
12 prudent.

13 It's basically saying that that penalty  
14 is -- that we are not paying in a timely manner that  
15 is -- that makes these costs not reasonable and  
16 imprudent. It is actually expediting something, so,  
17 you know, the size of this isn't in question. It's a  
18 very small amount, and I think this is a matter of  
19 principal here.

20 I don't look at it as a cost. I look at it  
21 as a discount, late payment charges which are a  
22 result, that can result as a -- for various reasons  
23 are not requested, and the customer is not incurring  
24 those costs. The shareholders incur those.

1 CHAIR MITCHELL: Thank you, Mr. Becker. Let  
2 me pause here. Mr. Junis, I see your hand is up. Did  
3 you want to say something additional?

4 MR. JUNIS: If I may, and if it would please  
5 you, the Company's had since December 22nd to  
6 investigate this issue and respond. They did respond  
7 on January 12th. They had their opportunity.

8 I would also add that this is not just one  
9 invoice that maybe snuck through the process. These  
10 are invoices that they're receiving over months and  
11 months. And just in this request, I think it's  
12 between 10 or 20 invoices were processed and paid for  
13 these well meters.

14 So, you know, this is something that was  
15 expected and they've seen and should have recognized.  
16 I could understand maybe if it was a first invoice you  
17 received from this vendor and you were unaware of this  
18 discount, and you didn't make the payment the first  
19 time, but for it to happen over and over again and to  
20 not have an explanation why they didn't take advantage  
21 of that opportunity, we struggle with that, and that's  
22 why we're making this adjustment.

23 CHAIR MITCHELL: Thank you, Mr. Junis.  
24 Mr. Becker, since the burden is the Company's, I'll

1 give you the last word. Any response to Mr. Junis?

2 MR. BECKER: Yeah. Just to, again,  
3 summarize the fact that we are a very large company  
4 processing thousands of invoices monthly. So, you  
5 know, whether we knew about this December 12th and  
6 it's now January of -- today's the 18th, you know,  
7 turning a process around and picking out a couple of  
8 invoices in between that time without actually  
9 investigating what needs to happen, you know, it's --  
10 you know, operational situations exist.

11 In GRN, we are implementing SAP. There's  
12 lots of reasons that, you know, I could offer as to  
13 why we would not be able to make a 15-day turnaround,  
14 but we're not a -- we don't do everything on Excel  
15 where I could just turn around and say well, when  
16 these invoice comes in, let me see them so we can  
17 process them quickly.

18 It just doesn't flow like that. It takes a  
19 little bit longer for us to move. If this was going  
20 to be a disincentive for us, we would obviously have  
21 to make changes to that overall process, but that is  
22 just not a click of the fingers.

23 We have eight states, eight Aqua states that  
24 are using our processing system, and it's just not as



1 easy as turning around and saying hey, give me that  
2 invoice quickly so I can make a payment with my credit  
3 card. It would take some time to investigate.

4 We just don't think any discount should be  
5 considered a penalty when we pay within standard  
6 industry terms all these other invoices. I understand  
7 if it was a late payment charge, we eliminate those.  
8 Discounts, we just don't feel it should be a penalty.

9 CHAIR MITCHELL: Thank you, Mr. Becker. I'll  
10 pause here to see if there are any additional  
11 questions. Commissioner Clodfelter, I see your hand  
12 is raised, so go ahead, please.

13 COMMISSIONER CLODFELTER: Thank you, Madam  
14 Chair. I don't know whether it's Mr. Junis or  
15 Mr. Becker that answered the question, so I'll take  
16 the answer from either. Just sort of putting this  
17 issue into the broader context of things, when, in a  
18 general rate case, we establish the amount of working  
19 capital needed by the Company, what assumptions are  
20 made, at that point, in setting the amount of working  
21 capital about payment terms or accounts payable? Are  
22 any assumptions made about anticipation discounts or  
23 not?

24 MR. BECKER: Mr. Junis, do you want to

1 answer and then I can like either provide what I have  
2 and then I can resort back to, I think, Josh Howery,  
3 my controller, and rates manager, Dean Gearhart, are  
4 also inside. I can refer to them.

5 MR. JUNIS: I would just say we do have Lynn  
6 Feasel, our accountant on this issue. I don't know if  
7 she has anything to add, but this is slightly out of  
8 my wheelhouse, so I will defer to our accounting staff  
9 or the Company.

10 MR. BECKER: So, Commissioner Clodfelter,  
11 I'll take an initial step and I'll ask for maybe Dean  
12 Gearhart to clarify the statement. The working  
13 capital calculations that's included in the rate case  
14 or in a rate case, if I recall correctly, is typically  
15 one-eighth of your O&M, of your Operations and  
16 Maintenance Expenses.

17 So when you say would this be considered in  
18 there, our O&M that we pay on a recurring basis is in  
19 a working capital calculation, and a discount would be  
20 considered, I guess, if we took it, but it wouldn't be  
21 considered if we didn't take it. It's based on all of  
22 our normal operating expenses.

23 And this is a capital item, so I don't think  
24 it actually would affect it because this would be a

1 discounted item that is unitized and capitalized that  
2 is directly included in a rate case versus the working  
3 capital calculation.

4 COMMISSIONER CLODFELTER: Thank you for that  
5 clarification. That's helpful. I guess what I was  
6 trying to explore here was that if you got a longer  
7 lag time between the date you pay an invoice and the  
8 date you collect from a customer, you're going to need  
9 more working capital during that period of time.

10 If, on the other hand, you pay within terms,  
11 invoice terms, and that period is compressed when you  
12 recover from the customers, your customers, you need  
13 less working capital. I just am interested in whether  
14 that issue gets dealt with in the rate case.

15 MS. FEASEL: May I make some comments?

16 CHAIR MITCHELL: You may, but --

17 COMMISSIONER CLODFELTER: I'm looking for  
18 anyone who wants to answer.

19 CHAIR MITCHELL: Ms. Feasel, please, for the  
20 record, introduce yourself.

21 MS. FEASEL: Yeah. My name is Lynn Feasel,  
22 accountant from Public Staff.

23 CHAIR MITCHELL: You may proceed.

24 MS. FEASEL: Okay. Thank you. So whether

1 we do the billing for a general rate case, we normally  
2 sample some of the invoices for O&M expenses,  
3 including maintains expense and other notice of  
4 expense. And when we sample, we are not able to  
5 select a very large amount because of the size of all  
6 expenses.

7 But from the samplings we planted, would  
8 normally reveal the payment terms, and sometimes they  
9 make payment. Like, for example, if the payment term  
10 is 30 days, we will reveal whether they can do the  
11 payment within 30 days. And sometimes they do, and  
12 sometimes they do not.

13 They pay -- sometimes they pay early,  
14 sometimes they do not, and we will just reveal to make  
15 sure that at least they do the payment on time, so  
16 this is on a case-to-case basis.

17 But I do want to add one of my comments, is  
18 that if the Company do not take advantage of the  
19 discount, like if the payment date is 30 days, and  
20 when they're able to take this kind when they pay  
21 within 15 days, and they do not, then the Company  
22 actually has the benefit of holding the money for  
23 15 days within the Company, and the Company has the  
24 opportunity to invest this part of money in some other

1 activities for the Company's benefit.

2 So the benefit is for the Company,  
3 regardless of how material the cost is. And in order  
4 to get this benefit, the price the Company paid is  
5 that the Company does not get a discount.

6 However, if the Company wants the customer  
7 to pay the discount, in my opinion, the Company then  
8 double benefits because the Company is able to hold  
9 the money for longer term to do some other investment  
10 for the Company's benefit.

11 And, also, the Company does not pay the  
12 price because the Company wants the customer to pay,  
13 so that is another reason why this is not reasonable  
14 for the customer to pay that discount.

15 MR. BECKER: If I may, Commissioner  
16 Clodfelter, just a couple clarifying items. This  
17 specific instance is on a capital item and is not an  
18 O&M item, so that working capital does not relate to  
19 this at all.

20 COMMISSIONER CLODFELTER: I understood you  
21 in the earlier answer, and that helped me sort of  
22 avoid getting confused. Thank you.

23 MR. BECKER: Yeah. And then on Ms. Feasel's  
24 response about the O&M, the discount, if there were

1 discounts with other vendors, which, again, I'm not  
2 sure there are, as I mentioned, this is the first time  
3 I've seen in my 13 years with Aqua where I actually  
4 knew of a potential discount for early payment terms.  
5 Not that they don't exist or haven't existed. I'm  
6 just not seeing them.

7 And where we did a -- I'm not sure I  
8 understand the double benefit, but I think the  
9 shareholder, given the way rates are set, if it was an  
10 O&M item, the rates are set based on normal payment  
11 terms, not incurring a penalty.

12 So if we did take advantage of the penalty,  
13 that would be to the shareholder's advantage because  
14 our rates are based on, not assuming there's a  
15 discount, that we pay everything within the standard  
16 payment terms.

17 So if we did reduce the O&M by taking  
18 advantage of the discount, that would go into our P&L  
19 during the rate -- or, you know, during the normal  
20 financial year, and that would benefit our net income.  
21 That would not likely benefit the shareholder -- I'm  
22 sorry, the rate payer as the rates do not typically  
23 consider these discounts.

24 COMMISSIONER CLODFELTER: Thank you, all. I

1 just was interested in general context, so I  
2 appreciate the responses. That's all I have, Chair.

3 CHAIR MITCHELL: Thank you, Commissioner  
4 Clodfelter. Checking in with Commissioners, any  
5 additional questions for Company or Public Staff on  
6 this issue? Commissioner Duffley.

7 COMMISSIONER DUFFLEY: Chair Mitchell, with  
8 Commissioner Gray's consent, I'd like to move this  
9 Agenda item to Executive Conference.

10 COMMISSIONER GRAY: I consent.

11 CHAIR MITCHELL: All right.

12 MR. BENNINK: Madam Chair, this is Bob  
13 Bennink. Can I make one brief statement before you  
14 take a vote there?

15 CHAIR MITCHELL: You may, Mr. Bennink.

16 MR. BENNINK: I'll be very brief. Again,  
17 the Company views this issue as a matter of one of  
18 basically generic interest. This, to the Company's  
19 knowledge, is the first time that the Public Staff has  
20 made an adjustment which equates to a discount  
21 provision, if not utilized, a late fee.

22 So now we have a late fee if the Company  
23 does not take advantage of a discount provision, and  
24 also a late fee penalty if the Company fails to pay

1 in, say, the normal 30-day period, if that's the  
2 standard.

3 This is new. We asked, and you'll see in  
4 our comments that we filed. We asked on the Discovery  
5 if any adjustment like this had ever been made before,  
6 and there were no specific examples that the Public  
7 Staff could come up with, and we've quoted the  
8 Discovery response in our filing so you can see that.

9 So, again, the Company's amount of principal  
10 disputes, calling this a late fee in which laid out  
11 the case that we would like to make in favor of the  
12 Company's position in our filing, but, also, we said  
13 that the Public Staff's issue here, raised in the  
14 context of WSIC's surcharge case, should be denied  
15 here.

16 And if the Public Staff wants to further  
17 pursue this, it should be addressed in a generic basis  
18 applicable to all public utilities if it is to be  
19 considered as a new standard of reasonableness, and we  
20 do think this is a new standard of reasonableness.  
21 And that's the position and that's all I'd like to  
22 say. Thank you.

23 CHAIR MITCHELL: Thank you, Mr. Bennink. I  
24 actually have one final question, Mr. Bennink. You



1 made me think of one last question. I'll direct it to  
2 Mr. Becker.

3 Mr. Becker, the discount here is  
4 two percent. I believe it's two percent of total  
5 invoice. Is that correct?

6 MR. BECKER: If you don't mind, if I can  
7 defer to Mr. Gearhart or Mr. Howery.

8 CHAIR MITCHELL: All right. Anyone --

9 MR. BECKER: I thought it was just on the  
10 equivalent, but I'm not positive.

11 CHAIR MITCHELL: Mr. Gearhart.

12 MR. GEARHART: This is Dean Gearhart with  
13 Aqua, the rates and paying manager. The two percent  
14 discount just pertains to one particular vendor in  
15 this particular case. Was that the question?

16 CHAIR MITCHELL: Well, it's two percent of  
17 the total invoice amount, right?

18 MR. GEARHART: I believe that's the case. I  
19 went through and started itemizing the invoices. I  
20 think they don't include it on the tax. It's all on  
21 the item itself.

22 CHAIR MITCHELL: Understood.

23 MR. GEARHART: So maybe not the entire  
24 invoice amount.

1 CHAIR MITCHELL: Right. So whereas a  
2 late -- can you help me understand what the typical  
3 late fee looks like. Is it similar, is it two percent  
4 or one and a half percent of total invoice or is it a  
5 flat fee? What is industry standard for a late fee,  
6 to the extent there is one?

7 MR. GEARHART: That varies quite a bit.  
8 It's vendor by vendor. Two percent probably isn't a  
9 terrible estimate view, but we haven't really done  
10 any -- I haven't really done any research on that.

11 CHAIR MITCHELL: Okay. Thank you,  
12 Mr. Gearhart. If there are no further questions from  
13 Commissioners, I'll pause here just to confirm that  
14 there are not.

15 (No response)

16 CHAIR MITCHELL: I'm not seeing any. We've  
17 got a motion from Commissioner Duffley. If we can get  
18 a second, I'll call for a vote on that motion.

19 COMMISSIONER GRAY: Second.

20 CHAIR MITCHELL: All in favor, indicate with  
21 an aye.

22 (All Commissioners say aye)

23 CHAIR MITCHELL: Is there anyone opposed?

24 (No response)

1           CHAIR MITCHELL: Commissioner Duffley's  
2 motion that we moved this item into Executive  
3 Conference is approved. Thank you, Mr. Junis. Thank  
4 you, Mr. Becker. Mr. Bennink.

5           MR. BENNINK: Madam Chair, one further  
6 thing, if you will permit me to do so. The Company  
7 has asked that in view of this contested item and in  
8 view of the fact that we know how busy and clogged the  
9 Commission's dockets are, we are asking you to go  
10 ahead and issue an order which approves everything  
11 that is not contested.

12           And, in this case, it is simply the  
13 one/two percent adjustment that we've been discussing,  
14 so we'd like you to go ahead and approve the Public  
15 Staff's proposal as it currently exists with the rates  
16 to be effective on January 1 of this year, and then  
17 issue a second order which deals with the two percent  
18 adjustment and any -- well, it's whichever way you  
19 rule.

20           If you rule in the Company's favor, that  
21 could be handled in the annual true-up process. But,  
22 again, we would request that you go ahead and issue  
23 the order to allow the Company to implement the  
24 surcharges for the issues that are not being

1 contested.

2 CHAIR MITCHELL: Thank you, Mr. Bennink.  
3 We'll take that request under advisement. Let's  
4 proceed now to Public Staff, Water Item P2.  
5 Ms. Darden.

6 MS. DARDEN: Good morning. Lindsay Darden,  
7 engineer in the Public Staff Water, Sewer, and  
8 Telephone Division. I'll be presenting Water  
9 Items P2, P3, P4 together today.

10 Water Items P2 through P4, filed by Carolina  
11 Water Service of North Carolina, in docket numbers  
12 W-354, Subs 366, 367, and 376, are notifications of  
13 intention to begin water or sewer utility service in  
14 an area contiguous to a present service area and for  
15 approval of rates. The Public Staff recommends that  
16 the Commission issue the Proposed Orders recognizing  
17 the contiguous extensions.

18 COMMISSIONER GRAY: Move approval of P2, P3,  
19 and P4.

20 COMMISSIONER McKISSICK: Second.

21 CHAIR MITCHELL: It's been moved and  
22 seconded that the items be approved as recommended by  
23 the Public Staff. Are there any questions or  
24 discussion on the motion?

1 (No response)

2 CHAIR MITCHELL: Hearing none, I'll call the  
3 roll for a vote. Indicate your support with an aye  
4 and your opposition with a no. Commissioner Gray.

5 COMMISSIONER GRAY: Aye.

6 CHAIR MITCHELL: Commissioner Clodfelter.

7 COMMISSIONER CLODFELTER: Aye.

8 CHAIR MITCHELL: Commissioner Duffley.

9 COMMISSIONER DUFFLEY: Aye.

10 CHAIR MITCHELL: Commissioner Hughes.

11 COMMISSIONER HUGHES: Aye.

12 CHAIR MITCHELL: Commissioner McKissick.

13 COMMISSIONER McKISSICK: Aye.

14 CHAIR MITCHELL: And, for the record, I  
15 support the motion as well, and the motion carries.

16 (Motion carries)

17 CHAIR MITCHELL: Thank you, Ms. Darden. The  
18 Commission has before us our minutes from the  
19 January 3rd, 2022 Staff Conference for approval. I'll  
20 take motion, please.

21 COMMISSIONER GRAY: So moved.

22 COMMISSIONER McKISSICK: Second.

23 CHAIR MITCHELL: Any questions or  
24 discussion?

1 (No response)

2 CHAIR MITCHELL: All in favor of approving  
3 the minutes, indicate with an aye.

4 (All Commissioners say aye)

5 CHAIR MITCHELL: Anyone opposed?

6 (No response)

7 CHAIR MITCHELL: The minutes of January 3rd  
8 are approved. Any additional business for the  
9 Commission this morning before we adjourn?

10 (No response)

11 CHAIR MITCHELL: Okay. Hearing none, we'll  
12 be adjourned. Let's go off the record. Thank you  
13 very much, everybody.

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15 WHEREUPON, this conference is adjourned.

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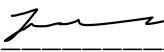
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C E R T I F I C A T E

I, TONJA VINES, DO HEREBY CERTIFY that the  
proceedings in the above-captioned matter were taken  
before me, that I did report in stenographic shorthand  
the Proceedings set forth herein, and the foregoing  
pages are a true and correct transcription to the best  
of my ability.



Tonja Vines