

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 411
DOCKET NO. W-1148, SUB 22

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Carolina Water Service, Inc. of)	ORDER APPROVING
North Carolina, and Mountain Air Utilities)	STIPULATION, APPROVING
Corporation for Authority to Transfer the)	TRANSFER, GRANTING
Mountain Air Water and Wastewater Utility)	FRANCHISE, APPROVING
Systems and Public Utility Franchise in Yancey)	RATES, AND REQUIRING
County, North Carolina, and for Approval of Rates)	CUSTOMER NOTICE

BY THE COMMISSION: On May 4, 2021, in Docket No. W-1148, Sub 20, the Commission issued an Order Appointing Emergency Operator and Requiring Customer Notice (EO Order) appointing Carolina Water Service, Inc. of North Carolina (CWSNC or the Company) as emergency operator (EO) of the water and wastewater utility systems serving the Mountain Air Development in Yancey County, North Carolina (Mountain Air Development) effective May 10, 2021. As EO, CWSNC currently serves 483 monthly metered water utility customers, 438 monthly flat rate wastewater utility customers, and 21 monthly metered wastewater utility customers in the Mountain Air Development service area.

On July 12, 2022, Mountain Air Utilities Corporation (MAUC) and CWSNC entered into a utility asset purchase agreement whereby CWSNC agreed to purchase MAUC's water and wastewater utility systems for \$950,000.00 (Utility Asset Purchase Agreement).

The Utility Asset Purchase Agreement acknowledges the likelihood of title objections relating to outstanding judgment liens encumbering certain parcels of real property where MAUC utility assets are located. As stated in the EO Order, "not all the utility system real property was conveyed to the utility MAUC"; thus, the ownership of important water and wastewater utility system components remains with MAUC's parent company or affiliated entities. As a result, and in order to allow an effective transfer, the Utility Asset Purchase Agreement requires the seller-affiliated entities to convey their respective interests in those parcels to CWSNC at closing, subject to release of the judgment liens encumbering those parcels. MAUC intends to secure releases of the judgment liens as to those parcels at closing, and pay fees and closing costs, by use of the purchase price. In the event MAUC is unsuccessful in obtaining releases of the judgment liens at closing, neither MAUC nor CWSNC will be required to close on the sale and the Utility Asset Purchase Agreement will be considered terminated.

On September 26, 2022, CWSNC and MAUC filed with the Commission an Application for Transfer of Public Utility Franchise and for Approval of Rates (Initial Transfer Application) 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. In the Initial Transfer Application, CWSNC requested approval to charge CWSNC Uniform Rates for metered and flat rate residential and nonresidential service for both water and wastewater utility service approved by the Commission in Docket No. W-354, Sub 384 (Sub 384).

On January 18, 2023, the Mountain Air Property Owners Association, Inc. (MAPOA) filed a Petition to Intervene in this proceeding. The Commission allowed MAPOA to intervene by order dated February 1, 2023.

On May 11, 2023, CWSNC filed certain revisions to the Initial Transfer Application. Specifically, CWSNC amended the Initial Transfer Application to request authorization to charge the CWSNC Uniform Rates for the base year recently approved in the Company's Docket No. W-354, Sub 400 rate case (Sub 400) to Mountain Air Development customers instead of the rates approved in the Sub 384 rate case as requested in the Initial Transfer Application (the Initial Transfer Application and amendment thereto hereinafter are collectively referred to as the Transfer Application).

On June 5, 2023, the Commission entered an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) in these dockets.

On June 16, 2023, MAUC filed the Direct Testimony and Exhibit of William R. Banks, President of MAUC and Mountain Air Development Corporation, the entity that developed the Mountain Air Development.

Also, on June 16, 2023, CWSNC filed the Direct Testimony of Donald H. Denton III, Senior Vice President, East Operations for Corix Regulated Utilities (US) Inc. (CRU US) and CWSNC's President. CWSNC is a subsidiary of CRU US.

On July 6, 2023, the Public Staff filed the Direct Testimony and Exhibits of Lynn Feasel, Public Utility Regulatory Analyst Supervisor of the Water, Sewer, and Telecommunications Sections with the Accounting Division and D. Michael Franklin, Public Utilities Engineer with the Water, Sewer, and Telephone Division.

On July 11, 2023, the Public Staff filed a motion requesting that the public witness hearing scheduled for July 17, 2023, be canceled. No customers had filed consumer statements in these dockets, and the Public Staff had not received any consumer statements. CWSNC and MAUC supported the motion and counsel for MAPOA had not responded to the Public Staff at the time of the filing of the motion. By order dated July 11, 2023, the Commission canceled the public witness hearing and required that notice be given of the cancellation.

On July 26, 2023, CWSNC filed the Rebuttal Testimony of Matthew P. Schellinger II, the Regional Director of Financial Planning and Analysis, East Region for Corix. In this capacity, Mr. Schellinger oversees financial planning and analysis for CWSNC.

Also on July 26, 2023, MAPOA filed a motion requesting leave to file the Direct Testimony of John Robertson, the MAPOA Board member primarily responsible for water and wastewater issues coming before the Board. The Commission issued an order on July 27, 2023, granting MAPOA's motion and accepting witness Robertson's direct testimony.

On July 28, 2023, CWSNC filed the Rebuttal Testimony of witness Denton.

Also on July 28, 2023, MAUC filed the Rebuttal Testimony of witness Banks.

On August 11, 2023, CWSNC and the Public Staff requested that the Commission continue the expert witness hearing until the week of August 21, 2023, to allow time for the parties to reach a settlement in this proceeding. On August 14, 2023, the Commission issued an order continuing the expert witness hearing to August 22, 2023.

On August 18, 2023, CWSNC, MAUC, MAPOA, and the Public Staff (Stipulating Parties) filed a Settlement Agreement and Stipulation (Stipulation) in these dockets. On that same day, CWSNC filed the Settlement Testimony and Exhibit of witness Schellinger, and the Public Staff filed the Joint Settlement Testimony of witnesses Feasel and Franklin. In conjunction with the filing of the Stipulation, the Stipulating Parties requested that the Commission excuse all witnesses from the expert witness hearing scheduled for August 22, 2023, and that the prefiled testimony of those witnesses be accepted into the record as if given orally from the witness stand. On August 21, 2023, the Commission issued an Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing, and Requiring Proposed Orders.

On September 12, 2023, in Docket No. W-1148, Sub 20 (EO Docket), CWSNC, in its capacity as EO of the Mountain Air Development, filed a motion requesting approval of new provisional EO rates pursuant to the Stipulation filed in these dockets. On September 28, 2023, in that same docket, the Public Staff filed a letter with the Commission recommending that the Commission approve CWSNC's motion. On October 3, 2023, the Commission issued an Order Granting Motion that revised the provisional rates for CWSNC as EO, effective for water and wastewater utility service rendered on and after the date of that order. On October 9, 2023, in Docket No. W-1148, Sub 24, CWSNC as EO withdrew its request filed on August 30, 2023, for a pass-through of bulk sewer rates from the Town of Burnsville.

DESCRIPTION OF THE STIPULATION

The Stipulation provides, in pertinent part, as follows:

The Stipulating Parties agree that the Transfer Application filed by CWSNC and MAUC in these dockets should be approved by the Commission and that CWSNC should be granted a Certificate of Public Convenience and Necessity to provide water and wastewater utility service to customers in the Mountain Air Development service area (See Exhibit A to the Utility Asset Purchase Agreement), subject to the following terms and conditions:

1. Upon Commission approval of an increase to the provisional EO rates, CWSNC should be authorized to implement its Sub 400 base year rates for water and wastewater utility service to Mountain Air Development customers¹. The Sub 400 base year rates for a 5/8" water meter are as follows:

<u>Monthly Metered Water Rates:</u>	
Base Charge	\$25.91
Usage Charge, per 1,000 gallons	\$12.28
<u>Monthly Flat Rate for Residential Wastewater Service:</u>	
	\$87.27 ²
<u>Monthly Flat Rate for Commercial Wastewater Service:</u>	
	\$87.27 ³

After closing, the provisional rates should be authorized on an interim basis until the next rate case.

2. The monthly flat rate per-equivalent residential connection (ERC) surcharge shall be designed to collect the following stipulated cost of service components:

a. Creation of a regulatory asset labeled "Lien Release" in the amount of \$950,000.00, levelized for cost recovery over 40 years starting in the month recovery is implemented, including a return at the Sub 400 pre-tax weighted cost of capital (8.69%), with the return being subject to adjustment in a future general rate case. The stipulated monthly per-ERC Lien Release Water Surcharge will

¹On October 3, 2023, the Commission issued an order approving the Sub 400 rates as the new provisional EO rates in Docket No. 1148, Sub 20.

² Per single family equivalent (SFE) or residential equivalent unit (REU).

³ Per SFE or REU.

be \$9.06, and the monthly per-ERC Lien Release Wastewater Surcharge will be \$4.92.

b. Creation of a Due Diligence and Transaction Costs Asset, limited to the amount of \$75,000.00, amortized for cost recovery over 40 years in the “Organizational Account” starting in the month recovery is implemented, including a return at the Company’s Sub 400 pre-tax weighted cost of capital (8.69%), with the return being subject to adjustment in a future general rate case. The stipulated monthly per-ERC Due Diligence and Transaction Costs Water Surcharge will be \$0.89, and the monthly per-ERC Due Diligence and Transaction Costs Wastewater Surcharge will be \$0.48.

c. Creation of an Unrecovered Operating Reserve (incurred as EO, estimated through release of EO, and reported in Docket No. W-1148, Sub 20), levelized for cost recovery over five years, including a return at the Company’s Sub 400 pre-tax cost of debt (4.65%), with the return being subject to adjustment in a future general rate case. The stipulated monthly per-ERC Unrecovered Operating Reserve Water Surcharge is estimated to be \$5.38, and the monthly per-ERC Unrecovered Operating Reserve Wastewater Surcharge is estimated to be \$7.07.

d. The three monthly per-ERC surcharges set forth in subparagraphs a-c above are currently estimated to total \$15.33 for each water system ERC and \$12.47 for each wastewater ERC and will be finally determined following CWSNC filing a final accounting post-closing to reconcile the operating reserve, review and recommendation by the Public Staff, notice to customers, and Commission approval.

3. CWSNC also projects that subsequent to receipt of a Commission Order approving the transfer, significant additional due diligence and investigation will be necessary, particularly with respect to title and lien issues, prior to the time that the Company and MAUC will be able to close the transfer. Thus, until the closing of the sale has taken place, CWSNC, by necessity, will need to continue to serve as EO of the water and wastewater utility systems serving the Mountain Air Development. The most recent Emergency Operator Quarterly Report filed by CWSNC in Docket No. W-1148, Sub 20 on July 31, 2023, indicates that since the inception of the Company’s appointment as EO on May 10, 2021, and extending through June 30, 2023, CWSNC has incurred operating revenue deficits totaling \$338,115.59. On August 16, 2023, CWSNC corrected the operating revenue deficits to be \$317,312.00.

4. Upon Commission approval authorizing CWSNC to implement the proposed rates discussed in Paragraphs 1 and 2 above, the average water bill for a Mountain Air Development customer using 2,520 gallons per month will be \$72.19 per month and flat rate wastewater bills for residential customers will total \$99.74 per month.

5. Upon Commission approval authorizing CWSNC to implement the proposed rates discussed in Paragraph 1 above, the Company will withdraw the bulk wastewater pass-through rate increase request now pending in Docket No. W-1148, Sub 24.

6. CWSNC accepts and agrees to use the depreciation rates proposed by Public Staff witness Franklin on capital investments made by CWSNC while acting as the EO, and the Stipulating Parties agree that CWSNC will use the Company's Uniform Water and Sewer depreciation rates on all future capital investments applicable to the Mountain Air Development water and wastewater systems.

7. The Stipulating Parties agree that they, singularly or collectively, may propose in the next general rate case filed by CWSNC that the Mountain Air Development water and sewer systems and the rates agreed to herein, including the agreed-upon flat, metered, and surcharge components, should be consolidated into the Company's Uniform Water and Wastewater Rate Divisions provided that it is demonstrated that CWSNC's Uniform Rate Division customers are not adversely impacted and Mountain Air Development customers are not materially impacted.

8. The Stipulating Parties agree that CWSNC will file a final accounting to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, within 60 days of closing. In addition, CWSNC will file to establish the surcharges to recover the Lien Release regulatory asset, Due Diligence and Transaction Costs asset, and Unrecovered Operating Reserve within 60 days of closing. Further, CWSNC will notice the Mountain Air Development of the proposed surcharges, to be effective no sooner than 60 days after filing the request, described in Paragraph 2 above as part of the EO true-up and transfer proceeding.

Based upon the foregoing, including the verified Transfer Application, the testimony and exhibits of the expert witnesses, the Stipulation, other dockets regarding MAUC, and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. CWSNC is a corporation duly organized under the laws of the State of North Carolina and is authorized to do business in North Carolina as a franchised water

and wastewater public utility. CWSNC is a wholly owned subsidiary of CRU US.⁴ CWSNC is subject to the regulatory oversight of this Commission. CWSNC presently serves approximately 35,452 water customers and 22,019 wastewater customers in North Carolina and operates approximately 93 water systems and 38 wastewater systems in the state. CWSNC's service territory spans 38 counties in North Carolina, from Corolla in Currituck County to Bear Paw in Cherokee County.

2. MAUC is a corporation duly organized under the laws of the State of North Carolina and is authorized to do business in North Carolina as a franchised water and wastewater public utility. MAUC holds a certificate of public convenience and necessity (CPCN) pursuant to Commission Order issued on May 16, 2001, in Docket No. W-1148, Sub 0, to provide water and wastewater utility service to the Mountain Air Development. MAUC is subject to the regulatory oversight of this Commission. The MAUC utility system currently serves 483 monthly metered water utility customers, 438 monthly flat rate wastewater utility customers, and 21 monthly metered wastewater utility customers in the Mountain Air Development service area.

3. Water utility service for the Mountain Air Development is provided through a system of deep wells, ground storage and hydropneumatic tanks, and a distribution system in a service area with major elevation gradients. The wastewater utility service is provided through a collection system including pump stations, and the wastewater is then transported to an interconnection with the Town of Burnsville for bulk treatment by the Town.

4. The EO Order appointed CWSNC as EO of the water and wastewater utility systems serving the Mountain Air Development effective May 10, 2021.

5. There were a number of operational problems and circumstances which led to CWSNC's appointment as EO for the Mountain Air Development.

6. As EO, CWSNC agreed to operate the water and wastewater systems with MAUC's existing rates, subject to a true-up. The water utility rates for the MAUC service area were approved at the time the CPCN was issued to MAUC in 2001 and have not increased since that time.⁵ The EO Order issued on May 4, 2021, did not alter the rates charged for water or wastewater utility service. The rates for the Mountain Air Development wastewater system are updated periodically by Commission order to allow for pass-through rate increases from the Town of Burnsville. Wastewater utility rates were updated by Commission order issued on December 20, 2022, in Docket No. W-1148, Sub 23, to reflect a pass-through increase from the Town of Burnsville. MAUC has never

⁴ CRU US owns regulated utilities in 17 states, with primary service areas in Florida, North Carolina, South Carolina, Louisiana, and Nevada, which provide water and sewer utility service to approximately 190,000 customers.

⁵ There was a slight reduction in rates approved in Docket No. W-1148, Sub 11, following the passage of HB 998 on June 12, 2014, which repealed the gross receipts tax.

received a water or wastewater general rate increase since the rates were approved in the CPCN proceeding in 2001.

7. On July 12, 2022, MAUC and CWSNC entered into a Utility Asset Purchase Agreement whereby CWSNC agreed to purchase MAUC's water and wastewater utility systems for \$950,000.00.

8. The Utility Asset Purchase Agreement acknowledges the likelihood of title objections relating to outstanding judgment liens encumbering certain parcels of real property where MAUC utility assets are located. In order to allow an effective transfer, the Utility Asset Purchase Agreement requires the seller-affiliated entities to convey their respective interests in those parcels to CWSNC at closing, subject to release of the judgment liens encumbering those parcels.

9. CWSNC seeks to include in rate base in this proceeding the purchase price of \$950,000.00, due diligence costs incurred in connection with the Transfer Application, as well as capital investments and operation deficits occurred as EO of the Mountain Air Development.

10. CWSNC and MAUC are properly before the Commission pursuant to Chapter 62 of the North Carolina General Statutes seeking approval to transfer the water and wastewater utility systems serving the Mountain Air Development from MAUC to CWSNC and for approval of rates. In the Initial Transfer Application, CWSNC requested approval to charge CWSNC Uniform Rates for metered and flat rate residential and nonresidential service for both water and wastewater utility service approved by the Commission in the Sub 384 rate case.

11. On May 11, 2023, CWSNC amended the Initial Transfer Application to request authorization to charge the CWSNC Uniform Rates for the base year recently approved in the Sub 400 rate case to the Mountain Air Development customers.

12. In its due diligence site inspections, CWSNC identified the need for immediate extensive system renovations and replacements in order to materially improve the operation, reliability, and compliance record of the Mountain Air Development water and wastewater utility systems.

13. Through June 16, 2023, CWSNC, as EO, made capital investments in the Mountain Air Development water and wastewater systems totaling \$2,162,385.⁶

14. In addition to the capital investments noted in Finding of Fact No. 13, the most recent Emergency Operator Quarterly Report filed by CWSNC in Docket No. W-1148, Sub 20, on July 31, 2023, indicates that since the inception of CWSNC's appointment as EO on May 10, 2021, and extending through June 30, 2023, CWSNC has

⁶ See CWSNC Rebuttal Exhibit MPS-1 filed in these dockets on June 26, 2023.

incurred operating revenue deficits totaling \$338,116.00. On August 16, 2023, CWSNC corrected the operating revenue deficits to be \$317,312.00.

15. CWSNC has operated the Mountain Air Development water and wastewater systems as the Commission-appointed EO in a safe and reliable manner and has made substantial improvements to the systems.

16. The capital investments and improvements for the water and wastewater systems made by CWSNC provide clear and direct benefits to the current MAUC customers in terms of system reliability, safety, and environmental impact. No obvious detriment to CWSNC's existing customers is evident or reasonably expected to result from approval of the MAUC transfer.

17. The Stipulation filed by the Stipulating Parties in these dockets resolved all contested issues related to the transfer of the MAUC systems to CWSNC.

18. The Stipulation is the product of give-and-take in settlement negotiations between the Public Staff, CWSNC, MAUC, and MAPOA; is material evidence in this proceeding; and is entitled to be given appropriate weight in this case, along with other evidence from the Stipulating Parties.

19. CWSNC has the technical, managerial, operational, and financial capacity to provide adequate, safe, efficient, and reasonable water and sewer utility service on an ongoing basis to existing customers as well as customers in the current MAUC service area.

20. Consistent with N.C. Gen. Stat. § 62-111(a), approval of the pending Transfer Application is justified by the public convenience and necessity and is in the public interest.

21. A bond amount of \$50,000.00 of CWSNC's \$65,000.00 of unassigned surety bond should be assigned to the Mountain Air Development service area for water and wastewater service and is just, reasonable, and appropriate.

22. It is appropriate for the Commission to approve the Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-3

The evidence supporting these findings of fact is found in the verified Transfer Application, the Commission's records in Docket No. W-1148, Sub 0, the testimony of CWSNC witness Denton and MAUC witness Banks, and the entire record in this proceeding. The Commission concludes that these findings are informational, procedural, and jurisdictional in nature and not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4-5

The evidence supporting these findings of fact is found in the Transfer Application, the Commission's records in Docket No. W-1148, Sub 20, and the testimony of CWSNC witness Denton and MAUC witness Banks. The Commission concludes that these findings are not contested by any party.

Pursuant to the EO Order, the Commission appointed CWSNC as EO of the water and wastewater utility systems serving the Mountain Air Development effective May 10, 2021. The EO Order includes descriptions of permit violations; system ownership issues; the need for immediate extensive system renovations and replacements in order to materially improve the operation, reliability, and compliance record of the MAUC water and wastewater utility systems; and service difficulties. Collectively, these issues, caused the Commission to declare that a real emergency existed with regard to the MAUC systems and find "the imminent danger of losing adequate water or sewer utility service or the actual loss thereof." EO Order at 8-9.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact is found in the Transfer Application; the Commission's records in the MAUC dockets under W-1148, in particular Subs 0, 20, 21, and 23; and the testimony of CWSNC witness Denton and Public Staff witness Franklin. The Commission concludes that this finding is informational and is not contested by any party.

As EO, CWSNC agreed to operate the water and wastewater systems with MAUC's existing rates, subject to a true-up. The water utility rates for the MAUC service area were approved at the time the CPCN was issued in 2001 and have not increased since.⁷ The EO Order issued on May 4, 2021, did not alter the then-existing rates charged for water or wastewater utility service. The rates for the Mountain Air Development wastewater system are updated periodically by Commission order to allow for pass-through rate increases from the Town of Burnsville. Wastewater utility rates were updated by Commission order issued on December 20, 2022, in Docket No. W-1148, Sub 23 to reflect a pass-through increase from the Town of Burnsville. MAUC has never received a water or wastewater general rate increase since the rates were approved in the CPCN proceeding in 2001.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 7-9

The evidence supporting these findings of fact is found in filings in these dockets, including CWSNC Exhibit 4 to the Transfer Application; the Utility Asset Purchase Agreement between MAUC and CWSNC dated July 12, 2022; the Commission's records

⁷ There was a slight reduction in rates approved in Docket No. W-1148, Sub 11, following the passage of HB 998 on June 12, 2014, which repealed the gross receipts tax.

in Docket No. W-1148 Sub 20; and the testimony of CWSNC witness Denton and MAUC witness Banks.

On July 12, 2022, MAUC and CWSNC entered into a Utility Asset Purchase Agreement whereby CWSNC agree to purchase MAUC's water and wastewater utility system assets for a purchase price of \$950,000.00. Pursuant to the Utility Asset Purchase Agreement, CWSNC has the option to terminate the agreement without further liability or obligation to MAUC if the Commission does not allow rate base treatment on the purchase price.

MAUC witness Banks testifies that MAUC intends to secure releases of judgment liens encumbering certain parcels of real property where MAUC utility assets are located at closing, and pay fees and closing costs, by use of the purchase price. Banks Direct Testimony at 5. CWSNC witness Denton testifies in the event MAUC is unsuccessful in obtaining releases of the judgment liens at closing, neither MAUC nor CWSNC will be required to close on the sale and the Utility Asset Purchase Agreement will be considered terminated. Denton Direct Testimony at 7. He further testifies that as stated in the EO Order, Finding of Fact No. 9, "not all the utility system real property was conveyed to the utility MAUC"; thus, the ownership of important water and wastewater utility system components remains with MAUC's parent or affiliated entities. *Id.*

Witness Denton testifies that CWSNC is incurring due diligence costs because of the Transfer Application and requests that these spent dollars, among other dollars spent as discussed herein, be authorized for inclusion in rate base in this proceeding in addition to the purchase price of \$950,000.00. Denton Direct at 8.

In direct testimony, Public Staff witness Franklin recommends that the Commission approve only the purchase price amount that equals MAUC's original cost net investment amount and deny approval of an acquisition adjustment. Franklin Direct at 17-18. In regard to due diligence costs, witness Franklin testifies that CWSNC did not provide actual or estimated due diligence expense amounts in the Transfer Application or in response to any Public Staff data request. He states that the Public Staff has not included any capital investment amounts, operational revenue deficits, or due diligence expenses in this proceeding. Franklin Direct at 25-26. CWSNC witnesses Denton and Schellinger provide rebuttal testimony on these contested issues.

In Stipulation Paragraph 2.a., the Stipulating Parties agreed that CWSNC should be allowed to establish a regulatory asset labeled "Lien Release" in the amount of \$950,000.00 for recovery from customers over a 40-year period, including a return on the unamortized balance. Further, the Stipulating Parties agreed that a monthly flat rate per equivalent residential connection (ERC) surcharge would be designed to collect from customers this stipulated cost of service component.

In Stipulation Paragraph 2.b., the Stipulating Parties agreed that CWSNC should be allowed to establish a regulatory asset for due diligence and transaction costs limited to the amount of \$75,000.00 for recovery from customers over a 40-year period. Further,

the Stipulating Parties agree that a monthly flat rate per ERC surcharge would be designed to collect from customers this stipulated cost of service component.

Based upon competent, substantial, and material evidence in the record and consistent with the Stipulation, the Commission concludes that CWSNC should be authorized to establish a regulatory asset labeled “Lien Release” in the amount of \$950,000.00, levelized for cost recovery over 40 years beginning on October 3, 2023,⁸ including a return at the Sub 400 pre-tax weighted cost of capital (8.69%), with the return being subject to adjustment in a future general rate case. The Commission further concludes that such recovery should be through the use of a monthly flat rate ERC, as stipulated. When implemented in the EO Docket after closing of the transfer and a final accounting, the stipulated monthly per-ERC Lien Release Water Surcharge will be \$9.06, and the monthly per-ERC Lien Release Wastewater Surcharge will be \$4.92.

Also consistent with the Stipulation, the Commission concludes that CWSNC should be authorized to establish a “Due Diligence and Transaction Costs Asset” limited to the amount of \$75,000.00, amortized for cost recovery over 40 years in the “Organizational Account” starting in the month recovery is implemented, including a return at the Sub 400 pre-tax weighted cost of capital (8.69%), with the return being subject to adjustment in a future general rate case. The Commission further concludes that such recovery should be through the use of a monthly flat rate ERC, as stipulated. When implemented in the EO Docket after closing of the transfer and a final accounting, the stipulated monthly per-ERC Due Diligence and Transaction Costs Water Surcharge will be \$0.89, and the monthly per-ERC Due Diligence and Transaction Costs Wastewater Surcharge will be \$0.48.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-11

The evidence supporting these findings of fact is found in the Transfer Application. The Initial Transfer Application was filed on September 26, 2022, seeking authority to transfer the water and wastewater utility systems and public utility franchise serving the Mountain Air Development from MAUC to CWSNC and for approval of rates. The Initial Transfer application was amended on May 11, 2023, to request approval for CWSNC to charge customers in the Mountain Air Development the CWSNC Uniform Rates for the base year recently approved in CWSNC’s Sub 400 rate case proceeding instead of the Sub 384 rates as previously requested.

Based upon competent, substantial, and material evidence in the record and consistent with the Stipulation, the Commission concludes that the Company’s Sub 400 Uniform Base Year Water and Wastewater Rates are justified, reasonable, and appropriate for approval and implementation in this transfer proceeding, to become effective upon either the date of closing of the transfer of the water and wastewater utility system assets to CWSNC or earlier if approved by the Commission as provisional rates

⁸ Pursuant to the Commission’s Order Approving Motion issued on October 3, 2023, in Docket No. W-1148, Sub 20.

in the EO Docket. The Commission acknowledges that on October 3, 2023, in the EO Docket, the Commission issued an Order Granting Motion, revising the provisional rates for CWSNC as EO, effective for water and wastewater utility service rendered on and after the date of that order. On October 9, 2023, in Docket No. W-1148, Sub 24, CWSNC as EO withdrew its request filed on August 3, 2023, for a pass-through of bulk sewer rates from the Town of Burnsville.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-14

The evidence supporting these findings of fact is found in the direct testimony of CWSNC witness Denton, the joint settlement testimony of Public Staff witnesses Feasel and Franklin, the Emergency Operator Quarterly Reports filed by CWSNC in the EO Docket, and the Stipulation.

CWSNC witness Denton testifies that in its due diligence site inspections, CWSNC identified the need for immediate extensive system renovations and replacements in order to materially improve the operation, reliability, and compliance record of the Mountain Air water and wastewater systems. Denton Direct at 12. These system improvements included, but were not limited to, replacement of inoperable lift station equipment, replacement of malfunctioning or missing lift station pumps, installation of telemetry at major lift stations, the installation of AMI water meters, and other significant water system improvements. *Id.* Witness Denton states that CWSNC, as EO, agreed to immediately invest its own funds in order to expedite the system improvements and bring the systems closer to permit compliance. *Id.*

Public Staff witnesses Feasel and Franklin testify that CWSNC, in its capacity as the EO for the Mountain Air Development water and wastewater systems, has made significant capital investments in these systems to improve the quality of service being provided to affected customers and to meet regulatory requirements. Feasel and Franklin Joint Settlement at 5. Through June 16, 2012, CWSNC, as EO, made capital investments in the Mountain Air water and wastewater utility systems totaling \$2,162,385.00. CWSNC Rebuttal Exhibit MPS-1. These capital investments included the following projects and associated costs: Water System Supervisory Control and Data Acquisition System (SCADA) (\$150,395.00); Water System Improvements (\$471,054.00); Water System AMI Meters (\$604,451.00); Sewer System SCADA System (\$202,518.00); and Sewer System Improvements (\$733,967.00).

In addition to these significant capital investments, the most recent Emergency Operator Quarterly Report filed by CWSNC in the EO Docket on July 31, 2023, indicates that since the inception of the Company's appointment as EO on May 10, 2021, and extending through June 30, 2023, CWSNC has incurred operating revenue deficits totaling \$338,116.00. On August 16, 2023, CWSNC corrected the operating revenue deficits to be \$317,312.00. In his direct testimony, CWSNC witness Denton testifies that CWSNC seeks inclusion of these spent dollars related to capital investments and operation deficits in rate base in this proceeding in addition to the purchase price of \$950,000.00. Denton Direct at 8.

In Stipulation Paragraph 2.c., the Stipulating Parties agreed that CWSNC should be allowed to establish a regulatory asset for unrecovered operating reserve for recovery from customers over a five-year period. Further, the Stipulating Parties agreed that a monthly flat rate per-ERC surcharge would be designed to collect from customers this stipulated cost of service component.

Based upon competent, substantial, and material evidence in the record and consistent with the Stipulation, the Commission concludes that CWSNC should be authorized to establish an Unrecovered Operating Reserve (incurred as EO, estimated through release of EO, and reported in the EO Docket), levelized for cost recovery over five years, including a return at the Company's Sub 400 pre-tax cost of debt (4.65%), with the return being subject to adjustment in a future general rate case. The Commission further concludes that such recovery should be through the use of a monthly flat-rate ERC, as stipulated. When implemented by Commission order in the EO Docket after closing of the transfer and a final accounting, the stipulated monthly per-ERC Unrecovered Operating Reserve Water Surcharge is estimated to be \$5.38, and the monthly per-ERC Unrecovered Operating Reserve Wastewater Surcharge is estimated to be \$7.07.

Also consistent with Stipulation Paragraph 6, with respect to system improvements, the Commission finds that CWSNC should use the depreciation rates proposed by Public Staff witness Franklin on capital investments made while acting as the EO and should use the Company's Uniform Water and Sewer depreciation rates on all future capital investments applicable to the Mountain Air Development water and wastewater systems.

Additionally, Stipulation Paragraph 8 provides that CWSNC will file a final accounting to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, within 60 days of closing the transfer. Further, CWSNC will file a request with the Commission for approval to establish the surcharges to recover the Lien Release Regulatory Asset, Due Diligence and Transaction Costs Asset, and Unrecovered Operating Reserve within 60 days of closing. Finally, as set forth in Stipulation Paragraph 8, the Stipulating Parties agreed that CWSNC shall provide notice to the Mountain Air customers of the proposed surcharges, to be effective no sooner than 60 days after filing such request with the Commission to establish the surcharges. The Commission concludes that these provisions of the Stipulation are reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

The evidence supporting this finding of fact is found in the direct testimony of MAPOA witness Robertson and the direct testimony of Public Staff witness Franklin.

MAPOA witness Robertson testifies that MAPOA found CWSNC to be responsive and transparent, and they are pleased with CWSNC's operation and management of the water and wastewater utilities. Robertson Direct at 1. Public Staff witness Franklin testifies that the Commission's online docket portal does not include any filed consumer

statements in these dockets. Franklin Direct at 7. Public Staff witness Franklin states that "...CWSNC is providing safe and reliable service to the customers of the Mountain Air water and wastewater systems." *Id.* at 8.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that CWSNC, as EO, has operated the Mountain Air Development water and wastewater utility systems in a safe and reliable manner and has made substantial capital improvements to the systems.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is found in the filings in these dockets and the testimony of CWSNC witness Denton.

CWSNC witness Denton testifies that the purpose of the Transfer Application at issue in these dockets is to facilitate the transfer of the water and wastewater systems owned by MAUC to CWSNC at a price which is fair and reasonable to both the seller and the buyer and on terms which are beneficial, and certainly not detrimental, to CWSNC's current customers and MAUC's customers. Denton Direct at 10. He states that in this instance, the water and sewer systems currently owned by MAUC were operationally and financially troubled to the extent that there was a need for the Commission to appoint CWSNC as emergency operator. Witness Denton maintains that the Mountain Air Development water and wastewater utility systems have benefitted from the significant financial and local operational resources and expertise which CWSNC is currently providing as EO and will continue to permanently provide upon approval of the Transfer Application. *Id.* at 11.

Witness Denton further testifies that approval of the Transfer Application will ensure that MAUC customers will receive substantial benefit in two essential ways: first, from the operational expertise and service improvements which are currently and will continue to be timely and prudently provided by CWSNC; and, second, from the financial integrity offered by CWSNC as a well-run and well-capitalized public utility able to provide consistently safe, reliable, and compliant service. *Id.* at 15.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that customers in the Mountain Air Development have benefited from the operational expertise and service improvements CWSNC has provided as EO of the water and wastewater systems, and customers will continue to benefit as CWSNC provides consistently safe, reliable, and compliant service as franchise owner of the utility systems.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17-18

The evidence supporting these findings of fact is found in the Stipulation, the records in these dockets, the settlement testimony of CWSNC witness Schellinger, and the joint settlement testimony of Public Staff witnesses Feasel and Franklin.

CWSNC, MAUC, MAPOA, and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Stipulating Parties in this proceeding.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that the Stipulation represents a negotiated settlement of all issues in this proceeding and that the provisions agreed to by the Stipulating Parties are reasonable and appropriate for the purpose of this proceeding. Based upon the record as a whole, the Commission concludes that the terms of the Stipulation are just and reasonable to both CWSNC and its future customers on the MAUC systems. In addition, the Commission concludes that the provisions of the Stipulation are just and reasonable to all parties to this proceeding and serve the public interest, and that it is appropriate to approve the Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 19

The evidence supporting this finding of fact is found in the Transfer Application, the testimony of CWSNC witness Denton, the joint settlement testimony of Public Staff witnesses Feasel and Franklin, and the entire record in this proceeding.

In their joint settlement testimony, Public Staff witnesses Feasel and Franklin testify that the Stipulation benefits the Mountain Air customers. They state that Mountain Air Development customers benefit by gaining certainty over the Mountain Air utility systems' future by having the utility systems owned and operated by CWSNC, a utility company that has the financial, technical, and managerial capabilities to own and operate the water and wastewater systems. Joint Settlement Testimony at 5. They testify that CWSNC is adequately capitalized and able to address repairs and capital improvements that may be required to ensure continued safe and reliable service to customers. Further, they state that CWSNC has a proven track record as an EO and public utility providing water and sewer utility service to approximately 35,000 water customers and 21,000 wastewater customers located in 38 counties across North Carolina. *Id.* Witnesses Feasel and Franklin comment that as the EO for Mountain Air, CWSNC has made significant investments in the water and wastewater systems to improve quality of service and meet regulatory requirements. They maintain that the Stipulation provides a means to ensure, for the first time, that ownership of property required for utility operations and maintenance is in the utility's full control and removes liens that were a hindrance to previous transfer attempts. *Id.* at 6. Finally, witnesses Feasel and Franklin testify that the Stipulation provides that the customers directly benefiting from the transfer are assigned the costs of the transfer through rates and surcharges. *Id.*

Based upon competent, substantial, and material evidence in the record, the Commission concludes that CWSNC has the technical, managerial, and financial capacity to provide adequate, safe, efficient, and reasonable water and sewer utility service on an ongoing basis to its existing customers as well as customers in the current MAUC service area.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 20

The evidence supporting this finding of fact is found in the Stipulation, the records in these dockets, the settlement testimony of CWSNC witness Schellinger, and the joint settlement testimony of Public Staff witnesses Feasel and Franklin.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that good cause exists to approve the Transfer Application. Consistent with N.C.G.S. § 62-11(a), the Commission concludes that approval of the Transfer Application is justified by the public convenience and necessity and is in the public interest. This decision is fully supported by the settlement testimony filed by CWSNC witness Schellinger, the joint settlement testimony filed by Public Staff witnesses Feasel and Franklin, and the Stipulation entered into by CWSNC, MAUC, the Public Staff, and MAPOA. Accordingly, the Commission concludes that CWSNC should be granted a CPCN to provide water and wastewater utility service to customers in the Mountain Air Development service area, effective upon the closing date of the transfer of the water and wastewater utility system assets from MAUC to CWSNC.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 21

The evidence supporting this finding of fact is found in the direct testimony of Public Staff witness Franklin and is not contested by any party.

Public Staff witness Franklin recommends that CWSNC post a \$50,000.00 bond with the Commission for the Mountain Air water and wastewater service area consistent with the considerations identified in N.C.G.S. § 62-110.3. Franklin Direct at 23. He testifies that these considerations include the number of water and wastewater franchises CWSNC holds in North Carolina, CWSNC's record of operation, the number of customers CWSNC services in North Carolina, and the condition of the Mountain Air water and wastewater utility systems. *Id.*

Based upon competent, substantial, and material evidence in the record, the Commission concludes that the \$50,000.00 bond recommended by Public Staff witness Franklin for the Mountain Air water and wastewater service area is reasonable and should be approved. The Commission acknowledges that CWSNC currently has \$65,000.00 in unassigned bond filed with the Commission. The Commission concludes that \$50,000.00 of the unassigned bond should be assigned to the Mountain Air water and wastewater service area.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 22

The evidence supporting these findings of fact is found in the Transfer Application, the Commission's records, the Stipulation, the settlement testimony and exhibit of CWSNC witness Schellinger, and the joint settlement testimony of Public Staff witnesses Feasel and Franklin.

Based upon competent, substantial, and material evidence in the record, the Commission concludes that the provisions of the Stipulation are just and reasonable to the MAUC customers and to all parties to this proceeding and serve the public interest. Therefore, the Commission concludes that the Stipulation should be approved in its entirety.

The Commission further concludes: (1) the provisional rates approved by the Commission for CWSNC as EO on October 3, 2023, in Docket No. W-1148, Sub 20, should be approved for CWSNC as franchise owner on a provisional interim basis; (2) CWSNC should provide written notification to the Commission within three business days after the closing that the transfer has been completed and the date of such closing; (3) upon the closing of the transfer, CWSNC should be granted a CPCN to provide water and wastewater utility service to the Mountain Air service areas; and (4) CWSNC should provide notice to customers that the franchise has been granted and of the approved provisional interim rates.

The Commission determines that consistent with the Stipulation, the Stipulating Parties, singularly or collectively, may propose in CWSNC's next general rate case that the Mountain Air Development water and wastewater systems and the rates agreed to herein, including the agreed-upon flat, metered, and surcharge components, should be consolidated into CWSNC's Uniform Water and Wastewater Rate Divisions provided that it is demonstrated that CWSNC's Uniform Rate Division customers are not adversely impacted and Mountain Air Development customers are not materially impacted.

Further, consistent with the Stipulation, the Commission concludes that CWSNC should file a final accounting to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, within 60 days of the closing of the transfer. In addition, CWSNC should file to establish the surcharges to recover the Lien Release Regulatory Asset, Due Diligence and Transaction Costs Asset, and Unrecovered Operating Reserve within 60 days of closing. Finally, CWSNC should provide customer notice to the Mountain Air Development of the proposed surcharges, to be effective no sooner than 60 days after filing the request described above as part of the EO true-up and transfer proceeding.

The Commission recognizes that the Stipulation provides a means to ensure, for the first time, that ownership of property required for utility operations and maintenance is in the utility's full control and removes liens that were a hindrance to previous transfer attempts by MAUC to sell these utility assets to a utility company that has the financial, technical, and managerial capabilities to own and operate the water and wastewater systems and is adequately capitalized and able to address repairs and capital improvements that may be required to ensure continued safe and reliable service to customers. Further, the Commission acknowledges that the Stipulation provides that the customers directly benefiting from the transfer are assigned the costs of the transfer through rates and surcharges, while recognizing that it may be in the public interest in a future general rate case proceeding to include the Mountain Air Development in CWSNC's Uniform Water and Sewer Rate Divisions. Upon such request in a general rate

case proceeding, the Commission's determination would be based upon the evidence presented in that proceeding.

IT IS, THEREFORE, ORDERED as follows:

1. That the Application for Transfer of Public Utility Franchise and for Approval of Rates, jointly filed in this docket on September 26, 2022 (and as revised on May 11, 2023), by CWSNC and MAUC, is hereby approved;

2. That CWSNC is granted a CPCN to provide water and wastewater utility service to the Mountain Air Development in Yancey County, North Carolina, effective upon the closing of the transfer of the water and wastewater utility system assets to CWSNC;

3. That Appendix A constitutes the CPCN;

4. That the CPCN to provide water and wastewater utility service heretofore granted to MAUC is cancelled, effective on the date which CWSNC files with the Commission written notification that the closing of the transfer of the water and wastewater systems has been completed;

5. That the Schedule of Rates, attached hereto as Appendix B, is approved for water and wastewater utility service in the Mountain Air Development service area, as provisional interim rates, effective for service rendered on and after the date of closing of the transfer of the water and wastewater utility system assets to CWSNC. These are the same rates as the provisional rates approved by the Commission on October 3, 2023, for CWSNC as EO, in EO Docket No. W-1148, Sub 20. The Schedule of Provisional Interim Rates is deemed filed with the Commission pursuant to N.C.G.S. § 62-138;

6. That CWSNC shall provide written notification to the Commission within three business days after the closing that the transfer has been completed and the date of such closing;

7. That all ratemaking determinations included in the Stipulation and set forth in this Order regarding rate base/ratemaking issues are hereby determined as stipulated and as set forth hereinabove;

8. That CWSNC shall mail with sufficient postage or hand deliver the Notice to Customers, attached hereto as Appendix C, to all affected customers in the Mountain Air Development service area, in conjunction with the next regularly scheduled billing process;

9. That CWSNC shall file the attached Certificate of Service, properly signed and notarized, no later than 15 days after the Notice to Customers is mailed or hand delivered to customers;

10. That \$50,000.00 of CWSNC's \$65,000.00 unassigned bond shall be assigned to the Mountain Air Development service area, leaving CWSNC's remaining unassigned bond surety to be \$15,000.00;

11. That with the granting of a CPCN to CWSNC herein, effective upon the closing date of the transfer of the water and wastewater utility system assets from MAUC to CWSNC, CWSNC shall be discharged as the EO of the Mountain Air water and wastewater systems;

12. That CWSNC shall file a final accounting with the Commission in the 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;

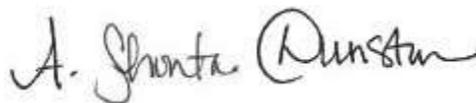
13. That CWSNC shall file a request with the Commission in these dockets within 60 days of closing on the transfer to establish the surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve, as stipulated.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

14. That Docket No. W-1148, Sub 20 shall remain open for future reports, motions, Commission orders, and other filings concerning the final accounting of the operations of CWSNC as EO of the Mountain Air water and wastewater systems for the period May 10, 2021, through the date of closing of the transfer of the water and wastewater utility system assets from MAUC to CWSNC.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of November, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "A. Shonta Dunston". The signature is written in a cursive, flowing style.

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 411

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide water and sewer utility service to

MOUNTAIN AIR DEVELOPMENT

in

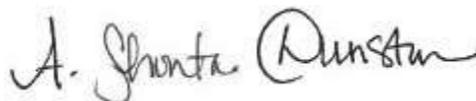
Yancey County, North Carolina

subject to any orders, rules, regulations,
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION

This the 14th day of November, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "A. Shonta Dunston". The signature is written in a cursive style with a large, looped initial "A".

A. Shonta Dunston, Chief Clerk

SCHEDULE OF PROVISIONAL INTERIM 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:

	\$ 12.28
A. Treated Water/1,000 gallons	

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

Meter Testing Fee: ^{1/} \$20.00

New Water Customer Charge: \$27.00

Reconnection Charge: ^{2/}

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: ^{3/} (Flat-rate water customers)

If water service is cut off by utility for good cause	Actual Cost
---	-------------

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
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New Sewer Customer Charge: ^{4/} \$27.00

Reconnection Charge: ^{5/}

If sewer service is cut off by utility for good cause:	Actual Cost
--	-------------

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:

^{1/} 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.

^{2/} 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.

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

^{4/} This charge shall be waived if customer is also a water customer within the same service area.

^{5/} 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.

^{6/} 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.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 411, on this the 14th day of November, 2023, effective for service rendered on and after the date of closing of the transfer of the water and wastewater utility system assets from Mountain Air Utilities Corporation to CWSNC. These rates are the same as the provisional rates approved by the Commission on October 3, 2023, in Docket No. W-1148, Sub 20, for CWSNC as emergency operator.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

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

Notice is hereby given that Carolina Water Service, Inc. of North Carolina (CWSNC) has been authorized by the North Carolina Utilities Commission (Commission or NCUC) to purchase the water and wastewater utility systems currently owned by Mountain Air Utilities Corporation (MAUC) in the Mountain Air Development in Yancey County, North Carolina. The transfer of ownership of the Mountain Air Development water and wastewater systems will officially occur when the purchase is closed by the buyer and seller. CWSNC will, in the interim, continue to operate the water and wastewater systems in its current capacity as the Commission-appointed emergency operator.

The Commission approved the Mountain Air water and wastewater system transfer by Order entered in Docket Nos. W-354, Sub 411 and W-1148, Sub 22 on November 14th, 2023, pursuant to a Settlement Agreement and Stipulation (Stipulation) reached by CWSNC, MAUC, the Public Staff - North Carolina Utilities Commission, and the Mountain Air Property Owners Association, Inc. (collectively, the Stipulating Parties). Each of the Stipulating Parties signed the Stipulation in conjunction with CWSNC's Application to transfer the Mountain Air Development water and wastewater systems from MAUC to CWSNC. The Stipulation expressed support by each of the four Stipulating Parties for approval by the Commission of the requested system transfer and the rates to be charged by CWSNC.

CWSNC has been granted a Certificate of Public Convenience and Necessity by the Commission effective on the date CWSNC provides the Commission written notification that the closing of the transfer has been completed. CWSNC has been authorized to charge the following provisional interim water and wastewater rates effective for water and wastewater utility service provided on and after the date of closing. These are the same rates approved for CWSNC as emergency operator, pursuant to the Commission's order issued on October 3, 2023, in Docket No. W-1148, Sub 20:

Monthly Metered Water Rates:

Base Charge	\$25.91
Usage Charge, per 1,000 gallons	\$12.28

Monthly Flat Rate for Residential
Wastewater Service:

\$87.27⁹

⁹ Per single family equivalent (SFE) or residential equivalent unit (REU).

Monthly Flat Rate for Commercial
Wastewater Service:

\$87.27¹⁰

In the next general rate case for CWSNC, the provisional interim rates collected by CWSNC as emergency operator and thereafter as franchise owner (effective upon written notification to the Commission that the closing of the transfer has been completed) will be audited by the Public Staff, and the Public Staff will recommend to the Commission whether the Public Staff considers that there has been an overcollection and customer refunds should be ordered by the Commission.

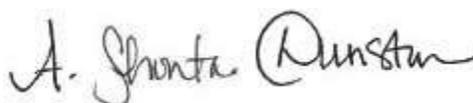
Customers may review the complete Commission Order which approved the transfer from MAUC to CWSNC on the Commission's website (www.ncuc.gov), by clicking on Docket Search under Dockets portal; then for Docket Number, entering W-354 Sub 411, and clicking on Documents to locate the Order dated November 14th, 2023.

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

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of November, 2023.

NORTH CAROLINA UTILITIES COMMISSION



A. Shonta Dunston, Chief Clerk

¹⁰ Per single family equivalent (SFE) or residential equivalent unit (REU).

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 Nos. W-354, Sub 411 and W-1148, Sub 22, and the Notices were mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2023.

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 Notices to Customers were mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket Nos. W-354, Sub 411 and W-1148, Sub 22.

Witness my hand and notarial seal, this the ____ day of _____, 2023.

Notary Public

(SEAL)

Printed or Typed Name

My Commission Expires: _____
Date