

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-354, SUB 400

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by Carolina Water Service, Inc. of)
North Carolina for Authority to Adjust and)
Increase Rates and Charges for Water and) PETITIONER'S
Sewer Utility Service in All Service Areas of) PROPOSED ORDER
North Carolina and Approval of a Three-Year)
Water and Sewer Investment Plan)

HEARD: November 28-29, 2022

BEFORE: Commissioner Daniel G. Clodfelter, Presiding, Chair Charlotte A. Mitchell, and Commissioners ToNola D. Brown-Bland, Kimberley W. Duffley, Jeffrey A. Hughes, Floyd B. McKissick, and Karen M. Kemerait

APPEARANCES:

For Carolina Water Service, Inc. of North Carolina:

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For the Using and Consuming Public:

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John Little, William E. Grantmyre, William Freeman, and Reita D. Coxton Staff Attorneys, Public Staff – North Carolina Utilities Commission,
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BY THE COMMISSION: On May 25, 2022, pursuant to North Carolina Gen. Stat. § 62-133.1B and Commission Rule R1-17(A), Carolina Water Service, Inc. of North Carolina (CWSNC or Company) submitted notice of its intent to file a general rate case application in Docket No. W-354, Sub 400 (Sub 400). On July 1, 2022, CWSNC filed its verified Application (Application) for a general rate increase reflecting the Company's proposed three year Water and Sewer Investment Plan (WSIP) in Sub 400, seeking authority to: (1) implement general increases in its North Carolina water and sewer rates by means of a three-year WSIP (or, alternatively, a general increase in rates); (2) continue to pass through any documented increases in purchased bulk water rates and any documented increased costs of wastewater treatment performed by third parties and billed to CWSNC, subject to CWSNC providing sufficient proof of such increases; (3) reset its approved Water and Sewer System Improvement Charge mechanisms (WSIC/SSIC) to zero, and discontinue the WSIC/SSIC mechanisms during the term of an approved WSIP (with the WSIC/SSIC mechanisms available for use again on the first day following the end of the WSIP period); (4) continue to implement a water efficiency rebate program, including deferral of rebates applied to customer bills; (5) continue to implement fee-free payment options for customers; and (6) put in place a new Sewer Use Rule and accompanying new tariff with wording intended to protect its wastewater systems from damaging industrial and nondomestic contaminants. CWSNC also requested ratemaking and tariff treatment of its pending acquisition of two Watauga County systems. In addition, the Company included as part of its rate case filing certain information

and data required by NCUC Form W-1, Rule R1-17 and Rule R1-17A, and declared its intention to implement temporary, interim rates under N.C.G.S. § 62-135, should the Commission's order not issue within six months after the date that increased rates would have been effective, but for the Commission's suspension.

As part of its Application, CWSNC filed direct testimony of the following witnesses: Donald H. Denton III, President of CWSNC; Dana Hill, Director of State Operations for CWSNC (subsequently adopted by Tony J. Konsul, Director, State Operations); Philip J. Drennan, Regional Director of Financial Planning and Analysis for CWSNC (subsequently adopted by Mr. Schellinger); Matthew P. Schellinger II, Manager of Financial Planning and Analysis for CWSNC; and Dylan D'Ascendis, Partner at ScottMadden, Inc.

The Company stated in its Application that as of March 31, 2022, it serves approximately 31,242 active water customers, 3,323 water availability customers, 20,330 active sewer customers, and 1,139 sewer availability customers in North Carolina. The present rates for water and sewer service have been in effect since April 8, 2022, pursuant to the Commission's Order Granting Partial Rate Increase and Requiring Customer Notice issued in CWSNC's last general rate case in Docket No. W-354, Sub 384 (Sub 384 Order).

On July 26, 2022, the Commission issued an Order Establishing General Rate Case and Suspending Rates. By that order, the Commission declared the matter to be a general rate case pursuant to N.C.G.S. § 62-137, suspended the proposed new rates for up to 270 days pursuant to N.C.G.S. § 62-134, and

established the Base Case test period for this case as the 12-month period ending March 31, 2022.

On September 2, 2022, the Commission issued an Order Scheduling Hearing, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Notice (Scheduling Order) which required the parties to prefile testimony and exhibits, scheduled the matter for hearing, and required notice to all affected customers. The Scheduling Order scheduled customer hearings to be held in Raleigh on October 3, 2022, at 7:00 p.m.; in Boone on October 20, 2022, at 7:00 p.m.; in Jacksonville on October 25, 2022, at 7:00 p.m.; in Charlotte on October 26, 2022, at 7:00 p.m.; and remotely via Webex on October 19, 2022, at 6:30 p.m. The Commission also set the expert witness hearing to be held in Raleigh, North Carolina, beginning November 28, 2022 at 2:00 p.m.

On September 15, 2022, CWSNC filed a certificate of service demonstrating that the Company provided notice of this general rate case proceeding to customers as required by the Commission's Scheduling Order.

On September 19, 2022, CWSNC filed its rate case updates, schedules, and supporting data as required by Ordering Paragraph No. 7 and 8 of the Commission's Scheduling Order.

The Public Staff – North Carolina Utilities Commission's (Public Staff) participation in this proceeding is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e).

Public witness hearings were held as scheduled on the date and in the locations set out in the Scheduling Order, with the exception of Boone, for which an additional virtual hearing was held on October 24, 2022. A total of eighteen¹ Company customers testified as public witnesses at the public witness hearings held in this proceeding.

CWSNC filed Responses on the following dates to Customer Concerns that were expressed at the public hearings:

- October 24, 2022, to the Raleigh public hearing;
- November 8, 2022, to the Virtual and Jacksonville public hearings;
- November 10, 2022, to the Boone public hearings;
- November 15, 2022, to the Charlotte public hearing; and
- December 19, 2022 as a supplement to the Boone public hearing.

The Public Staff filed responses to CWSNC's report on the Raleigh hearing on November 8, 2022, and filed responses regarding all other public hearings on November 21, 2022.

The Public Staff filed its direct testimony on October 26, 2022, consisting of testimony and exhibits of Public Staff witnesses Darrell Brown, Financial Analyst III, Accounting Division of the Public Staff; Lynn Feasel, Financial Manager,

¹ Two in Raleigh; five in the Virtual Hearing; one in Jacksonville (this witness had already appeared at the virtual hearing); and eleven in Charlotte. Additionally, one witness from Boone attempted to appear; a follow up visit with him was initiated by CWSNC and a supplemental report was filed.

Accounting Division of the Public Staff; Lindsay Q. Darden, Engineer, Water, Sewer, and Telephone Division of the Public Staff; D. Michael Franklin, Engineer, Water, Sewer, and Telephone Division of the Public Staff; Evan M. Houser, Engineer, Water, Sewer, and Telephone Division of the Public Staff; Jay B. Lucas, Manager of the Electric Section of the Public Staff; Shashi M. Bhatta, Engineer, Water, Sewer, and Telephone Division of the Public Staff; John R. Hinton, Director of the Economic Research Division of the Public Staff; Charles M. Junis, Director of the Water, Sewer, and Telephone Division of the Public Staff; Kuei Fen Sun, Financial Analyst III, Accounting Division of the Public Staff; and Fenge Zhang, Financial Manager, Accounting Division of the Public Staff.

On November 10, 2022, CWSNC filed its rebuttal testimony, consisting of testimony from Donald H. Denton III; Dante M. DeStefano, Director of Regulatory Affairs; Matthew P. Schellinger, II; Tony J. Konsul, Director, State Operations; and Dylan W. D'Ascendis.

On November 22, 2022, CWSNC and the Public Staff (Stipulating Parties) filed a Joint Partial Settlement Agreement and Stipulation (Stipulation). On November 22, 2022, the Stipulating Parties filed testimony supporting the Stipulation. Also on that date, the Public Staff filed a motion requesting that the Commission excuse Public Staff's witnesses Darden, Franklin, Bhatta, Feasel, Houser, Lucas and Sun from appearing at the November 28, 2022, expert witness hearing and accept the prefiled testimony and exhibits of such witnesses into the record.

On November 28, 2022, the Commission issued an Order Excusing Witnesses and on that same day, the evidentiary hearing was convened in Raleigh, in the Commission's hearing room on the second floor of the Dobbs Building, 430 North Salisbury Street. The evidentiary hearing concluded on Tuesday, November 29, 2022.

On December 9, 2022, the Public Staff filed its Late-Filed Supplemental Exhibit 1.

On December 19, 2022, CWSNC filed a Supplemental Response to its report on the Boone public hearing.

On January 13, 2023, CWSNC filed a Notice of Intent to Place Temporary Rates in Effect Subject to an Undertaking to Refund Pursuant to N.C. Gen. Stat. § 62-135.

On January 20, 2023, the Commission issued an order approving the Customer Notices and Undertaking to Refund, related to CWSNC's intent to place temporary rates in effect in all of its Rate Divisions.

On January 31, 2023, CWSNC placed temporary rates in effect in all of its Rate Divisions, pursuant to N.C.G.S. § 62-135.

On February 2, 2023, CWSNC filed the affidavit of Company witness Schellinger providing the updated amount of regulatory commission expense agreed to by CWSNC and the Public Staff.

On February 2, 2023, the Stipulating Parties filed Updated Public Staff Settlement Exhibit 1, providing the final expense information of CWSNC and the Stipulating Parties' final revised recommendation, subject to the Commission's decisions on the disputed issues of return on equity and application of the 5% rate adjustment cap.

Based upon the foregoing, including the verified Application and accompanying NCUC Form W-1 and R1-17A data and information, the testimony and exhibits of the public witnesses appearing at the hearings, the testimony and exhibits of the expert witnesses received into evidence, the Stipulation, and the entire record herein, the Commission makes the following:

FINDINGS OF FACT

General Matters

1. CWSNC is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. It is a franchised public utility providing water and sewer utility service to customers in 38 counties in North Carolina, pursuant to Chapter 62 of the North Carolina General Statutes. CWSNC is a wholly-owned subsidiary of Corix Regulated Utilities, Inc. (Corix).
2. CWSNC is properly before the Commission pursuant to Chapter 62 of the North Carolina General Statutes for a determination of the justness and reasonableness of its proposed rates and charges for the water and sewer utility service it provides to customers in North Carolina.

3. The appropriate Base Case test period for use in this proceeding is the 12-month period ending on March 31, 2022, updated for known and measurable changes through the close of the expert witness hearing.
4. CWSNC's present rates for water and sewer service have been in effect since April 8, 2022, pursuant to the Commission's Sub 384 Order.

The Stipulation

5. On November 22, 2022, the Stipulating Parties filed the Stipulation, resolving all but two of the contested issues between CWSNC and the Public Staff in this matter. The Stipulating Parties agree that CWSNC should be authorized to implement a multi-year rate plan or WSIP, according to certain parameters, described in more detail *infra*. The two issues remaining in dispute between the Parties are: (a) the return on equity (ROE) to be authorized in this proceeding, and (b) whether the WSIP statute's 5% cap on annual revenue requirement increases under a WSIP should be applied on a company basis or on a rate division basis (the "Disputed Issues").²
6. The Stipulation is the product of give-and-take in negotiations between the Stipulating Parties, is material evidence in this proceeding, and is entitled to be given appropriate weight in this case along with the other evidence of record,

² One of the stipulated agreements between the parties addressed performance metrics, penalties and incentives by providing for a schedule for final proposals regarding incentives and penalties no later than 180 days after the Commission's final order in this matter. As the Commission's expectations have become clarified, the Parties now intend to make a Supplemental Filing by March 17, 2023 to address these issues.

including that submitted by the Company, the Public Staff, and the public witnesses who testified at the public witness hearings.

7. The Stipulation is a partial settlement of the matters in controversy in this proceeding as between the Stipulating Parties.

Acceptance of Stipulation

8. The WSIP as agreed to in the Stipulation, along with other provisions of the Stipulation, will result in just and reasonable rates when combined with the rate effects of the Commission's decisions regarding the Disputed Issues.
9. The provisions of the WSIP as agreed to in the Stipulation, along with other provisions of the Stipulation, are just and reasonable to all parties to this proceeding, as well as the CWSNC ratepaying customers, will produce just and reasonable rates, and will serve the public interest when augmented by a proper system of penalties and incentives.
10. It is appropriate to approve the Stipulation in its entirety (subject to an appropriate update to the penalties and incentives provisions, which will be addressed by filings on March 17, 2023).

Customer Concerns and Service

11. As of the 12-month period ended March 31, 2022, CWSNC served approximately 31,242 active water customers and 20,330 active wastewater customers. For the same period, CWSNC also had 3,323 water availability

- customers and 1,139 sewer availability customers. CWSNC operates approximately 93 water utility systems and 38 sewer utility systems.
12. A total of 18 witnesses testified at the public witness hearings held for the purpose of receiving customer testimony. (One witness spoke twice).
13. The service areas represented and number of customers who testified are Carolina Trace (2), Carolina Pines (1), Treasure Cove (1), The Pointe (8), Aragona Village (1), Fairfield Harbour (1), The Farms (2), and The Harbour (2).
14. The primary concern of the testifying customers was the magnitude of the rate increase, including overall cost of service and the frequency of rate increases. Customers also raised concerns about base rates, comparisons of rates to municipalities, and service issues, including discoloration of water and high mineral content.
15. As of October 19, 2022, the Public Staff had received approximately 56 written customer statements of position from CWSNC customers. Five out of 56 complaints were related to water quality issues (e.g., frequent water outages, multiple boil water notices within a short period, a rotten egg smell and a low pressure). Per the Company's complaint tracking notes: the reasons for the frequent outages were due to either power outages or water main breaks; multiple boil water notices were due to water main breaks and the related repair work that followed; the low water pressure was due to a power outage; and the rotten egg smell was associated with collecting water samples at the

- customer's house to demonstrate that the water quality met the Safe Drinking Water Act standards.
16. CWSNC filed verified reports after each of the public hearings, addressing the service-related concerns and other comments by the witnesses who testified. The reports described each of the witnesses' specific service-related concerns and comments, the Company's response, and how each concern and comment was resolved or addressed, if applicable.
17. The record in this case confirms that the quality of service provided by CWSNC is "adequate, efficient, and reasonable" as required by N.C.G.S. § 62-131(b).
18. The overall quality of water service provided by CWSNC is adequate on a company-wide and system-wide basis. The Company meets the North Carolina Department of Environmental Quality and the United States Environmental Protection Agency's health-based primary quality standards.
19. The overall company-wide and system-wide quality of wastewater service provided by CWSNC is adequate and the Company operates its wastewater treatment plants in a reasonable and prudent manner.

DISPUTED ISSUES

20. The 5% cap set forth in N.C.G.S. § 62-133.1B(c) applies to CWSNC as a whole, and not to individual rate divisions. Therefore, the rate adjustment allowed under the WSIP approved in this proceeding does not, on an annual basis for

WSIP Rate Year 2 and WSIP Rate Year 3, exceed 5% of CWSNC's North Carolina retail jurisdictional gross revenues for the preceding year.

21. CWSNC should be allowed the opportunity to earn a rate of return on common equity (return on equity or ROE) of 10.45% during the Base Case period and an ROE of 10.70% during the term of the WSIP. The overall rate of return that the Company should be allowed the opportunity to earn on the cost of the Company's used and useful property is 7.55% during the Base Case period and 7.67% during the term of the WSIP. The overall rate of return and ROE are supported by competent, material, and substantial evidence; are consistent with the requirements of N.C.G.S. § 62-133 and § 62-133.1B in light of changing economic conditions; and appropriately balance the Company's need to maintain the safety, adequacy, and reliability of its service with the benefits received by customers from safe, adequate, and reliable water and wastewater service. The capital structure, ROE, and overall rate of return set by this Order will result in just and reasonable rates.

WSIP

22. The appropriate term for the WSIP is a three year-period, as follows:

- (a.) WSIP Rate Year 1 will begin on April 1, 2023, and end on March 31, 2024;
- (b.) WSIP Rate Year 2 will begin on April 1, 2024, and end on March 31, 2025; and

- (c.) WSIP Rate Year 3 will begin on April 1, 2025, and end on March 31, 2026.

The WSIP may be terminated prior to the end of WSIP Rate Year 3 as permitted by N.C.G.S. § 62-133.1B(f) and Rule R1-17A(f). The WSIP Rate Year 3 rates approved herein should remain in place until the effective date of a new base rate case order.

23. The Base Case revenue requirements shown in the Stipulation and Updated Public Staff Settlement Exhibit 1 are appropriate to be used as the starting point for the revenue requirements for WSIP Rate Years 1, 2, and 3.

24. Using the Base Case revenue requirements as a starting point, it is appropriate to calculate WSIP Rate Year 1 revenue requirements by using a general escalation factor of 3.4%, with a 3.0% escalation factor specifically for salaries and wages, pension and other benefits, and payroll taxes. Purchased water and sewer treatment revenue requirements are at Base Case levels, with future expenses to be offset through the pass-through mechanism. Adjustments for plant, rate base, revenues, and costs are reflected through the end of WSIP Rate Year 1.

25. To arrive at WSIP Rate Year 2 revenue requirements, it is appropriate to escalate the Rate Year 1 revenue requirements 2.40%, except for salaries and wages, pension and other benefits, payroll taxes, and purchased water and sewer. WSIP Rate Year 2 salaries and wages, pension and other benefits, and

- payroll taxes revenue requirements are escalated by 3% and WSIP Rate Year 2 purchased water and sewer treatment revenue requirements are those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.
26. To arrive at WSIP Rate Year 3 revenue requirements, it is appropriate to escalate the Rate Year 2 revenue requirements by 2.40%, except for salaries and wages, pension and other benefits, payroll taxes, and purchased water and sewer. WSIP Rate Year 3 salaries and wages, pension and other benefits, and payroll taxes revenue requirements are escalated by 3% and WSIP Rate Year 3 purchased water and sewer treatment revenue requirements are those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.
27. It is appropriate to use the capital improvement plan costs for WSIP Rate Years 1, 2, and 3 as such are projected by CWSNC in its September 19, 2022 update filing (Form W-1, Item 10, Schedule 2), but with project estimates reduced by 10%, with adjustment for retirements related to The Pointe secondary interconnect, and inclusive of annual recurring spend net of CIAC. For purposes of this case, it is appropriate to calculate the plant in service and accumulated depreciation amounts for WSIP Rate Years 1, 2, and 3 under the Public Staff's methodology of assuming that in each WSIP Rate Year, both plant in service and accumulated depreciation for the WSIP Rate Year occurs on Day 1 of such WSIP Rate Year.

28. With respect to the banding of authorized ROEs required by N.C.G.S. § 62-133.1B(g), it is appropriate to utilize a band of 100 basis points for Rate Year 1 – 50 basis points above the authorized ROE and 50 basis points below the authorized ROE. For WSIP Rate Years 2 and 3, it is appropriate to utilize a band of 50 basis points -- 0 basis points above the authorized ROE and 50 basis points below the authorized ROE.

29. With respect to performance metrics required by N.C.G.S. § 62-133.1B(a), the following are appropriate metrics to be adopted for CWSNC in this case; these metrics will benefit customers and ensure the provision of safe, reliable, and cost-effective utility service. CWSNC shall report on its performance on such metrics on annual bases in accordance with Rule R1-17A(g)(1)(b).

Description	Measure
Safe Drinking Water Compliance	% days in compliance – (sum of all days – sum of all days out of compliance) / sum of all days Sum of all days = No. of systems x 365 days
Clean Wastewater Compliance	% days in compliance – (sum of all days – sum of all days out of compliance) / sum of all days
Timely Answering of Customer Calls	Telephone service factor – calls answered within 60 seconds / total calls answered (tracked by quarter)
Water Service Quality Customer Complaints	Non-bill related customer complaints in specific categories (no water, air in water, discolored water, high/low pressure, mineral amount, taste/odor, and water quality) / (active accounts / 1,000) Underlying data should incorporate subdivision and system name.
Water Service Disruptions	Unplanned water service disruption – recorded Lucity water main breaks / 1,000 accounts
Sewer Overflows	Number of sanitary sewer overflows (SSOs) – wastewater SSOs / (100 miles of gravity line)
Employee Safety	OSHA incident rate – (number of injuries and illnesses *200,000 / 4) / employee hours worked
Employee Training	Employee training – hours of employee training / employee

Timely Completion of CIP Projects	Percentage of CIP Program projects in the approved WSIP incomplete during the planned rate year on a Company basis
Completion of CIP Projects on Budget	Percentage of CIP Program projects that cost in excess of 110% of the estimate in the approved WSIP on a Company basis
Expense Efficiency	Operation & Maintenance expense per Equivalent Residential Connection (ERC) on a Company basis, excluding certain accounts outside of management control (Purchased Water / Sewer Treatment, Purchased Power, etc.)
Utilization of the SRF Program	Whether the Company applied for SRF funds for certain eligible projects approved in the WSIP.
Water Loss	Water produced/purchased – water sold / water produced/purchased
Employee Turnover	Number of employees that leave / total number of employees for same time period

30. It is reasonable and appropriate for the Stipulating Parties to work together to develop incentives and/or penalties to accompany these performance metrics, and to file and request Commission approval of any such adjusted and agreed upon performance metrics and incentives and/or penalties with the Commission on or before March 17, 2023, which is no later than 180 days following the date of this order. If agreement between the Parties cannot be reached, the Stipulating Parties shall notify the Commission by that same date of their respective recommendations and the Commission shall set the matter for further hearing. Any incentives and/or penalties ultimately approved by the Commission shall be retroactive to the beginning of WSIP Rate Year 1.

31. It is appropriate for CWSNC to provide the quarterly and annual reports set forth in the WSIP Statute and WSIP Rule.

Base Case Revenue Requirements

Base Case Operating Revenues

32. The appropriate level of Base Case operating revenues under present rates for use in this proceeding is \$44,273,287, consisting of service revenues of \$44,295,562 and miscellaneous revenues of \$338,437, reduced by uncollectibles of \$360,712.

Base Case Rate Base

33. The appropriate level of Base Case rate base used and useful in providing service is \$151,201,238 for CWSNC's combined operations, itemized as follows:

Plant in service	268,614,395
Accumulated depreciation	(72,034,354)
Net plant in service	<u>196,580,041</u>
Cash working capital	3,081,924
Contributions in aid of construction	(37,735,269)
Advances in aid of construction	(32,940)
Accumulated deferred income taxes	(6,330,227)
Customer deposits	(370,590)
Inventory	153,531
Gain on sale and flow back taxes	(289,628)
Plant acquisition adjustment	(535,359)
Excess book value	0
Cost-free capital	(261,499)
Average tax accruals	(141,946)
Regulatory liability for excess deferred taxes	(4,991,825)
Deferred charges	2,075,024
Pro forma plant	<u>0</u>
Original cost rate base	<u><u>\$151,201,238</u></u>

Base Case Capital Structure, Cost of Capital, and Overall Rate of Return

34. A Base Case 50.00% equity and 50.00% debt ratio is a reasonable and appropriate capital structure for CWSNC in this case.
35. A Base Case 4.64% cost of debt for CWSNC is reasonable and appropriate for the purpose of this case.
36. Consistent with our finding, *supra*, a Base Case 10.45% rate of return on common equity for CWSNC is just and reasonable in this general rate case.

Base Case Maintenance and General Expense

37. The appropriate level of Base Case maintenance expense and general expense for combined operations for use in this proceeding is \$10,045,445 and \$17,324,555, respectively.
38. It is appropriate for CWSNC to recover total rate case expenses of \$735,606 related to the current proceeding and \$955,238 of the unamortized rate case costs related to the prior proceedings (Docket Nos. W-354, Sub 356; W-354, Sub 360; W-354, Sub 364; and W-354, Sub 384) amortized over four years.
39. It is appropriate to amortize the total rate case costs for the current and prior proceedings over four years and to include an annual level of costs in the amount of \$145,269 related to miscellaneous regulatory matters, resulting in an annual level of regulatory commission expense of \$567,979 as agreed to by the Stipulating Parties. As further agreed to by the Stipulating Parties, unamortized rate case expense will not be included in rate base and will not

earn a return. Further, it is appropriate for CWSNC to establish a regulatory liability account with no carrying costs to record recovery associated with rate case expense over amortization after year 4.

Base Case Depreciation and Amortization Expense

40. The appropriate level of Base Case depreciation and amortization expense for combined operations for use in this proceeding is \$5,740,276.

Base Case Franchise, Property, Payroll, and Other Taxes

41. The appropriate level of Base Case franchise, property, payroll, and other taxes for use in this proceeding is \$909,187 for combined operations, consisting of \$101,985 for franchise and other taxes, \$259,098 for property taxes, and \$548,104 for payroll taxes.

Base Case Regulatory Fee and Income Taxes

42. It is reasonable and appropriate to calculate Base Case regulatory fee expense using the regulatory fee rate of 0.14% effective July 1, 2022, pursuant to the Commission's June 30, 2022 Order issued in Docket No. M-100, Sub 142. The appropriate level of Base Case regulatory fee for use in this proceeding is \$66,771.

43. It is reasonable and appropriate to use the current North Carolina corporate income tax rate of 2.50% to calculate CWSNC's Base Case revenue requirement. The appropriate level of Base Case state income taxes for use in this proceeding is \$252,493.

44. It is reasonable and appropriate to use the federal corporate income tax rate of 21.00% to calculate CWSNC's Base Case revenue requirement. The appropriate level of Base Case federal income taxes for use in this proceeding is \$2,067,914.
45. The appropriate level of Base Case deferred income taxes for use in this proceeding is (\$120,962).
46. It is appropriate to calculate Base Case income taxes for ratemaking purposes based on the adjusted level of revenues and expenses and the tax rates for utility operations.

Base Case Revenue Requirement

47. CWSNC's Base Case revenue requirements should be changed by amounts which, after all pro forma adjustments, will produce the following increases in service revenues:

<u>Item</u>	<u>Amount</u>
CWSNC Uniform Water	\$1,384,999
CWSNC Uniform Sewer	\$1,656,972
BF/FH/TC Water	\$165,180
BF/FH Sewer	<u>\$232,212</u>
Total	<u>\$3,439,363</u>

These increases will allow CWSNC the opportunity to earn a 7.55% overall rate of return, which the Commission has found to be reasonable upon consideration of the findings in this order.

WSIP Revenue Requirements

Rate Year 1, 2 and 3 Rate Base

The appropriate level of Rate Year 1, 2, and 3 rate base forecasted to be used and useful in providing service is \$179,184,613 for Rate Year 1, \$196,860,870 for Rate Year 2, \$216,158,347 for Rate Year 3 for CWSNC's combined operations, itemized as follows:

<u>Item</u>	Rate Year 1	Rate Year 2	Rate Year 3
Plant in service	300,979,823	322,741,820	346,118,040
Accumulated depreciation	(79,392,304)	(85,155,971)	(90,773,310)
Net plant in service	221,587,519	237,585,849	255,344,730
Cash working capital	3,175,378	3,271,587	3,305,799
Contributions in aid of construction	(35,253,609)	(33,686,245)	(32,118,881)
Advances in aid of construction	(32,940)	(32,940)	(32,940)
Accumulated deferred income taxes	(6,127,991)	(6,056,953)	(5,962,786)
Customer deposits	(370,590)	(370,590)	(370,590)
Inventory	153,531	153,531	153,531
Gain on sale and flow back taxes	(289,628)	(289,628)	(289,628)
Plant acquisition adjustment	(407,522)	(328,180)	(248,928)
Excess book value	0	0	0
Cost-free capital	(261,499)	(261,499)	(261,499)
Average tax accruals	(131,625)	(132,919)	(133,564)
Regulatory liability for excess deferred taxes	(4,946,952)	(4,857,207)	(4,767,461)
Deferred charges	2,090,540	1,866,064	1,540,565
Pro forma plant	0	0	0
Original cost rate base	<u>\$179,184,613</u>	<u>\$196,860,870</u>	<u>\$216,158,347</u>

Rate Year 1, 2, and 3 Capital Structure, Cost of Capital, and Overall Rate of Return

48. A 50.00% equity and 50.00% debt ratio is a reasonable and appropriate capital structure for CWSNC for Rate Years 1, 2, and 3 in this case.
49. A 4.64% cost of long-term debt for CWSNC for Rate Years 1, 2, and 3 is reasonable and appropriate for the purpose of this case.
50. Consistent with our finding, supra, a 10.70% rate of return on common equity for CWSNC is reasonable for WSIP Rate Years 1, 2 and 3.
51. The cost of capital and revenue increase approved in this Order is intended to provide CWSNC, through sound management, the opportunity to earn an overall rate of return of 7.67%. This overall rate of return is derived from applying an embedded cost of debt of 4.64%, and a rate of return on common equity of 10.70%, to a capital structure consisting of 50.00% long-term debt and 50.00% common equity.
52. Continuous safe, adequate, reliable, and affordable water and wastewater utility service by CWSNC is essential to CWSNC's customers.
53. The rate of return on common equity and capital structure approved by the Commission appropriately balances the benefits received by CWSNC's customers from CWSNC's provision of safe, adequate, and reliable water and wastewater utility service with the difficulties that some of CWSNC's customers will experience in paying the Company's increased rates.

54. The 10.70% rate of return on common equity and the 50.00% equity capital structure approved by the Commission balance CWSNC's need to obtain equity and debt financing with its customers' need to pay the lowest possible rates.
55. The authorized levels of overall rate of return and rate of return on common equity set forth above are supported by competent, material, and substantial record evidence; are consistent with the requirements of N.C.G.S. § 62-133 and § 62-133.1B; and are fair to CWSNC's customers generally and in light of the impact of changing economic conditions.

Rate Years 1, 2, and 3 Maintenance and General Expense

56. The appropriate level of Rate Year 1 maintenance expense and general expense for combined operations for use in this proceeding is \$10,241,814 and \$17,875,818, respectively.
57. The appropriate level of Rate Year 2 maintenance expense and general expense for combined operations for use in this proceeding is \$10,541,420 and \$18,345,876, respectively.
58. The appropriate level of Rate Year 3 maintenance expense and general expense for combined operations for use in this proceeding is \$10,332,141 and \$18,828,857, respectively.
59. Consistent with our finding, supra, it is appropriate for CWSNC to recover total rate case expenses of \$735,606 related to the current proceeding and

\$238,809 of annualized rate case expense from the unamortized rate case costs related to the prior proceedings in Docket Nos. W-354, Sub 356; W-354, Sub 360; W-354, Sub 364; and W-354, Sub 384.

60. Consistent with our finding, *supra*, it is appropriate to amortize the total rate case costs for the current and prior proceedings over four (4) years and to include an annual level of costs in the amount of \$145,269 related to miscellaneous regulatory matters, resulting in an annual level of regulatory commission expense of \$567,979, as agreed to by the Stipulating Parties. As agreed to by the Stipulating Parties, unamortized rate case expense will not be included in rate base and will not earn a return.

Rate Years 1, 2, and 3 Depreciation and Amortization Expense

61. The appropriate level of Rate Year 1 depreciation and amortization expense for combined operations for use in this proceeding is \$6,556,996.

62. The appropriate level of Rate Year 2 depreciation and amortization expense for combined operations for use in this proceeding is \$7,090,876.

63. The appropriate level of Rate Year 3 depreciation and amortization expense for combined operations for use in this proceeding is \$7,687,639.

Rate Years 1, 2, and 3 Franchise, Property, Payroll, and Other Taxes

64. The appropriate level of Rate Year 1 franchise, property, payroll, and other taxes for use in this proceeding is \$925,630 for combined operations,

- consisting of \$101,985 for franchise and other taxes, \$259,098 for property taxes, and \$564,547 for payroll taxes.
65. The appropriate level of Rate Year 2 franchise, property, payroll, and other taxes for use in this proceeding is \$942,566 for combined operations, consisting of \$101,985 for franchise and other taxes, \$259,098 for property taxes, and \$581,484 for payroll taxes.
66. The appropriate level of Rate Year 3 franchise, property, payroll, and other taxes for use in this proceeding is \$960,011 for combined operations, consisting of \$101,985 for franchise and other taxes, \$259,098 for property taxes, and \$598,928 for payroll taxes.

Rate Years 1, 2, and 3 Regulatory Fee and Income Taxes

67. It is reasonable and appropriate to calculate regulatory fee expense using the regulatory fee rate of 0.14% effective July 1, 2022, pursuant to the Commission's June 30, 2022 Order issued in Docket No. M-100, Sub 142. The appropriate level of regulatory fee for Rate Years 1, 2, and 3 for use in this proceeding is \$72,966, \$77,114, and \$80,867, respectively.
68. It is reasonable and appropriate to use the current North Carolina corporate income tax rate of 2.50% to calculate CWSNC's revenue requirement. The appropriate level of state income taxes for Rate Years 1, 2, and 3 for use in this proceeding is \$307,219, \$337,913, and \$371,422, respectively.

69. It is reasonable and appropriate to use the federal corporate income tax rate of 21.00% to calculate CWSNC's revenue requirement. The appropriate level of federal income taxes for Rate Years 1, 2, and 3 for use in this proceeding is \$2,516,122, \$2,767,505, and \$3,041,944, respectively.

70. The appropriate level of deferred income taxes for use in this proceeding is (\$120,962) for Rate Year 1, Rate Year 2, and Rate Year 3 respectively.

71. It is appropriate to calculate income taxes for ratemaking purposes based on the adjusted level of revenues and expenses and the tax rates for utility operations.

Rate Years 1, 2, and 3 Revenue Requirement

72. CWSNC's Rate Years 1, 2, and 3 revenue requirements should be changed by amounts which, after all pro forma adjustments, will produce the following increases in service revenues, prior to application of the WSIP Statute's 5% cap on total rate increases in Rate Years 2 and 3:

Item	<u>Rate Year 1</u> <u>Increase</u>	<u>Rate Year 2</u> <u>Increase</u>	<u>Rate Year 3</u> <u>Increase</u>
CWSNC Uniform Water	\$1,773,289	\$1,425,626	\$555,154
CWSNC Uniform Sewer	\$2,145,561	\$611,341	\$2,008,901
BF/FH/TC Water	\$328,821	\$158,951	\$49,445
BF/FH Sewer	<u>\$202,052</u>	<u>\$786,639</u>	<u>\$79,931</u>
Total	<u>\$3,937,235</u>	<u>\$2,814,492</u>	<u>\$2,510,416</u>

These increases will allow CWSNC the opportunity to earn a 7.67% overall rate of return, which the Commission has found to be reasonable upon consideration of the findings in this order.

73. Following application of the WSIP Statute's 5% cap on total rate increases in Rate Years 2 and 3, CWSNC's Rate Years 1, 2, and 3 tariffs should produce revenues sufficient to generate the following service revenues, reduced from the total revenue requirement as set forth in the preceding paragraph:

<u>Item</u>	<u>Rate Year 1</u>	<u>Rate Year 2</u>	<u>Rate Year 3</u>
<u>CWSNC Combined Operations</u>			
Service revenues	\$52,184,648	\$54,810,512	\$57,560,278
Miscellaneous revenues	\$360,140	\$368,380	\$375,690
Uncollectible accounts	(\$425,728)	(\$454,054)	(\$475,070)
Total operating revenues	<u>52,119,060</u>	<u>54,724,838</u>	<u>57,460,898</u>
Percentage Increase		5.00%	5.00%
<u>CWSNC Water</u>			
Service revenues	\$25,458,123	\$26,883,749	\$27,438,903
Miscellaneous revenues	180,969	185,013	186,587
Uncollectible accounts	(190,936)	(201,628)	(205,792)
Total operating revenues	<u>25,448,156</u>	<u>26,867,134</u>	<u>27,419,699</u>
<u>CWSNC Sewer</u>			
Service revenues	\$21,275,298	\$21,886,639	\$23,745,182
Miscellaneous revenues	141,508	143,146	148,528
Uncollectible accounts	(159,565)	(164,150)	(179,217)
Total operating revenues	<u>21,257,241</u>	<u>21,865,635</u>	<u>23,714,494</u>
<u>BF/FH/TC Water</u>			
Service revenues	\$2,373,445	\$2,532,396	\$2,581,841
Miscellaneous revenues	15,722	16,169	16,309
Uncollectible accounts	(32,754)	(34,947)	(35,629)
Total operating revenues	<u>2,356,414</u>	<u>2,513,618</u>	<u>2,562,520</u>
<u>BF/FH Sewer</u>			
Service revenues	\$3,077,782	\$3,507,728	\$3,794,352
Miscellaneous revenues	21,940	24,051	24,266
Uncollectible accounts	(42,473)	(53,329)	(54,432)

Total operating revenues	3,057,249	3,478,450	3,764,186
	3,057,249	3,478,450	3,764,186

Noting the reduction in service revenues in Rate Year 2 and 3, CWSNC will not have an opportunity to earn a 7.67% overall rate of return.

74. It is reasonable to exclude Water Resource Management, Inc.'s Echota and Seven Devils systems in Watauga County from the Company's revenue requirements in this proceeding.

Rate Design

75. It is reasonable and appropriate for CWSNC's rate design for water utility service for its Uniform Water and Bradfield Farms/Fairfield Harbour/Treasure Cove (BF/FH/TC) Water residential customers to be based on a 40/60 ratio of base charge to usage charge, and to use a 60/40 ratio of base charge to usage charge for CWSNC's Uniform Sewer residential customers, as set out in the Stipulation.

76. The rates and charges, representative of the rates approved for the Base Case, included in Appendices A-1 and A-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as Appendices B-1 and B-2, are just and reasonable and should be approved.

77. The rates and charges, representative of the rates approved for Rate Year 1, included in Appendices C-1 and C-2, are just and reasonable and should be approved.

78. The rates and charges, representative of the rates approved for Rate Year 2, included in Appendices D-1 and D-2, are just and reasonable and should be approved.

79. The rates and charges, representative of the rates approved for Rate Year 3, included in Appendices E-1 and E-2, are just and reasonable and should be approved.

Continuation of Bulk Purchase Pass-Through Mechanisms and Update of Purchased Water and Sewer Rates

80. It is reasonable and appropriate for CWSNC to update its Base Year purchased water and sewer rates as proposed by the Public Staff and as described in the Stipulation. It is reasonable and appropriate for CWSNC to continue to utilize the bulk purchased water and sewer services pass-through mechanism.

Continuation of WSIC and SSIC Mechanisms

81. Consistent with N.C.G.S. § 62-133.1B(d), it is reasonable and appropriate for CWSNC, during the term of its WSIP, to suspend the use of the Water System Improvement Charge (WSIC), and the Sewer System Improvement Charge (SSIC). Consistent with Commission Rules R7-39(k) and R10-36(k), CWSNC's WSIC and SSIC surcharges will reset to zero as of the effective date of the approved rates in this proceeding. Further, it is reasonable and appropriate for CWSNC to begin using the WSIC and SSIC mechanisms immediately upon termination of the WSIP.

Fee-Free Payment Proposal

82. It is reasonable and appropriate for CWSNC to continue to implement its proposed fee-free payment option for its residential customers, with the cost of service of such reflected in CWSNC's revenue requirements.

83. It is reasonable and appropriate for CWSNC to report to the Commission and the Public Staff concerning the fee-free payment option twice per year, with such reporting detailing the number of fee-free payments made by customers by month, along with levels of CWSNC uncollectibles expense by month.

Water Efficiency Program

84. It is reasonable and appropriate for CWSNC to continue to be authorized to implement its proposed "Water Efficiency Program," under which CWSNC will offer efficient water fixture rebates for its customers. The Water Efficiency Program should continue to be treated as a pilot program and re-evaluated in CWSNC's next rate case.

85. It is reasonable and appropriate that CWSNC be authorized to defer and subsequently recover in a future rate case the water efficiency rebates applied to customer bills in a regulatory asset account, which asset should not earn a return or carrying charges.

86. It is reasonable and appropriate for CWSNC to continue to report to the Commission and the Public Staff about the Water Efficiency Program on an annual basis, with such reporting detailing the amount of rebates applied to customer bills, the size of the regulatory asset, the type of water efficiency

measures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source.

Sewer Use Rule

87. It is reasonable and appropriate to modify CWSNC's Sewer Tariff to include a new Sewer Use Rule, included as Appendix F, intended to protect its wastewater systems from damaging industrial and nondomestic contaminants, by including the following:

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.

Other Stipulated Issues

88. It is reasonable and appropriate for CWSNC to apply for State Revolving Fund grants for the following proposed projects:

- 2023017 - NC - 2023 - High Meadows - Replace all of Tree Top and other sections of the distribution system main and valves
- 2024010 - NC - 2024 - Elk River - Drill New Well
- 2024022 - NC - 2024 - Ski Mountain - Drill new well - Property acquisition, engineering, test well house, etc.
- 2022023 - NC - 2022 - Pinnacle Shores - Water Main Relocation - DOT road widening
- 2025025 - NC - 2025 - Whispering Pines - Water Main Replacement (Thagards Lake)
- 2023029 - NC - 2023 - Whispering Pines - Water Main Replacement 10,600LF (Pine Lake and Country Club)
- AMI Meter Projects in WSIP Years 2 and 3

89. It is reasonable and appropriate for the Stipulating Parties to work toward resolution of a situation whereby certain South Carolina customers in CWSNC's Danby service area and plant have historically been included in CWSNC revenues and revenue requirements.

90. It is reasonable and appropriate for the Public Staff to fully examine all merger-related issues in the context of the merger case between Corix Infrastructure Inc. and SouthWest Water Company (Docket No. W-354 Sub 412).

91. It is reasonable and appropriate for CWSNC to use its best efforts to communicate with the Public Staff, Commission and other Class A water and sewer utilities regarding scheduling of future rate case filings in an effort to avoid pancaked filings going forward.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 - 4

General Matters

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony and exhibits of the witnesses, and the entire record in this proceeding. These findings are informational, procedural, and jurisdictional in nature and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5 – 10, 22 – 31

The Stipulation and Acceptance of Stipulation

The evidence supporting these findings of fact is found in the Stipulation, the testimony of both CWSNC's and the Public Staff's witnesses, the affidavit of Matthew Schellinger, and Updated Public Staff Settlement Exhibit I.

On November 22, 2022, CWSNC and the Public Staff entered into and filed a Joint Partial Settlement Agreement and Stipulation, which memorializes their agreements on all of the issues in this proceeding except for (a) the return on equity (ROE) to be authorized in this proceeding, and (b) whether the WSIP statute's 5% cap on annual revenue requirement increases under a WSIP should be applied on a company basis or on a rate division basis.

Accompanying the Stipulation is Updated Public Staff Settlement Exhibit 1, which demonstrates the impact of the Stipulating Parties' agreements on the calculation of CWSNC's gross revenue for the Base Case test year ended March 31, 2022, as well as for WSIP Rate Years 1, 2, and 3. The Stipulation is based upon the same Base Case test period as included in the Company's Application, adjusted for certain changes in plant, revenues, and costs that were not known at the time the case was filed but are based upon circumstances occurring or becoming known through the close of the expert witness hearing. The Stipulation is also based upon the same WSIP Rate Years as included in the Company's Application, including the use of certain projections and escalation factors. In addition to the Stipulating Parties' agreements on most of the issues in this proceeding (except the Disputed Issues of the 5% cap and the ROE), the Stipulation provides that CWSNC and the Public Staff agree that the Stipulation reflects a negotiation of contested issues, and that the provisions of the Stipulation do not reflect any position asserted by either CWSNC or the Public Staff, but instead reflect compromise and settlement between them. The Stipulation provides that it is binding as between CWSNC and the Public Staff, and that it is conditioned upon the Commission's acceptance of the Stipulation in its entirety. There are no other parties to this proceeding.

N.C.G.S. § 62-133.1B(a) defines a WSIP as a plan under which the Commission sets water or sewer base rates, revenue requirements through banding of authorized returns, and authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and

anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period. The Stipulation and the other evidence demonstrate that the WSIP agreed to meets this statutory definition. As approved, we are setting base rates for CWSNC, authorizing the banding of authorized returns, and we are authorizing rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan, without the need for a base rate proceeding during the plan period.

The key aspects of the Stipulation and the WSIP are as follows:

- **WSIP** – The Stipulating Parties agree that:
 - the term for the WSIP should be a three year-period, as follows:
 - (a) WSIP Rate Year 1 will begin on April 1, 2023, and end on March 31, 2024; (b) WSIP Rate Year 2 will begin on April 1, 2024, and end on March 31, 2025; and (c) WSIP Rate Year 3 will begin on April 1, 2025, and end on March 31, 2026.
 - the WSIP may be terminated prior to the end of WSIP Rate Year 3 as permitted by N.C. Gen. Stat. § 62-133.1B(f) and Rule R1-17A(f).
 - WSIP Rate Year 3 rates approved herein should remain in place until the effective date of a new base rate case order.
 - the Base Case revenue requirements shown in the Stipulation and Updated Public Staff Settlement Exhibit 1 should be used as

the starting point for the revenue requirements for WSIP Rate Years 1, 2, and 3.

- WSIP Rate Year 1 revenue requirements should be calculated based on the Base Case revenue requirements, escalated by a general escalation factor of 3.4%, except for salaries and wages, pension and other benefits, payroll taxes, and purchased water and sewer treatment.
- WSIP Rate Year 1 salaries and wages, pension and other benefits, and payroll taxes should be escalated at a rate of 3.0%.
- WSIP Rate Year 1 purchased water and sewer treatment revenue requirements should remain at Base Case levels, with future expenses to be offset through the pass-through mechanism.
- Adjustments for WSIP Rate Year 1 plant, rate base, revenues, and costs should be as shown on Updated Public Staff Settlement Exhibit 1 and should be reflected through the end of WSIP Rate Year 1.
- WSIP Rate Year 2 revenue requirements should be calculated by using the WSIP Rate Year 1 revenue requirements, escalated by a general escalation factor of 2.40%, except for salaries and wages, pension and other benefits, payroll taxes, and purchased water and sewer treatment.

- WSIP Rate Year 2 salaries and wages, pension and other benefits, and payroll taxes revenue requirements should be escalated by 3.0%.
- WSIP Rate Year 2 purchased water and sewer treatment revenue requirements should remain as those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.
- WSIP Rate Year 3 revenue requirements should be calculated by using the Rate Year 2 revenue requirements, escalated by 2.40%, except for salaries and wages, pension and other benefits, payroll taxes, and purchased water and sewer.
- WSIP Rate Year 3 salaries and wages, pension and other benefits, and payroll taxes revenue requirements should be escalated by 3.0%.
- WSIP Rate Year 3 purchased water and sewer treatment revenue requirements should remain as those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.
- Capital improvement plan costs for WSIP Rate Years 1, 2, and 3 should be as projected by CWSNC in its September 19, 2022 update filing, but with project estimates reduced by 10.0%, and with adjustment for retirements related to The Pointe secondary

interconnect, and inclusive of annual recurring spend net of CIAC.

- Plant in service and accumulated depreciation amounts for WSIP Rate Years 1, 2, and 3 should be calculated using the Public Staff's methodology of assuming that in each WSIP Rate Year, both plant in service and accumulated depreciation for the WSIP Rate Year occurs on Day 1 of such WSIP Rate Year.
- With respect to the banding of authorized ROEs required by N.C.G.S. § 62-133.1B(g), a band of 100 basis points for WSIP Rate Year 1 – 50 basis points above the authorized ROE and 50 basis points below the authorized ROE – should be used.
- For WSIP Rate Years 2 and 3, a band of 50 basis points -- 0 basis points above the authorized ROE and 50 basis points below the authorized ROE – should be used.
- With respect to performance metrics required by N.C.G.S. § 62-133.1B(a), the following metrics should be adopted for CWSNC in this case.

Description	Measure
Safe Drinking Water Compliance	% days in compliance – (sum of all days – sum of all days out of compliance) / sum of all days Sum of all days = No. of systems x 365 days
Clean Wastewater Compliance	% days in compliance – (sum of all days – sum of all days out of compliance) / sum of all days
Timely Answering of Customer Calls	Telephone service factor – calls answered within 60 seconds / total calls answered (tracked by quarter)
Water Service Quality Customer Complaints	Non-bill related customer complaints in specific categories (no water, air in water, discolored water, high/low pressure, mineral amount, taste/odor, and water quality) / (active accounts / 1,000)

	Underlying data should incorporate subdivision and system name.
Water Service Disruptions	Unplanned water service disruption – recorded Lucity water main breaks / 1,000 accounts
Sewer Overflows	Number of sanitary sewer overflows (SSOs) – wastewater SSOs / (100 miles of gravity line)
Employee Safety	OSHA incident rate – (number of injuries and illnesses *200,000 / 4) / employee hours worked
Employee Training	Employee training – hours of employee training / employee
Timely Completion of CIP Projects	Percentage of CIP Program projects in the approved WSIP incomplete during the planned rate year on a Company basis
Completion of CIP Projects on Budget	Percentage of CIP Program projects that cost in excess of 110% of the estimate in the approved WSIP on a Company basis
Expense Efficiency	Operation & Maintenance expense per Equivalent Residential Connection (ERC) on a Company basis, excluding certain accounts outside of management control (Purchased Water / Sewer Treatment, Purchased Power, etc.)
Utilization of the SRF Program	Whether the Company applied for SRF funds for certain eligible projects approved in the WSIP.
Water Loss	Water produced/purchased – water sold / water produced/purchased
Employee Turnover	Number of employees that leave / total number of employees for same time period

- CWSNC should report on its performance on such metrics on an annual basis in accordance with Rule R1-17A(g)(1)(b).
- The Stipulating Parties should work together to develop incentives and/or penalties to accompany these performance metrics, and to file and request Commission approval of any such adjusted and agreed upon performance metrics and incentives and/or penalties with the Commission on or before March 17, 2023, which is no later than 180 days following the date of this order. If agreement between the Parties cannot be reached, the Stipulating Parties should notify the Commission by that same

date of their respective recommendations and the Commission shall set the matter for further hearing. Any incentives and/or penalties ultimately approved by the Commission should be retroactive to the beginning of Rate Year 1.

- CWSNC should provide the quarterly and annual reports set forth in the WSIP Statute and WSIP Rules.
- **Capital Structure** -- the capital structure appropriate for use in this proceeding is a capital structure consisting of 50.00% common equity and 50.00% long-term debt.
- **Cost of Debt** – a cost of long-term debt of 4.64% is appropriate for use in this proceeding.
- **Regulatory Commission Expense** – CWSNC’s regulatory commission expense should be updated through the end of this proceeding once supporting documentation is provided by CWSNC; such expense shall be amortized over a four-year period without a return or carrying costs; further, CWSNC will establish a regulatory liability account, with no carrying costs, to record recovery associated with rate case expense over the amortization amount after year 4.
- **Echota and Seven Devils** – the Echota and Seven Devils systems in Watauga County shall not be included in the Company’s revenue requirements in this proceeding.
- **Tariff Rate Design and Other Programs** –

- *Rate Design* -- rate design in this case should be based on a 40/60 ratio of fixed/volumetric revenues for the Uniform Water and BF/FH/TC Water residential customers, a 60/40 ratio of fixed/volumetric revenues for the Uniform Sewer residential customers, and BF/FH Sewer residential customers to remain flat rate.
- *Purchased Water and Sewer Services* -- the purchased water and sewer rates should be updated as proposed by the Public Staff; CWSNC will continue to utilize the bulk purchased water and sewer services pass-through mechanism.
- *Fee-Free Payments* – CWSNC should continue to implement and report on its proposed fee-free payment option for its residential customers and shall continue to report on such program.
- *Water Efficiency Program* -- CWSNC should continue to implement its water efficiency program as a pilot program, and shall continue to report on such program.
- *Modification of Sewer Tariff* – CWSNC should be authorized to modify its tariff as proposed by the Company to include a new sewer use rule, as outlined in the Stipulation.
- ***Other Provisions***
 - *State Revolving Fund* – CWSNC should apply for state revolving funds for the programs specified in the Stipulation and this Order.

- *Danby* – the Stipulating Parties should work toward a resolution to address certain South Carolina customers in the Company’s service area and plant that have historically been included in CWSNC’s revenues and revenue requirements.
- *Merger Case* – the Public Staff will fully examine all merger-related issues in the context of the merger case between Corix Infrastructure Inc. and SouthWest Water Company (Docket No. W-354 Sub 412).
- *Future Cases* – CWSNC will use its best efforts to communicate with the Public Staff, Commission and other Class A water and sewer utilities regarding scheduling of future rate case filings in an effort to avoid pancaked filings going forward.

Based upon the foregoing and the entire record herein, the Commission finds that the Stipulation was entered into by the Stipulating Parties after full discovery and extensive negotiations, that the Stipulation is the product of give-and-take in settlement negotiations between CWSNC and the Public Staff, and that the Stipulation represents a reasonable and appropriate resolution of certain specific matters in dispute in this proceeding. In making this finding the Commission notes that no party expressed opposition to the provisions of the Stipulation. In addition, when the provisions of the Stipulation are compared to CWSNC's Application and the recommendations included in the testimony of the Public Staff's witnesses, the Stipulation results in a number of downward adjustments to the expenses sought to be recovered by CWSNC, and resolves

issues, some of which were more important to CWSNC, and others of which were more important to the Public Staff. Therefore, the Commission further finds that the Stipulation is material evidence to be given appropriate weight in this proceeding, along with all other evidence of record, including that submitted by CWSNC, the Public Staff, and the public witnesses who testified at the hearings.

In addition, the Commission finds that the Stipulation is a nonunanimous settlement of matters in controversy in this proceeding and that the Stipulation resolves only some of the disputed issues between CWSNC and the Public Staff. The Stipulation leaves the following Disputed Issues to be resolved by the Commission: (1) the ROE to be authorized in this proceeding, and (2) whether the WSIP statute's 5% cap on annual revenue requirement increases under a WSIP should be applied on a company basis or on a rate division basis.

N.C.G.S. § 62-133.1B(b) provides that the Commission may approve a WSIP upon a finding by the Commission that the plan results in rates that are just and reasonable and are in the public interest. Further, that statute states that in reviewing any application for a WSIP, the Commission must consider whether the application, as proposed, (1) establishes rates that are fair both to the customer and to the water or sewer utility, (2) reasonably ensures the continuation of safe and reliable utility services, (3) will not result in sudden substantial rate increases to customers annually or over the term of the plan, (4) is representative of the utility's operations over the plan term, and (5) is otherwise in the public interest.

In this case, the evidence shows that approval of the Stipulation and the WSIP will result in just and reasonable rates and will be in the public interest. The rates are representative of the Company's expected operations over the term of the plan. The rates are supported by a historical utility plant in service combined with a reasonable capital plan for the 3-year plan period. The rates are also supported by historical revenue and expense data combined with reasonable plan period revenue and expense projections using escalation factors based on third-party inflation projections, customer growth projections, and certain specific expense forecasts (such as salaries and wages). The revenue requirements should be sufficient to allow the Company to make needed capital improvements while also covering expected operation and maintenance expenses, thus supporting the continuation of safe and reliable service to customers. The revenue requirements approved upfront in the WSIP, in conjunction with the protection of the WSIP statute's 5% cap, will limit annual rate increases, avoiding the sudden substantial rate increases a series of traditional base rate cases sometimes produces.

The public interest will be served by approval of the Stipulation and the WSIP. On the one hand, the WSIP will provide the Company with flexibility to make planned and needed infrastructure investments, along with some protection against inflation and regulatory lag during the term of the plan, without the need for (and cost of) full-blown rate cases every year. On the other hand, the Commission, the Public Staff, and customers are being provided with more information about the Company's plans; the WSIP limits the annual revenue

requirements thus imposing risk of cost increases and cost control upon the Company; any earnings above the authorized ROE band will be returned to customers; and Commission oversight is enhanced. This enhancement is attained as the approved performance metrics will increase Company transparency and accountability, and we expect that as certain incentives and penalties are added to the metrics, accountability will be further strengthened.

After careful consideration the Commission finds that the Stipulation and the WSIP are consistent with N.C.G.S. § 62-133.1B and strike a fair balance between the interests of CWSNC to maintain its financial strength at a level that enables it to attract sufficient capital on reasonable terms, on the one hand, and its customers to receive safe, adequate, reliable, and affordable water and sewer service at reasonable rates, on the other. The Commission finds that the rates that will result from the Stipulation are just and reasonable to both CWSNC and its customers. In addition, the Commission finds 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 FINDINGS OF FACT NOS. 11 - 19

Customer Concerns and Service

The evidence supporting these findings of fact is found in the testimony of the Company witnesses appearing at the November 28-29, 2022, hearings, particularly CWSNC witness Denton, Public Staff witness Bhatta, and in the verified responses filed by CWSNC which addressed the concerns testified to by public witnesses at the five public hearings, in which 18 customers participated.

The Company responded promptly to the concerns and comments expressed at the five public hearings by filing verified reports on October 24, 2022 (Raleigh), November 8, 2022 (Virtual and Jacksonville), November 10, 2022 (Boone), November 15, 2022 (Charlotte), and a Supplemental Report on December 19, 2022 (Boone).

The Public Staff's Verified Response to CWSNC's Raleigh report stated that the Company had adequately addressed the two customers' concerns (November 8, 2022). The Staff's response to the Company's report on the Boone public hearing acknowledged that CWSNC had reached out to the customer after the foiled public hearing, and stated that the Company should file a follow-up report on the meeting with that customer (November 21, 2022)³. The Staff's filings of November 21, 2022 – concerning the Charlotte hearing and the Virtual and Jacksonville hearings – concluded the Company had adequately addressed the content of those hearings.

Public Staff witness Bhatta, in her initial testimony of October 26, 2022, testified that her investigation included: CWSNC's customers' statements filed in Docket No. W-354, Sub 400CS; the Company's customer complaint log, which was included in CWSNC's response to Public Staff Data Request No. 51; and the Public Staff Consumer Services Division's (Consumer Services) complaint log. In response to Public Staff Data Request No. 51, CWSNC provided the Company's

³ CWSNC filed that follow-up report on December 19, 2022.

customer complaint log for water quality, which showed approximately 65 water quality-related complaints between April 2022 and September 2022. Of those complaints, 62 were regarding cloudy, milky, and/or discolored water, two complaints were related to foul odor, and one complaint was regarding low system pressure. Multiple complaints were received for the Sapphire Valley (7), Wood Trace (5), The Point (5), Treasure Cove (4), and Belvedere Plantation (4) service areas. Ms. Bhatta indicated that it appears the Company took a responsive action to address these customers' complaints.

As the Company explained in its responses to customer concerns, comparison of CWSNC's rates to the rates of municipal, county, or district systems lacks relevance to the necessary proof of costs to serve in rate cases conducted under the comprehensive regulatory oversight established in General Statutes Chapter 62. The operational costs per customer can be lower for customers of municipalities because of service area density and economies of scale, while larger investor-owned utilities like CWSNC have fragmented service areas spread across the state. Investor-owned utilities are strictly regulated by the State of North Carolina. The General Statutes allow a properly managed, Commission-regulated utility the right to recover its operational expenses and the opportunity to earn a reasonable rate of return on its prudent investment. In contrast, government-owned municipal systems are not regulated by the Commission and may subsidize the operating expenses of their utility systems through taxation. While investor-owned utilities fund capital projects through private investors or loans,

municipalities and county systems may qualify for grants, low-interest tax-free bonds, and other loans to fund capital projects.

The testimony of the named individual witnesses and the responses provided by the Company in its reports verify that CWSNC's overall quality of service is adequate and that the water quality generally meets the standards set forth by the Safe Drinking Water Act and is thus satisfactory.

Based upon the foregoing, and after careful review of the evidence which included the testimony of Public Staff witness Bhatta, the customers at the public hearings, plus the Company's Reports on customer comments and the testimony of Company witness Denton, the Commission concludes that, consistent with the statutory requirements of N.C.G.S. § 62-131(b), the overall quality of service provided by CWSNC is adequate, efficient, and reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 20

5% Rate Adjustment Cap in WSIP Rate Years 2 and 3

The evidence supporting this finding of fact is found in the verified Application, the testimony of Company witnesses Denton, Schellinger, and DeStefano, and the Joint WSIP Testimony of the Public Staff.

Summary of the Evidence

Company witness Denton explained that, under the WSIP statute and rules, rate adjustments under a WSIP may not exceed 5% of the preceding year's retail jurisdictional gross revenues in Rate Years 2 and 3. He described the 5% annual limit on rate increases as one of the important safeguards for customers contained

in the WSIP statute and Commission Rules. He explained that the 5% limit on revenue increases for Rate Years 2 and 3 will help ensure that the Company will not over-collect or over-earn during the WSIP, while, at the same time, providing the Company with flexibility to manage its business and capital plans.

Company witness Schellinger testified that the full revenue requirement generated as a result of the Company's capital improvement plan and expense increase assumptions would result in a greater than 5% revenue increase in WSIP Rate Year 2. As a result, Mr. Schellinger stated that the Company has reduced the requested revenue requirement in WSIP Rate Year 2.

In its Joint WSIP Testimony, Public Staff witnesses Sun and Zhang stated the magnitude of the rate adjustments proposed by the Company in Rate Years 2 and 3 of the WSIP would not fall below the 5% cap. Witnesses Sun and Zhang testified that neither the WSIP Statute nor Commission rules specify whether the 5% revenue cap for the "utility" in Rate Years 2 and 3 applies to each rate division or the total company.

Witnesses Sun and Zhang stated that the Public Staff construes the language to refer to rate divisions, of which the Company has four. They explain that Public Staff's interpretation effectuates the consumer protections limiting the size of rate increases in subsequent years. In their view, treating the rate divisions separately for earnings purpose ensures the Company could not shield a significant cost increase in one rate division by netting it against the costs of another rate division. Such cost shifting, in Public Staff's view, would run contrary

to the intent and spirit of the WSIP Statute. Therefore, Public Staff's recommended rate adjustments for Rate Years 2 and 3 fall below the 5% cap.

Company witness DeStefano rebutted the Public Staff's position on the meaning of the word "utility" in the context of the 5% cap's applicability to "the utility's North Carolina retail jurisdictional gross revenues", per the Statute. First, he pointed to use of the phrase "utility's North Carolina retail jurisdictional gross revenues" in other North Carolina statutes, including in Chapter 62, none of which are applied or reconcilable to the level of a rate division, but rather utility entities as a whole. Mr. DeStefano referred next to Commission Rule R1-17A(b)(4), which defines the word "utility" as "a water, sewer, or water and sewer public utility" as opposed to a rate division thereof. Mr. DeStefano also pointed out that in Public Staff joint testimony, witnesses Sun and Zhang interchangeably used the terms "utility" and "Company."

Witness DeStefano also explained why application of the 5% cap to rate divisions would not be practical. He stated that the Commission has indicated it is favorable to tariff consolidation, including tariff consolidation of the Company specifically. However, should the 5% cap be applied to a rate division level, Witness DeStefano explained future consolidation of rate divisions would be practically impossible because limits on the ability to increase one or all rate divisions would undermine the ability to make progress in consolidating rates.

Moreover, Mr. DeStefano stated that Public Staff's concern about shielding rate divisions from the costs of other rate divisions is not relevant, as the Company

has separate revenue requirements set based on the stand-alone cost of service for each rate division. Mr. DeStefano testified the Company has not proposed or reflected in its WSIP a sharing of costs across rate divisions that diverts from the stand-alone cost of service, and therefore any earnings test in the WSIP on resulting stand-alone revenue requirements.

Discussion and Conclusions

N.C.G.S. § 62-133.1B(c) states, in relevant part: “Any rate adjustment allowed under a Water and Sewer Investment Plan approved pursuant to this section shall not, on an annual basis for years two and three of the plan, exceed five percent (5%) of the utility's North Carolina retail jurisdictional gross revenues for the preceding plan year.” The parties disagree as to whether the statute’s 5% cap on “the utility’s North Carolina retail jurisdictional gross revenues for the preceding plan year” applies to the utility as a whole, or to each of its rate divisions. We find that the statute should be interpreted as written and consistent with other existing Statutes and Rules, whereby the 5% cap applies to the utility, and not to its piecemeal rate divisions.

The primary purpose of statutory interpretation is to give effect to the intent of the legislature. *Lunsford v. Mills*, 367 N.C. 618, 623, 766 S.E.2d 297, 301 (2014). “When the language of a statute is clear and unambiguous, there is no room for judicial construction, and...[the language must be given] its plain and definite meaning.” *State v. Jones*, 358 N.C. 473, 477, 598 S.E.2d 125, 128 (2004); see also *Carolina Power & Light Co. v. City of Asheville*, 358 N.C. 512, 518, 597 S.E.2d 717, 722 (2004). Courts should “give effect to the words actually used in a statute

and should neither delete words used nor insert words not used in the relevant statutory language during the statutory construction process.” *Midrex Techs., Inc., v. N.C. Dep’t of Revenue*, 369 N.C. 250, 258, 794 S.E.2d 785, 792 (2016). And “[w]here words of a statute are not defined, [it is] presume[d] that the legislature intended to give them their ordinary meaning determined according to the context in which those words are ordinarily used.” *Reg’l Acceptance Corp. v. Powers*, 327 N.C. 274, 278, 394 S.E.2d 147, 149 (1990).

Applying these tenets of statutory construction, the plain language of the statute prescribes that the Company’s position should prevail. N.C.G.S. § 62-133.1B(c) refers to “the utility’s North Carolina retail jurisdictional gross revenues”. Similar phrases are used multiple other related statutes, including N.C.G.S. § 62-133.2 (capping certain fuel and fuel-related cost adjustment increases of an “electric public utility’s total North Carolina retail jurisdictional gross revenues for the preceding calendar year”) and N.C.G.S. § 62-110.8 (capping the annual increase of costs of the procurement of renewable energy at 1% of the “electric public utility’s total North Carolina retail jurisdictional gross revenues for the preceding calendar year.”). Both of these instances, in which the statutory language is nearly identical, and whose context relates to capping the amount of an increase based on the gross revenues for the preceding calendar year, are instructive that the legislature’s corresponding use of the phrase in the WSIP statute applies to the entire utility’s North Carolina retail jurisdictional gross revenue, and not a more granular level such as rate divisions.

Additionally, while the word “utility” is not expressly defined in the WSIP statute, we are bound to apply the ordinary meaning of the word within the context of the statute in order to give effect to the intent of the legislature. Use of the word “utility” in Chapter 62 rationally means “public utility,” which is a defined term in N.C.G.S. § 62-3(23) listing many examples of public utilities. None of these examples are applied or reconcilable to the level of a water or sewer rate division. For example, N.C.G.S. § 62-3(23)(b) refers to a public utility as “any person producing, generating, or furnishing any of the foregoing services to another person for distribution to or for the public for compensation.” The use of “person” would be directly applicable to CWSNC in many other contexts per Chapter 62 or Commission Rules, but not applicable for a segregated rate division. In fact, “rate division” is a term that does not appear in Chapter 62. On the other hand, the Commission’s WSIP rule defines “utility” as a water, sewer, or water and sewer public utility. See Rule R1-17A(b)(4). Likewise, Public Staff’s testimony interchangeably used the terms “utility” and “Company”, consistent with normal parlance. It would be odd indeed for the legislature to intend the WSIP’s 5% provision to deviate from the application of similar words and phrases in similar contexts throughout Chapter 62, without using distinct statutory language. Yet this is the Public Staff’s interpretation – one in conflict with our rules of statutory interpretation, and we decline to adopt Public Staff’s strained reading.

Even if statutory interpretation rules alone did not decide this issue, practical considerations also support with the Company’s position. As Mr. DeStefano rightly points out, we have previously indicated the desirability to consolidate the

Company's tariffs. However, should the 5% cap be applied to a rate division level, future rate division consolidation would be practically impossible, as limits on the ability to increase one or all rate divisions would undermine the ability to make progress in consolidating rates. Further, Public Staff's reasoning for application of 5% cap to rate divisions are not applicable to this rate case. CWSNC has separate revenue requirements set based on the stand-alone cost of service for each division. There is no evidence of the Company shielding a significant cost increase in one division by netting it against the costs of another rate division. Moreover, even if we were to think the Public Staff's policy positions had merit, the legislature is presumed to have weighed policy considerations when adopting its statutory language. The WSIP statute's use of the word "utility" as opposed to "rate division" is instructive as to the weight it gave Public Staff's policy considerations.

For all of these reasons, the Commission determines that the 5% cap set forth in N.C.G.S. § 62-133.1B(c) applies to CWSNC as a whole, and not to individual rate divisions. As such, the rate adjustment allowed under the WSIP approved in this proceeding does not, on an annual basis for WSIP Rate Year 2 and WSIP Rate Year 3, exceed 5% of CWSNC's North Carolina retail jurisdictional gross revenues for the preceding year.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 21

The evidence supporting these findings of fact and conclusions is contained in the verified Application and Form W-1 of the Company, the testimony and exhibits of the public witnesses, the testimony and exhibits of the expert witnesses, and the entire record of this proceeding.

Rate of return on equity, also referred to as the cost of equity capital, is often one of the most contentious issues to be addressed in a rate case. In order to reach an appropriate independent conclusion regarding the rate of return on equity, the Commission should evaluate the available evidence, particularly that presented by conflicting expert witnesses. *State ex rel. Utils. Comm'n v. Attorney Gen. Roy Cooper*, 366 N.C. 484, 739 S.E.2d 541, 546-47 (2013) (“*Cooper I*”). In this case, the evidence relating to the Company's cost of equity was presented by Company witness D'Ascendis and Public Staff witness Hinton.

In addition to its evaluation of the expert evidence, the Commission must also make findings of fact regarding the impact of changing economic conditions on customers when determining the proper rate of return on equity for a public utility. *Cooper I*, 366 N.C. 484, 739 S.E.2d at 548. The Commission's discussion of the evidence with respect to the findings required by *Cooper I* is set out in detail in this Order.

In order to give full context to the Commission's decision herein and to elucidate its view of the requirements of the General Statutes as they relate to rate of return on equity as interpreted by the Supreme Court in *Cooper I*, the Commission deems it important to provide in this Order an overview of the general principles governing this subject.

Governing Principles in Setting the Rate of Return on Equity

First, as the Commission noted in the Order Granting General Rate Increase, *Application of Carolina Power & Light Company, d/b/a Progress Energy*

Carolinas, Inc., for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina, No. E-2, Sub 1023, at 35-36 (N.C.U.C. May 30, 2013), *aff'd, State ex rel. Utils. Comm'n v. Cooper*, 367 N.C. 444, 761 S.E.2d 640 (2014) (2013 DEP Rate Case Order) ("2013 DEP Rate Case Order"), there are constitutional constraints upon the Commission's rate of return on equity decisions established by the United States Supreme Court decisions in *Bluefield Waterworks & Improvement Co., v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923) ("Bluefield"), and *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("Hope"):

To fix rates that do not allow a utility to recover its costs, including the cost of equity capital, would be an unconstitutional taking. In assessing the impact of changing economic conditions on customers in setting an ROE, the Commission must still provide the public utility with the opportunity, by sound management, to (1) produce a fair profit for its shareholders, in view of current economic conditions, (2) maintain its facilities and service, and (3) compete in the marketplace for capital. *State ex rel. Utilities Commission v. General Telephone Co. of the Southeast*, 281 N.C. 318, 370, 189 S.E.2d 705, 757 (1972). As the Supreme Court held in that case, these factors constitute "the test of a fair rate of return declared" in *Bluefield* and *Hope. Id.*

2013 DEP Rate Case Order, at 29.

Second, the rate of return on equity is, in fact, a cost. The return that equity investors require represents the cost to the utility of equity capital. In his dissenting opinion in *Missouri ex rel. Southwestern Bell Tel. Co. v. Missouri Pub. Serv. Comm'n*, 262 U.S. 276 (1923), Justice Brandeis remarked upon the lack of any functional distinction between the rate of return on equity (which he referred to as a "capital charge") and other items ordinarily viewed as business costs, including operating expenses, depreciation, and taxes:

Each is a part of the current cost of supplying the service; and each should be met from current income. When the capital charges are for interest on the floating debt paid at the current rate, this is readily seen. But it is no less true of a legal obligation to pay interest on long-term bonds ... *and it is also true of the economic obligation to pay dividends on stock, preferred or common.*

Id. at 306. (Brandeis, J. dissenting) (emphasis added). Similarly, the United States Supreme Court observed in *Hope*, "From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business ... [which] include service on the debt and dividends on the stock." *Hope*, 320 U.S. 591, 603.

Leading academic commentators also define rate of return on equity as the cost of equity capital. Professor Charles Phillips, for example, states that "the term 'cost of capital' may be defined as the annual percentage that a utility must receive to maintain its credit, to pay a return to the owners of the enterprise, and to ensure the attraction of capital in amounts adequate to meet future needs." Phillips, Charles F., Jr., *The Regulation of Public Utilities* (Public Utilities Reports, Inc. 1993), at 388. Professor Roger Morin approaches the matter from the economist's viewpoint:

While utilities enjoy varying degrees of monopoly in the sale of public utility services, they must compete with everyone else in the free open market for the input factors of production, whether it be labor, materials, machines, or capital. The prices of these inputs are set in the competitive marketplace by supply and demand, and it is these input prices which are incorporated in the cost of service computation. This is just as true for capital as for any other factor of production. Since utilities must go to the open capital market and sell their securities in competition with every other issuer, there is obviously a market price to pay for the capital they require, for example, the interest on capital debt, or the expected return on equity.

* * *

[T]he cost of capital to the utility is synonymous with the investor's return, and the cost of capital is the earnings which must be generated by the investment of that capital in order to pay its price, that is, in order to meet the investor's required rate of return.

Morin, Roger A., *Utilities' Cost of Capital* (Public Utilities Reports, Inc. 1984), at 19-21 (emphasis added). Professor Morin adds: "The important point is that the prices of debt capital and equity capital are set by supply and demand, and both are influenced by the relationship between the risk and return expected for those securities and the risks expected from the overall menu of available securities." *Id.* at 20.

Changing economic circumstances as they impact CWSNC's customers may affect those customers' ability to afford rate increases. For this reason, customer impact weighs heavily in the overall rate setting process, including, as set out in detail elsewhere in this Order, the Commission's own decision of an appropriate authorized rate of return on equity.

However, a customer's ability to afford a rate increase has absolutely no impact upon the supply of or the demand for capital. The economic forces at work in the competitive capital market determine the cost of capital -- and, therefore, the utility's required rate of return on equity. The cost of capital does not go down because some customers may find it more difficult to pay for an increase in utility prices as a result of prevailing adverse economic conditions, any more than the cost of capital goes up because some customers may be prospering in better times.

Third, the Commission is and must always be mindful of the North Carolina Supreme Court's command that the Commission's task is to set rates as low as possible consistent with the dictates of the United States and North Carolina Constitutions. *State ex rel. Utils. Comm'n v. Pub. Staff-N. Carolina Utils. Comm'n*, 323 N.C. 481, 490, 374 S.E.2d 361, 370 (1988). Further, and echoing the discussion above concerning the fact that rate of return on equity represents the cost of equity capital, the Commission must execute the Supreme Court's command "irrespective of economic conditions in which ratepayers find themselves." 2013 DEP Rate Order, at 37. The Commission noted in that order:

The Commission always places primary emphasis on consumers' ability to pay where economic conditions are difficult. By the same token, it places the same emphasis on consumers' ability to pay when economic conditions are favorable as when the unemployment rate is low. Always there are customers facing difficulty in paying utility bills. The Commission does not grant higher rates of return on equity when the general body of ratepayers is in a better position to pay than at other times, which would seem to be a logical but misguided corollary to the position the Attorney General advocates on this issue.

Id. Indeed, in *Cooper I* the Supreme Court emphasized "changing economic conditions" and their impact upon customers. 366 N.C. 484, 739 S.E.2d at 548.

Fourth, while there is no specific and discrete numerical basis for quantifying the impact of economic conditions on customers, the impact on customers of changing economic conditions is embedded in the rate of return on equity expert witnesses' analyses. The Commission noted this in the 2013 DEP Rate Order: "This impact is essentially inherent in the ranges presented by the return on equity expert witnesses, whose testimony plainly recognized economic

conditions - through the use of econometric models - as a factor to be considered in setting rates of return." 2013 DEP Rate Order, at 38.

Fifth, under long-standing decisions of the North Carolina Supreme Court, the Commission's subjective judgment is a necessary part of determining the authorized rate of return on equity. *State ex rel. Utils. Comm'n v. Pub. Staff*, 323 NC 481, 490, 374 S.E.2d 361, 369. As the Commission also noted in the 2013 DEP Rate Order:

Indeed, of all the components of a utility's cost of service that must be determined in the ratemaking process, the appropriate ROE [rate of return on equity] is the one requiring the greatest degree of subjective judgment by the Commission. Setting an ROE [rate of return on equity] for regulatory purposes is not simply a mathematical exercise, despite the quantitative models used by the expert witnesses. As explained in one prominent treatise:

Throughout all of its decisions, the [United States] Supreme Court has formulated no specific rules for determining a fair rate of return, but it has enumerated a number of guidelines. The Court has made it clear that confiscation of property must be avoided, that no one rate can be considered fair at all times and that regulation does not guarantee a fair return. The Court also has consistently stated that a necessary prerequisite for profitable operations is efficient and economical management. Beyond this is a list of several factors the commissions are supposed to consider in making their decisions, but no weights have been assigned.

The relevant economic criteria enunciated by the Court are three: financial integrity, capital attraction and comparable earnings. Stated another way, the rate of return allowed a public utility should be high enough: (1) to maintain the financial integrity of the enterprise, (2) to enable the utility to attract the new capital it needs to serve the public, and (3) to provide a return on common equity that is commensurate with returns on investments in other enterprises of corresponding risk.

These three economic criteria are interrelated and have been used widely for many years by regulatory commissions throughout the country in determining the rate of return allowed public utilities.

In reality, the concept of a fair rate of return represents a "zone of reasonableness." As explained by the Pennsylvania commission:

There is a range of reasonableness within which earnings may properly fluctuate and still be deemed just and reasonable and not excessive or extortionate. It is bounded at one level by investor interest against confiscation and the need for averting any threat to the security for the capital embarked upon the enterprise. At the other level it is bounded by consumer interest against excessive and unreasonable charges for service.

As long as the allowed return falls within this zone, therefore, it is just and reasonable. . . . It is the task of the commissions to translate these generalizations into quantitative terms.

Charles F. Phillips, Jr., *The Regulation of Public Utilities*, 3d ed. 1993, pp. 381-82. (notes omitted).

2013 DEP Rate Case Order, pp. 35-36.

Thus, the Commission must exercise its subjective judgment so as to balance two competing rate of return on equity-related factors -- the economic conditions facing the Company's customers and the Company's need to attract equity financing in order to continue providing safe and reliable service.

The Supreme Court in *Cooper V* affirmed the 2013 DEC Rate Order, in which this framework was fully articulated. But to the framework we can add additional factors based upon the Supreme Court's decisions in *Cooper III*, *Cooper IV*, and *Cooper V*. Specifically, the Supreme Court held that nothing in *Cooper I* requires the Commission to "quantify" the influence of changing economic

conditions upon customers (*see, e.g., Cooper V*, 367 N.C. at 745-46; *Cooper IV*, 367 N.C. at 650; *Cooper III*, 367 N.C. at 450), and, indeed, the Supreme Court reiterated that setting the rate of return on equity is a function of the Commission's subjective judgment: "Given th[e] subjectivity ordinarily inherent in the determination of a proper rate of return on common equity, there are inevitably pertinent factors which are properly taken into account but which cannot be quantified with the kind of specificity here demanded by [the appellant]." *Cooper III*, 367 N.C. at 450, *quoting State ex rel. Utils. Comm'n v. Pub. Staff-North Carolina Utils. Comm'n*, 323 NC 481, 490 (1988).

Finally, the Supreme Court discussed with approval the Commission's reference to and reliance upon expert witness testimony that used econometric models that the Commission had noted "inherently" contained the effects of changing economic circumstances upon customers, and also discussed with approval the Commission's reference to and reliance upon expert witness testimony correlating the North Carolina economy with the national economy. *See, e.g., Cooper V*, 367 N.C. at 747; *Cooper III*, 367 N.C. at 451.

It is against this backdrop of overarching principles that the Commission turns to the evidence presented in this case.

Application of the Governing Principles to the Rate of Return Decision

CWSNC recommended a return of equity of 10.45% for the Company for the Base Case, and a return on equity of 10.70% during the WSIP. The Company's return on equity recommendations were supported by the expert testimony of

Dylan W. D'Ascendis, who analyzed the Company's cost of equity using the following three methodologies: Discounted Cash Flow ("DCF"), Risk Premium Model ("RPM"), and Capital Asset Pricing Model ("CAPM"). Mr. D'Ascendis applied these models to the market data of both a Utility Proxy Group and a Non-Price Regulated Proxy Group. Mr. D'Ascendis' initial analyses (data as of May 2022) produced overall ranges of cost of equity for CWSNC for the Base Case and WSIP Years 1, 2, and 3, varying slightly based on changes in expected interest rates during the WSIP, as follows:

Period	Recommended Range of ROEs	Midpoint of Recommended Range
Base Year	9.95% to 10.95%	10.45%
WSIP Year 1	10.17% to 11.17%	10.67%
WSIP Year 2	10.13% to 11.13%	10.63%
WSIP Year 3	10.24% to 11.24%	10.74%

Mr. D'Ascendis' updated rebuttal analyses (data as of October 2022) eliminated one company from his Utility Proxy Group and produced the following overall ranges of cost of equity for CWSNC for the Base Case and WSIP Years 1, 2, and 3, varying slightly based on changes in expected interest rates during the WSIP:

Period	Recommended Range of ROEs	Midpoint of Recommended Range
Base Year	10.57% to 11.57%	11.07%
WSIP Year 1	10.70% to 11.70%	11.20%
WSIP Year 2	10.67% to 11.67%	11.17%
WSIP Year 3	10.67% to 11.67%	11.17%

In his rebuttal testimony, Mr. D'Ascendis testified that his rebuttal analyses used the same methodology as his initial analyses. He concluded that the updated analyses indicated that the investor-required return had increased between the two sets of analyses. He noted that the Company's requested ROEs of 10.45% for the Base Case and 10.70% for the 3-year WSIP term are at the bottom of his recommended ranges and are thus conservative. Mr. D'Ascendis emphasized that current market conditions are riskier now than during the last few years (and during the Company's last four rate cases). In particular, Mr. D'Ascendis noted that inflation is higher than the Federal Reserve's target average level of 2.0% and will continue to run higher than that target. He stressed that utilities are not immune from inflationary pressures, which lead to increased risk and an increased cost of capital.

Mr. D'Ascendis explained that his recommended ranges of ROEs are equal to 50 basis points above and below the midpoint of his four model results (DCF, RPM, and CAPM applied to the Utility Proxy Group, plus market models applied to the Non-Price Regulated Proxy Group having comparable risk). He also explained that he conducted a relative risk analysis between the Company and the Utility Proxy Group and, as a result of this analysis, he incorporated an upward adjustment of 0.10% to reflect CWSNC's smaller relative size. In analyzing the cost of equity for CWSNC, Mr. D'Ascendis also presented results from the four models using both current and projected 2023, 2024, and 2025 interest rates. Mr. D'Ascendis' testimony summarized the financial theory and regulatory principles relevant to the development of the cost of capital; explained his Utility Proxy Group

selection; described the ROE analyses he performed; summarized the ranges of ROEs produced by the models; explained his adjustment to reflect the Company's smaller relative size; and discussed the economic conditions in North Carolina.

Public Staff witness Hinton, in his testimony, recommended a cost of equity of 9.45% for CWSNC, based on a Discounted Cash Flow Model and a Risk Premium analysis (and before any adjustment for a change in risk due to the impact of a multi-year rate case). He also recommended a 20 basis point downward adjustment if the WSIP is approved, for an ultimate ROE recommendation of 9.25%. He applied those models to a proxy group consisting of six water utilities. The results of Mr. Hinton's Discounted Cash Flow Model indicated a cost of equity of that ranged from 8.60% to 9.40%, or an average of 9.0%. The results of his Risk Premium analysis indicated a cost of equity of 10.25%, which Mr. Hinton adjusted downward to 9.88% (approximately 9.0%) to reflect a negative relationship between interest rates and risk premiums. Mr. Hinton stated that the reasonableness of his ROE recommendation was supported by the pre-tax interest coverage produced by his recommended cost of capital, as well as the strong and relatively stable growth of the Company's retained earnings. In addition to discussing his cost of equity analyses in detail, Mr. Hinton testified concerning the legal and economic guidelines for a fair rate of return; and present market conditions. He also critiqued Mr. D'Ascendis' testimony. Finally, Mr. Hinton recommended a downward adjustment to the ROE of 20 basis points if the WSIP is approved.

Mr. D'Ascendis and Mr. Hinton disagreed on the following aspects of estimating the Company's cost of equity: proper application of the DCF and RPM models; Mr. D'Ascendis' recommended size adjustment; and Mr. Hinton's WSIP approval adjustment. Mr. D'Ascendis also noted the lack of a comparable earnings analysis from Mr. Hinton.

With respect to Mr. Hinton's application of the DCF model, Mr. D'Ascendis criticized Mr. Hinton's use of dividends per share ("DPS") and book value of equity per share ("BVPS") (in addition to earnings per share or "EPS") to calculate expected growth rates, as well as his use of historical growth rates (in addition to forecasted growth rates). Mr. D'Ascendis noted that there can be no growth in DPS without growth in EPS. Further, he explained that the use of projected EPS growth rates in a DCF analysis provides a better match between investors' market price appreciation expectations and the growth component of the DCF, because they have a significant influence on market prices and the appreciation (or growth) experienced by investors. He also testified that there is academic and financial literature support for the use of projected EPS growth in a DCF analysis, but there is no such support for use of projected DPS or BVPS. In addition, he noted that investors have widespread access to EPS growth projections but not to DPS or BVPS growth projections, which indicates investors rely on EPS but not DPS or BVPS. Mr. D'Ascendis testified that if Mr. Hinton had relied on EPS growth projections, Mr. Hinton's DCF model results would have been 10.0% (mean) and 10.8% (median), indicating that Mr. Hinton's proposed DCF cost rate of 9.0% is severely understated.

With respect to Mr. Hinton's application of the RPM, while Mr. D'Ascendis agreed with Mr. Hinton's regression analysis methodology, he disagreed with his exclusive use of current interest rates, his use of annual average return data instead of individual rate case data, and his use of a subset of rate case data instead of the entire RRA (Regulatory Research Associates) water rate case database.

With respect to the use of current interest rates, Mr. D'Ascendis testified that because the cost of capital and ratemaking are prospective in nature, and cost of equity is tied to investors' expectations about future capital markets, Mr. Hinton should also make use of projected interest rate data in his RPM analyses. Mr. D'Ascendis noted that whether or not the projected interest rate data is accurate or reliable is irrelevant; as the FERC has stated, the cost of equity depends on what the market expects, not what actually happens. *Opinion No. 531*, 147 FERC ¶61,234 at 88. Further, Mr. D'Ascendis demonstrated that current interest rates are not accurate predictors of future interest rates.

With respect to Mr. Hinton's use of annual authorized returns and interest rate data in his RPM, Mr. D'Ascendis testified that it is preferable to use the authorized returns and bond yields on a case-by-case basis. He supported this position by noting that some years have more rate case data, other years have less, and using average annual returns will result in those years with less data garnering unnecessary weight. In addition, he noted that interest rates and market conditions change during the year, and using average annual returns and rates ignores those fluctuations between interest rates and equity premiums.

Mr. D'Ascendis also took issue with Mr. Hinton's use of 2009-2022 authorized returns when rate case data going back to 2006 is available. He noted that the arbitrary selection of historical periods is highly suspect and unlikely to be representative of long-term market data trends. Accordingly, he concluded that Mr. Hinton should have used the entire RRA dataset.

Mr. D'Ascendis calculated the range of Hinton RPM results using prospective bond yields and individual rate case data, testifying that the results range from 9.88% (using current interest rates) to 10.12% (using forecasted interest rates).

Mr. D'Ascendis testified that Mr. Hinton has in past cases performed a comparable earnings analysis, but did not in this case. Mr. Hinton admitted on cross-examination that he has previously conducted a comparable earnings analysis as a check on his other cost of equity analyses, such as in his recent Piedmont Natural Gas rate case testimony. Tr. p. 445, l. 21, to p. 446, l. 4; Hinton Cross Ex. No. 1. However, in this case, Mr. Hinton testified that he did not have the time, due to several other cases on his to-do list. Tr., p. 446, l. 16-20. Using Mr. Hinton's data sets, Mr. D'Ascendis performed a similar comparable earnings analysis for this proceeding. On cross-examination, Mr. Hinton confirmed that Mr. D'Ascendis' replicated comparable earnings analysis used the same source Mr. Hinton used in Piedmont (Value Line), the same time frame Mr. Hinton used in Piedmont (six most recent years), and used the same proxy group Mr. Hinton applied in his direct testimony (six water companies covered by Value Line), with no calculation errors. Tr., p. 450, l. 22 to p. 452, l. 7.

Mr. D'Ascendis' comparable earnings analysis produced an average ROE of 10.01% (median of 10.0%) based on historical returns, and an average ROE of 9.81% (median of 10.25%) based on projected returns. Using this as a check against other results, as Mr. Hinton has done in the past, indicates that Mr. Hinton's DCF result of 9.00% and his overall ROE recommendation of 9.45% is woefully inadequate. Mr. Hinton, on cross-examination, conceded that a comparable earnings model analysis that is 100 basis points from his ROE – as is the case with his 9.0% DCF result and 10.0% check – would cause him hesitation. Tr. p. 449, l. 12.

With respect to a size adjustment for the Company, Mr. Hinton testified that size adjustments are not appropriate for regulated utilities. Mr. D'Ascendis, however, testified about an empirical study indicating that size of a company is one of the most important risk elements to consider when developing cost of equity estimates, because size has been shown to be a predictor of equity returns. Using this empirical methodology, Mr. D'Ascendis calculated a size adjustment from 1.31% to 3.42% -- far greater than his conservative recommended size adjustment of 10 basis points. Mr. D'Ascendis also cited and discussed other studies rebutting Mr. Hinton's position that a size adjustment is not appropriate for regulated utilities.

With respect to Mr. Hinton's proposed 20 basis point downward adjustment to reflect the reduced regulatory lag associated with a WSIP, Mr. D'Ascendis pointed out that North Carolina's WSIP mechanism is not unique relative to the proxy group. That is, cost of equity estimates involving comparisons between various companies, and if the proxy companies have similar mechanisms in place

to address regulatory lag, the comparative risk is zero. Mr. D'Ascendis cited several examples of similar mechanisms in place for proxy group utilities to address regulatory lag – for example, multi-year rate plans in California; fully forecasted test years in Iowa, Tennessee, Virginia, Pennsylvania, and New York. He stated that such mechanisms are in place for all members of the proxy group except one. Thus, any risk reduction attributable to a multi-year rate plan would be reflected in their market data and a further reduction to CWSNC's return on equity would double-count that risk reduction. Mr. D'Ascendis further noted that no rating agency has upgraded a utility's credit rating based upon approval of a multi-year rate plan.

The Commission has carefully evaluated the testimony of CWSNC witness D'Ascendis and Public Staff witness Hinton. Before any risk adjustments, the range of the rate of return on common equity recommendations from the two expert witnesses is 8.60% to 11.57% for the Base Case and 8.60% to 11.67% for the term of the WSIP. Underlying the lower rate of return on common equity recommendation from Mr. Hinton is a rate of return on common equity range of 8.60% to 10.25%, according to witness Hinton's testimony concerning his cost of common equity analyses. Similarly, underlying the higher rate of return on common equity recommendation from Mr. D'Ascendis is a range of 10.57% to 11.57% for the Base Case and a range of 10.67% to 11.70% for the term of the WSIP, according to witness D'Ascendis' rebuttal testimony concerning his cost of common equity analyses. Such a wide range of estimates by expert witnesses is not atypical in proceedings before the Commission with respect to the return on

the equity issue. Neither is the debate and differences in judgment among expert witnesses on the virtues of one model or method versus another and how to best determine and measure the required inputs of each model in representing the interests of the party on whose behalf they are testifying. Nonetheless, the Commission is uniquely situated, qualified, and required to use its impartial judgment to determine the return on equity based on the testimony and evidence in this proceeding in accordance with the legal guidelines discussed above.

With respect to the issue concerning Mr. Hinton's application of the DCF model, the evidence shows and we conclude that it is appropriate to use projected EPS growth, not DPS or BVPS growth in the application of the DCF model. The use of projected EPS growth rates in a DCF analysis provides a better match between investors' market price appreciation expectations and the growth component of the DCF, and the use of projected EPS finds support in academic and financial literature.

With respect to Mr. Hinton's application of the RPM, the evidence demonstrates and we conclude that the exclusive use of current interest rates to the exclusion of projected interest rates is inappropriate. Ratemaking is prospective in nature, and the cost of equity is an exercise in attempting to quantify investors' financial expectations, especially since this proceeding is setting rates three years into the future. Further, we are persuaded by the FERC's logic that the accuracy of projected interest rates is not particularly relevant because the cost of equity is based on market expectations, whether they turn out to be right or wrong.

With respect to Mr. Hinton's use of annual authorized returns and interest rate data in his RPM, the evidence shows and we conclude that it is preferable to use the authorized returns and bond yields on a case-by-case basis. To do otherwise would be to give undue weight to years in which there are fewer rate cases – an arbitrary result. Additionally, Mr. Hinton's methodology, if adopted, would ignore fluctuations of interest rates and equity premiums within a year.

We also conclude that it is more appropriate to use the full historical record of authorized returns – in this case, going back to 2006 RRA data – in order to avoid arbitrary results and to make full use of longer-term market trends.

With respect to a size adjustment for the Company, the evidence shows and we conclude that a conservative size adjustment is reasonable and appropriate in this case. We cannot ignore the fact that empirically, the size of a company (including regulated utilities) is demonstrated to be predictive of equity returns and therefore the cost of equity. Mr. D'Ascendis' proposed 10 basis point upward adjustment, which is incorporated into his ROE recommendations, is conservative and should be adopted.

With respect to Mr. Hinton's proposed 20 basis point downward adjustment to reflect the reduced regulatory lag associated with a WSIP, we are persuaded that this type of mechanism is prevalent across the country and within the proxy group. Although a WSIP may reduce regulatory lag, the existence of similar mechanisms across the country and in the states where the proxy group utilities

operate indicates that the comparative risk reduction associated with a WSIP for CWSNC is zero.

The evidence demonstrates that Mr. Hinton's cost of equity analyses, when corrected for the items noted above, produce a range of cost of equity estimates from 9.88% to 10.12%. We are mindful that we concluded, in the prior rate case, that Mr. Hinton's ROE recommendation was 50 basis points lower than what we concluded was appropriate (8.90% vs. 9.40%), and that 50 basis points above his recommendation in this proceeding (9.45%) would fall precisely in the range of estimates (9.95%). We further are mindful that this range also comports with the comparable earnings model conducted by Mr. D'Ascendis, which Mr. Hinton has historically used as a reasonableness check on cost of equity analyses. Each of these data points supports the reasonableness of the range of cost of equity estimates set forth above.

The Commission finds that the DCF, RPM, and CAPM model results provided by witness D'Ascendis, as updated in his rebuttal testimony, as well as the recalculation of by Mr. D'Ascendis of Mr. Hinton's model results as noted above, are credible, probative, and are entitled to substantial weight as set forth below.

Accordingly, the evidence presented concerning other authorized rates of return on equity, when put into proper context, lends substantial support and corroboration to a finding that a 10.45% rate of return on common equity is appropriate for the Base Case, and a 10.70% rate of return on common equity is

appropriate for the term of the WSIP. These determinations are supported by the substantial weight of the evidence in this proceeding. However, to meet its obligation in accord with the holding in *Cooper I*, the Commission will next address the impact of changing economic conditions on customers.

In this case all parties had the opportunity to present the Commission with evidence concerning changing economic conditions as they affect customers. The testimony of witnesses D'Ascendis and Hinton, which the Commission finds is entitled to substantial weight, addresses changing economic conditions.

Witness D'Ascendis testified concerning his review of economic conditions in North Carolina that he reviewed. He testified that he reviewed: unemployment rates from the United States, North Carolina, and the counties comprising CWSNC's service territory; the growth in Gross National Product (GDP) in both the United States and North Carolina; median household income in the United States and in North Carolina; and national income and consumption trends.

Witness D'Ascendis testified that, prior to April 2020, the rate of unemployment has fallen substantially in North Carolina and the U.S. since the 2008/2009 financial crisis. But as the COVID-19 pandemic hit, the US, unemployment in North Carolina and across the U.S. spiked in April/May 2020 as many communities closed non-essential businesses to contain the spread of the COVID-19 virus. Notably, North Carolina's unemployment rate has fared better than the overall US., even as both fell considerably by the beginning of 2021. Similarly, the unemployment rate in counties served by the Company spiked in

April 2020 at 14.43%, but by February 2022, it had fallen substantially to 3.69%, slightly below the rate statewide of 3.70% in North Carolina and below the overall rate of 4.10% in the U.S.

Witness D'Ascendis testified that for real Gross Domestic Product growth, there also has been a relatively strong correlation between North Carolina and the national economy (approximately 86%). While the national rate of growth at times outpaced North Carolina's rate of growth between 2010 and 2014, since the first quarter of 2015, however, North Carolina's economic growth has been relatively consistent U.S. economic growth. Moreover, North Carolina's real GDP grew faster than the overall U.S. in the first three quarters of 2021.

As to median household income, witness D'Ascendis testified that the correlation between North Carolina and the U.S. is relatively strong (approximately 95% from 2005 through 2020). Since 2009, the years subsequent to the financial crisis, nominal median household income in North Carolina has grown at a slightly faster pace than the national median income (3.36% vs. 2.81%, respectively).

Witness D'Ascendis summarized his testimony on economic indicators as follows: unemployment, at both the state and county level remains highly correlated with national rates of unemployment and North Carolina's unemployment rate and the rate in the counties served by the Company have fallen significantly since spiking in April 2020; the state's real GDP remains highly correlated with the national GDP; and median household income has grown in North Carolina and has grown at a rate slightly faster than the national average;

the overall cost of living in North Carolina also is below the national average; and at the national level, income has generally been increasing since the financial crisis.

Based upon the general state of the economy and the continuing affordability of water and wastewater utility service, and after weighing and balancing factors affected by the changing economic conditions in making the subjective decisions required, the Commission concludes that an allowed rate of return on common equity of 10.45%/10.70% will not cause undue hardship to customers as a whole even though some will struggle to pay the increased rates resulting from this decision.

The Commission recognizes that the Company is investing significant sums in system improvements to serve its customers, thus requiring the Company to maintain its creditworthiness in order to compete for large sums of capital on reasonable terms. The Commission must weigh the impact of changing economic conditions on CWSNC's customers against the benefits that those customers derive from the Company's ability to provide safe, adequate, and reliable water and wastewater service. Safe, adequate, and reliable water and wastewater service is essential to the well-being of CWSNC's customers.

The Commission finds and concludes that these investments by the Company provide significant benefits to CWSNC's customers. The Commission concludes that the return on equity approved by the Commission in this proceeding appropriately balances the benefits received by CWSNC's customers from

CWSNC's provision of safe, adequate, and reliable water and wastewater service with the difficulties that some of CWSNC's customers will experience in paying CWSNC's increased rates.

The Commission notes further that its approval of a rate of return on common equity at the level of 10.45%/10.70% or for that matter at any level, is not a guarantee to the Company that it will earn a rate of return on common equity at that level. Rather, as North Carolina law requires, setting the rate of return on common equity at this level merely affords CWSNC the *opportunity* to achieve such a return. The Commission finds and concludes, based upon all the evidence presented, that the rate of return on common equity provided for herein will indeed afford the Company the opportunity to earn a reasonable and sufficient return for its shareholders while at the same time producing rates that are just and reasonable to its customers.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 32 - 74

Base Case Revenue Requirements

Base Case Operating Revenues

The evidence supporting this finding of fact is found in the testimony of Public Staff witnesses Darden, Brown, and Feasel, the testimony of Company witnesses Schellinger, DeStefano, and Denton, the Company's September 19, 2022 update, the Stipulation, and Updated Public Staff Settlement Exhibit 1. The following table summarizes the differences between the Company's level of Base Case operating revenues under present rates from its Application (as updated September 19, 2022), the amounts recommended by the Public Staff, and the

amounts reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1, reflecting our decision on Return on Equity:

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
<u>Base Case Operating</u>			
<u>Revenues:</u>			
Service revenues	\$44,890,892	\$46,537,919	\$44,295,562
Miscellaneous revenues	\$184,267	\$344,594	\$338,437
Uncollectible accounts	<u>(\$465,338)</u>	<u>(\$379,358)</u>	<u>(\$360,712)</u>
Total operating revenues	<u>\$44,609,820</u>	<u>\$46,503,155</u>	<u>\$44,273,287</u>

Based on the Stipulation and the evidence presented in Updated Public Staff Settlement Exhibit 1, the following adjustments should be made to Base Case operating revenues under present rates:

Item	Amount
Reflect pro forma level of service revenues	(\$595,330)
Adjustment to Miscellaneous Revenues	154,171
Adjustment to uncollectible accounts	<u>104,626</u>
Total	<u>(\$336,533)</u>

The Commission has found that the adjustments listed above are appropriate adjustments to be made to Base Case operating revenues under present rates in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of Base Case operating revenues under present rates for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Service revenues	44,295,562
Miscellaneous revenues	338,437
Uncollectible accounts	<u>(\$360,712)</u>
Total operating revenues	<u>\$44,273,287</u>

The appropriate level of Base Case operating revenues under proposed rates for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount at 10.45% ROE</u>
Service revenues	47,734,925
Miscellaneous revenues	347,894
Uncollectible accounts	<u>(\$389,010)</u>
Total operating revenues	<u>\$47,693,809</u>

Base Case Rate Base

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, the Corrected and Settlement Testimony of Public Staff witnesses Brown, Zhang, and Junis, Updated Public Staff Settlement Exhibit 1, and the Stipulation.

The following table summarizes the differences between the Company's level of Base Case rate base from its Application (as updated September 19, 2022), the amounts recommended by the Public Staff, and the amounts agreed to in the Stipulation, updated for current rate case expenses, and reflecting a ROE of 10.45%:

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
Plant in service	270,954,330	268,614,395	268,614,395
Accumulated depreciation	(72,363,347)	(72,034,354)	(72,034,354)
Net plant in service	198,590,984	196,580,041	196,580,041
Cash working capital	3,129,927	3,080,457	3,081,924
Contributions in aid of construct.	(37,648,386)	(37,735,269)	(37,735,269)
Advances in aid of construction	(32,940)	(32,940)	(32,940)
Accum. deferred income taxes	(6,145,961)	(6,322,144)	(6,330,227)
Customer deposits	(370,590)	(370,590)	(370,590)
Inventory	153,531	153,531	153,531
Gain on sale and flow back taxes	(289,628)	(289,628)	(289,628)
Plant acquisition adjustment	(557,769)	(535,359)	(535,359)
Excess book value	0	0	0
Cost-free capital	(261,499)	(261,499)	(261,499)
Average tax accruals	142,461	(141,946)	(141,946)
Regulatory liability for EDIT	(4,991,825)	(4,991,825)	(4,991,825)
Deferred charges	2,211,764	2,075,024	2,075,024
Pro forma plant	0	0	0
Original cost rate base	<u>\$153,930,068</u>	<u>\$151,207,854</u>	<u>\$151,201,238</u>

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of Base Case rate base, as updated for most recent rate case expenses and fallout adjustments associated with determined return on equity. Therefore, the Commission finds that the amounts of Base Case rate base reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1 are appropriate for use in this proceeding. The Commission concludes that the appropriate level of Base Case rate base for combined operations for use in this proceeding is as follows:

Item	Amount at 10.45% ROE
Plant in service	268,614,395
Accumulated depreciation	(72,034,354)
Net plant in service	196,580,041
	3,081,924
Cash working capital	(37,735,269)
Contributions in aid of construction	(32,940)
Advances in aid of construction	(6,330,227)
Accumulated deferred income taxes	(370,590)
Customer deposits	153,531
Inventory	(289,628)
Gain on sale and flow back taxes	(535,359)
Plant acquisition adjustment	0
Excess book value	(261,499)
Cost-free capital	(141,946)
Average tax accruals	(4,991,825)
Regulatory liability for excess deferred taxes	2,075,024
Deferred charges	0
Pro forma plant	
Original cost rate base	<u>\$151,201,238</u>

Capital Structure, Cost of Debt, and Overall Rate of Return

The evidence supporting these findings of fact and conclusions is contained in the verified Application and the accompanying NCUC Form W-1, the testimony and exhibits of the public witnesses, the direct and rebuttal testimony and exhibits of Company witnesses Schellinger and D'Ascendis, the Company's September 19, 2022 update, the direct testimony and exhibits of Public Staff witness Hinton, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

Capital Structure

CWSNC witnesses Schellinger and D'Ascendis recommended in their direct testimony the use of a capital structure consisting of 50.00% long-term debt and 50.00% common equity as of March 31, 2022, for the Base Case and WSIP

Years 1, 2, and 3. The Company's September 19, 2022 update reflected this 50/50 capital structure, as well.

In his testimony Public Staff witness Hinton agreed with the Company's recommended capital structure of 50.00% long-term debt and 50.00% common equity for the Base Case and WSIP Years 1, 2, and 3. The Stipulation contains a 50.00% long-term debt and 50.00% common equity capital structure for the Base Case and WSIP Years 1, 2, and 3.

Accordingly, the Commission finds that the recommended capital structure of 50.00% long-term debt and 50.00% common equity for the Base Case and WSIP Years 1, 2, and 3 is just and reasonable to all parties in light of all the evidence presented.

Cost of Debt

In its Application, CWSNC proposed a cost rate for long-term debt of 4.64%, based on its actual embedded cost of debt as of March 31, 2022. The testimony of Company witness D'Ascendis supported the Company's proposed cost of debt of 4.64%, which is the current 13-month average long-term debt cost rate of CWSNC's parent, Corix Regulated Utilities, Inc., as of March 31, 2022, which is not expected to change over the duration of the WSIP. Staff witness Hinton's testimony likewise recommended the use of the Company's proposed 4.64%. The Stipulation includes a cost of debt rate of 4.64%.

Therefore, the Commission finds that the use of a debt cost rate of 4.64% is just and reasonable to all parties based upon the evidence presented in this proceeding.

Overall Rate of Return

Based upon the foregoing, the Commission concludes that an overall authorized rate of return level of 7.55% during the Base Case period and an overall authorized rate of return of 7.67% during the term of the WSIP is just and reasonable to all parties based upon the evidence presented in this proceeding.

Base Case Maintenance and General Expense

The evidence for these findings of fact is found in the verified Application and the accompanying NCUC Form W-1; the testimony of Public Staff witnesses Brown, Zhang, and Junis; the testimony of Company witnesses Schellinger; the Company's September 19, 2022 update; the Stipulation; and Updated Public Staff Settlement Exhibit 1.

The following table summarizes the differences between the Company's requested level of Base Case maintenance and general expenses (as updated September 19, 2022), the amounts recommended by the Public Staff, and the amounts agreed to in the Stipulation, updated for rate case expenses:

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
<u>Base Case Maintenance Expenses:</u>			
Purchased power	2,131,598	2,116,148	2,116,148
Purchased water & sewer	2,714,606	2,714,606	2,714,606
Maintenance and repair	3,295,089	3,416,406	3,416,406
Maintenance testing	535,320	535,320	535,320

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
Meter reading	281,004	274,280	274,280
Chemicals	1,136,619	1,086,757	1,086,757
Transportation	526,072	531,561	531,561
Operating expenses charged to plant	(852,466)	(860,353)	(860,353)
	248,652	230,721	230,721
Outside services - other			
Total maintenance expenses	10,016,495	10,045,445	10,045,445
<u>General Expenses:</u>			
Salaries and wages	7,266,829	7,123,539	7,123,539
Office supplies and other office expense	582,718	582,718	582,718
	739,432	556,249	567,979
Regulatory commission expense			
	1,795,862	1,722,821	1,722,821
Pension and other benefits			
Rent	389,645	389,645	389,645
Insurance	1,314,312	1,481,296	1,481,296
Office utilities	322,665	322,665	322,665
Miscellaneous	5,326,063	5,133,892	5,133,892
Total general expenses	17,737,526	17,312,825	17,324,555

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of Base Case maintenance and general expense. Therefore, the Commission finds that the amounts of Base Case maintenance and general expense reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1 are appropriate for use in this proceeding, as updated for rate case expenses. Therefore, the Commission concludes that the appropriate level of Base Case maintenance and general expense for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
<u>Base Case Maintenance Expenses:</u>	
Purchased power	2,116,148
Purchased water & sewer	2,714,606
Maintenance and repair	3,416,406
Maintenance testing	535,320
Meter reading	274,280
Chemicals	1,086,757
Transportation	531,561
Operating expenses charged to plant	(860,353)
Outside services - other	230,721
Total maintenance expenses	<u>\$10,045,445</u>
 <u>General Expenses:</u>	
Salaries and wages	7,123,539
Office supplies and other office expense	582,718
Regulatory commission expense	567,979
Pension and other benefits	1,722,821
Rent	389,645
Insurance	1,481,296
Office utilities	322,665
Miscellaneous	5,133,892
Total general expenses	<u>\$17,324,555</u>

Base Case Regulatory Commission Expense

In his February 2, 2023 affidavit, Matthew Schellinger provided an amount of \$735,606 for the actual costs incurred to date and the estimated expense to be incurred related to this rate case. Affiant Schellinger requested that the Commission approve total rate case costs of \$1,690,844 to be amortized over four years. He stated that the \$1,690,844 includes \$955,238 for unamortized rate case expense from prior proceedings plus \$735,606 related to this case. Affiant Schellinger requested that the annual amortization expense for rate case costs for this proceeding total \$422,711 (\$1,689,319 amortized over four years).

The Public Staff stated that it has reviewed the invoices and other supporting documents along with the rate case expense spreadsheet provided by CWSNC and found that the types of rate case expense in this rate case matched the nature of the expense in prior rate cases. Of the total \$735,606 rate case expense provided by the Company, the Public Staff reviewed and verified that \$735,606 expense in the current proceeding were actual or estimated expense incurred and found to be appropriate and reasonable to be included in this rate case. Therefore, in light of the foregoing, the Commission finds that it is appropriate and reasonable to amortize the sum of the total rate case costs of \$735,606 for the current proceeding and the unamortized rate case cost balance of \$955,238 from the prior rate cases over four years, resulting in an annual level of rate case expense of \$422,711 plus \$145,269 in miscellaneous regulatory matters for a total annual regulatory commission expense of \$567,979 to be recovered in this proceeding.

On the basis of the Stipulation and Settlement Exhibit 1, Mr. Schellinger's Affidavit, and Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning the regulatory commission expense discussed above, to be amortized and recovered over a four-year period, with no return or carrying costs. Based upon the foregoing, the Commission concludes that the appropriate level of regulatory commission expense to be recovered by CWSNC over a four-year period beginning with the effective date of this Order is \$1,689,319. Further, consistent with the Stipulation, once these regulatory commission expenses have been fully amortized at the end of the four-year period,

CWSNC shall establish a regulatory liability account, with no carrying costs, to record recovery associated with rate case expense over the amortization amount after year 4.

Base Case Depreciation and Amortization Expense

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Public Staff witness Brown, Zhang, and Junis, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, and Updated Public Staff Settlement Exhibit 1. The following table summarizes the differences between the Company's level of Base Case depreciation and amortization expenses from its Application (as updated in its September 19, 2022 filing), the amounts recommended by the Public Staff, and the amounts reflected in the Stipulation:

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
Depreciation expense	8,175,589	7,387,036	7,387,036
Amortization exp. – CIAC	(1,567,364)	(1,567,364)	(1,567,364)
Amortization exp. - PAA	(75,087)	(78,877)	(78,877)
Amortization of ITC	<u>(519)</u>	<u>(519)</u>	<u>(519)</u>
Total	<u>\$6,532,619</u>	<u>\$5,740,276</u>	<u>\$5,740,276</u>

With respect to CWSNC's depreciation expense, in light of the agreements reached in the Stipulation and recommended by the Public Staff in its testimony and reflected in Updated Public Staff Settlement Exhibit 1, the Commission finds that the adjustments to depreciation expense included in the Stipulation, which are not contested, are appropriate adjustments to be made to Base Case depreciation and amortization expense in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of Base Case depreciation and amortization expense for use in this proceeding is as follows:

Item	Amount
Depreciation expense	7,387,036
Amortization expense – CIAC	(1,567,364)
Amortization expense – PAA	(78,877)
Amortization of ITC	<u>(519)</u>
Total	<u>\$5,740,276</u>

Base Case Franchise, Property, Payroll and Other Taxes

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, in the testimony of Company witness Schellinger, the Company's September 21, 2022 update, the testimony of Public Staff witness Brown, Zhang, and Junis, and Updated Public Staff Settlement Exhibit 1. The following table summarizes the differences between the Company's level of Base Case franchise, property, payroll, and other taxes from its Application (as updated September 19, 2022), the amounts recommended by the Public Staff, and the amounts reflected in the Stipulation:

Item	Company Application (Updated)	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
Franchise and other taxes	101,985	101,985	101,985
Property taxes	259,098	259,098	259,098
Payroll taxes	<u>560,025</u>	<u>548,104</u>	<u>548,104</u>
Total	<u>\$921,108</u>	<u>\$909,187</u>	<u>\$909,187</u>

Based on the Stipulation and amounts included in Updated Public Staff Settlement Exhibit 1, the Commission finds that the amounts reflected in the

Stipulation for Base Case franchise and other taxes and payroll taxes, are appropriate adjustments to be made to Base Case operating revenue deductions in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of Base Case franchise, property, payroll, and other taxes for use in this proceeding is as follows:

Item	Amount
Franchise and other taxes	101,985
Property tax	259,098
Payroll taxes	<u>548,104</u>
Total	<u>\$909,187</u>

Base Case Regulatory Fee and Income Taxes

The evidence supporting these findings of fact is found in the testimony of Public Staff witnesses Brown, Zhang, and Junis, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, and Updated Public Staff Settlement Exhibit 1. The following table summarizes the differences between the Company's level of Base Case regulatory fee and income taxes from its Application (as updated September 19, 2022), the amounts recommended by the Public Staff, and the Stipulation, as adjusted for a ROE of 10.45%:

Item	Company per Application	Amount per Public Staff	Amount per Stipulation at 10.45% ROE
Regulatory fee	\$64,562	65,104	66,771
State income taxes	\$261,035	223,057	252,493
Federal income taxes	\$2,137,873	1,826,840	2,067,914
Deferred income taxes	<u>0</u>	<u>(120,962)</u>	<u>(120,962)</u>
Total	<u>\$2,463,469</u>	<u>\$1,994,039</u>	<u>\$2,266,216</u>

Based on conclusions reached elsewhere in this Order regarding the levels of revenues, the Commission concludes that the appropriate level of Base Case regulatory fee for use in this proceeding is \$66,771.

Based on the conclusions reached elsewhere in the Order regarding the levels of revenues and expenses, the Commission concludes that the appropriate level of Base Case state income taxes for use in this proceeding, based on the current state corporate income tax rate of 2.50%, is \$252,493.

Based on the conclusions reached elsewhere in the Order regarding the levels of revenues and expenses, the Commission concludes that the appropriate level of Base Case federal income taxes for use in this proceeding, based on the current federal corporate income tax rate of 21.00%, is \$2,067,914

Based on the conclusions reached elsewhere in the Order regarding the levels of revenues and expenses, the Commission concludes that the appropriate level of Base Case deferred income taxes for use in this proceeding is (\$120,962) which reflects the amortization of the federal protected EDIT and state EDIT.

WSIP Rate Years 1, 2 and 3 Revenue Requirements

WSIP Years 1, 2 and 3 Operating Revenues

The evidence supporting this finding of fact is found in the testimony of Public Staff witnesses Darden, Brown, Feasel, Hinton, Junis, Sun, and Zhang, the testimony of Company witnesses Schellinger, DeStefano, and Denton, the Company's September 19, 2022 update, the Stipulation, and Updated Public Staff Settlement Exhibit 1. The following table summarizes the WSIP Years 1, 2 and 3

operating revenues amounts recommended by the Public Staff, and the amounts reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1, updated rate case expenses, and reflective of the ROE as determined of 10.70%:

Item	Base Year	Rate Year 1 Adjustments	Rate Year 1 Amount
<u>Operating Revenues:</u>			
Service revenues	47,734,925	4,449,723	52,184,648
Miscellaneous revenues	347,894	12,246	360,140
Uncollectible accounts	<u>(389,010)</u>	<u>(36,718)</u>	<u>(425,728)</u>
Total operating revenues	<u>\$47,693,809</u>	<u>\$4,425,251</u>	<u>\$52,119,060</u>

Item	Rate Year 1	Rate Year 2 Adjustments	Rate Year 2 Amount
<u>Operating Revenues:</u>			
Service revenues	52,184,648	2,982,557	55,167,205
Miscellaneous revenues	360,140	8,240	368,380
Uncollectible accounts	<u>(425,728)</u>	<u>(28,326)</u>	<u>(454,054)</u>
Total operating revenues	<u>\$52,119,060</u>	<u>\$2,962,470</u>	<u>\$55,081,531</u>

Item	Rate Year 2	Rate Year 3 Adjustments	Rate Year 3 Amount
<u>Operating Revenues:</u>			
Service revenues	55,167,205	2,693,431	57,860,636
Miscellaneous revenues	368,380	7,311	375,690
Uncollectible accounts	<u>(454,054)</u>	<u>(21,016)</u>	<u>(475,070)</u>
Total operating revenues	<u>\$55,081,531</u>	<u>\$2,679,726</u>	<u>\$57,761,256</u>

Based on the Stipulation and the evidence presented in Updated Public Staff Settlement Exhibit 1, as adjusted for a ROE of 10.70%, the following adjustments should be made to WSIP Years 1, 2 and 3 operating revenues:

Item	RY 1 Adjustments	RY2 Adjustments	RY 3 Adjustments
Reflect pro forma level of service revenues	4,449,723	2,982,557	2,693,431
Adjustment to Miscellaneous Revenues	12,246	8,240	7,311
Adjustment to uncollectible accounts	<u>(36,718)</u>	<u>(28,326)</u>	<u>(21,016)</u>
Total	<u>\$4,425,251</u>	<u>\$2,962,470</u>	<u>\$2,679,726</u>

The Commission has found that the adjustments listed above are appropriate adjustments to be made to WSIP Years 1, 2 and 3 operating revenues under in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of WSIP Years 1, 2 and 3 operating revenues for combined operations for use in this proceeding is as follows:

Item	Rate Year 1	Rate Year 2	Rate Year 3
Service revenues	52,184,648	55,167,205	57,860,636
Miscellaneous revenues	360,140	368,380	375,690
Uncollectible accounts	<u>(425,728)</u>	<u>(454,054)</u>	<u>(475,070)</u>
Total operating revenues	<u>\$52,119,060</u>	<u>\$55,081,531</u>	<u>\$57,761,256</u>

WSIP Rate Years 1, 2 and 3 Rate Base

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witnesses Denton, Konsul, and Schellinger, the Company's September 19, 2022 update, the testimony of Public Staff witnesses Brown, Feasel, Lucas, Hinton, Junis, Sun, and Zhang, Updated Public Staff Settlement Exhibit 1, and the Stipulation.

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of WSIP Years 1, 2, and 3 rate base. Therefore, the Commission finds that the amounts of WSIP Rate Years 1 2, and 3 rate base reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1, as adjusted for rate case expenses and 9.25% return on equity are appropriate for use in this proceeding. Therefore, the Commission concludes that the appropriate level of WSIP Rate Years 1, 2, and 3 rate base for combined operations for use in this proceeding is as follows:

Item	Rate Year 1	Rate Year 2	Rate Year 3
Plant in service	300,979,823	322,741,820	346,118,040
Accumulated depreciation	(79,392,304)	(85,155,971)	(90,773,310)
Net plant in service	221,587,519	237,585,849	255,344,730
	3,175,378	3,271,587	3,305,799
Cash working capital	(35,253,609)	(33,686,245)	(32,118,881)
Contributions in aid of construction	(32,940)	(32,940)	(32,940)
Advances in aid of construction	(6,127,991)	(6,056,953)	(5,962,786)
Accumulated deferred income taxes	(370,590)	(370,590)	(370,590)
Customer deposits	153,531	153,531	153,531
Inventory	(289,628)	(289,628)	(289,628)
Gain on sale and flow back taxes	(407,522)	(328,180)	(248,928)
Plant acquisition adjustment	0	0	0
Excess book value	(261,499)	(261,499)	(261,499)
Cost-free capital	(131,625)	(132,919)	(133,564)
Average tax accruals	(4,946,952)	(4,857,207)	(4,767,461)
Regulatory liability for excess deferred taxes	2,090,540	1,866,064	1,540,565
Deferred charges	0	0	0
Pro forma plant			
Original cost rate base	\$179,184,613	\$196,860,870	\$216,158,347

WSIP Rate Years 1, 2 and 3 Maintenance and General Expense

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, the testimony of Public Staff witnesses Bhatta, Brown, Franklin, Houser, Updated Public Staff Settlement Exhibit 1, and the Stipulation.

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of WSIP Years 1, 2, and 3 maintenance and general expense. Therefore, the Commission finds that the amounts of WSIP Rate Years 1, 2, and 3 maintenance and general expense reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1, as updated for rate case expenses and reflecting our decision on ROE of 10.70% are appropriate for use in this proceeding. Therefore, the Commission concludes that the appropriate level of WSIP Rate Years 1, 2, and 3 maintenance and general expense for combined operations for use in this proceeding is as follows:

Item	Rate Year 1	Rate Year 2	Rate Year 3
<u>Maintenance Expenses:</u>			
Purchased power	2,203,993	2,272,142	2,342,930
Purchased water / sewer	2,714,606	2,714,606	2,714,606
Maintenance and repair	3,471,542	3,669,103	3,354,917
Maintenance testing	553,521	566,806	580,409
Meter reading	283,605	290,412	297,381
Chemicals	1,130,584	1,165,248	1,200,313
Transportation	531,561	531,561	531,561
Operating expenses charged to plant	(886,164)	(912,748)	(940,131)

Outside services - other	<u>238,566</u>	<u>244,291</u>	<u>250,154</u>
Total maintenance expenses	<u>\$10,241,814</u>	<u>\$10,541,420</u>	<u>\$10,332,141</u>

General Expenses:

Salaries and wages	7,337,245	7,557,362	7,784,083
Office supplies and other office expense	602,530	616,991	631,799
Regulatory commission expense	567,979	567,980	567,980
Pension and other benefits	1,774,505	1,827,741	1,882,573
Rent	402,893	412,562	422,464
Insurance	1,548,586	1,585,751	1,623,809
Office utilities	333,636	341,643	349,842
Miscellaneous	<u>5,308,444</u>	<u>5,435,847</u>	<u>5,566,307</u>
Total general expenses	<u>\$17,875,818</u>	<u>\$18,345,876</u>	<u>\$18,828,857</u>

WSIP Rate Years 1, 2 and 3 Depreciation and Amortization Expense

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witnesses Schellinger, the Company's September 19, 2022 update, the testimony of Public Staff witnesses Brown, Zhang, and Junis, Updated Public Staff Settlement Exhibit 1, and the Stipulation.

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of WSIP Years 1, 2, and 3 depreciation and amortization expense. Therefore, the Commission finds that the amounts of WSIP Rate Years 1 2, and 3 depreciation and amortization expense reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1 are appropriate for use in this proceeding. Therefore, the Commission concludes that the appropriate level

of WSIP Rate Years 1, 2, and 3 depreciation and amortization expense for combined operations for use in this proceeding is as follows:

Item	Rate Year 1	Rate Year 2	Rate Year 3
Depreciation expense	8,205,618	8,738,100	9,334,774
Amortization of CIAC	(1,567,364)	(1,567,364)	(1,567,364)
Amortization of PAA	(80,739)	(79,342)	(79,252)
Amortization of ITC	(519)	(519)	(519)

WSIP Rate Years 1, 2 and 3 Franchise, Property, Payroll and Other Taxes

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, the testimony of Public Staff witnesses Brown, Zhang, and Junis, Updated Public Staff Settlement Exhibit 1, and the Stipulation.

On the basis of the Stipulation and the evidence included in Updated Public Staff Settlement Exhibit 1, the Company and the Public Staff are in agreement concerning all components of WSIP Years 1, 2, and 3 franchise, property, payroll, and other tax expense. Therefore, the Commission finds that the amounts of WSIP Rate Years 1 2, and 3 franchise, property, payroll, and other tax expense reflected in the Stipulation and Updated Public Staff Settlement Exhibit 1 are appropriate for use in this proceeding. Therefore, the Commission concludes that the appropriate level of WSIP Rate Years 1, 2, and 3 franchise, property, payroll, and other tax expense for combined operations for use in this proceeding is as follows:

Item	Rate Year 1	Rate Year 2	Rate Year 3
Franchise and other taxes	101,985	101,985	101,985

Property taxes	259,098	259,098	259,098
Payroll taxes	564,547	581,484	598,928

WSIP Years 1, 2 and 3 Regulatory Fee and Income Taxes

The evidence supporting these findings of fact is found in the testimony of Public Staff witnesses Brown, Zhang, and Junis, the testimony of Company witness Schellinger, the Company's September 19, 2022 update, the Settlement and Updated Public Staff Settlement Exhibit 1. The following table summarizes the calculation of regulatory fee and income taxes for use in WSIP Rate Years 1, 2, and 3, using the return on equity of 10.70%:

Item	Rate Year 1	Rate Year 2	Rate Year 3
Regulatory fee	72,966	77,114	80,867
Deferred income taxes	(120,962)	(120,962)	(120,962)
State income taxes	307,219	337,913	371,422
Federal income taxes	<u>2,516,122</u>	<u>2,767,505</u>	<u>3,041,944</u>
Total	<u>\$2,775,345</u>	<u>\$3,061,569</u>	<u>\$3,373,271</u>

Base Case and WSIP Years 1, 2 and 3 Revenue Requirements

The following schedules summarize the gross revenue and overall rate of return that the Company should have a reasonable opportunity to achieve in WSIP Rate Years 1, 2, and 3, based on the increases in revenues reflected in the Stipulation and approved in this Order for each rate division. These schedules, illustrating the Company's gross revenue requirements, incorporate the adjustments reflected in the Stipulation, and reflecting a return on equity of 10.70% and found appropriate by the Commission in this Order.

Item	Base Year	Rate Year 1	Rate Year 2	Rate Year 3
Service revenues	47,734,925	52,184,648	55,167,205	57,860,636
Miscellaneous revenues	347,894	360,140	368,380	375,690
Uncollectible accounts	<u>(389,010)</u>	<u>(425,728)</u>	<u>(454,054)</u>	<u>(475,070)</u>
Total operating revenues	<u>\$47,693,809</u>	<u>\$52,119,060</u>	<u>\$55,081,531</u>	<u>\$57,761,256</u>

SCHEDULE I

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Combined Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Operating Revenues:</u>				
Service revenues	47,734,925	52,184,648	55,167,205	57,860,636
Miscellaneous revenues	347,894	360,140	368,380	375,690
Uncollectible accounts	(389,010)	(425,728)	(454,054)	(475,070)
Total operating revenues	47,693,809	52,119,060	55,081,531	57,761,256
<u>Maintenance Expenses:</u>				
Purchased power	2,116,148	2,203,993	2,272,142	2,342,930
Purchased water	2,714,606	2,714,606	2,714,606	2,714,606
Maintenance and repair	3,416,406	3,471,542	3,669,103	3,354,917
Maintenance testing	535,320	553,521	566,806	580,409
Meter reading	274,280	283,605	290,412	297,381
Chemicals	1,086,757	1,130,584	1,165,248	1,200,313
Transportation	531,561	531,561	531,561	531,561
Operating expenses charged to plant	(860,353)	(886,164)	(912,748)	(940,131)
Outside services - other	230,721	238,566	244,291	250,154
Total maintenance expenses	10,045,445	10,241,814	10,541,420	10,332,141
<u>General Expenses:</u>				
Salaries and wages	7,123,539	7,337,245	7,557,362	7,784,083
Office supplies and other office expense	582,718	602,530	616,991	631,799
Regulatory commission expense	567,979	567,979	567,980	567,980
Pension and other benefits	1,722,821	1,774,505	1,827,741	1,882,573
Rent	389,645	402,893	412,562	422,464
Insurance	1,481,296	1,548,586	1,585,751	1,623,809
Office utilities	322,665	333,636	341,643	349,842
Miscellaneous	5,133,892	5,308,444	5,435,847	5,566,307
Total general expenses	17,324,555	17,875,818	18,345,876	18,828,857

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Depreciation and Taxes:</u>				
Depreciation expense	7,387,036	8,205,618	8,738,100	9,334,774
Amortization of CIAC	(1,567,364)	(1,567,364)	(1,567,364)	(1,567,364)
Amortization of PAA	(78,877)	(80,739)	(79,342)	(79,252)
Amortization of ITC	(519)	(519)	(519)	(519)
Franchise and other taxes	101,985	101,985	101,985	101,985
Property taxes	259,098	259,098	259,098	259,098
Payroll taxes	548,104	564,547	581,484	598,928
Regulatory fee	66,771	72,966	77,114	80,867
Deferred Income Tax	(120,962)	(120,962)	(120,962)	(120,962)
State income tax	252,493	307,219	337,913	371,422
Federal income tax	2,067,914	2,516,122	2,767,505	3,041,944
Total depreciation and taxes	8,915,679	10,257,971	11,095,011	12,020,921
Total operating revenue deductions	36,285,679	38,375,603	39,982,307	41,181,918
Net operating income for a return	\$11,408,130	\$13,743,457	\$15,099,223	\$16,579,338

SCHEDULE II

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Original Cost Rate Base

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Combined Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
Plant in service	268,614,395	300,979,823	322,741,820	346,118,040
Accumulated depreciation	(72,034,354)	(79,392,304)	(85,155,971)	(90,773,310)
Net plant in service	196,580,041	221,587,519	237,585,849	255,344,730
Cash working capital	3,081,924	3,175,378	3,271,587	3,305,799
Contributions in aid of construction	(37,735,269)	(35,253,609)	(33,686,245)	(32,118,881)
Advances in aid of construction	(32,940)	(32,940)	(32,940)	(32,940)
Accumulated deferred income taxes	(6,330,227)	(6,127,991)	(6,056,953)	(5,962,786)
Customer deposits	(370,590)	(370,590)	(370,590)	(370,590)
Inventory	153,531	153,531	153,531	153,531
Gain on sale and flow back taxes	(289,628)	(289,628)	(289,628)	(289,628)
Plant acquisition adjustment	(535,359)	(407,522)	(328,180)	(248,928)
Excess book value	0	0	0	0
Cost-free capital	(261,499)	(261,499)	(261,499)	(261,499)
Average tax accruals	(141,946)	(131,625)	(132,919)	(133,564)
Regulatory liability for excess deferred taxes	(4,991,825)	(4,946,952)	(4,857,207)	(4,767,461)
Deferred charges	2,075,024	2,090,540	1,866,064	1,540,565
Pro forma plant	0	0	0	0
Original cost rate base	\$151,201,238	\$179,184,613	\$196,860,870	\$216,158,347

SCHEDULE III

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 364

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -

Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3

CWSNC Combined Operations

	<u>Capitalization</u> <u>Ratio</u>	<u>Original Cost</u> <u>Rate Base</u>	Embedded Cost	Net Operating Income
<u>Present Rates:</u>				
Debt	50.00%	\$75,600,619	4.64%	\$3,507,869
Equity	50.00%	75,600,619	6.97%	5,269,292
Total	100.00%	\$151,201,238		\$8,777,161
<u>Base Case Revenue Requirement:</u>				
Debt	50.00%	\$75,600,619	4.64%	\$3,507,869
Equity	50.00%	75,600,619	10.45%	7,900,265
Total	100.00%	\$151,201,238		\$11,408,133
<u>Rate Year 1 Revenue Requirement:</u>				
Debt	50.00%	\$89,592,306	4.64%	\$4,157,083
Equity	50.00%	89,592,307	10.70%	9,586,377
Total	100.00%	\$179,184,613		\$13,743,460
<u>Rate Year 2 Revenue Requirement:</u>				
Debt	50.00%	\$98,430,435	4.64%	\$4,567,172
Equity	50.00%	98,430,435	10.70%	10,532,057
Total	100.00%	\$196,860,870		\$15,099,229
<u>Rate Year 3 Revenue Requirement:</u>				
Debt	50.00%	\$108,079,174	4.64%	\$5,014,874
Equity	50.00%	108,079,173	10.70%	11,564,472
Total	100.00%	\$216,158,347		\$16,579,345

SCHEDULE I-A

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -

Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3

CWSNC Water Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Operating Revenues:</u>				
Service revenues	\$23,684,834	\$25,458,123	\$26,883,749	\$27,438,903
Miscellaneous revenues	175,940	180,969	185,013	186,587
Uncollectible accounts	(177,636)	(190,936)	(201,628)	(205,792)
Total operating revenues	23,683,138	25,448,156	26,867,134	27,419,699
<u>Maintenance Expenses:</u>				
Purchased power	1,071,097	1,118,810	1,156,431	1,195,554
Purchased water	1,665,457	1,665,457	1,665,457	1,665,457
Maintenance and repair	1,195,626	1,194,919	1,391,835	1,271,432
Maintenance testing	195,388	202,031	206,880	211,845
Meter reading	222,612	230,181	235,706	241,363
Chemicals	336,625	351,620	363,444	375,739
Transportation	287,092	287,092	287,092	287,092
Operating expenses charged to plant	(455,145)	(468,799)	(482,863)	(497,349)
Outside services - other	113,158	117,005	119,813	122,689
Total maintenance expenses	4,631,909	4,698,317	4,943,795	4,873,821
<u>General Expenses:</u>				
Salaries and wages	3,872,044	3,988,205	4,107,851	4,231,087
Office supplies and other office expense	319,242	330,097	338,019	346,131
Regulatory commission expense	307,232	307,231	307,232	307,232
Pension and other benefits	936,450	964,543	993,480	1,023,284
Rent	211,794	218,995	224,251	229,633
Insurance	805,169	841,743	861,944	882,631
Office utilities	180,673	186,816	191,299	195,891
Miscellaneous	2,788,227	2,883,027	2,952,219	3,023,072
Total general expenses	9,420,831	9,720,657	9,976,295	10,238,961

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Depreciation and Taxes:</u>				
Depreciation expense	3,581,487	3,949,676	4,173,576	4,311,568
Amortization of CIAC	(733,560)	(733,560)	(733,560)	(733,560)
Amortization of PAA	(121,579)	(122,002)	(120,313)	(119,891)
Amortization of ITC	(265)	(265)	(265)	(265)
Franchise and other taxes	56,486	56,486	56,486	56,486
Property taxes	135,969	135,969	135,969	135,969
Payroll taxes	297,925	306,863	316,069	325,551
Regulatory fee	33,156	35,627	37,614	38,388
Deferred Income Tax	(64,882)	(64,882)	(64,882)	(64,882)
State income tax	118,330	138,159	150,923	154,881
Federal income tax	969,121	1,131,523	1,236,058	1,268,474
Total depreciation and taxes	4,272,188	4,833,594	5,187,674	5,372,719
Total operating revenue				
deductions	18,324,928	19,252,568	20,107,764	20,485,501
Net operating income for a return	\$5,358,210	\$6,195,589	\$6,759,370	\$6,934,198

SCHEDULE II-A

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Original Cost Rate Base

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Water Operations

<u>Item</u>	<u>Base Case</u>	<u>Rate Year 1</u>	<u>Rate Year 2</u>	<u>Rate Year 3</u>
Plant in service	\$129,344,696	\$141,496,775	\$151,401,401	\$156,493,683
Accumulated depreciation	(36,574,610)	(40,664,413)	(44,167,703)	(47,994,499)
Net plant in service	92,770,087	100,832,362	107,233,698	108,499,185
Cash working capital	1,548,410	1,594,190	1,656,829	1,680,916
Contributions in aid of construction	(16,560,422)	(15,398,953)	(14,665,393)	(13,931,833)
Advances in aid of construction	(20,631)	(20,631)	(20,631)	(20,631)
Accumulated deferred income taxes	(2,809,176)	(2,617,023)	(2,597,680)	(2,359,836)
Customer deposits	(208,631)	(208,631)	(208,631)	(208,631)
Inventory	91,908	91,908	91,908	91,908
Gain on sale and flow back taxes	(196,947)	(196,947)	(196,947)	(196,947)
Plant acquisition adjustment	(1,722,935)	(1,529,766)	(1,409,453)	(1,289,562)
Excess book value	0	0	0	0
Cost-free capital	(121,791)	(121,791)	(121,791)	(121,791)
Average tax accruals	(74,230)	(74,685)	(75,289)	(75,606)
Regulatory liability for excess deferred taxes	(2,667,246)	(2,643,418)	(2,595,763)	(2,548,107)
Deferred charges	988,322	1,070,304	1,036,537	887,711
Pro forma plant	0	0	0	
Original cost rate base	\$71,016,717	\$80,776,920	\$88,127,394	\$90,406,776

SCHEDULE III-A

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 364

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Water Operations

	<u>Capitalization</u> <u>Ratio</u>	<u>Original Cost</u> <u>Rate Base</u>	Embedded Cost	Net Operating Income
<u>Present Rates:</u>				
Debt	50.00%	\$35,508,359	4.64%	\$1,647,588
Equity	50.00%	35,508,358	7.46%	2,650,288
Total	100.00%	\$71,016,717		\$4,297,876
<u>Base Case Revenue Requirement:</u>				
Debt	50.00%	\$35,508,359	4.64%	\$1,647,588
Equity	50.00%	35,508,358	10.45%	3,710,623
Total	100.00%	\$71,016,717		\$5,358,211
<u>Rate Year 1 Revenue Requirement:</u>				
Debt	50.00%	\$40,388,460	4.64%	\$1,874,025
Equity	50.00%	40,388,460	10.70%	4,321,565
Total	100.00%	\$80,776,920		\$6,195,590
<u>Rate Year 2 Revenue Requirement:</u>				
Debt	50.00%	\$44,063,697	4.64%	\$2,044,556
Equity	50.00%	44,063,697	10.70%	4,714,816
Total	100.00%	\$88,127,394		\$6,759,372
<u>Rate Year 3 Revenue Requirement:</u>				
Debt	50.00%	\$45,203,388	4.64%	\$2,097,437
Equity	50.00%	45,203,388	10.70%	4,836,763
Total	100.00%	\$90,406,776		\$6,934,200

SCHEDULE I-B

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -

Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3

CWSNC Sewer Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Operating Revenues:</u>				
Service revenues	\$19,129,737	\$21,275,298	\$21,886,639	\$23,895,540
Miscellaneous revenues	135,759	141,508	143,146	148,528
Uncollectible accounts	(143,473)	(159,565)	(164,150)	(179,217)
Total operating revenues	19,122,023	21,257,241	21,865,635	23,864,852
<u>Maintenance Expenses:</u>				
Purchased power	825,016	856,735	880,894	905,914
Purchased sewer	1,048,540	1,048,540	1,048,540	1,048,540
Maintenance and repair	1,805,769	1,827,764	1,819,104	1,615,985
Maintenance testing	305,558	315,947	323,529	331,294
Meter reading	3,024	3,127	3,202	3,279
Chemicals	601,228	624,343	641,949	660,182
Transportation	171,280	171,280	171,280	171,280
Operating expenses charged to plant	(271,543)	(279,689)	(288,080)	(296,722)
Outside services - other	67,510	69,805	71,480	73,196
Total maintenance expenses	4,556,383	4,637,852	4,671,898	4,512,948
<u>General Expenses:</u>				
Salaries and wages	2,310,084	2,379,387	2,450,768	2,524,291
Office supplies and other office expense	190,462	196,938	201,664	206,504
Regulatory commission expense	183,298	183,298	183,298	183,298
Pension and other benefits	558,692	575,453	592,716	610,498
Rent	126,358	130,654	133,790	137,001
Insurance	480,368	502,188	514,242	526,583
Office utilities	106,857	110,490	113,142	115,857
Miscellaneous	1,683,355	1,740,589	1,782,363	1,825,140
Total general expenses	5,639,474	5,818,996	5,971,983	6,129,172

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
Depreciation and Taxes:				
Depreciation expense	3,178,919	3,557,702	3,692,147	4,133,288
Amortization of CIAC	(625,462)	(625,462)	(625,462)	(625,462)
Amortization of PAA	(17,621)	(17,244)	(17,182)	(17,056)
Amortization of ITC	(254)	(254)	(254)	(254)
Franchise and other taxes	48,172	48,172	48,172	48,172
Property taxes	105,629	105,629	105,629	105,629
Payroll taxes	177,744	183,076	188,569	194,226
Regulatory fee	26,771	29,760	30,612	33,411
Deferred Income Tax	(38,709)	(38,709)	(38,709)	(38,709)
State income tax	112,054	140,595	145,852	174,923
Federal income tax	917,721	1,151,472	1,194,526	1,432,619
Total depreciation and taxes	3,884,964	4,534,737	4,723,900	5,440,786
Total operating revenue deductions	14,080,821	14,991,585	15,367,782	16,082,906
Net operating income for a return	\$5,041,202	\$6,265,656	\$6,497,854	\$7,781,946

SCHEDULE II-B

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 364

Original Cost Rate Base

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Sewer Operations

<u>Item</u>	<u>Base Case</u>	<u>Rate Year 1</u>	<u>Rate Year 2</u>	<u>Rate Year 3</u>
Plant in service	\$115,426,078	\$131,854,547	\$136,923,554	\$154,238,372
Accumulated depreciation	(29,504,301)	(32,006,400)	(34,822,102)	(35,729,071)
Net plant in service	85,921,777	99,848,147	102,101,451	118,509,301
Cash working capital	1,143,415	1,176,038	1,199,418	1,199,197
Contributions in aid of construction	(16,455,816)	(15,465,500)	(14,840,038)	(14,214,576)
Advances in aid of construction	(12,309)	(12,309)	(12,309)	(12,309)
Accumulated deferred income taxes	(3,115,198)	(3,091,024)	(2,883,696)	(3,104,721)
Customer deposits	(124,471)	(124,471)	(124,471)	(124,471)
Inventory	54,833	54,833	54,833	54,833
Gain on sale and flow back taxes	(92,681)	(92,681)	(92,681)	(92,681)
Plant acquisition adjustment	393,121	420,424	437,606	454,662
Excess book value	0	0	0	0
Cost-free capital	(139,708)	(139,708)	(139,708)	(139,708)
Average tax accruals	(57,707)	(58,201)	(58,817)	(59,174)
Regulatory liability for excess deferred taxes	(1,591,295)	(1,577,079)	(1,548,647)	(1,520,216)
Deferred charges	891,194	751,987	624,881	509,438
Pro forma plant	0			
Original cost rate base	<u>\$66,815,155</u>	<u>\$81,690,457</u>	<u>\$84,717,822</u>	<u>\$101,459,577</u>

SCHEDULE III-B

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 364

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
CWSNC Sewer Operations

	Capitalization Ratio	Original Cost Rate Base	Embedded Cost	Net Operating Income
<u>Present Rates:</u>				
Debt	50.00%	\$33,407,578	4.64%	\$1,550,112
Equity	50.00%	33,407,577	6.65%	2,222,737
Total	100.00%	\$66,815,155		\$3,772,849
<u>Base Case Revenue Requirement:</u>				
Debt	50.00%	\$33,407,578	4.64%	\$1,550,112
Equity	50.00%	33,407,577	10.45%	3,491,092
Total	100.00%	\$66,815,155		\$5,041,204
<u>Rate Year 1 Revenue Requirement:</u>				
Debt	50.00%	\$40,845,228	4.64%	\$1,895,219
Equity	50.00%	40,845,229	10.70%	4,370,439
Total	100.00%	\$81,690,457		\$6,265,658
<u>Rate Year 2 Revenue Requirement:</u>				
Debt	50.00%	\$42,358,911	4.64%	\$1,965,453
Equity	50.00%	42,358,911	10.70%	4,532,404
Total	100.00%	\$84,717,822		\$6,497,857
<u>Rate Year 3 Revenue Requirement:</u>				
Debt	50.00%	\$50,729,788	4.64%	\$2,353,862
Equity	50.00%	50,729,789	10.70%	5,428,087
Total	100.00%	\$101,459,577		\$7,781,949

SCHEDULE I-C

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -

Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3

BF/FH/TC Water Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Operating Revenues:</u>				
Service revenues	\$2,044,624	\$2,373,445	\$2,532,396	\$2,581,841
Miscellaneous revenues	14,797	15,722	16,169	16,309
Uncollectible accounts	(28,216)	(32,754)	(34,947)	(35,629)
Total operating revenues	2,031,205	2,356,414	2,513,618	2,562,520
<u>Maintenance Expenses:</u>				
Purchased power	70,432	73,154	75,224	77,369
Purchased water	609	609	609	609
Maintenance and repair	207,957	214,735	219,227	223,636
Maintenance testing	10,196	10,543	10,796	11,055
Meter reading	47,602	49,220	50,402	51,611
Chemicals	86,200	89,532	92,965	95,615
Transportation	36,167	36,167	36,167	36,167
Operating expenses charged to plant	(66,053)	(68,035)	(70,076)	(72,178)
Outside services - other	24,735	25,576	26,190	26,818
Total maintenance expenses	417,844	431,501	441,503	450,701
<u>General Expenses:</u>				
Salaries and wages	465,216	479,172	493,547	508,354
Office supplies and other office expense	36,081	37,308	38,203	39,120
Regulatory commission expense	38,275	38,275	38,275	38,275
Pension and other benefits	112,512	115,887	119,364	122,945
Rent	25,446	26,311	26,943	27,589
Insurance	96,738	101,133	103,562	106,046
Office utilities	17,363	17,953	18,384	18,825
Miscellaneous	327,310	338,438	346,561	354,878
Total general expenses	1,118,940	1,154,478	1,184,839	1,216,033

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Depreciation and Taxes:</u>				
Depreciation expense	176,608	232,672	261,522	268,698
Amortization of CIAC	(57,707)	(57,707)	(57,707)	(57,707)
Amortization of PAA	14,457	14,153	14,639	14,518
Amortization of ITC	0	0	0	0
Franchise and other taxes	(1,321)	(1,321)	(1,321)	(1,321)
Property taxes	7,746	7,746	7,746	7,746
Payroll taxes	35,795	36,869	37,975	39,114
Regulatory fee	2,844	3,299	3,519	3,588
Deferred Income Tax	(8,585)	(8,585)	(8,585)	(8,585)
State income tax	5,816	9,951	11,566	11,571
Federal income tax	47,630	81,500	94,727	94,765
Total depreciation and taxes	223,283	318,578	364,082	372,387
Total operating revenue deductions	1,760,067	1,904,556	1,990,424	2,039,121
Net operating income for a return	\$271,138	\$451,857	\$523,195	\$523,399

SCHEDULE II-C

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Original Cost Rate Base

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
BF/FH/TC Water Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
Plant in service	\$7,340,417	\$9,875,256	\$10,793,178	\$11,149,059
Accumulated depreciation	(2,526,057)	(2,794,167)	(2,821,567)	(3,227,938)
Net plant in service	4,814,360	7,081,089	7,971,611	7,921,120
Cash working capital	192,022	198,171	203,217	208,266
Contributions in aid of construction	(1,081,963)	(990,594)	(932,887)	(875,180)
Advances in aid of construction	0	0	0	0
Accumulated deferred income taxes	(36,166)	(87,681)	(72,912)	(47,111)
Customer deposits	(18,525)	(18,525)	(18,525)	(18,525)
Inventory	3,355	3,355	3,355	3,355
Gain on sale and flow back taxes	0	0	0	0
Plant acquisition adjustment	(29,293)	(51,703)	(66,342)	(80,859)
Excess book value	0	0	0	0
Cost-free capital	0	0	0	0
Average tax accruals	(4,396)	(4,462)	(4,571)	(4,612)
Regulatory liability for excess deferred taxes	(362,366)	(358,991)	(352,242)	(345,492)
Deferred charges	116,582	120,567	90,605	63,013
Pro forma plant	0			
Original cost rate base	\$3,593,610	\$5,891,226	\$6,821,309	\$6,823,975

SCHEDULE III-C

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
BF/FH/TC Water Operations

	Capitalization Ratio	Original Cost Rate Base	Embedded Cost	Net Operating Income
<u>Present Rates:</u>				
Debt	50.00%	\$1,796,805	4.64%	\$83,372
Equity	50.00%	1,796,805	3.46%	62,111
Total	100.00%	\$3,593,610		\$145,483
<u>Base Case Revenue Requirement:</u>				
Debt	50.00%	\$1,796,805	4.64%	\$83,372
Equity	50.00%	1,796,805	10.45%	187,766
Total	100.00%	\$3,593,610		\$271,138
<u>Rate Year 1 Revenue Requirement:</u>				
Debt	50.00%	\$2,945,613	4.64%	\$136,676
Equity	50.00%	2,945,613	10.70%	315,181
Total	100.00%	\$5,891,226		\$451,857
<u>Rate Year 2 Revenue Requirement:</u>				
Debt	50.00%	\$3,410,654	4.64%	\$158,254
Equity	50.00%	3,410,655	10.70%	364,940
Total	100.00%	\$6,821,309		\$523,194
<u>Rate Year 3 Revenue Requirement:</u>				
Debt	50.00%	\$3,411,987	4.64%	\$158,316
Equity	50.00%	3,411,988	10.70%	365,083
Total	100.00%	\$6,823,975		\$523,399

SCHEDULE I-D

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
BF/FH Sewer Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
<u>Operating Revenues:</u>				
Service revenues	\$2,875,730	\$3,077,782	\$3,864,421	\$3,944,352
Miscellaneous revenues	21,398	21,940	24,051	24,266
Uncollectible accounts	(39,685)	(42,473)	(53,329)	(54,432)
Total operating revenues	2,857,443	3,057,249	3,835,143	3,914,186
<u>Maintenance Expenses:</u>				
Purchased power	149,604	155,294	159,593	164,094
Purchased water	0	0	0	0
Maintenance and repair	207,054	234,125	238,937	243,864
Maintenance testing	24,179	25,001	25,601	26,215
Meter reading	1,041	1,076	1,102	1,129
Chemicals	62,704	65,088	66,890	68,777
Transportation	37,022	37,022	37,022	37,022
Operating expenses charged to plant	(67,612)	(69,640)	(71,730)	(73,881)
Outside services - other	25,319	26,179	26,808	27,451
Total maintenance expenses	439,310	474,145	484,224	494,670
<u>General Expenses:</u>				
Salaries and wages	476,195	490,481	505,195	520,351
Office supplies and other office expense	36,933	38,188	39,105	40,043
Regulatory commission expense	39,175	39,175	39,175	39,175
Pension and other benefits	115,167	118,622	122,181	125,846
Rent	26,047	26,933	27,579	28,241
Insurance	99,021	103,522	106,003	108,549
Office utilities	17,772	18,376	18,817	19,269
Miscellaneous	335,001	346,391	354,704	363,217
Total general expenses	1,145,310	1,181,687	1,212,759	1,244,691
<u>Depreciation and Taxes:</u>				

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
Depreciation expense	450,022	465,568	610,855	621,220
Amortization of CIAC	(150,635)	(150,635)	(150,635)	(150,635)
Amortization of PAA	45,866	44,354	43,514	43,178
Amortization of ITC	0	0	0	0
Franchise and other taxes	(1,352)	(1,352)	(1,352)	(1,352)
Property taxes	9,754	9,754	9,754	9,754
Payroll taxes	36,640	37,739	38,871	40,038
Regulatory fee	4,000	4,280	5,369	5,480
Deferred Income Tax	(8,786)	(8,786)	(8,786)	(8,786)
State income tax	16,293	18,514	29,572	30,047
Federal income tax	133,442	151,627	242,194	246,086
Total depreciation and taxes	535,243	571,062	819,355	835,029
Total operating revenue deductions	2,119,862	2,226,894	2,516,338	2,574,390
Net operating income for a return	\$737,581	\$830,355	\$1,318,805	\$1,339,796

SCHEDULE II-D

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Original Cost Rate Base

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -

Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3

BF/FH Sewer Operations

Item	Base Case	Rate Year 1	Rate Year 2	Rate Year 3
Plant in service	\$16,503,204	\$17,753,246	\$23,623,687	\$24,236,926
Accumulated depreciation	(3,429,386)	(3,927,324)	(3,344,599)	(3,821,802)
Net plant in service	13,073,818	13,825,921	20,279,088	20,415,124
Cash working capital	198,077	206,979	212,123	217,420
Contributions in aid of construction	(3,637,068)	(3,398,562)	(3,247,927)	(3,097,292)
Advances in aid of construction	0	0	0	0
Accumulated deferred income taxes	(369,688)	(332,263)	(502,665)	(451,119)
Customer deposits	(18,963)	(18,963)	(18,963)	(18,963)
Inventory	3,434	3,434	3,434	3,434
Gain on sale and flow back taxes	0	0	0	0
Plant acquisition adjustment	823,750	753,522	710,008	666,830
Excess book value	0	0	0	0
Cost-free capital	0	0	0	0
Average tax accruals	(5,613)	5,723	5,758	5,828
Regulatory liability for excess deferred taxes	(370,918)	(367,464)	(360,555)	(353,646)
Deferred charges	78,925	147,682	114,042	80,402
Pro forma plant	0			
Original cost rate base	<u>\$9,775,755</u>	<u>\$10,826,010</u>	<u>\$17,194,344</u>	<u>\$17,468,020</u>

SCHEDULE III-D

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2022 - Base Case / March 31, 2024 -
Rate Year 1 / March 31, 2025 - Rate Year 2 / March 31, 2026 - Rate Year 3
BF/FH Sewer Operations

Present Rates:

Debt	50.00%	\$4,887,877	4.64%	\$226,797
Equity	50.00%	4,887,878	6.84%	334,157
Total	100.00%	\$9,775,755		\$560,954

Base Case Revenue Requirement:

Debt	50.00%	\$4,887,877	4.64%	\$226,797
Equity	50.00%	4,887,878	10.45%	510,783
Total	100.00%	\$9,775,755		\$737,580

Rate Year 1 Revenue Requirement:

Debt	50.00%	\$5,413,005	4.64%	\$251,163
Equity	50.00%	5,413,005	10.70%	579,192
Total	100.00%	\$10,826,010		\$830,355

Rate Year 2 Revenue Requirement:

Debt	50.00%	\$8,597,172	4.64%	\$398,909
Equity	50.00%	8,597,172	10.70%	919,897
Total	100.00%	\$17,194,344		\$1,318,806

Rate Year 3 Revenue Requirement:

Debt	50.00%	\$8,734,010	4.64%	\$405,258
Equity	50.00%	8,734,010	10.70%	934,539
Total	100.00%	\$17,468,020		\$1,339,797

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 75 – 79

Rate Design

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the Stipulation, and the testimony and exhibits of Public Staff witness Darden and CWSNC witness Schellinger.

The water rates proposed by CWSNC in its Application for its Uniform Water and BF/FH/TC Water residential customers were based on a fixed-to-variable ratio of 40/60 ratio of base charge to usage charge. Uniform Sewer residential rates were based on a fixed-to-variable ratio of 60% fixed for the base facility charge and 40% variable for the usage charge. This rate design is the same as that agreed to and approved by the Commission in CWSNC's most recent rate case, Sub 384, effective in April 2022. This, this rate design has been in effect for only approximately one year.

Public Staff witness Darden testified that the Public Staff recommended a service revenue ratio of 30/70 (base facilities charge to usage charge) for Uniform Water and BF/FH/TC Water residential customers. Public Staff witness Darden recommended a 40/60 ratio for Uniform Sewer residential customers.

In the Stipulation, the Stipulating Parties agreed to continue to use a rate design for water utility service for its Uniform Water and BF/FH/TC Water residential customers based on a 40/60 ratio of base charge to usage charge, and to continue to use an 60/40 ratio of base charge to usage charge for CWSNC's Uniform Sewer residential customers.

Based upon the foregoing and the entire record herein, the Commission finds that it is appropriate to utilize a 40/60 ratio of base charge to usage charge in this proceeding for CWSNC's Uniform Water and BF/FH/TC Water residential customers and an 60/40 ratio of base charge to usage charge for CWSNC's Uniform Sewer residential customers, as agreed to by the Company and the Public Staff and embodied in the Stipulation. The Commission concludes that such rate design is fair and reasonable to both CWSNC and its customers. Therefore, taking into account the foregoing findings and conclusions, the Commission concludes that the rates and charges included in the following appendices are just and reasonable and should be approved.

Base Year Rates and Charges attached as Appendices A-1 and A-2, effective for rates from the date of this order until the start of WSIP Rate Year 1, April 1, 2023;

Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached as Appendices B-1 and B-2, effective from the date of this order and ongoing;

WSIP Rate Year 1 Rates and charges attached as Appendices C-1 and C-2 effective for rates from April 1, 2023 until March 31, 2024;

WSIP Rate Year 2 Rates and charges attached as Appendices D-1 and D-2 effective for rates from April 1, 2024 until March 31, 2025;

WSIP Rate Year 3 Rates and charges attached as Appendices E-1 and E-2 effective for rates from April 1, 2025 until March 31, 2026.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 80

Continuation of Bulk Purchase Pass-Through Mechanisms and Update of Purchased Water and Sewer Rates

Based on the evidence presented in this proceeding, in particular verified Application and the accompanying NCUC Form W-1, the Stipulation, and the testimony and exhibits of Public Staff witness Franklin and CWSNC witness Schellinger, the Commission finds that, consistent with CWSNC's proposal and the Stipulation, as well as N.C.G.S. § 62-133.11, the Company should continue to utilize the bulk purchased water and sewer pass-through mechanisms and the Company's purchased water and sewer rates should be updated as proposed by the Public Staff.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 81

Suspension of WSIC and SSIC Mechanisms

The evidence supporting these findings of fact is found in the Stipulation, Public Staff witness Darden and CWSNC witnesses Denton and Schellinger, and the WSIP Statute.

Consistent with Rules R7-39(k) and R10-26(k) and the Stipulation, the Commission's previously-approved WSIC and SSIC rate adjustment mechanism has been reset to zero in this rate case. Consistent with N.C.G.S. § 62-133.1B(d), during the term of the WSIP, the WSIC and SSIC mechanisms shall be suspended;

however, immediately upon the termination of the WSIP, CWSNC shall be authorized to begin implementation of the WSIC and SSIC mechanisms again.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 82 - 83

Fee-Free Payment Proposal

The evidence supporting these findings of fact is found in the verified Application, the testimony of Company witnesses Denton and Schellinger, the testimony of Public Staff witness Darden, the Stipulation, and Updated Public Staff Settlement Exhibit I.

In the Sub 384 case, the Company and Public Staff agreed, and the Commission authorized, CWSNC to implement a fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements. In Sub 384, the Parties also agreed that CWSNC should report to the Commission and the Public Staff concerning the fee-free payment option twice per year, with such reporting detailing the number of fee-free payments made by customers by month, along with levels of CWSNC uncollectibles expense by month.

In this case, CWSNC proposed to continue this fee-free payment program, noting that the program has been in place for less than a year. In the Stipulation, the Stipulating Parties agreed that the program should be continued, and that CWSNC should continue with the twice per year reporting approved in the Sub 384 case.

Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to continue the implementation of its fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements. Additionally, we conclude that it is reasonable and appropriate for CWSNC to continue to report to the Commission and the Public Staff concerning the fee-free payment option twice per year, with such reporting detailing the number of fee-free payments made by customers by month, along with levels of CWSNC uncollectibles expense by month, as set out in the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 84 - 86

Water Efficiency Program

The evidence supporting these findings of fact is found in the verified Application, the testimony of Company witnesses Denton and Schellinger, the testimony of Public Staff witness Darden, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In the Sub 384 case, the Company and Public Staff agreed, and the Commission authorized, CWSNC to implement a Water Efficiency Program on a pilot basis to be re-evaluated in CWSNC's next rate case, under which the Company would offer efficient water fixture rebates for its customers. CWSNC was also authorized to defer and subsequently recover in a future rate case the water efficiency rebates applied to customer bills in a regulatory asset account, which asset should not earn a return or carrying charges, and to include the administrative expenses estimated for this program in the Company's revenue

requirement. CWSNC was directed to report to the Commission and the Public Staff about the Water Efficiency Program on an annual basis, with such reporting detailing the amount of rebates applied to customer bills, the size of the regulatory asset, the type of water efficiency measures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source.

In this case, CWSNC proposed to continue this water efficiency program, noting that the program has been in place for less than a year. In the Stipulation, the Stipulating Parties agreed that the program should be continued on a pilot basis, to be reevaluated in CWSNC's next rate case. The Stipulating Parties also agreed that CWSNC should be authorized to continue deferring the associated rebates without a return or carrying costs, and CWSNC should continue with the twice per year reporting approved in the Sub 384 case.

Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to continue to implement its proposed Water Efficiency Program as a pilot program for re-evaluation in its next general rate case. CWSNC is authorized to defer and subsequently recover in a future rate case the water efficiency rebates applied to customer bills in a regulatory asset account, which asset should not earn a return or carrying charges, with administrative expenses for the program included in its revenue requirement. Additionally, CWSNC shall continue to report to the Commission and the Public Staff concerning the Water Efficiency Program on an annual basis, with such reporting detailing the amount of rebates applied to customer bills, the size of the

regulatory asset, the type of water efficiency measures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source, as set out in the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 87

Modification of Sewer Tariff

The evidence supporting these findings of fact is found in the verified Application, the testimony of Company witnesses Konsul, the testimony of Public Staff witness Darden, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In this case, CWSNC proposed to modify its Sewer Tariff to include a new Sewer Use Rule, intended to protect its wastewater systems from damaging industrial and nondomestic contaminants. In the Stipulation, the Stipulating Parties agreed that the Company's Sewer Tariff should be modified by including the following:

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.

Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to modify its Sewer Tariff, to include a new Sewer Use Rule, as described above and in the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 88

State Revolving Fund

The evidence supporting these findings of fact is found in the verified Application, the testimony of the Public Staff panel consisting of witnesses Hinton, Sun, Junis and Zhang, the testimony of Company witness Denton, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In this case, the Public Staff proposed that the Company be required to apply for funding from the State Revolving Fund (SRF) for eligible capital projects. CWSNC proposed. In the Stipulation, the Stipulating Parties agreed that CWSNC should apply for SRF grants for the following proposed projects:

- 2023017 - NC - 2023 - High Meadows - Replace all of Tree Top and other sections of the distribution system main and valves

- 2024010 - NC - 2024 - Elk River - Drill New Well
- 2024022 - NC - 2024 - Ski Mountain - Drill new well - Property acquisition, engineering, test well house, etc.
- 2022023 - NC - 2022 - Pinnacle Shores - Water Main Relocation - DOT road widening
- 2025025 - NC - 2025 - Whispering Pines - Water Main Replacement (Thagards Lake)
- 2023029 - NC - 2023 - Whispering Pines - Water Main Replacement 10,600LF (Pine Lake and Country Club)
- AMI Meter Projects in WSIP Years 2 and 3

The Company's application for SRF grants for these projects is also a part of the agreed-upon performance metrics in the Stipulation. To the extent one or more of these projects is eligible for and is successful in obtaining funding from the state, the Company's customers will benefit. Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to apply for SRF grants for the proposed projects described above, consistent with the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 89

Danby Service Area

The evidence supporting these findings of fact is found in the verified Application, the testimony of Public Staff witness Darden, the testimony of Company witness Denton, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In this case, the Public Staff proposed that certain CWSNC plant and customers located in South Carolina be removed from the Company's revenues and revenue requirements. In the Stipulation, the Stipulating Parties agreed to work toward resolution of a situation whereby certain South Carolina customers in CWSNC's Danby service area and plant have historically been included in CWSNC revenues and revenue requirements.

Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable for the Company and the Public Staff to work toward a resolution of this situation and report back to the Commission.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 90

Merger-Related Issues

The evidence supporting these findings of fact is found in the testimony of the Public Staff witness panel of Hinton, Sun, Junis and Zhang, the testimony of Company witness Denton, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In this case, the Public Staff proposed that certain commitments be included in this case, as a result of a merger approval case recently filed by the Company. In the Stipulation, the Stipulating Parties recognized that the Public Staff will fully examine all merger-related issues in the context of the merger case between Corix Infrastructure Inc. and SouthWest Water Company (Docket No. W-354 Sub 412).

Therefore, in light of the foregoing, the Commission agrees that it is appropriate and reasonable for the Public Staff to fully examine such issues in Docket No. W-354, Sub 412.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 91

Future CWSNC Rate Cases

The evidence supporting these findings of fact is found in the testimony of the Public Staff panel of witnesses Hinton, Sun, Junis and Zhang, the testimony of Company witness Denton, the Stipulation, and Updated Public Staff Settlement Exhibit 1.

In this case, the Public Staff raised issues related to the “pancaking” of several WSIP rate cases in the same overall timeframe. In the Stipulation, the Stipulating Parties agreed that CWSNC should use its best efforts to communicate with the Public Staff, Commission and other Class A water and sewer utilities regarding scheduling of future rate case filings in an effort to avoid pancaked filings going forward.

Therefore, in light of the foregoing, the Commission agrees that it is appropriate and reasonable for the Company to use its best efforts to communicate regarding future rare cases in an effort to avoid pancaked filings in the future.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavit of CWSNC's Regional Director of Financial Planning and Analysis, Matthew Schellinger filed on February 2, 2023, in this docket is hereby entered into evidence;
2. That Updated Public Staff Settlement Exhibit 1, filed on February 2, 2023, in this docket is hereby entered into evidence;
3. That the WSIP Statute's 5% cap shall be implemented on a utility basis rather than a per rate division basis;
4. That CWSNC's rates during the Base Case period shall reflect an authorized return on equity of 10.45% and an authorized overall rate of return of 7.55%; and that CWSNC's rates during the term of the WSIP shall reflect an authorized return on equity of 10.70% and an authorized overall rate of return of 7.67%;
5. That the Stipulation is incorporated herein by reference and is hereby approved in its entirety, subject to a modification in the form of the decision to be made by the Commission regarding penalties and incentives, after the Parties' filings of March 17, 2023;
6. That the Stipulation and the parts of this Order pertaining to the contents of that agreement shall not be cited or treated as precedent in future proceedings;
7. That, consistent with the Stipulation and this Order, CWSNC shall be authorized to implement a three-year WSIP;
8. That, if this Order is issued before April 1, 2023, the Base Case Schedules of Rates, attached hereto as Appendices A-1 and A-2, and the

Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and are hereby authorized to become effective for service rendered on and after the issuance date of this Order through March 31, 2023;

9. That the WSIP Year 1 Schedules of Rates, attached hereto as C-1 and C-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and are hereby authorized to become effective for service rendered on and after April 1, 2023 through March 31, 2024;

10. That the WSIP Year 2 Schedules of Rates, attached hereto as D-1 and D-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and are hereby authorized to become effective for service rendered on and after April 1, 2024 through March 31, 2025;

11. That the WSIP Year 3 Schedules of Rates, attached hereto as E-1 and E-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and are hereby authorized to become effective for service rendered on and after April 1, 2025 and shall remain in effect until new rates are authorized by this Commission;

12. That, consistent with the Stipulation and this Order, a banding of authorized returns shall be established and used to credit customers with earnings above the high end of the applicable band;

13. That, consistent with the Stipulation and this Order, CWSNC shall monitor and report its performance with respect to the agreed-upon metrics;

14. That, consistent with the Stipulation and this Order, CWSNC and the Public Staff shall work together to develop incentives and/or penalties to accompany the agreed-upon performance metrics, and to file and request Commission approval of any such agreed upon incentives and/or penalties with the Commission no later than March 17, 2023;

15. If agreement between the Parties cannot be reached with respect to any incentives/penalties, the Stipulating Parties shall notify the Commission by that same date and the Commission shall set the matter for further hearing;

16. Any incentives and/or penalties related to performance metrics ultimately approved by the Commission shall be retroactive to the beginning of WSIP Rate Year 1;

17. That the Notices to Customers, attached hereto as G-1 and G-2 shall be mailed with sufficient postage or hand delivered to all affected customers in each relevant service area, respectively, in conjunction with the next regularly scheduled billing process;

18. At least thirty days prior to implementation of rates effective for Rate Year 2 and 3, CWSNC shall provide notice to customers of the rates to be implemented as of those respective effective dates.

19. That CWSNC shall file the attached Certificate of Service, properly signed and notarized, not later than ten days after the Notices to Customers are mailed or hand delivered to customers;

20. That CWSNC is authorized to update its purchased water and sewer rates as shown on Appendices A-1 and A-2;

21. That CWSNC is authorized to continue to use its bulk purchased water and sewer pass-through mechanisms;

22. That CWSNC shall suspend its use of its WSIC and SSIC mechanisms during the pendency of the WSIP;

23. That CWSNC is authorized to continue to implement its proposed fee-free payment option for residential customers; in connection with this option, CWSNC shall submit to the Commission and Public Staff, approximately every six months, a report on the implementation of this option, detailing the number of fee-free payments made by customers by month, along with levels of CWSNC uncollectibles expense by month;

24. That CWSNC is authorized to continue to implement its proposed "Water Efficiency Program", as a pilot program to be re-evaluated in CWSNC's next rate case; in connection with this program, CWSNC shall submit to the Commission and the Public Staff, approximately annually, a report on the implementation of this program, detailing the amount of rebates applied to customer bills, the size of the regulatory asset, the type of water efficiency measures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from a third-party authoritative source;

25. That, consistent with CWSNC's proposal and the Stipulation, CWSNC is authorized to defer and subsequently recover the water efficiency rebates applied to customer bills in a regulatory asset account, with no return or carrying charges, for recovery in a future rate case;

26. That, consistent with the Stipulation and this Order, CWSNC is authorized to modify its Sewer Tariff, to include a new Sewer Use Rule, attached hereto as Appendix F;

27. That, consistent with the Stipulation and this Order, CWSNC shall apply for State Revolving Fund grants for certain proposed projects;

28. That, consistent with the Stipulation and this Order, CWSNC and the Public Staff shall work toward a resolution of situation involving customers and plant located in South Carolina and report back to the Commission;

29. That the Public Staff shall fully examine the issues in Docket No. W-354, Sub 412; and

30. That CWSNC shall use its best efforts to communicate with the Public Staff, Commission and other Class A water and sewer utilities regarding scheduling of future rate case filings in an effort to avoid pancaked filings going forward.

ISSUED BY ORDER OF THE COMMISSION.

This the __ day of _____, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notices to Customers issued by the North Carolina Utilities Commission in Docket No. W-354, Sub 400, and the Notices were mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2023.

By: _____

Signature

Carolina Water Service, Inc. of North Carolina

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 No. W-354, Sub 400.

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

Notary Public

Printed or Typed Name

(SEAL) My Commission Expires: _____

Date

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	26.21
1" meter	\$	65.53
1 1/2" meter	\$	131.05
2" meter	\$	209.68
3" meter	\$	393.15
4" meter	\$	655.25
6" meter	\$	1,310.50
8" meter	\$	2,096.80

Usage Charge:

A. Treated Water/1,000 gallons	\$	12.45
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$	6.37

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

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.46
Tanglewood South	Fayetteville PWC	\$	5.46
High Vista Estates	City of Hendersonville	\$	5.22
Riverbend	Town of Franklin	\$	8.40
Riverpointe	Charlotte Water	\$	4.12
Whispering Pines	Town of Southern Pines	\$	3.70
White Oak Plantation/ Lee Forest	Johnston County	\$	3.20
Winston Plantation	Johnston County	\$	3.20
Winston Point	Johnston County	\$	3.20
Willowbrook	Johnston County	\$	3.20
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.64
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

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

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

Sugar Mountain Service Area:

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

Mount Mitchell Service Area:

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

Monthly Flat Rate Service: (Billed in Arrears) \$ 73.65

<u>Availability Rate: (Semiannual)</u>	
Applicable only to property owners in Carolina Forest and Woodrun Subdivisions in Montgomery County	\$ 31.73
<u>Availability Rate: (Monthly)</u>	
Applicable only to property owners in Linville Ridge Subdivision	\$ 15.89
<u>Availability Rate: (Monthly rate, billed semiannually)</u>	
Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 11.74
<u>Availability Rate: (Monthly rate, billed quarterly)</u>	
Applicable only to property owners in Connestee Falls	\$ 6.19
<u>Meter Testing Fee:</u> ^{1/}	\$ 20.00
<u>New Water Customer Charge:</u>	\$ 27.00
<u>Reconnection Charge:</u> ^{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
<u>Reconnection Charge:</u> ^{3/} (Flat-rate water customers)	
If water service is cut off by utility for good cause	Actual Cost
<u>Management Fee:</u> (in the following subdivisions only) (Per connection)	
Wolf Laurel	\$ 150.00
Covington Cross Subdivision (Phases 1 & 2)	\$ 100.00
<u>Oversizing Fee:</u> (in the following subdivision only)	
(One-time charge per single-family equivalent)	
Winghurst	\$ 400.00
<u>Meter Fee:</u>	
For <1" meters	\$ 50.00
For meters 1" or larger	Actual Cost
<u>Irrigation Meter Installation:</u>	Actual Cost

SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$	45.64
Commercial (based on meter size with zero usage)		
< 1" meter	\$	45.64
1" meter	\$	114.10
1 1/2" meter	\$	228.20
2" meter	\$	365.12
3" meter	\$	684.60
4" meter	\$	1,141.00
6" meter	\$	2,282.00
8" meter	\$	3,651.20

B. Usage charge, per 1,000 gallons \$ 13.10

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

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 31.95

Usage charge, per 1,000 gallons
 (based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/ Lee Forest/Winston P	Johnston County	\$	6.77
Kings Grant	Two Rivers Utilities	\$	4.61
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 87.79

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 87.79

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$	7.72
Monthly Collection Charge (Residential and Commercial)	\$	31.95
Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$	6.71

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service		
Residential Service	\$	87.79
White Oak High School	\$	2,604.44
Child Castle Daycare	\$	333.88
Pantry	\$	183.08

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

Monthly Sewer Rates:

Residential		
Collection charge/dwelling unit	\$	31.95
Treatment charge/dwelling unit	\$	90.00
Total monthly flat rate/dwelling unit	\$	<u>121.95</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$	121.95
Monthly collection and treatment charge for customers who do not take water service	\$	121.95
Treatment charge per dwelling unit		
Small (less than 2,500 gallons per month)	\$	103.00
Medium (2,500 to 10,000 gallons per month)	\$	182.00
Large (over 10,000 gallons per month)	\$	286.00
Collection Charge (per 1,000 gallons)	\$	13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$	31.95
Treatment charge (Residential and Commercial)		
< 1" meter	\$	16.95
2" meter	\$	135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	11.39
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	6.42
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<u>New Sewer Customer Charge:</u> ^{4/}	\$	27.00
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Reconnection Charge: ^{5/}

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

<u>Charge for processing NSF Checks:</u>	\$	25.00
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Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.

Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

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

Notes:

^{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 400, on this the ____ day of ____, 20__.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

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

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	18.70
1" meter	\$	46.75
1 1/2" meter	\$	93.50
2" meter	\$	149.60

Usage Charge, per 1,000 gallons	\$	7.24
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	4.97
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Connection Charge:

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

Fairfield Harbor: ^{1/}

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

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

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

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

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$	66.99
Bulk Flat Rate, per REU	\$	66.99

Commercial and Other:

Monthly Flat Rate, per REU		
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(Customers who do not take water service) \$ 66.99
 Monthly Metered Rates
 (based on meter size with zero usage)

<1" meter	\$	55.45
1" meter	\$	138.63
1 1/2" meter	\$	277.25
2" meter	\$	443.60

Usage Charge, per 1,000 gallons \$ 3.52

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU \$ 66.99

(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area \$ 3.52

Connection Charge

Fairfield Harbour: 1/

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

Connection charge per tap None

New Sewer Customer Charge: ^{5/} \$ 27.00

Reconnection Charge: ^{6/}

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

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be monthly for service in arrears. Availability billings semiannually in advance.

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

Notes:

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

^{2/} 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.

^{3/} 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.

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

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} 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.

^{7/} 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.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

SCHEDULE OF CONNECTION FEES

FOR WATER UTILITY SERVICE UNDER UNIFORM RATES

Uniform Connection Fees: ^{1/}

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

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

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

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amherst	\$ 250.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Blue Mountain at Wolf Laurel	\$ 925.00	\$ 0.00
Buffalo Creek, Phase I, II, III, IV	\$ 825.00	\$ 0.00
Carolina Forest	\$ 0.00	\$ 0.00
Chapel Hills	\$ 150.00	\$ 400.00
Eagle Crossing	\$ 0.00	\$ 0.00
Elk River Development	\$ 1,000.00	\$ 0.00
Forest Brook/Old Lamp Place	\$ 0.00	\$ 0.00
Harbour	\$ 75.00	\$ 0.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 300.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Lemmond Acres	\$ 0.00	\$ 0.00
Linville Ridge	\$ 400.00	\$ 0.00
Monterrey (Monterrey LLC)	\$ 0.00	\$ 0.00
Quail Ridge	\$ 750.00	\$ 0.00
Queens Harbour/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Riverwood, Phase 6E (Johnston County)	\$ 825.00	\$ 0.00
Saddlewood/Oak Hollow (Summey Bldrs.)	\$ 0.00	\$ 0.00

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Sherwood Forest	\$ 950.00	\$ 0.00
Ski Country	\$ 100.00	\$ 0.00
The Ridges at Mountain Harbour	\$ 2,500.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Wildlife Bay	\$ 870.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Winston Plantation	\$ 1,100.00	\$ 0.00
Winston Pointe, Phase 1A	\$ 1,125.00	\$ 0.00
Wolf Laurel	\$ 925.00	\$ 0.00
Woodrun	\$ 0.00	\$ 0.00
Woodside Falls	\$ 500.00	\$ 0.00

Other Connection Fees:

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

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

Connection Charge:

- A. 5/8" meter \$ 500.00
- B. All other meter sizes

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

<u>Subdivision</u>	<u>CC</u>
Linsey Point Subdivision	\$ 0.00
Amber Acres North, Sections II & IV	\$ 570.00
Fairfield Mountain/Apple Valley (a.k.a Rumbing Bald) Service Area	\$ 500.00
Highland Shores Subdivision	\$ 500.00
Laurel Mountain Estates	\$ 0.00

Carolina Trace	\$ 605.00
Connestee Falls	\$ 600.00

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

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

Recoupment of Capital Fee (RCF) ^{2/}	\$ 0.00
Connection charge	\$ 400.00

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

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

^{1/} These fees are only applicable one time, when the unit is initially connected to the system.

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

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 400, on this the _____ day of _____, 20__.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

SCHEDULE OF CONNECTION FEES FOR

SEWER UTILITY SERVICE UNDER UNIFORM RATES

Uniform Connection Fees: ^{1/}

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

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

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

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amber Acres North (Phases II & IV)	\$ 815.00	\$ 0.00
Ashley Hills	\$ 0.00	\$ 0.00
Amherst	\$ 500.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Brandywine Bay	\$ 100.00	\$ 1,456.00
Camp Morehead by the Sea	\$ 100.00	\$ 1,456.00
Elk River Development	\$ 1,200.00	\$ 0.00
Hammock Place	\$ 100.00	\$ 1,456.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 30.00	\$ 0.00
Independent/Hemby Acres/Beacon Hills (Griffin Bldrs.)	\$ 0.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Kynwood	\$ 0.00	\$ 0.00
Mt. Carmel/Section 5A	\$ 500.00	\$ 0.00
Queens Harbor/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Steeplechase (Spartabrook)	\$ 0.00	\$ 0.00
The Ridges at Mountain Harbour	\$ 2,500.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Willowbrook (Phase 3)	\$ 0.00	\$ 0.00
Winston pointe (Phase 1A)	\$ 1,400.00	\$ 0.00
Woodside Falls	\$ 0.00	\$ 0.00

Other Connection Fees:

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

Subdivision

Carolina Pines

Residential	\$1,350.00 per unit (including single-family homes, condominiums, apartments, and mobile homes)
Hotels	\$750.00 per unit
Nonresidential	\$3.57 per gallon of daily design of discharge or \$900.00 per unit, whichever is greater

Subdivision

CC

Fairfield Mountain/Apply Valley (a.k.a. Rumbling Bald)	
Service Area	\$ 550.00
Highland Shores	\$ 550.00
Carolina Trace	\$ 533.00
Connestee Falls	\$ 400.00

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

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

Recoupment of Capital Fee (RCF) ^{2/}	\$ 0.00
Connection charge	\$ 550.00

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

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

^{1/} These fees are only applicable one time, when the unit is initially connected to the system.

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

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 400, on this the _____ day of _____, 20__.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	27.89
1" meter	\$	69.73
1 1/2" meter	\$	139.45
2" meter	\$	223.12
3" meter	\$	418.35
4" meter	\$	697.25
6" meter	\$	1,394.50
8" meter	\$	2,231.20

Usage Charge:

A. Treated Water/1,000 gallons	\$	13.30
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$	6.80

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

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.46
Tanglewood South	Fayetteville PWC	\$	5.46
High Vista Estates	City of Hendersonville	\$	5.22
Riverbend	Town of Franklin	\$	8.40
Riverpointe	Charlotte Water	\$	4.12
Whispering Pines	Town of Southern Pines	\$	3.70
White Oak Plantation/ Lee Forest	Johnston County	\$	3.20
Winston Plantation	Johnston County	\$	3.20
Winston Point	Johnston County	\$	3.20
Willowbrook	Johnston County	\$	3.20
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.64
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

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

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

Sugar Mountain Service Area:

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

Mount Mitchell Service Area:

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

Monthly Flat Rate Service: (Billed in Arrears) \$ 78.58

<u>Availability Rate: (Semiannual)</u>	
Applicable only to property owners in Carolina Forest and Woodrun Subdivisions in Montgomery County	\$ 33.85
<u>Availability Rate: (Monthly)</u>	
Applicable only to property owners in Linville Ridge Subdivision	\$ 16.95
<u>Availability Rate: (Monthly rate, billed semiannually)</u>	
Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 12.53
<u>Availability Rate: (Monthly rate, billed quarterly)</u>	
Applicable only to property owners in Connestee Falls	\$ 6.60
<u>Meter Testing Fee:</u> ^{1/}	\$ 20.00
<u>New Water Customer Charge:</u>	\$ 27.00
<u>Reconnection Charge:</u> ^{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
<u>Reconnection Charge:</u> ^{3/} (Flat-rate water customers)	
If water service is cut off by utility for good cause	Actual Cost
<u>Management Fee:</u> (in the following subdivisions only) (Per connection)	
Wolf Laurel	\$ 150.00
Covington Cross Subdivision (Phases 1 & 2)	\$ 100.00
<u>Oversizing Fee:</u> (in the following subdivision only)	
(One-time charge per single-family equivalent)	
Winghurst	\$ 400.00
<u>Meter Fee:</u>	
For <1" meters	\$ 50.00
For meters 1" or larger	Actual Cost
<u>Irrigation Meter Installation:</u>	Actual Cost

SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$	50.92
Commercial (based on meter size with zero usage)		
< 1" meter	\$	50.92
1" meter	\$	127.30
1 1/2" meter	\$	254.60
2" meter	\$	407.36
3" meter	\$	763.80
4" meter	\$	1,273.00
6" meter	\$	2,546.00
8" meter	\$	4,073.60

B. Usage charge, per 1,000 gallons \$ 14.60

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

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 35.64

Usage charge, per 1,000 gallons
 (based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/			
Lee Forest/Winston P	Johnston County	\$	6.77
Kings Grant	Two Rivers Utilities	\$	4.61
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 97.89

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 97.89

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$	7.72
Monthly Collection Charge (Residential and Commercial)	\$	35.64
Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$	6.71

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service		
Residential Service	\$	97.89
White Oak High School	\$	2,904.07
Child Castle Daycare	\$	372.29
Pantry	\$	204.14

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

Monthly Sewer Rates:

Residential		
Collection charge/dwelling unit	\$	35.64
Treatment charge/dwelling unit	\$	90.00
Total monthly flat rate/dwelling unit	\$	<u>125.64</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$	125.64
Monthly collection and treatment charge for customers who do not take water service	\$	125.64
Treatment charge per dwelling unit		
Small (less than 2,500 gallons per month)	\$	103.00
Medium (2,500 to 10,000 gallons per month)	\$	182.00
Large (over 10,000 gallons per month)	\$	286.00
Collection Charge (per 1,000 gallons)	\$	13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$	35.64
Treatment charge (Residential and Commercial)		
< 1" meter	\$	16.95
2" meter	\$	135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	12.70
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	7.16
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<u>New Sewer Customer Charge:</u> ^{4/}	\$	27.00
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Reconnection Charge: ^{5/}

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

<u>Charge for processing NSF Checks:</u>	\$	25.00
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Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.

Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

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

Notes:

^{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 400, on this the ____ day of ____, 20__.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

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

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	21.52
1" meter	\$	53.80
1 1/2" meter	\$	107.60
2" meter	\$	172.16

Usage Charge, per 1,000 gallons	\$	8.30
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	5.71
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Connection Charge:

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

Fairfield Harbor: ^{1/}

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

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

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

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

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$	70.95
Bulk Flat Rate, per REU	\$	70.95

Commercial and Other:

Monthly Flat Rate, per REU		
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(Customers who do not take water service) \$ 70.95
 Monthly Metered Rates
 (based on meter size with zero usage)

<1" meter	\$	58.72
1" meter	\$	146.80
1 1/2" meter	\$	293.60
2" meter	\$	469.76

Usage Charge, per 1,000 gallons \$ 3.73

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU \$ 70.95

(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area \$ 3.73

Connection Charge

Fairfield Harbour: 1/

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

Connection charge per tap None

New Sewer Customer Charge: ^{5/} \$ 27.00

Reconnection Charge: ^{6/}

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

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be monthly for service in arrears.
Availability billings semiannually in advance.

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

Notes:

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

^{2/} 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.

^{3/} 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.

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

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} 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.

^{7/} 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.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	29.14
1" meter	\$	72.85
1 1/2" meter	\$	145.70
2" meter	\$	233.12
3" meter	\$	437.10
4" meter	\$	728.50
6" meter	\$	1,457.00
8" meter	\$	2,331.20

Usage Charge:

A. Treated Water/1,000 gallons	\$	13.94
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$	7.13

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

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.46
Tanglewood South	Fayetteville PWC	\$	5.46
High Vista Estates	City of Hendersonville	\$	5.22
Riverbend	Town of Franklin	\$	8.40
Riverpointe	Charlotte Water	\$	4.12
Whispering Pines	Town of Southern Pines	\$	3.70
White Oak Plantation/ Lee Forest	Johnston County	\$	3.20
Winston Plantation	Johnston County	\$	3.20
Winston Point	Johnston County	\$	3.20
Willowbrook	Johnston County	\$	3.20
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.64
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

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

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

Sugar Mountain Service Area:

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

Mount Mitchell Service Area:

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

Monthly Flat Rate Service: (Billed in Arrears) \$ 82.25

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest
 and Woodrun Subdivisions in Montgomery County \$ 35.43

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge
 Subdivision \$ 17.74

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire
 Valley Service Area \$ 13.12

Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls \$ 6.91

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

Management Fee: (in the following subdivisions only)
 (Per connection)

Wolf Laurel \$ 150.00

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

Oversizing Fee: (in the following subdivision only)

(One-time charge per single-family equivalent)

Winghurst \$ 400.00

Meter Fee:

For <1" meters \$ 50.00

For meters 1" or larger Actual Cost

Irrigation Meter Installation: Actual Cost

SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$	52.26
Commercial (based on meter size with zero usage)		
< 1" meter	\$	52.26
1" meter	\$	130.65
1 1/2" meter	\$	261.30
2" meter	\$	418.08
3" meter	\$	783.90
4" meter	\$	1,306.50
6" meter	\$	2,613.00
8" meter	\$	4,180.80

B. Usage charge, per 1,000 gallons \$ 14.98

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

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 36.58

Usage charge, per 1,000 gallons
 (based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/			
Lee Forest/Winston P	Johnston County	\$	6.77
Kings Grant	Two Rivers Utilities	\$	4.61
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 100.46

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 100.46

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$	7.72
Monthly Collection Charge (Residential and Commercial)	\$	36.58
Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$	6.71

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service		
Residential Service	\$	100.46
White Oak High School	\$	2,980.31
Child Castle Daycare	\$	382.06
Pantry	\$	209.50

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

Monthly Sewer Rates:

Residential		
Collection charge/dwelling unit	\$	36.58
Treatment charge/dwelling unit	\$	90.00
Total monthly flat rate/dwelling unit	\$	<u>126.58</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$	126.58
Monthly collection and treatment charge for customers who do not take water service	\$	126.58
Treatment charge per dwelling unit		
Small (less than 2,500 gallons per month)	\$	103.00
Medium (2,500 to 10,000 gallons per month)	\$	182.00
Large (over 10,000 gallons per month)	\$	286.00
Collection Charge (per 1,000 gallons)	\$	13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$	36.58
Treatment charge (Residential and Commercial)		
< 1" meter	\$	16.95
2" meter	\$	135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	13.03
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	7.35
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<u>New Sewer Customer Charge:</u> ^{4/}	\$	27.00
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Reconnection Charge: ^{5/}

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

<u>Charge for processing NSF Checks:</u>	\$	25.00
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Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.

Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

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

Notes:

^{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 400, on this the ____ day of ____, 20__.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

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

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	22.76
1" meter	\$	56.90
1 1/2" meter	\$	113.80
2" meter	\$	182.08

Usage Charge, per 1,000 gallons	\$	8.76
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	6.03
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Connection Charge:

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

Fairfield Harbor: ^{1/}

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

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

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

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

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$	80.08
Bulk Flat Rate, per REU	\$	80.08

Commercial and Other:

Monthly Flat Rate, per REU		
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(Customers who do not take water service) \$ 80.08
 Monthly Metered Rates
 (based on meter size with zero usage)

<1" meter	\$	66.28
1" meter	\$	165.70
1 1/2" meter	\$	331.40
2" meter	\$	530.24

Usage Charge, per 1,000 gallons \$ 4.21

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU \$ 80.08

(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area \$ 4.21

Connection Charge

Fairfield Harbour: 1/

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

Connection charge per tap None

New Sewer Customer Charge: ^{5/} \$ 27.00

Reconnection Charge: ^{6/}

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

Actual Cost

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be monthly for service in arrears.
Availability billings semiannually in advance.

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

Notes:

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

^{2/} 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.

^{3/} 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.

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

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} 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.

^{7/} 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.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	29.44
1" meter	\$	73.60
1 1/2" meter	\$	147.20
2" meter	\$	235.52
3" meter	\$	441.60
4" meter	\$	736.00
6" meter	\$	1,472.00
8" meter	\$	2,355.20

Usage Charge:

A. Treated Water/1,000 gallons	\$	14.08
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$	7.20

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

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.46
Tanglewood South	Fayetteville PWC	\$	5.46
High Vista Estates	City of Hendersonville	\$	5.22
Riverbend	Town of Franklin	\$	8.40
Riverpointe	Charlotte Water	\$	4.12
Whispering Pines	Town of Southern Pines	\$	3.70
White Oak Plantation/ Lee Forest	Johnston County	\$	3.20
Winston Plantation	Johnston County	\$	3.20
Winston Point	Johnston County	\$	3.20
Willowbrook	Johnston County	\$	3.20
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.64
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

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

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

Sugar Mountain Service Area:

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

Mount Mitchell Service Area:

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

Monthly Flat Rate Service: (Billed in Arrears) \$ 83.10

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest
 and Woodrun Subdivisions in Montgomery County \$ 35.80

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge
 Subdivision \$ 17.92

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire
 Valley Service Area \$ 13.26

Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls \$ 6.98

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

Management Fee: (in the following subdivisions only)
 (Per connection)

Wolf Laurel \$ 150.00

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

Oversizing Fee: (in the following subdivision only)

(One-time charge per single-family equivalent)

Winghurst \$ 400.00

Meter Fee:

For <1" meters \$ 50.00

For meters 1" or larger Actual Cost

Irrigation Meter Installation:

Actual Cost

SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$	56.69
Commercial (based on meter size with zero usage)		
< 1" meter	\$	56.69
1" meter	\$	141.73
1 1/2" meter	\$	283.45
2" meter	\$	453.52
3" meter	\$	850.35
4" meter	\$	1,417.25
6" meter	\$	2,834.50
8" meter	\$	4,535.20

B. Usage charge, per 1,000 gallons \$ 16.25

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

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 39.68

Usage charge, per 1,000 gallons
 (based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/			
Lee Forest/Winston P	Johnston County	\$	6.77
Kings Grant	Two Rivers Utilities	\$	4.61
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 108.97

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 108.97

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$	7.72
Monthly Collection Charge (Residential and Commercial)	\$	39.68
Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$	6.71

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service		
Residential Service	\$	108.97
White Oak High School	\$	3,232.77
Child Castle Daycare	\$	414.42
Pantry	\$	227.25

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

Monthly Sewer Rates:

Residential		
Collection charge/dwelling unit	\$	39.68
Treatment charge/dwelling unit	\$	90.00
Total monthly flat rate/dwelling unit	\$	<u>129.68</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$	129.68
Monthly collection and treatment charge for customers who do not take water service	\$	129.68
Treatment charge per dwelling unit		
Small (less than 2,500 gallons per month)	\$	103.00
Medium (2,500 to 10,000 gallons per month)	\$	182.00
Large (over 10,000 gallons per month)	\$	286.00
Collection Charge (per 1,000 gallons)	\$	13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$	39.68
Treatment charge (Residential and Commercial)		
< 1" meter	\$	16.95
2" meter	\$	135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	14.13
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	7.97
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<u>New Sewer Customer Charge:</u> ^{4/}	\$	27.00
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Reconnection Charge: ^{5/}

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

<u>Charge for processing NSF Checks:</u>	\$	25.00
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Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.

Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

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

Notes:

^{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 400, on this the ____ day of ____, 20__.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

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

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	23.00
1" meter	\$	57.50
1 1/2" meter	\$	115.00
2" meter	\$	184.00

Usage Charge, per 1,000 gallons	\$	8.83
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	6.08
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Connection Charge:

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

Fairfield Harbor: ^{1/}

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

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

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

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

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$	85.78
Bulk Flat Rate, per REU	\$	85.78

Commercial and Other:

Monthly Flat Rate, per REU		
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(Customers who do not take water service)	\$	85.78
Monthly Metered Rates (based on meter size with zero usage)		
<1" meter	\$	71.00
1" meter	\$	177.50
1 1/2" meter	\$	355.00
2" meter	\$	568.00
Usage Charge, per 1,000 gallons	\$	4.51

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU	\$	85.78
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(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	4.51
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Connection Charge

Fairfield Harbour: 1/

All Areas Except Harbor Pointe II Subdivision

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

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

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

Bradfield Farms:

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

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

Actual Cost

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be monthly for service in arrears. Availability billings semiannually in advance.

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

Notes:

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

^{2/} 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.

^{3/} 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.

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

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} 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.

^{7/} 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.

SEWER USE TARIFF

DEFINITIONS

- ***Nondomestic waste or industrial waste*** shall mean any wastewater resulting from any process of industry, manufacturing, trade, or business or from the development or recovery of any natural resource, or any mixture of such waste with water or domestic wastewater, as distinct from domestic wastewater.
- ***Domestic wastes*** shall mean a combination of water-carried wastes, consisting of wash water, culinary wastes and liquid wastes containing only human excreta and similar matter flowing in or from a building drainage system or sewer originating from residences, business buildings, institutions, and commercial establishments.
- ***Industrial waste permit or contract*** shall mean a wastewater permit or contract issued as required by the Company to an industrial user.
- ***Industrial waste pretreatment program*** shall mean a program established by the Company that requires dischargers to monitor, test, treat and control as necessary pollutants in their wastewater prior to discharge into the sanitary and/or combined sewer.
- ***Pretreatment*** shall mean the reduction or elimination of pollutants, or the alteration of the nature of pollutant properties prior to discharging into the public sewer system. This reduction or alteration can be obtained by physical, chemical, or biological processes, by process changes, or by other means, except by diluting the concentration of the pollutants unless allowed by an applicable pretreatment standard.
- ***User or Discharger*** shall mean any person that discharges, causes or permits the discharge of wastewater into a sanitary sewer system.
- ***Person*** shall mean any individual, firm, company, association, society, corporation, institution, group, or any other legal entity.
- ***Shall*** is mandatory; ***may*** is permissive.
- ***Company*** shall mean Carolina Water Service, Inc. of North Carolina.
- ***Waste*** shall mean rejected, unutilized or superfluous substances in liquid, gaseous, or solid form resulting from domestic and nondomestic activities.
- ***Wastewater*** shall mean a combination of the water-carried waste from residences, businesses, buildings, institutions, and industrial establishments, together with any

ground, surface, and stormwater that may be present, whether treated or untreated, discharged into or permitted to enter a sanitary sewer system.

- **Maximum allowable industrial loading** shall mean the maximum mass of pollutants that is allowed to be discharged to the treatment works from all contributory industrial users.
- **Contributory industrial user** shall mean any user that the Company has determined discharges specific pollutants to the treatment works at concentrations greater than typical domestic/commercial wastewaters.
- **Sanitary Sewer System** shall refer to all mains, laterals, treatment plants and all appurtenances or infrastructure necessary to convey and treat wastewater.

GENERAL REQUIREMENTS

- A. The User agrees to cooperate with the company in its efforts to implement or enforce its sewer use control program, including any monitoring, reporting and treatment that the company may deem necessary to ensure that discharges into its system are compatible with the capability of its wastewater treatment and collection system.
- B. It is agreed and understood that the company's facility is not a Publicly Owned Treatment Works (POTW), and that the User is not entitled to, and may not claim or otherwise take advantage of, any statutory or regulatory exemptions that may apply to discharges into the sewage collection system of a Publicly Owned Treatment Works (POTW).
- C. The User is required to install and maintain, at their own expense, all interconnecting lines, grease traps or interceptors, pretreatment equipment, sampling wells and any lift stations required to collect sewage at connecting points per our approval.
- D. It is agreed and understood that user may not dispose of or permit disposal of waste generated offsite by the user, or any other party, by discharge through the user's sanitary sewer system connection.
- E. Grease and oil traps or interceptors shall be provided when necessary for the proper handling of liquid wastes containing grease or oil when required by the state plumbing codes. All traps, interceptors, and drains shall be located so as to be readily and easily accessible for cleaning and inspection. All grease and oil traps or interceptors shall be maintained by the User, at the User's expense. Prior to installation, plans shall be submitted to the Company for approval.
- F. It is agreed and understood that User shall install and maintain a waste interceptor, grease trap or pre-treatment unit of sufficient design to prevent the discharge or

- introduction of trash, debris, grease, oil or any other solid material having maximum dimensions equal to or greater than one and one-half inches (1½”) into the sewage collection system, and that the design of such interceptor or pre-treatment unit shall be subject to approval by the Company prior to commencement of discharge into the sewage collection system or wastewater treatment plant.
- G. The User will indemnify and hold harmless the Company from any and all claims, demands, damages, costs, fines, expenses (including attorney's fees), judgements or liabilities arising out any damage, injury, or loss sustained by Company (“Losses”) on account of or in consequence of the introduction of any Prohibited Discharge, violation of any permit or contract, failure to install required Pretreatment, or failure to otherwise comply with the Company’s Pretreatment requirements by the User. The Company shall have the right to charge the User as a part of the User’s wastewater service charges any Losses incurred, or any other expenses or costs incurred by the Company including but not limited to cleaning and removal on account of or in consequence of the introduction of any Prohibited Discharge, violation of any permit or contract, or failure to otherwise comply with the Company’s Sewer Use Control requirements by the User.
- H. The Company shall have the right to terminate or otherwise refuse service in accordance with its rules and regulations to any user on account of or in consequence of the introduction of any Prohibited Discharge, violation of any permit or contract, failure to install required Pretreatment, or failure to otherwise comply with the Company’s Pretreatment requirements by the User.
- I. The Company shall not be liable to the user for a failure to provide sanitary sewage collection services. It is understood and agreed that service interruptions may, from time to time, occur. The Company agrees to use its best efforts to provide continuous service.
- J. If any measurement, test, inspection or analysis determines that a user has created a situation which is in violation of any statute, ordinance, rule or regulation, the user shall be required to pay all costs incurred to remedy the situation.
- K. Where necessary in the Company’s opinion, the User shall provide, at the User’s expense, preliminary treatment as may be necessary to reduce the characteristics or constituents to within the maximum limits provided for in this sewer use control program or to control the quantities or rates of discharge of water or wastes. Plans and specifications and other pertinent information shall be submitted for the approval of the company and no construction of such facilities shall commence until said approvals are obtained in writing. Preliminary treatment facilities shall be maintained continuously to satisfactory and effective operations. Solely the User is responsible for meeting the compliance limits herein.

- L. The Company reserves the right to refuse connection to its sanitary sewer connection or to compel the discontinuance of the use of the sanitary sewer where the company deems the discharge of the waste harmful to the sewer system or have an adverse effect on the sewage treatment processes or Company personnel.

PROHIBITED DISCHARGES

It is prohibited for any User to discharge or permit the discharge or infiltration into any Company sewer any of the following:

- A. Any liquid or vapor having a temperature higher than 150 degrees Fahrenheit or any substance which causes the temperature of the total wastewater treatment plant influent to exceed 104 degrees Fahrenheit. Allowable temperatures may vary by facility.
- B. Any liquid containing fats, wax, grease or oils of mineral or petroleum origin, whether emulsified or not, in excess of 100 mg/l, or of animal or vegetable origin in excess of 300 mg/l. Lower limits may be applied to mineral oils where necessary to prevent interference with treatment plant operations or pass through. Allowable grease levels may vary by facility.
- C. Wastes contain any substances which may affect the effluent or may cause violation of the National Pollutant Discharge Elimination System permit, Non-Discharge permit, or local health department permit, or the ability to meet sludge standards or beneficial reuse of sludge.
- D. Any wastewater which imparts color which may affect the effluent or may cause violation of the National Pollutant Discharge Elimination System permit, Non-Discharge permit, or local health department permit, or the ability to meet sludge standards or beneficial reuse of sludge.
- E. Any waste containing toxic substances in quantities sufficient to interfere with the biological or mechanical processes of the sewage treatment plant, will endanger Company personnel, will pass through the treatment works, and/or cause the treatment works to exceed any state or federal standards.
- F. Wastes containing a toxic or poisonous substance that could constitute a hazard to human or animals or create any hazard in the sewer system operation.
- G. Waste discharged into the sewage collection system shall not include any hazardous waste as defined in the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., as amended, and the regulations thereunto, or in

those sections of the **(State)** Administrative Code governing solid and hazardous waste.

- H. Any pollutants which create a fire or explosion hazard in the collection and treatment system including, but not limited to, waste streams with a closed cup flash point of less than 140 degrees Fahrenheit, using the test methods specified in 40 CFR 261.21.
- I. Wastes containing any noxious or malodorous gas or substance that, in the opinion of the Company, may create a public nuisance or hazard to or prevent entry to sewers for maintenance or repair.
- J. Wastes containing any solid or viscous material that may cause an obstruction to flow or interfere with proper operation of the system. Wastes containing other matter detrimental to the operation of the sanitary sewers, sewage treatment plant equipment or structures or facilities.
- K. The company reserves the right to set more stringent limitations if the company determines that the limitations in this section may not be sufficient to protect the operation of the system or to comply with the water quality standards or effluent limitations of the Company's applicable permits.

GENERAL EFFLUENT LIMITATIONS

	Maximum Allowable Limits (Grab Sample)	Maximum Allowable Limits (Composite Sample)
BOD ₅ (mg/l)	250	250
TSS (mg/l)	250	250
COD (mg/l)	750	750
TKN (mg/l)	80	80
pH (s.u.)	6-9	N/A
Arsenic (mg/l)	0.3	0.2
Barium (mg/l)	2.0	1.0
Boron (mg/l)	4.0	2.0
Cadmium (mg/l)	0.2	0.1
Chromium (Total) (mg/l)	3.0	1.0
Copper (mg/l)	2.0	1.0

Lead (mg/l)	1.5	1.0
Manganese (mg/l)	3.0	2.0
Mercury (mg/l)	0.00001	
Nickel (mg/l)	2.0	2.0
Total Phosphorus (mg/l)	10	10
Selenium (mg/l)	0.2	0.1
Silver (mg/l)	0.2	0.1
Zinc (mg/l)	2.0	2.0

- A. Notwithstanding the limitations set forth in the General Effluent Limitations, the Company may accept the discharge of wastewater with constituents in excess of such concentrations provided that the Company determines that such increased concentrations are compatible with the wastewater treatment process and such concentration variances do not create a total contributory industrial user loading allocation above the maximum allowable industrial loading.
- B. Nothing in this document shall be construed as preventing or precluding any special agreement or arrangement between the Company and any person whereby an industrial waste of unusual strength or character may be accepted by the Company for treatment, subject to the requirements of the national pretreatment standards. For such waste, the Company may require the user to provide any additional documentation or to conduct any special studies, at the user's expense, as deemed necessary to demonstrate that such waste complies with the limitations specified.
- C. The discharge of constituents in excess of the concentration limits set forth under the General Effluent Guidelines may be subject to the payment of a surcharge fee, as established from time to time by the Company, which surcharge shall be based upon the additional unit cost incurred in the wastewater monitoring, collection, transmission and treatment process attributed to such increased concentrations.
- D. "The Company hereby adopts the Categorical Standards for Industrial Users provided in 40 CFR 403.6. and NCAC .0900, provided that such categorical standards are more stringent than the General Effluent Limitations established by the Company for the pollutant. Where Categorical Standards are less stringent than the General Effluent Limitations the General Effluent Limitations shall apply."
- E. No user shall discharge radioactive materials into public sewers without a discharge permit. The Company may establish, in compliance with applicable state and federal regulations, regulations for discharge of radioactive wastes into public sewers. In no instance shall the active elements, or their local concentrations permitted to be discharged into the sewers, exceed the concentration limits established.

- F. Dilution prohibited as substitute for treatment. Except as provided under federal law, the use of dilution as a partial or complete substitute for adequate treatment to achieve compliance with categorical or local limitations is prohibited. The Company may impose mass-based limitations or otherwise modify the limitations to account for dilution in each case.

SAMPLING AND ANALYSES

- G. All measurements, tests and analyses must be determined in accordance with the state approved edition of “Standard Methods for the Examination of Water and Wastewater, by “Methods for Chemical Analysis of Water and Wastes” published by the USEPA, or by any method approved by the US Environmental Protection Agency. All compliance tests shall be completed by a lab certified by the state for the specific analysis.
- H. Where the Company deems advisable, it may require any person discharging wastes to install and maintain, at his or her own expense, in a manner approved by the company, a suitable device to continuously measure and records flow, pH, or other parameter of the wastes discharged. The owner shall install and maintain a suitable control manhole in the users’ sewer lateral to facilitate observation, sampling and measuring of wastes. Any manhole and sampling device shall be publicly accessible and in a safe location, constructed in accordance with plans approved by the company and installed and maintained at the expense of the owner of the premises or property to who sewer service is provided. Company representatives shall have the right to access and collect samples at any time.
- I. Samples for analyses shall be by either grab sample or composite samples or a 24-hour composite sample collected and proportioned, as directed by the company.
- J. Copies of all operational records, analyses, shall be filed with the company unless otherwise directed by the company.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Carolina Water Service, Inc., of North Carolina for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All Its Service Areas in North Carolina and Approval of a Three Year Plan)	
)	WSIP RATE YEAR 1
)	NOTICE TO CUSTOMERS
)	
	}	

NOTICE IS HEREBY GIVEN THAT the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to increase rates for water and sewer utility service in all of its service areas excluding those noted below in North Carolina. For the period of April 1, 2023 through March 31, 2024 the new approved rates are as follows:

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	27.89
1" meter	\$	69.73
1 1/2" meter	\$	139.45
2" meter	\$	223.12
3" meter	\$	418.35
4" meter	\$	697.25
6" meter	\$	1,394.50
8" meter	\$	2,231.20

Usage Charge:

A. Treated Water/1,000 gallons	\$	13.30
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B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water) \$ 6.80

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

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.46
Tanglewood South	Fayetteville PWC	\$	5.46
High Vista Estates	City of Hendersonville	\$	5.22
Riverbend	Town of Franklin	\$	8.40
Riverpointe	Charlotte Water	\$	4.12
Whispering Pines	Town of Southern Pines	\$	3.70
White Oak Plantation/ Lee Forest	Johnston County	\$	3.20
Winston Plantation	Johnston County	\$	3.20
Winston Point	Johnston County	\$	3.20
Willowbrook	Johnston County	\$	3.20
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.64
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

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

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

Sugar Mountain Service Area:

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

Mount Mitchell Service Area:

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

<u>Monthly Flat Rate Service:</u> (Billed in Arrears)	\$	78.58
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Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest and Woodrun Subdivisions in Montgomery County	\$	33.85
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Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge Subdivision	\$	16.95
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	12.53
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	6.60
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SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$	50.92
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Commercial (based on meter size with zero usage)

< 1” meter	\$	50.92
1” meter	\$	127.30

1 1/2" meter	\$	254.60
2" meter	\$	407.36
3" meter	\$	763.80
4" meter	\$	1,273.00
6" meter	\$	2,546.00
8" meter	\$	4,073.60

B. Usage charge, per 1,000 gallons \$ 14.60

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

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 35.64

Usage charge, per 1,000 gallons
(based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$	6.77
Kings Grant	Two Rivers Utilities	\$	4.61
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 97.89

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 97.89

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge \$ 7.72

Monthly Collection Charge
(Residential and Commercial) \$ 35.64

Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$	6.71
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Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service		
Residential Service	\$	97.89
White Oak High School	\$	2,904.07
Child Castle Daycare	\$	372.29
Pantry	\$	204.14

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

Monthly Sewer Rates:

Residential		
Collection charge/dwelling unit	\$	35.64
Treatment charge/dwelling unit	\$	90.00
Total monthly flat rate/dwelling unit	\$	<u>125.64</u>

Commercial and Other:

Minimum monthly collection and treatment charge	\$	125.64
Monthly collection and treatment charge for customers who do not take water service	\$	125.64
Treatment charge per dwelling unit		
Small (less than 2,500 gallons per month)	\$	103.00
Medium (2,500 to 10,000 gallons per month)	\$	182.00
Large (over 10,000 gallons per month)	\$	286.00
Collection Charge (per 1,000 gallons)	\$	13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$	35.64
Treatment charge (Residential and Commercial)		
< 1" meter	\$	16.95
2" meter	\$	135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$	12.70
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$	7.16
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RATE ADJUSTMENT MECHANISM:

The Commission-authorized Water and Sewer Investment Plan (WSIP) has been approved and is in effect from the period of April 1, 2023 through March 31, 2026. The WSIP mechanism is subject to regular Commission review and to audit and refund provisions. By law, any rate adjustment allowed under an approved WSIP shall not, on an annual basis for years two and three of the WSIP, exceed five percent of the utility's North Carolina retail jurisdictional gross revenues for the preceding plan year. The Commission may, however, consider the addition of certain unplanned emergency capital investments even if such expenditures would cause the cap to be exceeded.

The Commission may eliminate or modify any WSIP if it determines that elimination or modification is in the public interest.

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism is suspended during the period of time in which the CWSNC has rates under the WSIP mechanism active.

Information regarding this proceeding can be accessed from the Commission's website at www.ncuc.net under the docket number of this proceeding (W-354 Sub 400).

Additional information regarding the WSIP mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for

docket number "W-354 Sub 400".

Further notice for WSIP Rate Year 2 and WSIP Rate Year 3 will be provided prior to the implementation of new rates. WSIP Rate Year 2 begins April 1, 2024 and WSIP Rate Year 3 begins April 1, 2025.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of _____, 2023

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
 Application by Carolina Water Service,)
 Inc., of North Carolina for Authority to)
 Adjust and Increase Rates for Water and) WSIP RATE YEAR 1
 Sewer Utility Service in All Its Service) NOTICE TO CUSTOMERS
 Areas in North Carolina and Approval of a)
 Three Year Plan)

NOTICE IS HEREBY GIVEN THAT the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to increase rates for water and sewer utility service in Treasure Cove, Register Place Estates, North Hills, and Glen Arbor/North Bend Subdivisions, Fairfield Harbour Service Area, Bradfield Farms, Larkhaven (Sewer), Silverton, and Woodland Farms Subdivisions, and Hawthorne at the Green Apartments. For the period of April 1, 2023 through March 31, 2024 the new approved rates are as follows:

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$	21.52
1" meter	\$	53.80
1 1/2" meter	\$	107.60
2" meter	\$	172.16

Usage Charge, per 1,000 gallons	\$	8.30
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	5.71
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SEWER RATES AND CHARGES

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$	70.95
Bulk Flat Rate, per REU	\$	70.95

Commercial and Other:

Monthly Flat Rate, per REU (Customers who do not take water service)	\$	70.95
Monthly Metered Rates (based on meter size with zero usage)		
<1" meter	\$	58.72
1" meter	\$	146.80
1 1/2" meter	\$	293.60
2" meter	\$	469.76
Usage Charge, per 1,000 gallons	\$	3.73

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU	\$	70.95
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(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$	3.73
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RATE ADJUSTMENT MECHANISM:

The Commission-authorized Water and Sewer Investment Plan (WSIP) has been approved and is in effect from the period of April 1, 2023 through March 31, 2026.

The WSIP mechanism is subject to regular Commission review and to audit and refund provisions. By law, any rate adjustment allowed under an approved WSIP shall not, on an annual basis for years two and three of the WSIP, exceed five percent of the utility's North Carolina retail jurisdictional gross revenues for the preceding plan year. The Commission may, however, consider the addition of certain unplanned emergency capital investments even if such expenditures would cause the cap to be exceeded.

The Commission may eliminate or modify any WSIP if it determines that elimination or modification is in the public interest.

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism is suspended during the period of time in which the CWSNC has rates under the WSIP mechanism active.

Information regarding this proceeding can be accessed from the Commission's website at www.ncuc.net under the docket number of this proceeding (W-354 Sub 400).

Additional information regarding the WSIP mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 400".

Further notice for WSIP Rate Year 2 and WSIP Rate Year 3 will be provided prior to the implementation of new rates. WSIP Rate Year 2 begins April 1, 2024 and WSIP Rate Year 3 begins April 1, 2025.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of _____, 2023

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-354, SUB 400

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc. of)
North Carolina for Authority to Adjust and)
Increase Rates and Charges for Water and) AFFIDAVIT OF
Sewer Utility Service in All Service Areas of) MATTHEW SCHELLINGER
North Carolina and Approval of a Three-Year)
Water and Sewer Investment Plan)

**AFFIDAVIT OF MATTHEW SCHELLINGER
REGIONAL DIRECTOR OF FINANCIAL PLANNING AND ANALYSIS
CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA**

Matthew Schellinger, Regional Director of Financial Planning and Analysis for Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company"), first being duly sworn, deposes and says:

1. On July 1, 2022, CWSNC filed a Rate Case Application with the Commission in this docket seeking authority to adjust and increase its rates for providing water and sewer utility service in all of its service areas in North Carolina.

2. On November 22, 2022, CWSNC and the Public Staff filed a Joint Partial Settlement Agreement and Stipulation ("Stipulation") in this proceeding.

Section II, Paragraph D of the Stipulation provides as follows:

The Stipulating Parties have agreed to a methodology for calculating regulatory commission expense, also known as rate case expense, and will update the number for actual and estimated costs through the end of this proceeding, once supporting documentation is provided by CWSNC. Rate case expense (both the unamortized portion from previous case(s) and the current rate case expense for

this proceeding) will be amortized over a 4-year period without a return or carrying costs. CWSNC agrees to establish a regulatory liability with no carrying costs to record recovery associated with rate case expense over amortization after year 4.

3. As required by the Stipulation, CWSNC has provided the Public Staff with all required documentation of rate case expense incurred to date in conjunction with this proceeding. The documentation provided by the Company includes an estimate for the costs of preparing and mailing Notices to Customers (\$48,944)¹ once the Commission issues its Final Order in this case, and an estimate totaling \$25,500 for post-hearing work (including work on preparation of the Proposed Order and issues related to performance metrics) by the Company's attorneys; for a total estimated post-hearing expense of \$74,444. Otherwise, all costs submitted by CWSNC for review by the Public Staff and for inclusion in the Company's cost of service in this proceeding are based on actual costs incurred to date.

4. CWSNC's rate case costs related solely to this case total \$735,606. Those costs are broken down into the following categories and applicable amounts:

Capitalized Time	\$ 124,391
Administrative	\$ 79,293
Consulting Fees	\$ 109,080
Attorney Fees ²	\$ 412,906
Travel Expenses	\$ 9,936
TOTAL	\$ 735,606

¹ CWSNC has included an estimate for this expense in the amount of \$48,944, to account for the cost of two sets of notices to customers, for the interim rates notice and the final order notice.

² The listed expense for attorney fees also includes costs related to the NCUC Sub 400 Rate Case Application filing fee, printing costs for the Company's Rate Case Application and direct and rebuttal testimony, settlement-related matters, evidentiary hearing matters, and post-hearing matters.


5. CWSNC requests that the Commission approve cost recovery of the Company's total rate case costs in the amount of \$1,690,844 with those costs being amortized over four years. The total amount of \$1,690,844 includes \$955,238 of costs related to unamortized rate case expense from prior proceedings plus the amount of \$735,606 related to this case. The amount was agreed to be amortized over four years. The annual amortization expense for rate case costs which CWSNC requests that the Commission include in rates is \$422,711.

6. Also included in the Regulatory Commission Expense line is \$145,269 in miscellaneous regulatory costs for filings and compliance type activities not directly related to rate case costs. These expenses are a direct cost of service, not disputed, and were agreed upon between CWSNC and the Public Staff in the Stipulation.

7. Thus, CWSNC requests that the Commission include in rates an annual amount of rate case costs of \$422,711 and miscellaneous regulatory costs of \$145,269, for a total amount of \$567,980.

FURTHER, AFFIANT SAYETH NOT.

This the 1st day of February, 2023.




Matthew Schellinger
Regional Manager of Financial Planning and
Analysis
Carolina Water Service, Inc. of North Carolina

Sworn and subscribed to before me, this 1 day of February, 2023.

Christopher Anderson
Notary Public

(SEAL)

 **Christopher Anderson**
Notary Public for South Carolina
Commission Expires: 06/08/2031

My Commission Expires: 06/08/2031