

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1314, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Pluris Webb Creek, LLC,) ORDER APPROVING AGREEMENT
5950 Berkshire Lane, Suite 800, Dallas,) AND STIPULATION, GRANTING
Texas, 75225 for Authority to Increase Rates) RATE INCREASE, AND REQUIRING
for Sewer Utility Service in All Service Areas) CUSTOMER NOTICE
in Onslow County, North Carolina)

HEARD: Wednesday, September 23, 2020, at 6:30 p.m., remotely via Webex

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding, Chair Charlotte A. Mitchell, and Commissioners Lyons Gray, Daniel G. Clodfelter, Kimberly W. Duffley, Jeffrey A. Hughes, and Floyd B. McKissick, Jr.

APPEARANCES:

For Pluris Webb Creek, LLC:

Daniel C. Higgins, Burns, Day & Presnell, P.A., Post Office Box 10867,
Raleigh, North Carolina 27605

For the Using and Consuming Public:

William E. H. Creech, Public Staff – North Carolina Utilities Commission,
4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On March 17, 2020, in the above-captioned docket, Pluris Webb Creek, LLC (Pluris Webb Creek or Company), filed with the North Carolina Utilities Commission (Commission or NCUC) pursuant to Commission Rule R1-17(a), notice of its intent to file an application for a general rate case. On April 27, 2020, the Company filed its verified Application for a general rate increase for sewer utility service rates in all its service areas in Onslow County, North Carolina. Along with its Application, Pluris Webb Creek prefiled the direct testimony of Maurice W. Gallarda, PE, Managing Member, Pluris Holdings, LLC, and Daniel J. Winters, Chief Financial Officer, Pluris Holdings, LLC, and certain information and data required by NCUC Form W-1.

On May 26, 2020, the Commission issued its Order Establishing General Rate Case and Suspending Rates.

On August 6, 2020, Pluris Webb Creek filed Revised Pluris Schedule 10f, a revised schedule of present and proposed rates.

On August 10, 2020, the Commission issued an Order Scheduling Hearings and Requiring Customer Notice. On August 17, 2020, the Company filed a certificate of service demonstrating that Pluris Webb Creek provided notice of this general rate case proceeding to customers as required by the Commission's August 10, 2020 Order.

On August 24, 2020, Pluris Webb Creek filed an update to its operating expenses and rate base. On August 25, 2020, the Company filed a Revised Pluris Schedule 7, which provided updated information concerning development systems acquired or operated since the last rate case.

On September 23, 2020, a remote public hearing was held for the purpose of receiving customer testimony in this matter via Webex, as provided for in the Commission's Order issued August 10, 2020. Testimony from six sworn witnesses was heard by the Commission.

On September 25, 2020, the Public Staff prefiled the testimony and exhibits of Public Staff witnesses D. Michael Franklin, Utilities Engineer, Water, Sewer, and Telephone Division and Benjamin P. Lozier, Financial Analyst, Economic Research Division. The Public Staff also prefiled the affidavit and exhibit of Mary A. Coleman, Staff Accountant, Accounting Division.

On September 29, 2020, Pluris Webb Creek filed a Report Relating to Customer Hearing stating that no quality of service issues were raised by any customer testifying at the public hearing. In its report, Pluris Webb Creek responded to several non-quality of service concerns expressed by customers.

On October 9, 2020, the Public Staff and Pluris Webb Creek filed an Agreement and Stipulation of Settlement (Joint Stipulation), which reflected the parties' agreement on settlement.

On October 21, 2020, the Commission issued an Order Canceling Expert Witness Hearing, Requiring Notice to Customers, Admitting Evidence Into The Record, and Allowing the Filing of Proposed Orders and Briefs.

On November 23, 2020, the Public Staff and Pluris Webb Creek filed a Joint Proposed Order.

On the basis of the Application, the testimony, the affidavit, the Joint Stipulation, and the other evidence of record, the Commission now makes the following

FINDINGS OF FACT

General Matters

1. Pluris Webb Creek is a limited liability company duly organized under the laws of and authorized to do business in the State of North Carolina. Pluris Webb Creek is a franchised public utility providing sewer utility service to customers in North Carolina.

2. Pluris Webb Creek is properly before the Commission, pursuant to Chapter 62 of the General Statutes of North Carolina, for determination of the justness and reasonableness of its proposed rates and charges for its wastewater services provided in its Commission-assigned service area.

3. The appropriate test year for purposes of establishing rates in this docket is the 12-month period ended December 31, 2019, updated through July 31, 2020, for certain changes in plant, revenues, and costs that were not known at the time the Application was filed.

4. Pluris Webb Creek's present rates for sewer service have been in effect since August 2016, pursuant to the Commission's Order dated August 8, 2016, (EO Order) in Docket No. W-864, Sub 11 (EO Docket).

5. Pluris Webb Creek's present and proposed rates are as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Residential Flat Rate:</u>	\$ 37.69	\$ 73.38 (1)

(1) All residential customers

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Commercial Metered Rates:</u>		
Base charge, zero usage (minimum charge)		
< 1"	\$ 28.34	\$ 10.00
1"	\$ 28.34	\$ 25.00
1.5"	\$ 28.34	\$ 50.00
2"	\$ 25.24	\$ 80.00
4"	\$ 25.24	\$250.00
Usage charge, per 1,000 gallons	\$ 9.04	\$ 16.50

6. As of the 12-month period ended December 31, 2019, Pluris Webb Creek served approximately 1,354 residential flat rate sewer customers and eight metered commercial sewer customers in its service areas in Onslow County, North Carolina.

The Joint Stipulation

7. The Joint Stipulation is an agreement between the Public Staff and Pluris Webb Creek (the Stipulating Parties), who are the only parties to this docket.

8. The Joint Stipulation resolves all matters in controversy in this docket as between the Stipulating Parties to the case.

9. The Joint 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, including that submitted by the Company, the Public Staff, and the public witnesses who testified at the public witness hearing.

Acceptance of Stipulation

10. The revenue requirement agreed upon in the Joint Stipulation will provide Pluris Webb Creek and its ratepayers just and reasonable rates.

11. The provisions of the Joint Stipulation are just and reasonable to all parties to this proceeding, as well as Pluris Webb Creek's ratepaying customers, and serve the public interest.

12. It is appropriate to approve the Joint Stipulation in its entirety.

Customer Concerns and Service

13. A total of six customers testified at the public hearing on September 23, 2020. In general, the public witnesses objected to the proposed rate increase relating to Pluris Webb Creek's new membrane bioreactor (MBR) wastewater treatment plant (WWTP). None of the customers voiced any complaint regarding the quality of the service provided by Pluris Webb Creek.

14. Pluris Webb Creek served as the Commission-appointed emergency operator of the Webb Creek Water and Sewage, Inc. (Webb Creek) service area beginning in August 2016 until March 26, 2019, when Pluris Webb Creek became the franchise owner of the service area pursuant to Order dated March 26, 2019, in Docket No. W-864, Subs 11 and 14 and Docket No. W-1314, Sub 1.

15. As emergency operator, Pluris Webb Creek spent more than \$900,000 during the period 2016-2019 in an effort to address issues in the Webb Creek sequencing batch reactor (SBR) plant and collection system and the Company was able to achieve

reasonable compliance with the North Carolina Department of Environmental Quality (DEQ) requirements.

16. Despite Pluris Webb Creek's investment and efforts to achieve compliance with DEQ's requirements, lingering issues with the SBR plant and collection system continued due to continuing compliance issues that could not be adequately addressed, as well as crucial concerns about the integrity of the existing WWTP. During its site visit on December 4, 2019, the Public Staff observed the worsening condition of the then-operating aged SBR WWTP. Primary concerns included direct discharge from leaking tank vessels and the presence of enterococci in discharge effluent following treatment.

17. Pluris Webb Creek has built a new MBR WWTP 350,000 gallons per day (gpd) treatment capacity to replace the old deteriorated SBR WWTP. The new plant went into service on approximately June 16, 2020. The new MBR plant is sized to serve the legacy Webb Creek service area, a nearby development known as The Pines, and the general vicinity.

18. The overall quality of service provided by Pluris is good.

Rate Base

19. It is appropriate to treat the letter of credit proceeds of \$100,000 obtained by the Commission through forfeiture of Webb Creek's bond security in Docket No. W-864, Sub 11, and disbursed to Pluris Webb Creek in 2019 as cost-free capital and as a reduction to rate base.

20. The appropriate level of rate base used and useful in providing sewer utility service is \$6,132,257 for Pluris Webb Creek's operations, consisting of the following components:

<u>Item</u>	<u>Amount</u>
Plant in service	\$6,784,276
Accumulated depreciation	<u>(242,905)</u>
Net plant in service	6,541,371
Contributions in aid of construction	(54,000)
Accumulated amortization – CIAC	1,026
Prepaid tap on fees	(128,898)
Customer deposits	(29,175)
Accumulated deferred income taxes - ADIT	(164,156)
Cost free capital	(100,000)
Cash working capital	67,451
Average tax accruals	<u>(1,362)</u>
Original cost rate base	<u><u>\$6,132,257</u></u>

Operating Revenues

21. The appropriate level of operating revenues under present rates for use in this proceeding is \$628,499, consisting of service revenues of \$606,592 and miscellaneous revenues of \$24,490, reduced by uncollectible accounts of \$2,583.

22. Pluris Webb Creek requested an increase in rates that would produce \$575,464 in additional total operating revenues after Public Staff adjustments, an increase of 92% over present annual total operating revenues.

Maintenance and General Expense

23. The appropriate level of operation and maintenance expense for Pluris Webb Creek's operations for use in this proceeding is \$539,607.

24. It is appropriate for Pluris Webb Creek to recover total rate case expenses of \$85,000 related to the current proceeding which is comprised of \$37,500 in legal fees, \$42,500 in capitalized labor, and \$5,000 in postage and printing to mail customer notices, the rate case filing fee, and miscellaneous expenses.

25. It is appropriate to amortize the total rate case expenses for the current proceeding over five years, resulting in an annual level of rate case expense of \$17,000, as agreed to by the Stipulating Parties.

Depreciation, Amortization Expense, Regulatory Fee and Taxes

26. The appropriate level of depreciation expense for use in this proceeding is \$197,847 and the appropriate level of amortization expense - CIAC for use in this proceeding is (\$898).

27. The appropriate level of payroll taxes for use in this proceeding is \$6,811.

28. It is reasonable and appropriate to calculate regulatory fee expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission's June 18, 2019 Order issued in Docket No. M-100, Sub 142. The appropriate level of regulatory fee for use in this proceeding is \$1,565.

29. It is reasonable and appropriate to use the current North Carolina corporate income tax rate of 2.50% to calculate Pluris Webb Creek's revenue requirement. The appropriate level of state income taxes for use in this proceeding is \$7,990.

30. It is reasonable and appropriate to use the federal corporate income tax rate of 21.00% to calculate Pluris Webb Creek's revenue requirement. The appropriate level of federal income taxes for use in this proceeding is \$65,439.

31. 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.

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

32. The cost of capital and revenue increase approved in this Order is intended to provide Pluris Webb Creek, through sound management, the opportunity to earn an overall rate of return of 6.28%. This overall rate of return is derived from applying an embedded cost of debt of 4.11%, and a rate of return on common equity of 8.98%, to a capital structure consisting of 55.32% long-term debt and 44.68% common equity.

33. An 8.98% rate of return on common equity for Pluris Webb Creek is just and reasonable in this general rate case.

34. A 44.68% equity and 55.32% debt ratio is a reasonable and appropriate capital structure for Pluris Webb Creek in this case.

35. A 4.11% cost of debt for Pluris Webb Creek is reasonable and appropriate for the purpose of this case.

36. The rate of return on common equity and capital structure approved by the Commission appropriately balances the benefits received by Pluris Webb Creek's customers from Pluris Webb Creek's provision of safe, adequate, and reliable wastewater utility service with the difficulties that some of Pluris Webb Creek's customers may experience in paying the Company's increased rates.

37. The 8.98% rate of return on common equity and the 44.68% equity capital structure approved by the Commission balance Pluris Webb Creek's need to obtain equity and debt financing with its customers' need to pay the lowest possible rates.

38. 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. Gen. Stat. § 62-133; and are fair to Pluris Webb Creek's customers generally and in light of the impact of changing economic conditions.

Revenue Requirement

39. The rate base method is the appropriate method to be used in this proceeding for determining fair and reasonable rates for sewer service as allowed by N.C.G.S. § 62-133.

40. The appropriate level of operating revenues under stipulated rates for use in this proceeding is \$1,203,963, consisting of service revenues of \$1,182,056 and miscellaneous revenues of \$24,490, reduced by uncollectible accounts of \$2,583.

41. Pluris Webb Creek’s rates should be changed by amounts which, after all pro forma adjustments, will produce service revenues of \$1,182,056. These rate increases will allow Pluris Webb Creek the opportunity to earn a 6.28% overall rate of return, which the Commission has found to be reasonable upon consideration of the findings in this Order.

42. The stipulated rates and charges listed below and included in Appendix A, attached to this Order, are just and reasonable and should be approved.

	<u>Stipulated Rates</u>
<u>Monthly Residential Flat Rate:</u>	\$ 73.38 per unit
 <u>Monthly Commercial Metered Rates:</u>	
Base charge, zero usage:	
<1” meter	\$ 10.00
1” meter	\$ 25.00
1.5” meter	\$ 50.00
2” meter	\$ 80.00
3” meter	\$ 250.00
Usage charge, per 1,000 gallons	\$ 16.50

43. Pluris Webb Creek’s current rates were authorized subject to true-up based on a final accounting of its emergency utility operations of the Webb Creek wastewater system and the subsequent granting of a certificate of public convenience and necessity (CPCN) with provisional interim rates. Pluris Webb Creek filed its final accounting as part of this rate case and should be allowed to recover from customers as rate base over time to mitigate rate impacts the amount of \$202,877 under recovered during its time as emergency operator.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-6

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. 7–12

The Joint Stipulation and Acceptance of Stipulation

The evidence supporting these findings of fact is found in the Joint Stipulation, the testimony of both Pluris Webb Creek's and the Public Staff's witnesses, and Joint Stipulation Exhibit I.

On October 9, 2020, Pluris Webb Creek and the Public Staff filed the Joint Stipulation, which resolves all issues in this proceeding between the Stipulating Parties. Pluris Webb Creek and the Public Staff are the only parties to this proceeding. Attached to the Joint Stipulation is Stipulation Exhibit 1, which demonstrates the impact of the Stipulating Parties' agreements on the calculation of Pluris Webb Creek's gross revenue for the test year ended December 31, 2019, updated to July 31, 2020, and adjusted for certain changes based upon circumstances occurring or becoming known through October 9, 2020.

Based upon the foregoing and the entire record herein, the Commission finds that the Joint Stipulation represents a negotiated settlement of all issues in this proceeding and that the provisions agreed to by the Stipulating Parties are reasonable and appropriate for purposes of this proceeding. In making this finding, the Commission gives substantial weight to the testimony of Pluris Webb Creek witnesses Gallarda and Winters, the affidavit and supporting exhibit of Public Staff witness Coleman, and the testimony and supporting exhibits of Public Staff witnesses Franklin and Lozier. The Commission finds that the resulting rates are just and reasonable to both Pluris Webb Creek and its ratepayers. In addition, the Commission finds that the provisions of the Joint Stipulation are just and reasonable to all parties to this proceeding and serve the public interest, and that it is appropriate to approve the Joint Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 13–18

Customer Concerns and Service

The evidence supporting these findings of fact is found in the testimony of the public witnesses appearing at the hearing, the Application, the testimony of Public Staff witness Franklin, and the testimony and exhibits of Pluris Webb Creek witness Gallarda.

On April 27, 2020, Pluris filed an application for a general rate increase, which was verified by Pluris Webb Creek's Managing Member. In the Application, the Company states that as of the end of the test year ended December 31, 2019, Pluris Webb Creek served approximately 1,354 residential and eight commercial sewer customers in Onslow County, North Carolina.

In his prefiled testimony, Public Staff witness Franklin testifies that he reviewed approximately seven position statements from Pluris customers. He states that all of the

customers expressed concern about the amount of the proposed rate increase; none of the customers had any service-related issues.

Six customers testified during the remote public hearing held Wednesday, September 23, 2020. All six customers expressed concern about the amount of the proposed rate increase, in particular relating to the scale of the new plant and the magnitude of the proposed rate increase. None of the public witnesses expressed any concerns regarding the quality of service provided by Pluris. The overall quality of service provided by Pluris is good, as supported by the Joint Stipulation.

In his prefiled testimony, Pluris Webb Creek witness Gallarda states that the Commission appointed Pluris Webb Creek as emergency operator of the Webb Creek wastewater system in August 2016 by the EO Order issued August 8, 2016. He further states that as detailed in the EO Order, and the Public Staff's Petition for Appointment of Emergency Operator and Approval of Rate Increase filed on August 3, 2016, in the EO Docket, there were numerous serious issues with the Webb Creek system. Witness Gallarda notes that the most significant issues concerned the condition of the plant, missing and non-operational equipment, ownership of system assets, outstanding liens, and serious environmental compliance issues with Webb Creek's operations.

Witness Gallarda next testifies that the majority of the Webb Creek system was more than 30 years old and due to years of neglect, much of it was beyond its practical design life. He also notes that lack of capital investment and periodic maintenance necessary to meet regulatory compliance contributed to the over 400 Notice of Violations (NOVs) issued to Webb Creek by North Carolina Department of Environmental Quality (DEQ). Witness Gallarda states that Pluris Webb Creek ultimately spent more than \$900,000 over the next 2½ years in an effort to address issues in the Webb Creek SBR plant and collection system and the Company was able to achieve substantial compliance with the DEQ requirements. He states that as to the situation with the DEQ certifications necessary for military personnel to buy and sell homes in the Webb Creek service area, with assistance from Senator Thom Tillis' office, Pluris Webb Creek was able to work with the Veterans Administration and DEQ to enable military personnel to buy and sell homes during Pluris Webb Creek's tenure as emergency operator.

Witness Gallarda then testifies that Pluris Webb Creek acquired the WWTP, the collection systems and the land and assets that comprise the Webb Creek system through Onslow County's tax foreclosure proceedings. He states that although Pluris Webb Creek was able to achieve substantial compliance with DEQ's requirements within a few months of being appointed emergency operator as a result of the Company's infusion of significant capital to address many of the problems at the Webb Creek WWTP, there are continuing compliance issues that cannot be adequately addressed, as well as significant concerns with the integrity of the existing WWTP. Primary concerns include direct discharge from leaking tank vessels and the presence of enterococci in discharge effluent following treatment.

Witness Gallarda further testifies that Pluris Webb Creek has undertaken the construction, on the existing WWTP site, of a new MBR wastewater treatment plant with a 350,000 gpd treatment capacity. He further states that the new MBR plant is sized to serve the legacy Webb Creek service area, a nearby development known as The Pines, and the general vicinity.

In his prefiled testimony, Witness Franklin provides a brief history of Pluris Webb Creek and its relationship to Webb Creek, the prior franchise owner of the service area. He states that Webb Creek was the original developer-owned utility providing wastewater service in this area since the 1980s.¹ The owner-developer comingled development and utility property, which, due to financial problems, resulted in liens on property used to provide utility service. On August 8, 2016, in Docket No. W-864, Sub 11, the Commission issued its Order Appointing Emergency Operator, Approving Increased Rates, and Requiring Customer Notice, whereby Pluris Webb Creek was appointed emergency operator of Webb Creek's wastewater system. The Commission's Finding of Fact No. 12 in its August 8, 2016 Order provides additional context regarding the state of affairs, the plight of customers, and the wastewater system at that time:

A real emergency exists regarding the Webb Creek wastewater utility system, as Webb Creek does not have and has no prospect of obtaining the funds for necessary operations, system replacements and upgrades, and is in material non-compliance with G.S. 143-215.1, its NPDES Permit, and its Collection Permit, and its customers are in imminent danger of losing adequate wastewater utility service.

In this proceeding, through his prefiled testimony witness Franklin testifies that Pluris Webb Creek was able to acquire ownership the property necessary to operate the wastewater system, and to establish reasonable compliance with state requirements. Witness Franklin further testifies that on March 26, 2019, in Docket Nos. W-864, Sub 11 and 14, and Docket No. W-1314, Sub 1, the Commission canceled the franchises of Webb Creek and granted franchises for the same service areas to Pluris Webb Creek. He noted that the Commission's Finding of Fact No. 1 from its March 26, 2019 Order states as follows:

In addition to the various grounds adequate for revocation of the Webb Creek CPCN and franchise recognized in the June 28, 2018 Conditions Order, and in addition to the practical, operational, and financial problems and issues resulting from the deteriorated state of the Webb Creek wastewater system and the liens against system assets, and the fact that J. Hal Kinlaw is serving a lengthy sentence in federal prison, there is no reasonably foreseeable or feasible scenario in which Webb Creek would be able to resume operation of this system. The only clear path to bringing long-term stability to the provision of public utility wastewater service in the Webb Creek service area involves replacing Webb Creek with a competent and well-capitalized public utility that can make the investments necessary

¹ See Docket No. W-864.

to bring the Webb Creek wastewater system into compliance and stabilize the provision of service to the public in this service area. It is in the public interest that the CPCN previously issued to Webb Creek be revoked.

Witness Franklin further testifies that the Webb Creek WWTP also treats the wastewater of customers previously served by Pine Utilities, Inc., as the wastewater system of Pine Utilities, Inc., was transferred to Pluris Webb Creek pursuant to Commission Order issued on November 14, 2019, in Docket Nos. W-1314, Sub 0 and 2, and Docket No. W-822, Sub 3.

Witness Franklin next testifies that Pluris Webb Creek has built a new MBR WWTP to replace the old deteriorated WWTP. The new plant went into service on approximately June 16, 2020. Witness Franklin describes Pluris Webb Creek's wastewater system as consisting of a new 350,000 gallons per day MBR WWTP and a collection network comprised of approximately three miles of force main, twelve miles of gravity main, and eight duplex lift stations.

Witness Franklin also testifies that the Public Staff has made two recent visits to the Pluris Webb Creek WWTP and the Company's call center (owned and operated by its parent company, Pluris Holdings, LLC) located in Sneads Ferry. Witness Franklin states that on December 4, 2019, he and David Furr, Director of the Public Staff Water, Sewer, and Telephone Division accompanied by Messrs. Maurice Gallarda, Randy Hoffer, and Michael Gallant, representatives from Pluris Webb Creek, visited and visually inspected the then-operating WWTP built by the prior operator as well as the Pluris Webb Creek WWTP being constructed, and toured the call center. He notes that during the December 4, 2019 visit, the Public Staff observed the worsening condition of the then-operating aged WWTP and discussed with Pluris Webb Creek the improvements made by the Company since its appointment as emergency operator. Witness Franklin further testifies that on June 11, 2020 the Public Staff toured the new MBR WWTP, which was in operation after recently completing operational testing. He states that he observed that the MBR WWTP appears to be operating extremely well, including producing clear effluent.

Based upon the foregoing, and after careful review of the testimony of the customers at the public hearing and the Public Staff's engineering and service quality investigation, the Commission concludes that, consistent with the statutory requirements of N.C.G.S. § 62-131(b), the overall quality of service provided by Pluris Webb Creek is adequate, efficient, and reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 19-20

Rate Base

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Winters, the

affidavit of Public Staff witness Coleman, the testimony of Public Staff witness Franklin, the Joint Stipulation, the EO docket, and the records of the Commission.

Stipulation Exhibit I, Schedule 2, provides as follows:

<u>Item</u>	<u>Amount Per Application</u>	<u>Public Staff Adjustments</u>	<u>Amount Per Public Staff</u>
Plant in service	\$6,784,276	\$0	\$6,784,276
Accumulated depreciation	<u>(242,905)</u>	<u>0</u>	<u>(242,905)</u>
Net plant in service	6,541,371	0	6,541,371
Contributions in aid of constr.	(54,000)	0	(54,000)
Accumulated amortization – CIAC	1,026	0	1,026
Prepaid tap on fees	(128,898)	0	(128,898)
Customer deposits	(29,175)	0	(29,175)
Accum. def. income taxes	(164,156)	0	(164,156)
Cost free capital	0	(100,000)	(100,000)
Cash working capital	68,077	(626)	67,451
Average tax accruals	<u>0</u>	<u>(1,362)</u>	<u>(1,362)</u>
Original cost rate base	<u>\$6,234,245</u>	<u>(\$101,988)</u>	<u>\$6,132,257</u>

In Docket No. W-864, Sub 11 and Sub 14 and W-1314, Sub 1, the Commission concluded that

“[g]iven the level of Pluris’s investment in the existing WWTP and collection system, the fact that Pluris now owns the WWTP and will be responsible for demolishing it, the impact of the Webb Creek WWTP on other service areas in Onslow County (i.e., The Pines Development and general vicinity), and the Public Staff’s recommendation in these dockets, the Commission concludes that it is appropriate to disburse the \$100,000 proceeds from the forfeiture of Webb Creek’s bond security to Pluris. This funding will constitute cost-free capital for Pluris and will allow Pluris to recover some portion of the expenditures it has made in addressing issues in the Webb Creek wastewater system.

Consequently, the Commission finds that it is appropriate to treat the \$100,000 proceeds from the forfeiture of Webb Creek’s bond security and previously disbursed to Pluris Webb Creek as cost-free capital and as a reduction to rate base in this proceeding, as agreed to by the Stipulating Parties.

Stipulation Exhibit I reflects the agreement between the Stipulating Parties concerning all components of rate base. Therefore, based on the evidence in the record, the Commission finds that the adjustments to rate base provided for in the Joint

Stipulation are appropriate for use in this proceeding. Accordingly, the appropriate level of rate base for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Plant in service	\$6,784,276
Accumulated depreciation	<u>(242,905)</u>
Net plant in service	6,541,371
Contributions in aid of construction	(54,000)
Accumulated amortization – CIAC	1,026
Prepaid tap on fees	(128,898)
Customer deposits	(29,175)
Accumulated deferred income taxes - ADIT	(164,156)
Cost free capital	(100,000)
Cash working capital	67,451
Average tax accruals	<u>(1,362)</u>
Original cost rate base	<u>\$6,132,257</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 21-22

Operating Revenues

The evidence supporting these findings of fact is found in the testimony of Pluris witness Winters and Public Staff witness Franklin, and the Affidavit of Public Staff witness Coleman. The following table summarizes the differences between the Company's level of operating revenues under present rates from its Application and the amounts recommended by the Public Staff:

<u>Item</u>	<u>Amount Per Application</u>	<u>Public Staff Adjustments</u>	<u>Amount Per Public Staff</u>
Service revenues	\$605,021	\$1,571	\$606,592
Miscellaneous revenues	24,490	0	24,490
Uncollectible accounts	<u>(2,583)</u>	<u>0</u>	<u>(2,583)</u>
Total operating revenues	<u>\$626,928</u>	<u>\$1,571</u>	<u>\$628,499</u>

The adjustments are supported by the testimony of Public Staff witness Franklin, including Franklin Exhibit 2, and the affidavit and exhibit of Public Staff witness Coleman. Based on the Joint Stipulation and the revisions agreed upon in Stipulation Exhibit I, the Company does not dispute the Public Staff adjustment to reflect pro forma level of service revenues under present rates.

In his prefiled testimony, witness Franklin testifies that he calculated revenues based on the billing data provided by the Company for the test year ended December 31, 2019. He notes that the billing data showed an increase of approximately 20 residential customers in the second half of the test year. Witness Franklin further explains that there is little to no growth in the Pluris Webb Creek service area but due to the large military

family presence in the area, the variations in the number of active customers is typically due to transfers and deployments. As a result, he states that he determined the number of active residential customers by taking the average number of active residential customers during the second half of the test year. He further testifies that during the test year, there was no change in the number of active commercial customers. Witness Franklin also states that he calculated the total consumption for the commercial customers for each meter size.

For reasons agreed to by the parties in the Joint Stipulation and as reflected in Findings of Fact 9-11, the Commission has found that the adjustment listed above is appropriate to be made to operating revenues under present rates in this proceeding. The Commission further finds that the Public Staff's adjustment to operating revenues under present rates stipulated by the parties are appropriate. Based on the foregoing, the Commission concludes that the appropriate level of operating revenues under present rates for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Service revenues	\$606,592
Miscellaneous revenues	24,490
Uncollectible accounts	<u>(2,583)</u>
Total operating revenues	<u>\$628,499</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 23-25

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 Pluris witness Winters and Public Staff witness Franklin, the Affidavit of Public Staff witness Coleman, and Stipulation Exhibit I.

The following table summarizes the differences between the Company's requested level of maintenance and general expenses and the amounts recommended by the Public Staff:

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<u>Item</u>	<u>Amount Per Application</u>	<u>Public Staff Adjustments</u>	<u>Amount Per Public Staff</u>
Salaries and wages	\$108,253	\$0	\$108,253
Employee benefits	23,339	0	23,339
Sludge removal expense	44,640	(6,000)	38,640
Purchased power	54,062	17,383	71,445
Chemicals	7,977	0	7,977
Materials and supplies (M&R)	15,758	(151)	15,607
Contract services - Engineering	0	0	0
Contract services - Accounting	0	0	0
Contract services - Legal	982	0	982
Contract serv. - Manage. Fees	128,732	0	128,732
Contract serv. - Direct utility fees	36,534	0	36,534
Contract services - Testing	31,208	(6,850)	24,358
Contract services - Other	6,719	0	6,719
Rent expense	0	0	0
Insurance – General Liability	142	0	142
Insurance – Workers Comp.	176	0	176
Insurance – Other	9,108	0	9,108
Miscellaneous expenses	50,595	0	50,595
Regulatory commission expense	<u>17,000</u>	<u>0</u>	<u>17,000</u>
Total O&M expenses	<u>\$535,225</u>	<u>\$4,382</u>	<u>\$539,607</u>

The adjustments are supported by the testimony of Public Staff witness Franklin, and the Affidavit and Exhibit of Public Staff witness Coleman. In his prefiled testimony, Witness Franklin testifies that he removed \$6,000 included by the Company for sludge removal expense because these amounts were incurred outside of the test year. Witness Franklin further testifies that he adjusted purchased power expense to reflect the increased power usage of the MBR plant as compared to the SBR plant. He next states that since the MBR plant went into service in June 2020, the Public Staff was provided the purchased power invoices for the months of July and August 2020. He further explains that while there is some fluctuation in WWTP power usage from month to month, the fluctuations are not seasonal and usage is relatively steady. He further testifies that the Public Staff used the July and August 2020 purchased power invoices provided by Pluris Webb Creek for the MBR WWTP and determined an average monthly purchased power expense amount. Thus, witness Franklin states that he calculated an increase to purchased power expense of \$17,383. Witness Franklin also testifies that he adjusted materials and supplies expense to exclude an amount not incurred in the test year and amounts for which supporting documentation was not provided by the Company. Finally, Witness Franklin states that he adjusted testing fees to exclude testing performed outside of the test year and an amount of \$6,250 that was proposed for by Pluris Webb Creek in its Application but later withdrawn in response to a Public Staff data request.

On the basis of the Joint Stipulation and revisions made by the Public Staff in the Affidavit of Public Staff Accountant Coleman Exhibit I, and Stipulation Exhibit I, the

Company and the Public Staff are in agreement concerning all adjustments recommended by the Public Staff to maintenance and general expenses. The Commission finds that the uncontested adjustments to maintenance and general expenses recommended by the Public Staff are appropriate adjustments to be made in this proceeding.

Based upon the foregoing, the Commission concludes that the appropriate level of maintenance and general expenses for combined operations for use in this proceeding are as follows:

<u>Item</u>	<u>Amount</u>
Salaries and wages	\$108,253
Employee benefits	23,339
Sludge removal expense	38,640
Purchased power	71,445
Chemicals	7,977
Materials and supplies (M&R)	15,607
Contract services - Engineering	0
Contract services - Accounting	0
Contract services - Legal	982
Contract serv. - Manage. Fees	128,732
Contract serv. - Direct utility fees	36,534
Contract services - Testing	24,358
Contract services - Other	6,719
Rent expense	0
Insurance – General Liability	142
Insurance – Workers Comp.	176
Insurance – Other	9,108
Miscellaneous expenses	50,595
Regulatory commission expense	<u>17,000</u>
Total O&M expenses	<u>\$539,607</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 26-31

Depreciation, Amortization Expense, Taxes and Regulatory Fee

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Winters the testimony of Public Staff witness Franklin, the affidavit of Public Staff witness Coleman, and Stipulation Exhibit I.

The following table summarizes the differences between the Company's level of depreciation and amortization expenses, taxes and regulatory fee from its Application and the amounts recommended by the Public Staff:

<u>Item</u>	<u>Amount Per Application</u>	<u>Public Staff Adjustments</u>	<u>Amount Per Public Staff</u>
Depreciation expense	\$197,847	\$0	\$197,847
Amortization of CIAC	(898)	0	(898)
Franchise and other taxes	0	0	0
Property taxes	0	0	0
Payroll taxes	6,811	0	6,811
Regulatory fee	850	(33)	817
State income tax	0	0	0
Federal income tax	<u>0</u>	<u>0</u>	<u>0</u>
Total depreciation and taxes	<u>\$204,610</u>	<u>(\$33)</u>	<u>\$204,577</u>

With respect to Pluris Webb Creek's regulatory fee expense, in light of the Joint Stipulation and revisions recommended by the Public Staff in its witnesses' testimony and reflected in Stipulation Exhibit I, the Company does not dispute the adjustment recommended by the Public Staff to regulatory fee expense. The Commission finds that the adjustment recommended by the Public Staff to regulatory fee expense, which is not contested, is an appropriate adjustment to be made to operating revenue deductions in this proceeding. Based on the foregoing, the Commission concludes that the appropriate level of depreciation, amortization expense, taxes, and regulatory fee for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Depreciation expense	\$197,847
Amortization of CIAC	(898)
Franchise and other taxes	0
Property taxes	0
Payroll taxes	6,811
Regulatory fee	817
State income tax	0
Federal income tax	<u>0</u>
Total depreciation and taxes	<u>\$204,577</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 32 - 38

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

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 Company witness Gallarda, the testimony and exhibits of Public Staff witness Lozier, and the Joint Stipulation.

In its Application, the Company requests approval for its rates to be set using a rate of return on common equity of 9.60%, which would yield an overall rate of return on rate base for Pluris Webb Creek of 6.56%. In his prefiled testimony, Witness Gallarda testifies that these rates would yield a rate of return on rate base for the Company that would be less than what the Commission set in recent rate cases for Carolina Water Service, Inc. of North Carolina (Docket No. W-354, Sub 364) and for Aqua North Carolina, Inc. (Docket No. W-218, Sub 497). Witness Gallarda further testifies that Pluris Webb Creek advocated for this approach to avoid increasing the amount of rate case expense that will be passed through to Pluris Webb Creek's ratepayers by employing an expert witness to address this issue in this docket. Witness Gallarda also testifies that the Company's current capital structure is 56% debt and 44% equity.

In his prefiled testimony, Public Staff witness Lozier recommends an overall rate of return of 6.29%, based on the Company's capital structure as of June 30, 2020, that is composed of 55.32% long-term debt, 44.68% common equity. This recommended overall rate of return recommendation is based on a cost rate of long-term debt of 4.11%, and a cost rate for common equity of 9.00%.

In the Joint Stipulation, the Public Staff and the Company agree on the capital structure of 55.32% long-term debt and 44.68% common equity and a cost of long-term debt of 4.11%, and reached a compromise on the rate of return on common equity solely for purposes of this settlement. In consideration of several factors, including the impacts of the Coronavirus pandemic on customers and changing economic conditions, the Stipulating Parties further agree to make use of a rate of return on common equity of 8.98% in setting rates in this proceeding. The Stipulating Parties note that their compromise on this issue yields a rate of return on equity that is lower than the 9.50% rate of return on equity that the Commission found to be appropriate in a recent rate case involving Carolina Water Service (Docket No. W-354, Sub 364), where this issue was vigorously litigated.

Having carefully reviewed the evidence related to the stipulated capital structure, the rate of return on common equity and the overall rate of return, the Commission finds that the stipulated and agreed-upon capital structure of 55.32% debt and 44.68% equity, the long-term debt cost rate of 4.11%, a return on common equity of 8.98%, and the opportunity to earn an overall rate of return of 6.28%, is just and reasonable. The Commission further finds that this return will allow the Company, by sound management, the opportunity to produce a fair return for its shareholders, to maintain its facilities and services in accordance with the reasonable requirements of customers, and to compete in the market for capital on terms that are reasonable and fair to its customers and to its shareholders.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 39-42

Revenue Requirement

The evidence supporting these findings of fact is found in testimony of Public Staff witnesses Franklin and Lozier, the Affidavit of witness Coleman, and in Stipulation Exhibit I.

In her affidavit, Public Staff affiant Coleman states that she used the rate base method pursuant to N.C.G.S. § 62-133, to calculate the Public Staff's recommended revenue requirement in this proceeding. Through the Joint Stipulation, the Stipulating Parties agree that Pluris Webb Creek's rates should be adjusted by amounts which, after all pro forma adjustments, will produce revenues of \$1,182,056. These rate increases will allow Pluris Webb Creek the opportunity to earn a 6.28% overall rate of return, as stipulated. The stipulated rate increases represent an increase of \$575,464 or 105% in total sewer operating revenues. Under the stipulated rates, the monthly flat sewer rate for a residential customer would increase from \$37.69 to \$73.38, or 95%.

Based upon the evidence of record, the Commission concludes that the stipulated rates and charges are just and reasonable and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 43

Final Accounting of Provisional Rates

The evidence supporting this finding of fact is found in testimony of Company witness Winters, the EO Docket, and the records of the Commission.

Pluris Webb Creek's current rates were authorized subject to true-up based on a final accounting of its emergency utility operations of the Webb Creek wastewater system and the subsequent granting of a CPCN with provisional interim rates. Pluris Webb Creek filed its final accounting as part of this rate case to demonstrate the investment of \$900,000 to address issues and problems with the system during its time as emergency operator. Pluris states that it is currently earning a 2.41% return and is unable to cover its operating costs and earn a reasonable return on its investment. As discussed in witness Winters' prefiled testimony the final accounting provided with the Application shows that Pluris Webb Creek under-recovered \$202,877 during its time as emergency operator. Witness Winters states that Pluris Webb Creek proposes to recover this under recovery as rate base over time to mitigate rate impacts. Pluris Webb Creek provided its proposed adjustment in Pluris Schedule 10b filed with the Application and updated on August 24, 2020, to reflect its updates to rate base as of July 31, 2020. Stipulation Exhibit I, Schedule 2, Original Cost Rate Base, includes the Company's \$202,877 adjustment to rate base in this proceeding to reflect the calculated under recovery.

The Commission concludes that the adjustment recommended by Pluris Webb Creek in this proceeding to account for the under recovered \$202,277 during the

Company's time as emergency operator, which has been included by the Stipulating Parties in Stipulation Exhibit I, Schedule 2, is an appropriate adjustment to be made in this proceeding and should be accepted as the required final accounting of the provisional rates charged by Pluris Webb Creek.

IT IS, THEREFORE, ORDERED as follows:

1. That the Joint Stipulation is incorporated herein by reference and is hereby approved in its entirety;
2. That the Joint Stipulation and the parts of this Order pertaining to the contents of the Joint Stipulation shall not be cited or treated as precedent in future proceedings;
3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and the rates set forth therein are hereby authorized to become effective for service rendered on and after the date of this Order;
4. That the Notice to Customers, attached hereto as Appendix B, 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; and
5. That Pluris Webb Creek shall file the attached Certificate of Service, properly signed and notarized, not later than 45 days after the issuance of this Order.

ISSUED BY ORDER OF THE COMMISSION

This the 17th day of December, 2020.

NORTH CAROLINA UTILITIES COMMISSION



Joann R. Snyder, Deputy Clerk

SCHEDULE OF RATES

for

PLURIS WEBB CREEK, LLC

for providing sewer utility service

in

ALL OF ITS SERVICE AREAS SERVED BY THE
PLURIS WEBB CREEK WASTEWATER UTILITY SYSTEM

Onslow County, North Carolina

Monthly Residential Flat Rate: \$ 73.38 per unit

Monthly Commercial Metered Rates:

Base charge, zero usage:

<1" meter	\$ 10.00
1" meter	\$ 25.00
1.6" meter	\$ 50.00
2" meter	\$ 80.00
3" meter	\$ 250.00

Usage charge, per 1,000 gallons \$ 16.50

Customers who ask to be reconnected at the same service location within nine months of disconnection, will be charged the entire flat rate or base monthly charge for the periods they were disconnected.

Reconnection Charge:

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

(Customers shall be given a written estimate of the actual costs prior to disconnection. An actual invoice of the costs shall be given to the customer following disconnection.)

Connection Fee:

Residential: \$3,200 per SFE

Each additional bedroom beyond
three per residence \$1,607

Commercial: \$3,200 per SFE

A single family equivalent (SFE) for a detached single family residence is three or less bedrooms.

A SFE for a commercial connection is determined by taking the design flow capacity for each non-residential commercial customer, as set forth in Administrative Code 15A NCAC 2 T .0114, and dividing the design flow by 360.

Road Bore Charge:

The road bore charge shall be the actual costs of labor and materials for the road boring. This charge shall be in addition to the connection fee. The customer may, choose to have a licensed contractor perform the road bore at the customer's sole expense, provided that the road bore and all related work shall be in accordance with Pluris's standards.

The above connection fees, and Road Bore Charge do not apply to future connections for which prepaid connection fees have been received prior to the date of this Order.

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Return Check Fee: \$25.00

Billing Frequency:

Flat Rate Residential Customers Shall be monthly for service in advance
Metered Commercial Customers Shall be monthly for service in arrears

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

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1314, SUB 4
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is hereby given that the North Carolina Utilities Commission has issued an Order authorizing Pluris Webb Creek, LLC, to increase sewer rates in its service areas in Onslow County, North Carolina. The new approved rates are as follows:

Monthly Residential Flat Rate: \$ 73.38 per unit

Monthly Commercial Metered Rates:

Base charge, zero usage:

<1" meter	\$ 10.00
1" meter	\$ 25.00
1.5" meter	\$ 50.00
2" meter	\$ 80.00
3" meter	\$ 250.00

Usage charge, per 1,000 gallons \$ 16.50

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of December, 2020.

NORTH CAROLINA UTILITIES COMMISSION



Joann R. Snyder, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-1314, Sub 4 and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2020.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day, and being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____, 2020, in Docket No. W-1314, Sub 4.

Witness my hand and notarial seal, this the ____ day of _____, 2020.

Notary Public

Printed or Typed Name

(SEAL) My Commission Expires:

Date