



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

August 11, 2023

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. W-354, Sub 399 – Application by Carolina Water Service, Inc. of North Carolina, 5821 Fairview Road, Suite 401, Charlotte, North Carolina, 28209, for a Certificate of Public Convenience and Necessity to Provide Water Utility Service to the Carteret County Water System, and for Approval of Rates.

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the Proposed Order of the Public Staff, submitted in compliance with the Commission's July 11, 2023 Notice.

By copy of this letter, we are forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted

/s/ William E. H. Creech

Staff Attorney

[zeke.creech@psncuc.nc.gov](mailto:zeke.creech@psncuc.nc.gov)

/s/ James Bernier

Staff Attorney

[james.bernier@psncuc.nc.gov](mailto:james.bernier@psncuc.nc.gov)

cc: Parties of Record

Executive Director  
(919) 733-2435

Accounting  
(919) 733-4279

Consumer Services  
(919) 733-9277

Economic Research  
(919) 733-2267

Energy  
(919) 733-2267

Legal  
(919) 733-6110

Transportation  
(919) 733-7766

Water/Telephone  
(919) 733-5610

### CERTIFICATE OF SERVICE

I certify that a copy of this Public Staff Proposed Order has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 11th day of August, 2023.

Electronically submitted /s/  
William E. H. Creech  
Staff Attorney

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STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-354, SUB 399

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Carolina Water Service, Inc. of )  
North Carolina, 5821 Fairview Road, Suite 401, )  
Charlotte, North Carolina 28209, for a Certificate ) PROPOSED ORDER  
of Public Convenience and Necessity to Provide ) OF THE PUBLIC STAFF  
Water Utility Service to the Carteret County )  
Water System, and for Approval of Rates )

HEARD: Tuesday, October 18, 2022, at 7:00 p.m., in the Commission Board Room, Carteret County Courthouse, 2nd Floor, 302 Courthouse Square, Beaufort, North Carolina 28516

Tuesday, June 20, 2023, at 10:00 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina 27603

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

APPEARANCES:

For Carolina Water Service, Inc. of North Carolina:

Jo Anne Sanford, Sanford Law Office, PLLC, 721 North Bloodworth Street, Raleigh, North Carolina 27604

For Carteret County:

Claud R. Wheatly, III, Wheatly Law Group, PA, 710 Cedar Street, Beaufort, North Carolina 28516

For the Using and Consuming Public:

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

BY THE COMMISSION: On June 25, 2018, N.C. Gen. Stat. § 62-133.1A became law (Fair Value Statute). It authorized water and wastewater public utilities to elect to use a fair value determination for rate-making purposes when acquiring utilities owned by countries, municipalities, and other government utilities.

On December 30, 2020, in Docket W-100, Sub 60, the Commission adopted Commission Rules R7-41 and R10-28 to implement the Fair Value Statute.

On October 18, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC or the Company), as buyer, and Carteret County, North Carolina (Carteret County or the County), as seller, entered into a Utility Asset Purchase Agreement (as subsequently amended, the APA) pursuant to which CWSNC proposed to purchase the assets of the Carteret County Water System (System) for a purchase price of \$9.5 million, excluding cash and accounts receivable (the Proposed Transfer).

On July 26, 2022, CWSNC filed an Application for Determination of Fair Value of Utility Assets Pursuant to N.C.G.S. § 62-133.1A and Establishing Rate Base for Acquisition of the Carteret County Water System (Fair Value Application) in Docket No. W-354, Sub 398 (the Fair Value Docket or Fair Value Proceeding).

On August 2, 2022, CWSNC filed with the Commission in this docket (the CPCN Docket or CPCN Proceeding) an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates (as amended, CPCN Application) pursuant to N.C.G.S. § 62-110 (CPCN Statute) to provide water utility service to the System.

On August 25, 2022, the Public Staff notified CWSNC by letter filed with the Commission that it had reviewed the CPCN Application and deemed the Application to be incomplete.

On August 26, 2022, CWSNC filed with the Commission a revised CPCN Application and responses to the deficiencies identified by the Public Staff. On September 2, 2022, CWSNC filed with the Commission additional supplemental and confidential information.

On September 13, 2022, the Commission issued its Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). Among other things, the Scheduling Order provided for a joint public hearing on the Fair Value and CPCN Applications, an expert witness hearing on the Fair Value Application to be held on November 3, 2022, and an expert witness hearing on the CPCN Application to be held on April 11, 2023.

On October 18, 2022, the public hearing on the Fair Value and CPCN Applications was held at the Carteret County Courthouse in Beaufort, North Carolina (Public Hearing), as provided for in the Scheduling Order.

On November 3, 2022, the expert witness hearing was held on the Fair Value Application.

On November 21, 2022, the Commission issued an Order Extending Time for Filing Response to Customer Concerns, Allowing Public Staff Response, and Directing Both to be Filed in CPCN Docket and Fair Value Docket.

On November 22, 2022, CWSNC filed its Response to Customer Concerns-Beaufort NC Public Hearing October 18, 2022.

On December 16, 2022, the Public Staff filed its Motion for Extension of Time Nunc Pro Tunc and Verified Response to CWSNC's Response to Customer Concerns – Beaufort, NC Public Hearing October 18, 2022.

On December 22, 2022, the Commission issued an Order Granting Public Staff's Motion for Extension of Time and Directing Further Utility Reporting.

On January 17, 2023, the Company filed its CWSNC Supplemental Response to Customer Concerns from Beaufort, NC Public Hearing.

On February 10, 2023, in the Fair Value Docket, the Commission issued its Order Establishing Rate Base of Water System Acquired from Carteret County (Fair Value Order) in which the Commission granted CWSNC's Fair Value Application to establish rate base by the fair value method. The Commission also held that the reasonable and appropriate fair value of the System assets being acquired by CWSNC, as adjusted in the public interest, is \$8,416,000, that the

reasonable fees and transaction and closing costs are \$312,039, and that the resulting rate base value of the System assets is \$8,728,039 as of the date of the acquisition.

On March 10, 2023, the Public Staff filed in the CPCN Docket the direct testimony and exhibits of Lynn Feasel and Charles Junis.

On March 27, 2023, the County filed a Petition to Intervene, a Motion to Extend Date of Hearing, and the rebuttal testimony and exhibits of Tommy Burns and Dee Meshaw.

On March 29, 2023, the Company filed the rebuttal testimony and exhibits of Donald H. Denton III and Matthew P. Schellinger II.

On April 4, 2023, the Commission issued its Order Granting Carteret County's Petition to Intervene and Denying Motion to Extend Date of Hearing.

On April 10, 2023, upon a request from CWSNC and Carteret County, the Commission issued its Order Postponing Expert Witness Hearing, postponing the April 11, 2023 expert witness hearing to be rescheduled upon further order of the Commission.

On May 1, 2023, the Commission issued an Order Rescheduling the Expert Witness Hearing to June 20, 2023.

On June 9, 2023, the Company filed revised rebuttal exhibits of witness Schellinger<sup>1</sup> and, on June 13, 2023, the Public Staff filed updated testimony and exhibits of Lynn Feasel and Charles Junis.

On June 20, 2023, this matter came on for hearing before the Commission. The Public Staff presented the testimony and exhibits of witnesses Feasel and Junis. The Company presented the rebuttal testimony and exhibits of witnesses Denton and Schellinger; the Company also offered witnesses Denton and Schellinger to answer questions on the Company's CPCN Application. Carteret County presented the rebuttal testimony and exhibits of witnesses Burns and Meshaw. Each parties' witnesses testified as a panel.

In the evidentiary hearing, the Commission took judicial notice of the entire record of the Fair Value Proceeding. Tr. Vol. 2, 10.

On July 7, 2023, the Public Staff filed Public Staff Late-Filed Exhibits Nos. 1 and 2.

Based upon consideration of the pleadings, testimony, and exhibits received into evidence, the Public Staff's late-filed exhibits, the proceedings in the Fair Value Docket, and the record as a whole in this CPCN Docket, the Commission makes the following:

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<sup>1</sup> Revised Rebuttal Exhibit MPS-3 is denoted as an "Addendum to the Application."



## FINDINGS OF FACT

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 North Carolina, pursuant to North Carolina General Statutes, Chapter 62. CWSNC is a wholly owned subsidiary of Corix Regulated Utilities, Inc. (Corix).<sup>2</sup>

2. Carteret County, a county established under Chapter 162A of the General Statutes, is a “Local Government Utility” as defined by Commission Rule R7-41(b)(1).

3. The System consists of two water systems, North River/Mill Creek (North River or North River System) and Merrimon (Merrimon or Merrimon System) and serves approximately 1,250 water utility customers.

4. CWSNC is properly before the Commission pursuant to N.C.G.S. § 62-110 seeking determination of the public convenience and necessity of its CPCN Application.

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<sup>2</sup> On November 23, 2022, CWSNC, along with Corix Infrastructure (US) Inc. and SW Merger Acquisition Corp., jointly filed an application for approval of a business combination transaction pursuant to N.C.G.S. § 62-111 in Docket No. W-354, Sub 412. The evidentiary hearing was held on August 2, 2023.

5. System customers may seek redress via County employees and officials, benefits presently afforded to System customers that would not be available should the Proposed Transfer to CWSNC be approved.

6. CWSNC has applied for the existing Carteret County water rates and has committed to a temporary, four-year rate freeze for System customers.

7. CWSNC plans to propose that the System customers pay CWSNC uniform water rates in its next rate case, projected to be filed in 2026 for rates effective in 2027.

8. CWSNC's existing uniform water customers will likely pay higher rates to subsidize the Proposed Transfer if the Carteret County customers are included in uniform rates.

9. Merrimon System customers will be disproportionately harmed by the Proposed Transfer if they are charged uniform rates, which are significantly higher than the current rates paid by Merrimon System customers.

10. North River System customers will be harmed by the Proposed Transfer if they are charged uniform rates, but not to as great an extent as the Merrimon System customers if they are charged uniform rates.

11. CWSNC or Carteret County could mitigate the financial impact of the higher uniform rates on System customers after the proposed short-term rate

freeze by a reduction in rate base, a hardship fund, or other means; however, neither party has proposed any such mitigation.

12. CWSNC has not shown that there are meaningful economies of scale associated with the Proposed Transfer. Even if the contended economies were fully realized, they would marginally benefit the impacted customers by minimally reducing the rate increases to System customers and mitigating a future rate increase to CWSNC uniform customers.

13. Under County projected rates, System customers would pay for an annual capital reserve contribution for future capital needs.

14. Under CWSNC projected rates, System customers would pay a higher debt cost, a return on equity, and income taxes.

15. The System is in very good physical condition and does not require additional capital investment at this time.

16. CWSNC's Fair Value Application did not identify any deficiencies in the System as contemplated by N.C.G.S. § 62-133.1A and Commission Rule R7-41, and no deficiencies were identified by the engineering assessment conducted pursuant to N.C.G.S. § 62-133.1A(b)(2). However, in its CPCN Application, CWSNC identified "tank investments," which are part of the County's regular maintenance and rehabilitation of its elevated storage tanks, as improvements or additions to be made in the first year at a cost of \$125,000.

17. The System has a history of being well-maintained and providing adequate, safe, and reliable service to customers that continues today.

18. Carteret County has a history of providing technical, managerial, and financial expertise and capabilities necessary to own and operate the System.

19. The System has had no major environmental violations.

20. The System made a profit of \$39,605, or a 3.7% return, in the fiscal year ending June 30, 2022 (FY2022).

21. The System's forecasted rates include a substantial contribution to a reserve, in addition to the County's current Water Fund surplus that exceeds \$1 million.

22. Carteret County is scheduled to complete repayment of its low interest rate State Revolving Fund (SRF) loan in 2026.

23. It appears that the System will continue to be financially viable, if not profitable, even if the County institutes a savings rate to accumulate a capital reserve for future System replacements, rehabilitations, or improvements.

24. Carteret County is not subject to federal or state income tax on System revenues.

## APPLICABLE LEGAL STANDARD

Section 62-110(a) provides, in relevant part:

no public utility shall hereafter begin the construction or operation of any public utility plant or system or acquire ownership or control thereof, either directly or indirectly, without first obtaining from the Commission a certificate that public convenience and necessity requires, or will require, such construction, acquisition, or operation...

Similarly, N.C.G.S. § 62-111(a) provides, in relevant part:

no franchise now existing . . . shall be sold . . . except after application to and written approval by the Commission, which approval shall be given if justified by the public convenience and necessity.

In considering whether to approve an application under the CPCN statute, this Commission must focus upon the elements of public convenience and necessity, which allows the Commission considerable flexibility, as explained by the North Carolina Supreme Court:

The North Carolina Supreme Court has long recognized the flexibility of the public convenience and necessity standard, requiring that the distinct facts of each case be considered:

The doctrine of convenience and necessity has been the subject of much judicial consideration. No set rule can be used as a yardstick and applied to all cases alike. This doctrine is a relative or elastic theory rather than an abstract or absolute rule. The facts in each case must be separately considered and from those facts it must be determined whether or not public convenience and necessity require [the action].

*State ex rel. Utils. Comm'n v. Casey*, 245 N.C. 297, 302, 96 S.E.2d 8, 12 (1957) (citation and quotation marks omitted).

Finally, the decision of whether to grant or deny a CPCN must rest upon substantive evidence; it cannot rest on speculation or sentiment. *Cf. Howard v. City of Kinston*, 148 N.C. App. 238, 246, 558 S.E.2d 221, 227 (2002). The burden is on the applicant to provide this substantive evidence and demonstrate that the CPCN should be granted.

Order Denying Certificate of Public Convenience and Necessity for Merchant Generating Facility, Docket No. EMP-105, Sub 0, 7-8 (N.C.U.C. June 11, 2020) (Friesian Order).

In regard to acquisition adjustments, the Commission has a general policy against the inclusion of acquisition adjustments in rate base, subject to exceptions in appropriate instances. As discussed in the Order Approving Transfer and Denying Acquisition Adjustment issued January 6, 2000, in Docket No. W-1000, Sub 5 (North Topsail Order), as to whether an acquisition adjustment should be given rate base treatment, the Commission found that the purchasing utility must establish by greater weight of evidence that:

the price the purchaser agreed to pay for the acquired utility was prudent and that both the existing customers of the acquiring utility and the customers of the acquired utility would be better off [or at least no worse off] with the proposed transfer, including rate base treatment of any acquisition adjustment, than would otherwise be the case.

North Topsail Order at 27.

In the context of mergers, the Commission has laid out a three-part test for determining public convenience and necessity. That test should also be applicable in determining the appropriateness of the Proposed Transfer. As explained in the Order Approving Merger Subject to Regulatory Conditions and Code of Conduct

issued September 29, 2016, in Docket Nos. E-2, Sub 1095; E-7, Sub 1100; and G-9, Sub 682 (Duke/Piedmont Merger Order), to determine whether a proposed utility merger is justified, the Commission considers:

- (1) whether the merger would have an adverse impact on the rates and services provided by the merging utilities; (2) whether ratepayers would be protected as much as possible from potential costs and risks of the merger; and (3) whether the merger would result in sufficient benefits to offset potential costs and risks.

Duke/Piedmont Merger Order at 68.

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

The evidence supporting these findings of fact is contained in the record in the Fair Value Proceeding, the CPCN Statute, the Company's CPCN Application, and the testimony and exhibits of Company witness Schellinger. These findings and conclusions are informational and are not contested by any party.

This is the first CPCN proceeding held in conjunction with the granting of an application under the Fair Value Statute. While this Commission has taken judicial notice of the record in the Fair Value Proceeding, it is statutorily required to review issues of public convenience and necessity separately in this docket, as recognized by the Company by filing its CPCN Application.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5**

The evidence supporting this finding of fact is contained in the CPCN Statute, the Company's CPCN Application, the testimony and exhibits of Company

witness Schellinger, the testimony and exhibits of Public Staff witness Junis, and the entire record in this proceeding.

Like customers of many Local Government Utilities, System customers are in close proximity to the entity serving them. If they have questions or encounter problems, System customers may seek redress via employees and officials who live in the local community and work in local offices (County general services office and County government office) using email and local telephone numbers; System customers presently pay bills locally. Tr. vol. 2, Official Exhibits, Public Staff – CWSNC Application – Cross Exhibit No. 1. All of these current benefits would end if the Proposed Transfer is approved. This loss, while not quantifiable, could well outweigh any claimed gain of economies of scale or other stated benefits of the Proposed Transfer.

The Company's CPCN Application provides that under the Proposed Transfer, customers would no longer be able to pay bills in person, but rather would be required to mail payments to a post office box in Philadelphia or pay them electronically. Tr. vol. 3 – Exhibits, Application at 2. Instead of a local telephone number, customers would call an 800 number. *Id.* Yet, on cross-examination, witness Schellinger seemed to suggest that the ability to contact CWSNC's corporate office in Charlotte, which is further away from the System than the South Carolina and Virginia borders, would provide comparable accessibility for customers. Tr. vol. 2, 17.



As a privately held company, CWSNC's customers cannot acquire stock or have any control of their utility provider. Their recourse would be to seek assistance from the Public Staff or Commission in Raleigh or even to move outside the System service area.

There is substantial local opposition from System customers to the Proposed Transfer as evidenced by the approximately 1,000 local citizens who signed a petition against the transfer. Fair Value Order at 10. Additionally, hundreds of people attended public meetings in opposition to the transfer. *Id.* The consensus of the affected customers is a factor the Commission should consider when determining the public convenience and necessity of a proposed transfer of a Local Government Utility. The vote of the County Commission itself was divided, with only four of seven commissioners voting in favor of the transfer. *Id.* The meeting minutes for that vote seem to suggest that Commissioners who voted in favor might have thought funds from the sale would be set aside for System customers or directly benefit them:

... you would be reducing the amount of reserves that are in the fund and then if you sold it, those monies are going to the customers, the ones who paid all along.

Fair Value Proceeding Tr. vol. 4, Exhibits Part 2, Public Staff - Junis - Redirect Exhibit No. 3, September 20, 2021 Carteret County Meeting Minutes at 155. As explained below, any protection for System customers "who paid in all along" does not appear to be contemplated by CWSNC or the County.

## EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 6-12

The evidence supporting these findings of fact is contained in the record in the Fair Value Proceeding, the CPCN Statute, the Company's CPCN Application, the testimony and exhibits of Company witnesses Schellinger and Denton, County witnesses Burns and Meshaw, and Public Staff witnesses Feasel and Junis, Public Staff Late-filed Exhibits Nos. 1 and 2, and the entire record in this proceeding.

The water rates that CWSNC has applied for are the existing Carteret County rates. The Company has committed to a four-year rate freeze for System customers. Fair Value Order at 8. The parties agreed, consistent with this Commission's finding in the Fair Value Proceeding, that the agreed-upon rate freeze is appropriate and beneficial to System customers. *Id.* The rate freeze, however, is a temporary benefit and only for System customers. It is arguably the sole benefit of the Proposed Transfer, a temporary reprieve that does not outweigh the many direct and indirect costs to be borne by customers in the long-term. Further, as Public Staff witness Junis noted, in CWSNC's updated Addendum to its Application, "[t]he depreciation rates are modified to CWSNC's lower rates, which result in longer estimated lives and reduce the benefit of the four-year rate freeze." Tr. vol. 2, 55. The lower depreciation rates result in less accumulated depreciation and more net plant that would be allowed to earn a return than otherwise would have resulted from a continuation of the County's depreciation rates.

CWSNC has indicated that as part of its next rate case, likely to be filed in 2026 for rates effective in 2027, it will seek to move the System customers into CWSNC uniform water rates. Tr. vol. 2, 44.<sup>3</sup> As this Commission indicated in the Fair Value Order, “[t]he System assets will not be added to rate base for rate setting purposes until CWSNC’s next rate case, which is anticipated to be in four years. As a result, it is difficult to predict the impact of granting the Application on future rates.” Fair Value Order at 8. CWSNC witness Schellinger testified:

The Company concludes from these calculations that the Uniform Water customers would benefit from the acquisition of Carteret, whether the Carteret customers are included in the Uniform Water rate division in the next MYRP case or not. However, the best outcome for all customers – which would generate savings for all customers – is to include Carteret customers in the Uniform Water rate division in the next rate case, as that provides savings to existing customers, while providing the best rate outcome for the Carteret customers. . . .The drivers for the Carteret monthly bill results show that lower O&M costs, from both a more cost efficient operation of Carteret by CWSNC and larger scale afforded by the acquisition, outpace the higher rate base per customer of Carteret as a stand-alone system. In addition, the Uniform Water customers benefit from the added customers, which spreads fixed costs across a larger customer base. Although not yet calculated by CWSNC, the Company believes non-Uniform Water rate division customers would also benefit from the acquisition of Carteret, due to the Carteret customers absorbing a portion of overall CWSNC fixed costs.

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<sup>3</sup> As in the Fair Value Proceeding, the Commission notes that:

The parties have not sought any deduction in the fair value of the System for property that is not used and useful. The Fair Value Statute allows a utility to establish rate base using fair value instead of original cost, N.C.G.S. § 62-133.1A(a), and it does not alter the Commission’s authority to set rates under Chapter 62. N.C.G.S. § 62-133.1A(e). The determination about whether utility property is used and useful is made at the time of a rate case, in relation to the applicable test period. N.C.G.S. § 62-133(b)(1). Therefore, the Commission can exclude property for which a fair value was determined in accordance with the Fair Value Statute but at the time of the rate case is found not to be used and useful.

Fair Value Order at 26.

Tr. vol. 3, 119-20.

Economies of scale projected years into the future are speculative in nature, and any reliance on these projections to demonstrate potential cost savings is risky. While any realized economies or reductions in expenses should be passed on to customers in a rate case, reliance on average per customer expenses fails to capture specific characteristics of the System, including its being composed of two different water systems separated by approximately 20 miles. The Public Staff Panel questioned the non-incremental expense adjustments, specifically the accuracy of removing corporate allocation expenses that are passed down on a per customer basis. Tr. vol. 2, 150-51.

In addition, the contended economies and reductions in expenses would have to offset the higher rate base, including depreciation expense and cost of capital, of the System, than the CWSNC uniform water rate division, to result in lower uniform water rates. Public Staff witness Junis testified that the Sub 384 Uniform Water rate base per customer was \$2,337 and the fair value with associated fees was \$6,835 per System customer. Tr. vol. 2, 79. CWSNC witness Schellinger testified on rebuttal that the Sub 400 Rate Year 3 Uniform Water rate base per equivalent residential connections (ERC) is \$3,072 and the Carteret County year 4 rate base per ERC is \$5,185. Tr. vol. 3, 116-17. CWSNC witness Schellinger concluded that this rate base per ERC metric does not contemplate the eventual inflection point as the System continues to amortize and depreciate through the future while CWSNC continues to invest in its existing aging systems

and infrastructure. *Id.* The Commission notes that Mr. Schellinger’s testimony fails to acknowledge that the Sub 400 Rate Year 3 Uniform Water rate base per ERC amount already includes three years of projected capital investment and the System rate base per ERC would still be over \$2,000 per ERC, or approximately 69%, higher. Thus, there is no evidence in the record to support the contention that there will eventually be an inflection point.

Nonetheless, it is undisputed that CWSNC uniform customers will pay more in average monthly bills (uniform rates of \$77.58 from line 50 of Revised Rebuttal Exhibit MPS-4) if the Carteret County customers are rolled into the uniform rates as opposed to the Carteret County customers being charged standalone rates (uniform rates of \$76.89 from line 49 of Revised Rebuttal Exhibit MPS-4). This rate comparison illustrates that CWSNC uniform rate customers would benefit from shared costs being allocated to the System customers if the System customers are charged standalone rates.

CWSNC witness Schellinger indicated that CWSNC’s ERC analysis does not differentiate between the North River and Merrimon customers. Tr. vol. 2, 13. However, Public Staff witness Feasel analyzed the impact of the transfer on both sets of customers by distributing the revenue requirement provided by CWSNC witness Schellinger between North River and Merrimon customers consistent with the County current revenue distribution, illustrating the rate impact disparity of the Proposed Transfer between the North River and Merrimon customers. Public Staff Late-Filed Exhibit No. 1. As Public Staff witness Junis pointed out, “the Merrimon

customers are on a smaller separate system and are charged a lower rate to account for that.” Tr. vol. 2, 125. Public Staff witnesses Feasel and Junis testified that Merrimon customers would be negatively and disproportionately impacted by being rolled into the uniform rate. Tr. Vol. 2, 26. The Merrimon customers currently pay, and will continue to pay under the rate freeze, a minimum monthly base charge of \$23.40, which includes a thousand gallons of usage, and \$10.10 per additional 1,000 gallons of metered usage. The current Merrimon monthly bill for 3,343 gallons is \$47.06. In comparison, the previously approved Sub 384 CWSNC uniform water rates contain a monthly base charge of \$24.53 and a usage rate of \$11.71 per 1,000 gallons; under Sub 384 CWSNC uniform rates, a monthly bill for 3,343 gallons would be \$63.68. The subsequent rates approved in CWSNC’s recent rate case in Docket No. W-354, Sub 400 and projected by CWSNC in this CPCN Proceeding would result in additional increases. For example, the Sub 400 Rate Year 3 uniform base charge of \$28.61 and usage charge of \$13.78 per 1,000 gallons would result in a monthly bill for 3,343 gallons of \$74.68, or an increase of nearly 59%. In simplest terms, the Merrimon customers will be charged significantly higher rates if the Proposed Transfer is approved.

The North River customers currently pay a minimum monthly base charge of \$40.25, which includes a thousand gallons of usage, and \$10.10 per additional 1,000 gallons of metered usage. Tr. vol. 2, Official Exhibits, CPCN Application, 1; Tr. vol. 2, 82. The current monthly bill for 3,343 gallons is \$63.91. Tr. vol. 2, 82-83. In comparison, the Sub 400 Rate Year 3 uniform base charge of \$28.61 and usage charge of \$13.78 per 1,000 would result in a monthly bill for 3,343 gallons of

\$74.68, or an increase of nearly 17%. *Id.* These customers would face the full rate impact of uniform rates after CWSNC's next rate case, including changes in expenses, capital investment above the projections in the Water & Sewer Investment Plan (WSIP), and roll in of acquired systems as approved by the Commission.

Despite the fact that the County made a profit on its System operations in FY2022 and the detrimental impact of the Proposed Transfer on Merrimon customers, the County contends that one of the reasons it favors the Proposed Transfer is that its taxpayers not on the System are currently subsidizing the System and that subsidization is not equitable. Tr. vol. 3, 42. As this Commission acknowledged in its Fair Value Order, "System customers represent less than half of the parcels within the Water District, and they are only a small fraction of the County population." Fair Value Order at 6. However, with the Proposed Transfer,

CWSNC customers in other counties would be subsidizing the System's customers through application of the uniform rates.<sup>4</sup> Fair Value Proceeding Tr. vol. 3, 221-22.

CWSNC asserts that the Proposed Transfer will allow CWSNC to spread the costs of the Proposed Transfer among its customers, but the Commission finds that there is not sufficient, clear, and convincing evidence in the record on quantification of benefits, which is consistent with our findings in the Fair Value Proceeding. Fair Value Order at 7.

The Commission also finds that there are no meaningful economies of scale associated with the Proposed Transfer that: 1) can be reasonably expected to come to fruition; 2) offset higher rate base, cost of capital, and taxes; and 3) prevent harm to the affected customers. This is particularly troubling in light of transaction and closing costs of \$312,039 for the acquisition of this small system, which equates to approximately \$250 per System customer or more than \$8 per

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<sup>4</sup> As Public Staff witness Junis testified in making an alternative recommendation to denial:

I would note that if the Commission does not deny the CPCN Application, which, in addition to the issues specific to this case described above, such a decision could trigger a domino effect of future fair value acquisitions at rate bases significantly higher than net book value despite a lack of offsetting benefits and further exacerbate upward pressure on rates and affordability. To avoid such an outcome, I recommend issuance of the CPCN and approval of the proposed rates, which are presently charged by the County including a four-year rate freeze, contingent on certain conditions. First, the Commission should exercise its authority to set rates for the County Water System on a system-specific basis, in accordance with its authority reiterated in N.C.G.S. § 62-133.1A(e).<sup>[15]</sup> Further, the County Water System should remain on system-specific rates for the duration of time that the purchase acquisition adjustment is in rate base, or until such time after its next general rate case that CWSNC clearly shows by the weight of credible evidence that the County Water System customers and CWSNC uniform water customers would mutually benefit from consolidation.

Tr. vol. 2, 86-87.



existing CWSNC customer assuming 38,000 CWSNC customers in North Carolina. Tr. vol. 2, 19-20.

Public Staff witness Junis suggested in direct testimony that either CWSNC, or Carteret County, or both could voluntarily agree to mitigate the impact of the Proposed Transfer on System customers beyond a short-term rate freeze, such as through a reduction in rate base or a hardship fund. Tr. vol. 2, 85. Public Staff witness Junis noted a reference to such mitigation in the Fair Value Order and steps taken by other utilities. *Id.*, citing Fair Value Order at 24-25; Tr. vol 3, 32. Neither CWSNC nor the County has proposed any such mitigation measures. While CWSNC does not provide any rationale for not doing so, the County suggests – without providing any citation – that it has no statutory authority to set aside such funds.<sup>5</sup>

The Public Staff noted the contradictory arguments the County was making on this matter. Tr. vol. 2, 157-58. In response to redirect questions on the County's contentions that there is no legal basis to set up a hardship fund and that the Commission can protect customers better than the County, essentially asking this Commission to do what the County will not, witness Junis responded:

I mean, the -- it's a confusing position and it's somewhat contradictory when it talks about they've been unable to include in the user charges sufficient revenues to support the capital fund, but then also say they're not governed by any rate change restrictions and could raise the rates each month if necessary, but then go on to

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<sup>5</sup> The County attorney indicated in the evidentiary hearing that sales proceeds could not be used "for private purposes like that" and the County manager suggested that – unlike the construction of a new detention center – such a hardship fund would not provide a public benefit. Tr vol. 2, 155; Tr. vol. 3, 45, 91-92.

say, in fact, the customers are more protected from rate increases from a private utility company than they would from a locally owned utility. So that's a -- it's a lot to try to process, but, ultimately, I think they do have the discretion to not only set appropriate rates that cover their costs but also to control what they are charging and its costs to mitigate the effect to customers and protect them best because, again, this Commission has a bunch of wisdom and a bunch of authority, but it's still -- it's powers are limited to some degree with regards to ratemaking, while the County represents that they sort of have un wielded power.

*Id.*

The record does not support the applicant's contentions that customers would be better off after the Proposed Transfer when it would likely increase costs for CWSNC uniform customers, as well as the costs for System customers, in the future without the benefits of County ownership. The Commission finds that neither CWSNC customers nor System customers would be better off, or no worse off, after the Proposed Transfer and especially without any mitigation beyond a short-term rate freeze for System customers.

#### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 13-14**

The evidence supporting these findings of fact is contained in the record in the Fair Value Proceeding, the CPCN Statute, the Company's CPCN Application, the testimony and exhibits of Company witnesses Schellinger and Denton, County

witnesses Burns and Meshaw, and Public Staff witnesses Feasel and Junis, and the entire record in this proceeding.<sup>6</sup>

In this CPCN Proceeding, Public Staff witness Junis presented his comparison of the County's projected rates to the projected CWSNC rates under either system specific or uniform rates. Tr. vol. 2, 141-52; Tr. vol. 2, Official Exhibits. Public Staff Panel Redirect Exhibit No. 1 specifically compares County witness Meshaw's propounded budget for sustainable rates, with reasonable adjustments based on County audited financials and budget documents, and CWSNC witness Schellinger's Revised Rebuttal Exhibit MPS-4. *Id.*; Tr. vol. 3, Official Exhibits. The Commission gives considerable weight to this analysis, because it sets aside disputes regarding the underlying numbers (although some

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<sup>6</sup> This Commission has recognized potential customer benefits such as lower rates and improvements to water quality in the orderly transfer of water systems from a private developer to a private utility to a Local Government Utility. In this CPCN proceeding, and consistent with the Fair Value Statute, which offers a potential incentive to private utility buyers and Local Government Utility sellers, the benefits of transfer should exceed or at least match the costs. The Fair Value Statute and the evidence presented in the Fair Value and CPCN Proceedings does not warrant a departure from this standard. As the Commission has previously discussed:

Under the most common pattern, the private system is installed by a developer with no interest or ability to operate and maintain the system over the long term. Companies like CWS, with capital and operational expertise and with the long-term desire to operate the systems, acquire them from developers or small operators. Over time, as municipal development and expansion take place, opportunities often arise through which a municipality or governmental system takes over from the private utility operator. At each step, the customer benefits from the transfer of ownership. Water quality may improve, and the potential exists for lower rates. That being the case, the Commission should not impose economic barriers to the orderly transfer of water systems to municipal entities....

Order Determining Regulatory Treatment of Gain On Sale, In the Matter of Application by Carolina Water Service, Inc. of North Carolina, for Authority to Transfer the Water and Sewer Utility Systems Serving Cabarrus Woods, et al. to the City of Charlotte, Docket No. W-354, Sub 331, December 23, 2011, 11-12.

are compelling) and provides a comparison of the costs of service asserted by the two entities under their respective ownership of the System.

Under the County projected rates, the System customers would receive the significant benefit of a capital reserve to offset future capital needs, such as replacement, rehabilitation, improvement, or expansion of the System. For a similar total revenue requirement proposed by CWSNC, the System customers would not receive this benefit and instead pay for higher debt costs, return on equity, and taxes. Therefore, the Commission concludes that the System customers would be detrimentally impacted by the Proposed Transfer. The Commission further notes that the County budget amount for the next four years would be nearly the same as the currently budgeted rates if not for the “savings deposit” to the capital reserve.

#### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 15-19**

The evidence supporting these findings of fact is contained in the record in the Fair Value Proceeding, the CPCN Statute, the Company’s CPCN Application, the testimony and exhibits of Company witnesses Schellinger and Denton, County witnesses Burns and Meshaw, and Public Staff witnesses Feasel and Junis, and the entire record in this proceeding.

It is undisputed by the parties that the System is in very good physical condition. In 2013, the County completed a \$3.51 million water system improvement project. Tr. vol. 2, 65. This Commission found in its Fair Value Order

that “there is little need for significant capital projects in the near future.” Fair Value Order at 16. While the Fair Value Statute and Commission Rule R7-41 contemplate that applicants identify system deficiencies in the Fair Value Application, the Company’s Fair Value Application did not identify any needed infrastructure improvements, additions, or major replacement for the next five to ten years. Fair Value Order at 7. Similarly, the engineering assessment conducted pursuant to N.C.G.S. § 62-133.1A(b)(2) identified no deficiencies. Fair Value Order at 10. In its CPCN Application, the Company only identified “tank investments” as improvements or additions to be made in the first year at a cost of \$125,000, but these investments appear to be ordinary investments rather than deficiencies. Tr. Vol. 3, Official Exhibits, updated Addendum to CPCN. Based upon the foregoing, this Commission concludes that the System is in very good physical condition and is not in need of substantial capital infusion.

It is also undisputed that the System enjoys a history of being well-operated without environmental violations. As Public Staff witness Junis testified in the Fair Value Proceeding, according to Public Water Supply Section records available on the Drinking Water Watch system, neither the North River System nor the Merrimon System has had any violations issued or enforcement actions taken against it over the last six years, “such that, to his knowledge, the County was providing safe, reliable, and compliant service to the North River/Mill Creek and Merrimon water systems.” Fair Value Proceeding Tr. vol. 3, 138-39; Fair Value Order at 8. He added that “there are no serious or widespread environmental or compliance issues or a lack of capital funding, technical, managerial, and/or

financial expertise and capabilities.” Fair Value Proceeding Tr. vol. 3, 143. While customers have expressed concerns about operations during the recent months of contract operation by CWSNC, this Commission found in the Fair Value Proceeding that service to the customers of the System has been reasonably adequate. Fair Value Order at 6. As articulated in the McKissick Dissent to the Fair Value Order, “Carteret County has demonstrated the ability to operate the Carteret County Water System competently: the system has been well-maintained and has provided service in compliance with relevant environmental, health and safety laws and regulations.” Fair Value Order, McKissick Dissent, at 1. Based upon the foregoing, the Commission concludes that the System is well-operated and without violations. The Commission further concludes that System customers will see no net operational or service benefits from the Proposed Transfer.

#### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 20-24**

The evidence supporting these findings of fact is contained in the record in the Fair Value Proceeding, the CPCN Statute, the Company’s CPCN Application, the testimony and exhibits of Company witnesses Schellinger and Denton, County witnesses Burns and Meshaw, and Public Staff witnesses Feasel and Junis, and the entire record in this proceeding.

While the Commission determined the fair value of the System by adjusting the average of the three appraised values, the Fair Value Proceeding record did not establish the rate impacts that would be experienced by System customers due to the temporary, short-term rate freeze and varying assumptions used to

estimate the rate impacts. Fair Value Order, 31. In the Fair Value Proceeding, this Commission did not have sufficient evidence in the record to fully determine the rate impact on CWSNC uniform customers or System customers; these issues have been further clarified in this CPCN Proceeding and are discussed earlier in this Order.

Public Staff Panel Redirect Exhibit No. 1, which compares the County's projected rates to what the rates would be under CWSNC ownership with either uniform or standalone rates, provides a clear depiction of the trade-offs and impacts of the transaction. Tr. vol. 2, Official Exhibits. In the evidentiary hearing, witness Junis described the proposal as follows:

... it's sort of a bait and switch of, okay, we'll charge you this sort of discounted rate, but we'll also show you in our calculations that we can justify a higher rate and it is our intention or CWSNC's intention to charge a higher rate in the future.

Tr. vol. 2, 123.

This CPCN Proceeding has clarified certain issues or produced new information, in particular evidence that the System would have been close to break-even had the County continued operating the System in the five months of CWSNC operation, and clarification that the County does not pay federal or state income taxes on System receipts. Tr. vol. 3, 57, 83. The upcoming payoff of the County's low interest rate SRF loans in 2026 is also an important factor to consider. Tr. vol. 2, 152. As CWSNC witness Denton acknowledged in the Fair Value

Proceeding, the County's cost of debt is substantially lower than CWSNC's.<sup>7</sup> Fair Value Order at 20. In the Sub 400 Rate Case, a debt cost rate of 4.64% was found to be just and reasonable for setting CWSNC rates. Tr. vol. 2, 45. The County enjoys a low embedded cost of debt of only 2.61%. Fair Value Proceeding Tr. vol. 2, 70-71. Additionally, the County's general fund, general obligation bond ratings are S & P AA Plus, Fitch AA Plus, and Moody's Aa1. *Id.*

It is undisputed by the parties that the System made a profit of \$47,105 in FY2022. Tr. vol. 2, 70 and Tr. vol. 3, 57. N.C.G.S. § 159G-20.(4a) defines a distressed unit as:

A public water system or wastewater system operated by a local government unit exhibiting signs of failure to identify or address those financial or operating needs necessary to enable that system to become or to remain a local government unit generating sufficient revenues to adequately fund management and operations, personnel, appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services.

From this definition, the term distressed unit is primarily a financial designation. The Division of Water Infrastructure states on its website that once a local government unit is designated as distressed, the Division can leverage various funding programs to fit the individual needs and can facilitate development and

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<sup>7</sup> On cross examination, CWSNC witness Schellinger also agreed that the Company's capital structure as stated in its Application was 50% debt, 50% equity, and that interest rates had skyrocketed since CWSNC won the upset bid process in April 2021. Tr. vol. 2, 22. Additionally, CWSNC witness Denton indicated that, while CWSNC planned to apply for SRF financing for other systems, it did not have plans to make an application for SRF funding for the Carteret County system, as "right now, this particular system's in really good shape." Tr. vol. 2, 22-23.



implementation of action plans.<sup>8</sup> The extent to which a selling utility is financially or operationally “troubled” is one of a wide range of factors that have been considered relevant to deciding whether rate base treatment of an acquisition adjustment should be deemed proper. North Topsail Order at 27. System deficiencies, ongoing environmental regulatory violations, and frequent customer complaints typify operationally-troubled systems. *Id.* at 21. In addition, the Commission determined the North Topsail utility to be financially-troubled, because it did not have a legitimate source of capital and had relied on prepaid connection fees to make improvements and repairs to the system. *Id.* at 16-20.

The North Topsail circumstances are in stark contrast to the County System’s circumstances. In rebuttal testimony, County witness Meshaw at first suggests that the FY2022 profit stems from the resignation of the County’s Operator in Responsible Charge (ORC), though ultimately concedes that, had the County operated the System for the entire year (therefore, for five more months), the County estimates that the System would have lost only \$39,787; in other words, the System was essentially break-even in the most recent audited fiscal year.<sup>9</sup> In fact, in the profitable FY2022, the County operated the System the

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<sup>8</sup> Viable Utilities: What is a Viable System? available at <https://www.deq.nc.gov/about/divisions/water-infrastructure/viable-utilities#BenefitsoftheViableUtilityProgram-3904>. (Last visited on August 8, 2023). Website cited in Tr. vol. 3, 50 as <https://deq.nc.gov/about/divisions/water-infrastructure/viable-utilities>.

<sup>9</sup> Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, as referenced in Public Staff Panel Redirect Exhibit No. 1, 2, Tr. vol. 2, Official Exhibits.

majority of the fiscal year.<sup>10</sup> As such, the Commission finds that, regardless of ORC, the System was financially viable in 2022, a conclusion that the Commission could not reach in the Fair Value Order.<sup>11</sup>

Still, in CWSNC's next fiscal year of operation, FY2023, the County seems to suggest the System would operate at a loss.<sup>12</sup> Tr. vol. 2, Official Exhibits, Public Staff Panel Redirect Exhibit No. 2 (DR 7 Response), 17. The projection presumably includes both the anticipated \$125,000 water tank rehabilitation and \$103,000 expenditure for Copper and Zinc remediation (the contract for which has already been bid out by the County) that was not identified in either the Fair Value Application or the CPCN Application, both of which were filed in July and August of 2022, before audited financials confirmed that the System was making a profit. Tr. vol. 2, Official Exhibits, Public Staff Panel Redirect Exhibit No. 2, 3, Tr. vol. 3, 139. A graphic presented during consideration of the County's 2023 budget, which was passed the night before the evidentiary hearing, suggests a small profit forecasted for FY2023, a point that was not countered by the County in the evidentiary hearing. Tr. vol. 2, Public Staff County Panel Cross Exhibit No. 1.

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<sup>10</sup> On January 24, 2022, CWSNC and the County entered into an operation and maintenance oversight agreement whereby CWSNC began providing ORC and consultation services to the County staff. Fair Value Order at 6.

<sup>11</sup> In its Fair Value Order, the Commission found in part that the System "was not financially self-sufficient on customer rates alone. The System's operations were supported at times with monies from the County's General Fund and, additionally, were regularly supported with taxes collected from property owners within the boundary of a special water taxing district (the Water District)." *Id.*

<sup>12</sup> Two business days before the evidentiary hearing, the County supplemented its response to DR 7 to indicate that it forecasted a loss for fiscal year 2023.

It is also undisputed that the County is scheduled to pay off its two low interest rate SRF loans in 2026. Tr. vol 2, 152. The County's FY2022 audited financial statements (Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022) indicate that the loans' balances of \$31,032 and \$560,000 (totaling \$591,032) will be paid off in 2026. Tr. vol. 2, Official Exhibits, Public Staff Panel Redirect Exhibit No. 1, 2. As the Public Staff noted, while the County's USDA loan payments will start to increase in 2027, the County could use the free cash flow provided by the payoff of the SRF loans to lower rates or accelerate repayment of the USDA loans.<sup>13</sup>

Based upon a review of the foregoing, and when coupled with the \$1 million surplus in the County's Water Fund, even providing for a savings deposit and no change in depreciation rates should the County retain ownership, the Commission finds that it is reasonable to forecast continued System viability.

Finally, it is also undisputed that the County is not presently subject to federal and state income taxes, unlike a private entity like CWSNC. Indeed, County witness Meshaw confirmed that the County does not pay any federal or state income tax. Tr. vol. 3, 83. Taxes add to the additional direct and indirect costs to be borne by System customers under the Proposed Transfer, as discussed by County witness Meshaw:

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<sup>13</sup> Public Staff Junis stated, "... it's also something that the County may consider paying off early. Is there a benefit to paying off a principal of \$906,000 to avoid interest costs of over \$400,000? That's a decision for the County to make, but we have captured this representation of their true cost of service in this table and chart." Tr. vol. 2, 152; Tr. vol. 2, Official Exhibits, referencing Public Staff Panel Redirect Exhibit No. 1.

Q. So would it be fair to say that in the hands of the buyer, they would have income taxes that y'all would have to pay, they would have higher debt cost, they wouldn't invest in a water fund, so-called savings deposit that Mr. Junis had, and they're going to depreciate longer so the depreciation expense is going to be lower; is that correct?

A. I can definitively say if they made a profit, they would have to pay tax on their income.

Tr. vol. 3, 83.

This Commission is required to evaluate the CPCN Application without speculation or sentiment. N.C.G.S. § 62-110(a) obligates the Commission to decide whether "public convenience and necessity requires, or will require, such ... acquisition .....", and N.C.G.S. § 62-111(a) requires the Commission approve a sale of such utility systems only "if justified by the public convenience and necessity." As in its exercise of authority in the Fair Value Proceeding, the Commission is called upon to exercise its authority under the CPCN Statute in a manner that is consistent with all provisions of Chapter 62, to achieve the fair regulation of public utilities in the interest of the public. N.C.G.S. §§ 62-3, 62-30. Fair Value Order at 24. The Commission determines that CWSNC has not met its burden of showing that the public convenience and necessity weigh in favor of the issuance of the requested CPCN.

In this ruling, the Commission does not seek to supplant the jurisdiction of Carteret County to decide whether it can, should, or desires to continue providing water utility services to its citizens. Carteret County is a sophisticated county government, and is home to Morehead City, Atlantic Beach, Historic Beaufort, the

State Ports, and an airport, among other notable attributes that make it a highly attractive place to do business and live. If the County does not desire to run the System as it has ably done for years, it can continue engaging a contract operator and evaluate other options statutorily available to the County.

Various Local Government Utilities are, at times, in great – if not dire – need of operational assistance, service quality upgrades, environmental compliance services, and infusion of capital, hence the General Assembly’s passage of the Fair Value Statute. Those issues are not present in this proceeding, while countervailing considerations are: strong local opposition, the direct and indirect costs to be borne by existing CWSNC customers and prospective System customers, and the System’s financial viability. The transfer of such Local Government Utilities at the expense of customers without ongoing benefits would irrevocably exacerbate upward pressure on rates and is not in the public interest.

The Commission has carefully considered and weighed all the evidence and arguments presented in this proceeding, and concludes that the elements of public convenience and necessity are not present in the Proposed Transfer, and that: 1) while services would not be impacted, the grant of a CPCN to CWSNC would have an adverse impact on the rates of customers; (2) ratepayers would not be protected as much as possible from potential costs and risks of the Proposed Transfer; and (3) the Proposed Transfer would not result in sufficient benefits to offset potential costs. In essence, the System’s customers would be paying more for the same level of service they currently receive if the Proposed Transfer were

approved, which weighs against a finding that awarding this CPCN is in the public convenience or necessity. Therefore, the Commission concludes that granting the CPCN Application is not in the public convenience and necessity and is hereby denied.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_ day of \_\_\_\_\_, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk