

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

<p>In the Matter of Application by Aqua North Carolina, Inc., 202 MacKenan Court, Cary, North Carolina 27511, for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All Service Areas in North Carolina</p>	<p>) VERIFIED COMMENTS OF) THE PUBLIC STAFF) REGARDING PETITION FOR) LEAVE TO INTERVENE OUT) OF TIME BY CAROLINA) MEADOWS, INC.</p>
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NOW COMES the Public Staff – North Carolina Utilities Commission (Public Staff), by and through its Executive Director, Christopher J. Ayers, and respectfully submits the following comments to the Petition for Leave to Intervene Out of Time and for an Order Declaring Invalid the Parties' Partial Settlement Agreement and Stipulation, or, in the Alternative, to Open a Complaint Docket Against Aqua North Carolina, Inc. (Petition), filed in this docket on August 14, 2020, by Carolina Meadows, Inc. (Carolina Meadows).

Procedural Background

1. On December 9, 2005, the Commission issued its Order Accepting Bond, Approving Transfer, and Requiring Customer Notice in Docket Nos. W-218, Sub 216, and W-1118, Sub 3 (Transfer Order). This Order approved the application for authority to transfer assets and franchises to provide wastewater utility service in Governors Village Subdivision, Governors Forest Subdivision, Governors Village Townhomes, and Governors Village Offices in Chatham

County, North Carolina, from Chatham Water Reclamation Company, LLC (Chatham Water), to Aqua North Carolina, Inc. (Aqua NC or the Company).

Finding of Fact No. 3 of the Transfer Order establishes that Whippoorwill, LLC (Whippoorwill), owned the wastewater treatment plant for the Chatham Water service areas. The wastewater treatment plant also served Carolina Meadows, a continuing care retirement community located near the Chatham Water service areas. Chatham Water owned a one-third-membership interest in Whippoorwill, and Carolina Meadows owned the remaining two-thirds interest.

Finding of Fact No. 5 of the Transfer Order states as follows:

Pursuant to the Carolina Meadows APA, Aqua will furnish Carolina Meadows bulk treatment service at a rate of \$2.50 per 1,000 gallons for a period of five years after Closing, as that term is defined in the Carolina Meadows APA. The rate will increase to a maximum of \$5.50 per 1,000 gallons for the three year period following Aqua's next general rate case after the five-year term.

Finding of Fact No. 6 of the Transfer Order states as follows:

In a letter to the Public Staff dated November 21, 2005, Aqua agreed to reduce the contract purchase price to be paid to Chatham Water from \$373,939 to \$258,578, the combined net plant in service at June 30, 2005, for both Chatham Water and Carolina Meadows as calculated by the Public Staff. The Public Staff recommended rate base treatment for the reduced purchase price, the \$2,000 reimbursement for attorney's fees for Chatham Water, the \$2,000 reimbursement for attorney's fees for Carolina Meadows, and the \$95,000 purchase price for the Carolina Meadows' land. In all other respects, the agreements with Chatham Water and Carolina Meadows remain unchanged. In an e-mail message to the Public Staff dated November 21, 2005, Chatham Water confirmed its agreement with Aqua regarding the reduced lump sum portion of the purchase price.

Ordering Paragraph No. 8 of the Transfer Order states in part:

[I]n the event of a consolidated system rate case during the time period of the "bulk treatment rate" as described in Section 1.3(d) of the Carolina Meadows APA, the Public Staff retains the right to recommend any adjustment necessary to offset the impact of the bulk treatment rate on non-Carolina Meadows customers, if the impact is material.

2. On November 26, 2019, pursuant to Commission Rule R1-17(a), Aqua NC filed a letter notifying the Commission of its intent to file an application for a general rate case in the present docket.

3. On December 31, 2019, Aqua NC filed an application with the Commission requesting authority to adjust and increase its rates for water and sewer utility services in all its service areas in North Carolina, effective for service rendered on and after January 30, 2020.

4. On January 21, 2020, the Commission issued its Order Establishing General Rate Case and Suspending Rates. This Order declared the matter to be a general rate case, suspended the rates for up to 270 days, and established the test year period as the 12 months ending September 30, 2019.

5. On February 14, 2020, the Commission issued its Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). The Scheduling Order established the dates, times, and locations for six public witness hearings to take place in April 2020 and an expert witness hearing to begin on June 23, 2020. The Scheduling Order also directed that petitions to intervene be filed no later than May 19, 2020.

6. On March 31, 2020, to assist in preventing the spread of coronavirus and in response to Governor Roy Cooper's Executive Order No. 121 imposing a statewide "stay at home" order until April 29, 2020, the Commission issued an order postponing the previously scheduled public witness hearings pending further order.

7. On April 29, 2020, the North Carolina Attorney General's Office (AGO) filed a notice of intervention in this docket pursuant to N.C. Gen. Stat. § 62-20. On May 14, 2020, the Commission issued an order granting the Public Staff's motion for extension of time to file the testimony of its witnesses on May 26, 2020, with the exception of its witness John R. Hinton.

8. On May 26, 2020, the Public Staff filed the testimony and exhibits of its witnesses Michelle M. Boswell, Lindsay Darden, Lynn Feasel, D. Michael Franklin, Windley E. Henry, and Charles M. Junis. At the time of filing of witness Junis' Exhibits 14 and 15, the Public Staff understood that Carolina Meadows was not being charged a base facility charge (BFC) by Aqua NC and recommended a BFC for a 6-inch meter, which it assumed to be a water meter.

9. On June 11, 2020, Aqua NC filed a Petition for Approval of an Order Allowing Deferral of Revenues in Lieu of Rates Under Bond or, Alternatively, Notice of Intent to Place Temporary Rates in Effect Subject to a Refund Pursuant to N.C.G.S. § 62-135 (Petition).

10. On June 12, 2020, Aqua NC filed the rebuttal testimony of its witnesses Amanda Berger, Dean R. Gearhart, Paul J. Hanley, Joe Pearce and George Kunkel, and Edward Thill.

11. Also on June 12, 2020, Aqua NC filed a motion for an extension of time until 12:00 p.m., on June 13, 2020, to file the joint rebuttal testimony of its witnesses Becker and Pearce.

12. On June 13, 2020, Aqua NC filed the joint rebuttal testimony of its witnesses Becker and Pearce.¹ On June 23, 2020, at 9:30 a.m., the Commission opened the expert witness hearing in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, though, due to the State of Emergency relating to COVID-19, promptly recessed the hearing to resume on July 6, 2020, at 1:30 p.m., for the purpose of receiving expert witness testimony of by virtual means using the WebEx electronic platform.

13. On June 23, 2020, the Commission issued an Order denying use of a revenue deferral mechanism as requested by the Company. The Order further approved Aqua NC's financial undertaking associated with institution of partial, temporary rates under bond and approved the Company's Notices to Customers.

14. On July 1, 2020, Aqua NC filed a motion seeking Commission approval of revised Notices to Customers. In its motion, Aqua NC sought to

¹ Because June 13, 2020, fell on a Saturday, when the Chief Clerk's Office was closed, the joint rebuttal testimony of Aqua NC's witnesses Becker and Pearce was not marked filed by the Chief Clerk's Office until June 15, 2020, the next business day following June 13, 2020.

implement partial, temporary rates under bond at a lower level than it previously requested and was authorized in the Commission's June 23, 2020 Order.

15. On July 1, 2020, Aqua NC and the Public Staff entered into and filed a Partial Settlement Agreement and Stipulation (Stipulation). The Stipulation resolved some of the issues between the stipulating parties in this docket. However, the following unsettled issues still existed: (1) Conservation Pilot Program; (2) rate design; (3) water quality reporting; and (4) the in-service date of plant and Aqua NC's unitization process, further described herein (collectively, the Unsettled Issues).

16. On July 2, 2020, the Commission issued its Order Approving Revised Customer Notices and Accepting Financial Undertaking, to approve Aqua NC's Undertaking to Refund.

17. On July 7, 2020, at the Commission's request, the Public Staff filed Revised Exhibits I and II of Public Staff witness Windley E. Henry, including Revised Exhibit I of Public Staff witness Lynn Feasel, and Revised Exhibits 7, 9, 13, 15, and 17 of Public Staff witness Charles M. Junis. Revised Junis Exhibit 15 shows a highlighted BFC for Carolina Meadows under the Public Staff's recommended rates of \$8,449.98 and includes a footnote stating, "Carolina Meadows Senior Care is recommended to be charged a BFC for 186 REUs per month."

18. On July 8, 2020, this matter came on for expert witness hearing by virtual means using the WebEx electronic platform. Aqua NC presented the

testimony of its witnesses Becker, Berger, D'Ascendis, Gearhart, Hanley, Kunkel, Pearce, and Thill. The testimony of witnesses D'Ascendis, Hanley, Kunkel and Pearce was received into the record without examination by any party or the Commission. Witnesses Becker, Berger, Gearhart, and Thill participated in the proceeding and were subject to cross-examination. The Public Staff presented the testimony of its witnesses Boswell, Darden, Feasel, Franklin, Henry, Hinton, and Junis. The testimony of witnesses Boswell, Darden, Feasel, and Hinton was stipulated into the record without examination of the sponsoring witnesses. Witnesses Franklin, Henry, and Junis were available for examination by the parties and the Commission.

19. On July 13, 2020, the hearing was recessed to be reconvened on August 3, 2020, for public witness hearings conducted by virtual means using the WebEx electronic platform.

20. On July 15, 2020, at the Commission's request, Aqua NC filed its Confidential Late Filed Becker Direct Exhibit 4.

21. On July 16, 2020, the Commission issued its Notice of Due Date for Proposed Orders and/or Briefs, requiring the parties to file proposed orders and/or briefs with the Commission no later than August 17, 2020.

22. On July 17 and 20, 2020, the Public Staff filed its Late Filed Exhibits 1 and 2, respectively.

23. On July 27, 2020, Aqua NC filed a Late Filed Exhibit with responses to Commissioner Questions.

24. On August 3, 2020, at 1:30 p.m., the first public witness hearing began by virtual means using the WebEx electronic platform. Thirteen Aqua NC customers testified as public witnesses at the first public witness hearing. The second hearing took place on August 3, 2020, at 6:30 p.m., also by virtual means using the WebEx electronic platform. Eleven Aqua NC customers testified as public witnesses at the second public witness hearing.

25. On August 14, 2020, Aqua NC and the Public Staff filed a Joint Motion for Approval of an Order Revising a Portion of the Filing Schedule.

26. Also on August 14, 2020, nearly three months after the May 19, 2020 deadline to intervene established by the Commission in its Scheduling Order, Carolina Meadows filed its Petition, along with the Verification and Affidavit of Kevin McLeod (McLeod Affidavit), and the Affidavit of William Stannard, PE (Stannard Affidavit). The contents of the Petition and the Public Staff's comments thereon are set forth below.

27. On August 17, 2020, the Public Staff and Aqua NC filed their proposed orders, and the AG filed its post-hearing brief. Also on August 17, 2020, at the Commission's request, the Public Staff filed Revised Exhibits I and II of Public Staff witness Windley E. Henry and Revised Exhibits 7, 9, 13, 15, and 17 of Public Staff witness Charles M. Junis.

Under the Aqua NC's proposed rate design, the total BFC charged to Carolina Meadows would increase from \$1,305.50 to \$4,742.02 (279%) and the metered rate would increase from \$8.92 per 1,000 gallons to \$9.90 (11%). The

annual amount billed to Carolina Meadows would increase by \$56,903 from \$178,788, including the sewer system improvement charge of 1.15%, to \$235,691 (32%).

Under the Public Staff's recommended rate design in Revised Junis Exhibit 15, the total BFC charged to Carolina Meadows would increase from \$1,305.50 to \$8,468.58 (548%) and the metered rate would decrease from \$8.92 per 1,000 gallons to \$6.16 (-31%). The Carolina Meadows annual billed amount would increase by \$34,080 from \$178,788 to \$212,868 (19%).

28. On August 19, 2020, the Commission issued its Order Establishing Dates for Comments on Petition for Leave to Intervene Filed Out of Time by Carolina Meadows, Inc., requiring the parties to file responsive comments with the Commission no later than September 3, 2020.

Public Staff's Comments on Carolina Meadows' Petition

29. The Public Staff disputes many of the assertions made by Carolina Meadows in support of its Petition and responds to those assertions as follows:

Paragraph 3 of the Petition states:

In 2005, Carolina Meadows and its joint owners sold the WWTP, along with two small lift stations and force mains to Aqua's predecessor in interest and became a customer of Aqua.¹ Aqua paid only \$95,000 in cash consideration for Carolina Meadows' majority interest in the WWTP, which cost many times that amount to build. *McLeod Affidavit*, ¶7.

¹ Although Carolina Meadows sold the WWTP to Aqua, it retained ownership of the sewer collection system for the facility. Accordingly, the entire system on Carolina Meadows' side of the

connection, which includes the collection system for all units at the facility, is owned, maintained, and operated by Carolina Meadows, not Aqua. Further, Aqua bills Carolina Meadows for all sewer services at the site under a single account.

The Public Staff does not agree with this statement. As stated above, and also addressed in Ordering Paragraph No. 5 of the Commission's Transfer Order, Aqua NC paid a total of \$357,578, including \$258,578 for the combined net plant in service as of June 30, 2005, \$2,000 reimbursement for attorney's fees for Chatham Water, \$2,000 reimbursement for attorney's fees for Carolina Meadows, and \$95,000 purchase price for Carolina Meadows' land.

30. Paragraph 5 of Carolina Meadows' Petition states:

Because Carolina Meadows operates its own wastewater collection system, Aqua incurs no expense associated with that wastewater collection system or any meter reading expense, customer service expense or billing costs except those associated with the single bill it sends Carolina Meadows each month for actual usages as measured through its single six-inch meter. *Stannard Affidavit*, ¶20.

This statement is inconsistent with Paragraph No. 3 of Carolina Meadows' Petition, which is quoted above, that Aqua NC acquired the WWTP, two lift stations, and force mains. It is the Public Staff's understanding that Aqua NC operates and maintains those two lift stations, that they serve Carolina Meadows, among other customers, and that they require frequent cleaning due to rags and other debris.

31. Paragraphs 8 and 9 of the Petition state:

Unbeknownst to Carolina Meadows, during the course of this proceeding Aqua reached an agreement with the Public Staff under which Aqua singles out Carolina Meadows by name for a nearly

1,300% increase in its base facility charges, which is to be implemented in two stages. *Stannard Affidavit*, ¶12.

According to the Public Staff's expert, Charles Junis, the agreement was reached as part of settlement negotiations concerning whether an excess capacity adjustment should be applied to Aqua's wastewater treatment plants. *Stannard Affidavit*, ¶¶, 12, 18. Mr. Junis acknowledged that he did not agree with Aqua's proposed methodology for calculating Carolina Meadows' base facility charge, but the Public Staff agreed to it as part of the "give-and-take" inherent in settlement discussions. *Junis Hr'g. Testimony, Transcr. Vol. 4*, p.340. Mr. Junis also acknowledged that, due to the "magnitude and suddenness" of the increase, Aqua agreed to impose 50% of the increase in this current rate case, and then the remainder of the increase in the next rate case. *Junis Hr'g. Testimony, Transcr. Vol. 5*, pp. 75–76.

Paragraph 9 of Carolina Meadows' Petition does not accurately characterize Public Staff witness Junis' testimony. Witness Junis did not link Carolina Meadows' BFC to the stipulating parties' agreement regarding excess capacity at three of the Company's wastewater treatment plants. The Public Staff notes that Carolina Meadows did not provide a citation to the transcript of the rate case hearing to support this contention, but rather, it provided citations to the Affidavit of Mr. Stannard, including Paragraph 18 of his Affidavit which states, "Related to this stipulation [regarding an excess capacity adjustment], the Public Staff and Aqua have apparently further agreed to impose base facility charges for Carolina Meadows that are based on 278 *water* meters of various sizes . . . the cumulative equivalent of 372 REUs." Mr. Stannard's use of the word "apparently" in Paragraph 18 demonstrates that any link between the stipulating parties' agreement regarding an excess capacity adjustment and Carolina Meadows' BFC is inferred by Carolina Meadows to exist. The Public Staff submits that the billing

of Carolina Meadows was not a direct consideration affecting the issue of excess capacity adjustments, with the exception of being part of the overall partial settlement. The discovery of Carolina Meadows being under billed based on a 6-inch wastewater meter was part of data request responses regarding excess capacity joint rebuttal testimony of Aqua NC witnesses Becker and Pearce filed on June 13, 2020. The charges to Carolina Meadow do not change the revenue requirement, which is the ultimate outcome of the agreed upon level of expenses and rate base.

32. Carolina Meadows states in Paragraph 10 of its Petition:

Carolina Meadows receives only a single monthly bill from its water provider, Chatham County. However, in order to properly allocate costs among the retirees who reside at its facility, it maintains sub-meters for units and various portions of its facility. *McLeod Affidavit*, ¶5.

While Carolina Meadows receives a single monthly bill from its water provider, Chatham County, that bill includes readings, usage charges, and BFCs for 279 water meters of varying sizes. During the evidentiary hearing on July 9, 2020, Public Staff witness Junis testified that, after excluding irrigation meters, Carolina Meadows receives water service from Chatham County through 264 5/8-inch meters, 6 2-inch meters, and 4 3-inch meters which, combined, are equivalent to 372 residential equivalent units (REUs). Tr. Vol. 5, p. 75. Witness Junis further testified, "In consideration of the magnitude and suddenness of the rate change, the stipulating parties have agreed that the Carolina Meadows Senior Care will be billed a base facility charge for 50 percent, or 186 REUs, until the next general rate

case. The Public Staff would then recommend full implementation of a base facility charge of 372 REUs.” *Id.* at pp. 75-76. Aqua NC and the Public Staff have not agreed to the number of REUs or other billing practices regarding Carolina Meadows in the Company’s next general rate case.

33. Paragraph 11 of Carolina Meadows’ Petition states:

As explained in Mr. Stannard’s Affidavit, despite more than a decade of assessing Carolina Meadows’ base facility charge based on the one, six-inch sewer meter, Aqua and the Public Staff have agreed to now calculate Carolina Meadows’ base facility charge base on the fact Chatham County maintains 278 sub-meters for water service. *Stannard Affidavit*, ¶¶18–21. This is the case even though Aqua’s services have nothing to do with these water meters. *See Stannard Affidavit*, ¶20. Instead, Aqua’s services relate to only wastewater treatment which is precisely metered at the six-inch sewer meter through which service is provided. *Id.*

Based on a review of the records of the transfer proceeding and the subsequent rate cases in Docket Nos. W-218, Subs 216, 274, 319, 363, and 497, the testimony and exhibits of the Public Staff clearly show rates being designed, imputed, and/or recommended for a 6-inch meter, or 50-REU, BFC and the uniform Aqua NC Sewer usage charge. Nothing in those records indicates that the Public Staff or Aqua NC was aware the BFC was based on a sewer meter and not on a water meter, which is how all other volumetric Aqua NC Sewer customers are billed. In addition, Aqua NC had not billed and Carolina Meadows had not paid any BFC until March 2020. Since rates were approved on May 2, 2014, in Docket No. W-218, Sub 363, the BFCs that were approved to be charged but were not billed total over \$80,000.

34. Paragraphs 12 and 13 of Carolina Meadows' Petition state:

Attempting to resolve Aqua's asserted excess capacity issue by increasing Carolina Meadows' base charges by an amount that will ultimately exceed \$200,000 per year is particular unfair since Carolina Meadows built the WWTP and transferred its majority interest to Aqua for only \$95,000. Through the base charge, as contemplated under the Stipulation, every six months, Carolina Meadows will pay Aqua more than the entire price Aqua paid for Carolina Meadows interest in the WWTP.

Billing Carolina Meadows for 278 separate base charges incorrectly assumes that Aqua is incurring the billing costs, customer service costs, collection system costs, lateral costs, meter costs and other costs associated with serving 278 separate customers. This assumption is simply not true and is a patent violation of the cost causation principles that apply to setting just and reasonable rates. *Stannard Affidavit*, ¶20.

The Asset Purchase Agreement between Carolina Meadows and Aqua NC, dated June 2, 2005, which was executed by Aqua NC's then President, Neil Phillips, obligated Aqua NC rather than the developer to build the expansion of the Carolina Meadows WWTP from 180,000 gpd to 350,000 gpd. In 2008, Aqua NC invested over \$2.8 million to construct the expansion of the WWTP. In 2018, Aqua NC invested approximately \$1.7 million to rehabilitate and upgrade the expanded WWTP. The size and thereby the cost of the WWTP was significantly impacted by the design capacity requirement to serve Carolina Meadows that is far greater than 50 REUs.

35. Paragraph 15 of Carolina Meadows' Petition states:

By attempting to base its billing on the count of water meters maintained by Chatham County instead of the single, six-inch sewer meter through which service is provided, the Public Staff and Aqua have stipulated to a flawed ratemaking methodology. *Id.*

Similar to Chatham County sending one monthly water bill for 279 water and irrigation meters, under the settlement agreement Aqua NC would send one monthly sewer bill for BFCs of 274 water meters (the established procedure for other Aqua NC Sewer customers), excluding irrigation meters, discounted by 50% from 372 REUs to 186 REUs.

36. Carolina Meadows states in Paragraph 19 of its Petition:

The Commission's rules, and applicable statutes, are replete with notice requirements to ensure that parties like Carolina Meadows have an opportunity to be heard on matters directly and specifically affecting them. See, e.g., N.C.G.S. §§ 62-42, -43; R1-21. Yet, Carolina Meadows received no such opportunity.

All Aqua NC Sewer customers were sent the Customer Notice approved by the Commission on February 14, 2020. The Customer Notice explicitly states, "The Commission may consider additional or alternative rate design proposals that were not included in the original application and may order increases or decreases in the schedules that differ from those proposed by the Applicant. However, any rate structure considered will not generate more overall revenues than requested." Carolina Meadows does not assert that it did not receive the Customer Notice.

37. Paragraph 21 of Carolina Meadows' Petition states:

Although this Petition has been filed after the typical deadline, the circumstances in this case—in particular the timing of when the issues came to Carolina Meadows' attention—demonstrate that Carolina Meadows has good cause for an out-of-time Petition. Carolina Meadows is not requesting that the Commission alter any deadlines or delay proceedings in this case, and granting this Petition will not require the Commission to do so. Furthermore, Carolina Meadows does not seek to expand the scope of the proceedings. Instead, Carolina Meadows is asking only that the Commission

accepts into the record the attached affidavits and declare void the Stipulation to increase Carolina Meadows' base facility charges.

Rule R1-19(b) of the Rules and Regulations of the North Carolina Utilities Commission provides:

Petitions under this rule shall be filed with the Commission not less than ten (10) days prior to the time the proceeding is called for hearing, unless the notice of hearing fixes the time for filing such petitions, in which case such notice shall govern. A petition, which for good cause shown was not filed within the time herein limited, and which neither broadens the issues nor seeks affirmative relief, may be presented to and allowed or denied by the presiding official, in his discretion, at the time the cause is called for hearing.

While Commission Rule R1-19(b) provides the presiding official some discretion to consider an untimely petition to intervene at the hearing of a matter, the Rule makes no provisions for petitions to intervene *after* a hearing has concluded. Here, Carolina Meadows did not file its petition until a month after the conclusion of the evidentiary hearing.

38. Carolina Meadows states in Paragraph 23 of its Petition:

Because of the flawed methodology used by Aqua and the Public Staff, and the substantial procedural defects in this proceeding, Carolina Meadows now faces a drastic, and unjustified increase to its base facility charge that is inconsistent with generally accepted rate-making principles and does not align with the mission and policies of the Commission.

Carolina Meadows contentions regarding the rate impact are inaccurate and inflated and omit key facts, including the fact that Carolina Meadows has been contractually materially under billed for over eight years, and mistakenly under billed since the expiration of those negotiated rates.

Aqua NC and the Public Staff have only agreed that Carolina Meadows will be billed a base facility charge for 186 REUs, or 50% of the 372 REUs based on its water meters, until the next general rate case. Aqua NC and the Public Staff have opposing rate designs for how the settled revenue requirement would be recovered from customers in rates. Aqua NC opposes the Public Staff's adjustment to convert Aqua NC Sewer and Fairways Sewer residential customers, which are also ANC Water and Fairways Water customers, from a flat rate to a volumetric rate based on their water usage. Also, Aqua NC proposes to maintain the present 35/65 ratio of BFC to volumetric charges, while the Public Staff recommends an incremental approach of 60/40 with the goal of 30/70. Based on the billing determinants in the Exhibits of Public Staff witness Junis and accepted by Aqua NC, the rate impacts of the stipulating parties' respective rate designs are described in Paragraph 25 above.

The Public Staff further notes in response to Paragraph 23 of Carolina Meadows' petition that Carolina Meadows failed to address the fact that it has been contractually materially under billed for over eight years, and mistakenly under billed since the expiration of those negotiated rates. The BFC to be charged based on 274 water meters instead of one wastewater meter more fairly and reasonably represents the demand and cost of service to provide wastewater utility service to Carolina Meadows and relieves other Aqua NC Sewer customers who have picked up the difference in the revenue requirements. If the Stipulation regarding Carolina Meadows' base facility charges, more specifically the determination of REUs

based on water meters, is voided, the Public Staff recommends the Commission within its powers and discretion implement the full amount of 372 REUs.

Conclusion

Based on the foregoing comments, the Public Staff respectfully requests that the Commission deny Carolina Meadows' request for leave to intervene out of time and for an order declaring invalid the parties' partial settlement agreement and stipulation described in its Petition. The Public Staff further requests that the Commission instead treat Carolina Meadows' Petition as a formal complaint pursuant to Commission Rule R1-9 and afford the Public Staff and other parties to the proceeding the opportunity to conduct discovery regarding the affidavits of Kevin McLeod and William Stannard and file supplemental testimony. Finally, the Public Staff requests that these verified comments be entered into evidence in the present docket.

This the 3rd day of September, 2020.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

Dianna W. Downey
Chief Counsel

Electronically submitted
/s/ Megan Jost
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CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Verified Comments on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

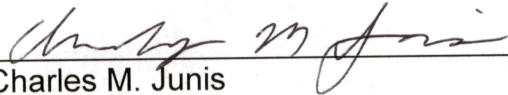
This the 3rd day of September, 2020.

Electronically submitted
/s/ Megan Jost

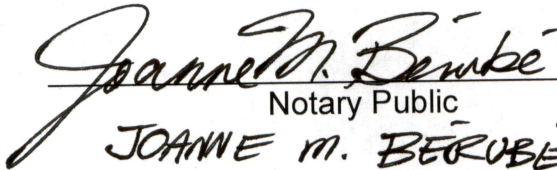
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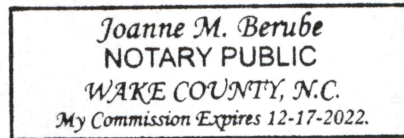
STATE OF NORTH CAROLINA)
)
COUNTY OF WAKE)

Charles M. Junis, first being duly sworn, deposes and says that he is a Utilities Engineer with the Water, Sewer, and Communications Division, Public Staff – North Carolina Utilities Commission, that as such, he has read the foregoing Verified Comments of the Public Staff Regarding Petition for Leave to Intervene Out of Time by Carolina Meadows, Inc., and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.


Charles M. Junis

Sworn to and subscribed before me,
this 3rd day of September, 2020.


Notary Public
JOANNE M. BERUBE



My Commission Expires: 12/17/2022